

STARWOOD EUROPEAN REAL ESTATE FINANCE LIMITED
(the “Company”)

AUDIT COMMITTEE

Terms of Reference

In this document, unless the context requires otherwise:

“**Administrator**” means Apex Fund and Corporate Services (Guernsey) Limited;

“**Board**” means the Board of Directors;

“**Codes**” means the UK Corporate Governance Code and the AIC Code of Corporate Governance;

“**Committee**” means the Audit Committee; and

“**Investment Manager**” means Starwood European Finance Partners Limited.

1 Membership

- 1.1 The Committee shall comprise of at least two members. Members of the Committee shall be appointed by the Board, on the recommendation of the Chairman of the Audit Committee.
- 1.2 All members of the Committee shall be independent non-executive directors.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, other directors and senior representatives of the Investment Manager and the Administrator may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The external auditor will be invited to attend meetings of the Committee on a regular basis.
- 1.5 Any appointee of the Committee shall remain a member of the Committee for as long as the member is also a director of the Company. Appointments to the Committee is subject to the relevant appointee meeting the criteria for membership of the Committee.
- 1.6 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.

2 Secretary

- 2.1 The Administrator or its nominee shall act as the Secretary of the Committee.

3 Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members, provided that a majority of the directors present are resident in Guernsey. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4 Frequency of Meetings

- 4.1 The Committee shall meet in Guernsey at least two times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5 Notice of Meetings

- 5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6 Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.

7 Annual General Meeting

- 7.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8 Duties

The Committee should carry out the duties below for the Company and its subsidiaries (if any).

8.1 Financial Reporting

- 8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- 8.1.2 In particular, the Committee shall review and challenge where necessary:
 - i. the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
 - ii. the methods used to account for significant or unusual transactions where different approaches are possible;
 - iii. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - iv. the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
 - v. all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

8.2 Internal Controls and Risk Management Systems

The Committee shall:

- 8.2.1 keep under review the effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- 8.2.2 review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

8.3 Whistleblowing

The Committee shall:

- 8.3.1 review the effectiveness of arrangements put in place by the Investment Manager or any other Adviser in which employees may, in complete confidence, raise concerns about possible wrongdoing in financial reporting or other matters;
- 8.3.2 ensure that such arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

8.4 External Audit

The Committee shall:

- 8.4.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.4.2 oversee the relationship with the external auditor including (but not limited to):
 - i. recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - ii. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - iii. assessing annually their independence and objectivity taking into account relevant UK and Guernsey professional and regulatory requirements and the relationship

- with the auditor as a whole, including the provision of any non-audit services;
 - iv. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
 - v. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - vi. assessing annually their qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures.
- 8.4.3 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without the Investment Manager being present, to discuss their remit and any issues arising from the audit;
- 8.4.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.4.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
- i. a discussion of any major issues which arose during the audit,
 - ii. any accounting and audit judgements,
 - iii. levels of errors identified during the audit; and
 - iv. the effectiveness of the audit.

9 Further duties of the Committee

9.1 The Committee shall also:

- 9.1.1 review any representation letter(s) requested by the external auditor before they are signed by the Company;
- 9.1.2 review the management letter and management's response to the auditor's findings and recommendations;
- 9.1.3 implement a policy on the supply of non-audit services by the external auditor, being that non-audit fees shall not exceed 70% on a three-year average;
- 9.1.4 take into account the new provision of going concern basis of accounting that directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing the annual and half-yearly financial statements, and to identify any material uncertainties to the company's ability to continue to adopt this approach over a period of at least twelve months from the date of approval of the financial statements;
- 9.1.5 take into account the recommendation of providing a longer-term viability statement in respect of a broader assessment of the Company's long-term solvency and liquidity. Such statement to explain in the annual report how Directors have assessed the prospects of the company, over what period and why they consider that period to be appropriate. The Directors should say whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment;
- 9.1.6 consider key considerations of Fair, balanced and understandable and to ensure that those considerations are incorporated within the accounts;
- 9.1.7 take into account and act in accordance with the Revised Ethical Standard guidance published by the FRC on December 2019, which is relevant to Market Traded Companies ("MTCs") (companies incorporated in the Channel Islands with securities listed on UK or EU regulated stock exchanges), therefore the Company is required to comply with the Revised Ethical Standard guidance. Effectively meaning that the external auditor and its staff members must comply with the firmwide and personal independence requirements as outlined in the Revised Ethical Standard guidance. The auditor of MTCs will only be permitted to provide a limited whitelist of permissible services.
The whitelist will:
 - i. Consist of audit-related services that are required by law and regulations, plus certain other assurance services related to the information contained within the financial statements;
 - ii. Apply to the audited MTC, its parent undertakings only in the UK (if any) and any controlled subsidiaries anywhere in the world (downstream of the MTC the whitelist applies anywhere in the world), and
 - iii. Apply to the audit price firm carrying out the audit of the MTC, any firm in its network, and any other component auditor whose work is relied on as part of the MTC audit if this is a Group audit situation.

- iv. Any services that are not on the whitelist will be prohibited. This means that the majority of Tax, Advisory, Consulting or Deals services will not be able to be provided to MTCs. More information in connection with the above can be found on the Revised Ethical Standard (<https://www.frc.org.uk/getattachment/601c8b09-2c0a-4a6c-8080-30f63e50b4a2/Revised-Ethical-Standards-2019-Updated-With-Covers.pdf>).

10 Reporting Responsibilities

- 10.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall produce a report on its activities to be included in the Company's Annual Report.

11 Other Matters

The Committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to the Administrator for assistance as required;
- 11.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.3 give due consideration to laws and regulations, the provisions of the Codes and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 11.4 be responsible for co-ordination of the internal and external auditors;
- 11.5 oversee any investigation of activities which are within its terms of reference; and
- 11.6 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12 Authority

The Committee is authorised:

- 12.1 to seek any information it requires from any employee of the Company, the Investment Manager and the Administrator in order to perform its duties;
- 12.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 12.3 to call any employee of the Company, the Investment Manager and the Administrator to be questioned at a meeting of the Committee as and when required; and
- 12.4 to have the right to publish in the Company's Annual Report details of any issues that cannot be resolved between the Committee and the Board.

Reviewed at the meeting held on: 10 November 2022

Next review date: 23 March 2023