

# HONGKONG LAND HOLDINGS LIMITED

## AUDIT COMMITTEE TERMS OF REFERENCE

### 1. POLICY

The Hongkong Land Holdings Limited's (the "Company") Board requires that the Hongkong Land Group's businesses (the "Group") conduct themselves in accordance with accepted ethical standards and comply with all applicable laws, regulations and policies and directives of the Board. To meet these objectives at a Group level and within the operating units, satisfactory and functioning internal control systems and adequate monitoring must be maintained.

To implement the Group Policy, the Board has established an Audit Committee (the "Committee") with authority to ensure the Board's objectives are met and reported back to it in conjunction with internal and external auditors. The Committee's responsibilities are more fully detailed below.

### 2. ORGANISATION

- 2.1 The Committee shall consist of at least three members, one of whom shall be elected chairman. Members of the Committee shall not be members of the executive management of the Group. A quorum shall be at least two members.
- 2.2 The Committee will meet at least twice annually preceding the announcement of the Group results and more often if necessary. Representatives from the internal and external auditors shall attend the regular Committee meetings. The Committee shall invite such members of the executive management of the Group as they shall deem appropriate to attend the Committee's meetings. The Committee will submit reports to the Board after each meeting.
- 2.3 Minutes of each Committee meeting shall be taken and circulated to the members and made available to members of the Board on request.
- 2.4 The secretary of the Committee shall be the secretary of the Company or their delegate.

### 3. RESPONSIBILITIES AND OBJECTIVES

The Committee will satisfy itself, by such means as it shall consider appropriate, that:

- adequate information and control systems are in place together with arrangements to monitor their effectiveness; and
- businesses of the operating units are conducted in a proper, commercially sound and ethical manner.

The Committee will act in an advisory capacity to the Board and ensure coordination between the internal and external auditors.

The Committee is authorised to:

- investigate any activity within its terms of reference;
- seek any information that it requires from any Group employee, and all such employees are required to co-operate with any request made by the Committee within its terms of reference; and
- obtain outside legal or independent professional advice, and such advisers may attend meetings as necessary.

Detailed objectives of the Committee are to:

- 3.1 ensure that internal control systems are soundly conceived and effectively administered and seek, through internal and external auditing, assurance that the control systems are in place and regularly monitored.
- 3.2 request reviews to be made of the extent of compliance with established policies, plans, procedures, laws and regulations. To ensure, where they deem necessary, that suitably qualified individuals are appointed with specific responsibility to monitor and effect compliance with all applicable laws and regulations.
- 3.3 provide oversight over risk management activities by:
  - 3.3.1 understanding and assessing the effectiveness of the Group's risk management framework;
  - 3.3.2 reviewing the Group's principal risks and uncertainties and key emerging risks and controls in place to mitigate such risks;
  - 3.3.3 monitoring the Group's risk profile, which may change as a result of changes in the external environment or the business;
  - 3.3.4 guiding on the Group's risk appetite, notably where this may deviate from the risk profile;
  - 3.3.5 requesting comprehensive reviews on selected key risk areas, as the Committee deems appropriate;
  - 3.3.6 Provide oversight for all matters related to cybersecurity and the risks related to information systems and procedures, including those at third parties that the Group's operations rely upon;
  - 3.3.7 Review independent assurance in respect of the effectiveness of sustainability metrics that measure the Group's sustainability strategy, initiatives and goals as disclosed in the Company's annual report; and
  - 3.3.8 reviewing the Group's crisis management arrangements.

- 3.4 define the responsibilities of the internal audit function and:
- 3.4.1 review annual audit plans, budgets and schedules;
  - 3.4.2 be satisfied that the internal audit function has the proper resources to enable it to complete its mandate and the approved audit plans satisfactorily;
  - 3.4.3 review status reports from internal audit and support, as necessary, any follow-up action required;
  - 3.4.4 ensure the internal audit function has full, unrestricted access to all Group activities, records, property and personnel and receives such professional advice necessary to fulfil its agreed objectives;
  - 3.4.5 review the effectiveness of the internal audit process;
  - 3.4.6 review any material breach of the Group's Code of Conduct and management's responses to that; and
  - 3.4.7 request and review any special audit which the Committee deems necessary.
- 3.5 consider and make recommendations through the Board to be put to shareholders for approval at the Company's Annual General Meeting ("AGM") in relation to the appointment, re-appointment, and dismissal of the external auditors. The Committee will oversee the selection process for new external auditors. Any decision relating to the appointment, re-appointment or dismissal of the external auditors shall be required to be unanimous. If an external auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- 3.6 coordinate with external auditors and:
- 3.6.1 review the scope and fees of the external auditors, including the scope at each of the operating units based on their respective materiality levels. Further, to consider the efficiencies gained in this context, taking into full consideration the work performed independently by the internal auditors.
  - 3.6.2 review and evaluate factors relating to the independence of the external auditors and assist the firm in preserving its independence, including an annual review of the nature and extent of non-audit and consultancy services to ensure that independence or objectivity is not impaired.
  - 3.6.3 review the actions and judgements of management in relation to the half-yearly and annual financial statements before submission to the Board, focusing particularly on:
    - any changes in accounting policies and practices;

- whether such policies are appropriate;
- major judgmental areas;
- the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- significant adjustments resulting from the audit;
- the clarity of disclosures;
- the going concern assumption;
- compliance with accounting standards; and
- compliance with stock exchange, regulatory and other legal requirements.

3.6.4 review the external auditors' findings, particularly their comments in management letters and management's responses to the comments.

3.6.5 review the effectiveness of the external audit process.

3.7 recommend to the Board courses of action based upon the findings of the internal and external auditors and from the Committee's consultations, in particular, improvements to the internal systems of control. To review management's responses to such findings.

3.8 satisfy itself that suitable arrangements are in place to monitor the operating units to ensure they keep within their delegated level of authority.

3.9 review the Group's procedures for handling allegations from 'whistleblowers'. To review the courses of action taken by management in response to any material allegations from 'whistleblowers' and the outcome of any findings.

3.10 where the Committee is not satisfied that appropriate action on a control issue is being taken, it will advise the Board, which will decide on the course of action, taking into account the recommendations made by the Committee.

#### **4. RELATIONSHIPS WITH AUDITORS**

4.1 The head of internal audit for the Group and for the Jardines Group will have direct access to the Committee on control, audit, and accounting matters. They shall report significant audit findings to the Committee regularly and without delay. They will provide the Committee with status reports and a summary of work performed at each regular meeting. Any inappropriate restrictions on audit scope are to be reported to the Committee.

4.2 Representatives from the external auditors normally will be invited to attend the regular Committee meetings and be heard on any matter which affects them; they will be advised in ample time of such meeting dates and agenda items. They will at all times have direct access to the Committee on matters of control, audit and accounting. There will be at least one meeting each year, or part thereof, where the external auditors attend without management present.

## **5. REPORTING PROCEDURES**

- 5.1 The Chairman of the Committee or other Committee member shall attend the Board meeting at which the financial statements are considered.
- 5.2 The Committee's duties and responsibilities shall be disclosed in the Company's annual report, and a copy of these Terms of Reference shall be made available on the Group's website.

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