

# Terms of Reference for Audit Committee of the Board

Dated

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Warehouse REIT plc

**ReedSmith**

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## **Warehouse REIT plc (the “Company”)**

### **Terms of reference for the Audit Committee**

The provisions within the articles of association of the Company relating to the proceedings of the directors shall apply to this committee.

#### **1 Membership**

- 1.1 The committee shall comprise at least two members. Members of the committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chairman of the audit committee.
- 1.2 A majority of the members of the committee shall be independent non executive directors at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. As a whole, the audit committee should have competence relevant to the sector in which the Company operates. The Chairman of the board may be a member of, but not chair, the audit committee.
- 1.3 Only members of the committee have the right to attend committee meetings. However, the external auditor will be invited to attend meetings of the committee on a regular basis and other non members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The board shall appoint the committee chairman. 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.

#### **2 Secretary**

The company secretary, his or her nominee, or any other person selected by the committee, shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

#### **3 Quorum**

The quorum necessary for the transaction of business shall be two members.

#### **4 Frequency of meetings**

- 4.1 The committee shall meet at least two times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2 Outside of the formal meeting programme, the committee chairman will maintain a dialogue with key individuals involved in the Company's governance, including the board chairman, the investment manager and the external audit lead partner.

#### **5 Notice of meetings**

- 5.1 Meetings of the committee shall be convened by the secretary of the committee at the request of any of its members or at the request of the external audit lead partner 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 non executive 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 decisions 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 following an initial review by the committee chairman. Once approved, minutes should be circulated to all other members of the board unless it would be inappropriate to do so in the opinion of the committee chairman. The Chairman shall minute the proceedings and decisions of confidential meetings.

## **7 Annual general meeting**

The committee chairman should attend the annual general meeting to answer shareholder questions on the committee's activities.

## **8 Duties**

The committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as appropriate.

### **8.1 Financial reporting**

(a) The committee shall monitor the integrity of the financial statements of the Company, including its annual and half yearly reports and any other formal announcement relating to its financial performance, reviewing and reporting to the board on significant financial reporting issues, estimates and judgements which they contain having regard to matters communicated to it by the auditor.

(b) In particular, the committee shall review and challenge where necessary:

- (i) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the group;
- (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 and completeness 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 strategic report and the corporate governance statements relating to the audit and to risk management.

(c) The committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation.

(d) Where the committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the board.

### **8.2 Narrative reporting**

Where requested by the board, the committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and

understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The committee should also ensure that the narrative in the annual report accurately matches the numbers presented.

### 8.3 **Internal controls and risk management systems**

The committee shall:

- (i) keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- (ii) review and approve the statements to be included in the annual report concerning internal controls and risk management.

### 8.4 **Compliance, whistleblowing and fraud**

The committee shall:

- (i) review the adequacy and security of the Company's arrangements for its contractors, employees, suppliers and other stakeholders (as applicable) to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (ii) review assurances from the Company's service providers regarding their procedures for detecting fraud; and
- (iii) review assurances from the Company's service providers regarding their systems and controls for the prevention of bribery and financial crime and receive reports on non compliance with relevant anti-bribery legislation and the requirements of the Criminal Finances Act 2017.

### 8.5 **Internal audit**

The committee shall consider annually whether the Company should carry out its own internal audit function and make a recommendation to the board accordingly.

### 8.6 **External audit**

(a) The committee shall:

- (i) 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;
- (ii) conduct the selection procedure for appointment of the audit firm, ensuring all tendering firms have access to all necessary information and individuals during the tendering process.
- (iii) if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (iv) oversee the relationship with the external auditor including (but not limited to):
  - (A) approval of their remuneration, including both fees for audit and non audit services, and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  - (B) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

- (C) monitoring and assessing at least annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the group's relationship with the auditor as a whole, including the provision of any non audit services;
  - (D) 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) which could adversely affect the auditor's independence and objectivity;
  - (E) monitoring the auditor's processes for maintaining independence and compliance with relevant law and ethical and professional guidance including on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
  - (F) assessing annually the 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; and
  - (G) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation;
- (v) meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (vi) review and approve the annual audit plan, including the level of materiality to be applied to the audit, and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- (vii) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- (A) a discussion of any major issues which arose during the audit;
  - (B) key accounting and audit judgements;
  - (C) levels of errors identified during the audit (adjusted and non-adjusted); and
  - (D) the effectiveness of the audit process;
- (b) the committee shall also:
- (i) review any representation letter(s) requested by the external auditor before they are signed by the Board;
  - (ii) review the management letter, management's response to the auditor's findings and recommendations and progress with implementation of any agreed actions; and
  - (iii) develop and implement policy on the supply of non audit services by the external auditor, considering the impact this may have on independence,

taking into account any relevant ethical guidance on the matter, including approval of non-audit services by the committee and specifying the types of non-audit services to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements, and reporting to the Board on any improvement or action required.

## **9 Reporting responsibilities**

9.1 The committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the board on how it has discharged its responsibilities.

9.2 This report shall include:

- (a) the significant issues that it considered in relation to the financial statements (required under paragraph 8.1(a) and how these were addressed;
- (b) its assessment of the effectiveness of the external audit process (required under paragraph 8.6(a)(iii)(F)) and its recommendation on the appointment or reappointment of the external auditor; and
- (c) any other issues on which the board has requested the committee's advice.

9.3 The committee shall make whatever recommendations to the board it deems appropriate, including as to steps to be taken, in respect of any area within its remit where action or improvement is needed.

9.4 The committee shall prepare a report on its activities to be included in the Company's annual report. The report should include an explanation of how the committee has addressed the effectiveness of the external audit process; the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor and all other corporate governance requirements.

9.5 In preparing the reports referred to in paragraphs 9.1 and 9.4, the committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the board's assessment of whether they considered it appropriate to adopt the going concern basis of accounting in preparing them. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross references to that information.

## **10 Other matters**

The committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- (b) 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;
- (c) give due consideration to applicable laws and regulations;
- (d) initiate or oversee any investigation of activities which are within its terms of reference;
- (e) work and liaise as necessary with all other board committees; and
- (f) 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.

## 11 Authority

The committee is authorised to:

- (a) obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so; and
- (b) 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.