

WORKSPACE GROUP PLC

APPROVED TERMS OF REFERENCE OF THE AUDIT COMMITTEE

MARCH 2020

1. Constitution

The Board hereby resolves to establish terms of reference for the 'Audit Committee'.

2. Membership

- 2.1 The Committee shall be appointed from the Non-Executive Directors of the Company by the Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Audit Committee.
- 2.2 The Board shall appoint the Chair of the Committee on the recommendation of the Nomination Committee. Then the Chair of the Committee is absent, the remaining members should elect one of their number to chair the meeting.
- 2.3 All members of the Committee shall be independent Non-Executive Directors. At least one of the members of the Committee should have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chair of the Board shall not be a member of the Committee.
- 2.4 Only the members of the Committee have the right to attend meetings. Other individuals, from both inside or outside the Company, may be invited to attend meetings as and when appropriate.
- 2.5 The external auditor, Chief Financial Officer, Chief Executive Officer 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.
- 2.6 Appointments to the Committee shall be for a period of up to three years. This may be extended twice up to a maximum of nine years, so long as members continue to be independent.

3. Secretary

- 3.1 The Company Secretary, or her nominee, shall act as Secretary to the Committee, and oversee that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4. Quorum

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

5. Frequency of Meetings

- 5.1 The Committee shall meet at least three times a year, at appropriate times in the reporting and audit cycle and otherwise as required.
- 5.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals, including the Company Chair, the Chief Executive Officer, the Chief Financial Officer and the external audit lead partner.

6 Authority

- 6.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Committee. They may call any employee to be questioned at a meeting of the Committee as and when required.
- 6.2 The Committee is authorised by the Board to obtain outside legal advice provided at the Company's expense, or other independent professional advice and assistance in the conduct of its responsibilities, and to secure the attendance of outsiders with relevant experience and expertise wherever necessary.

7 Notice of Meetings

- 7.1 Meetings of the Committee shall be covered by the Secretary of the Committee at the request of any of its members, or at the request of the external audit lead partner or internal auditors if they consider it necessary.
- 7.2 Unless otherwise agreed by the Committee, notice of each meeting, confirming the date, time and venue of the meeting, the agenda of items to be discussed and any supporting papers, shall be forwarded to each member of the Committee, any other person required to attend, and all other Non-Executive Directors, no later than three working days before the date of the meeting.
- 7.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.
- 7.4 Sufficient time should be given between meetings of the Committee and the publication of financial information, so that there is time for any issues that may have arisen to be resolved.

8 Minutes of Meetings

- 8.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of all those present and in attendance.
- 8.2 At the beginning of each meeting the Secretary should ascertain whether any conflicts of interest exist, and minute them accordingly. Where there is a conflict and the Chair of the Committee determines that it is material, he has the power to exclude that Committee member from discussions on that issue.
- 8.3 The Minutes of all Committee meetings shall be circulated promptly to all members of the Committee, once approved, minutes should be circulated to all members of the Board unless it would be inappropriate to do so in the opinion of the Chair of the Committee.

9 Annual General Meeting

- 9.1 The Committee Chair shall attend the Annual General Meeting (AGM), to answer shareholder questions on Committee's activities.

10 Duties

- 10.1 The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiaries and the Group as a whole, as appropriate:

10.2 Financial Reporting

- 10.2.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half year reports, preliminary results announcements and any other formal announcements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain

having regard to matters communicated to it by the auditor. The Committee should also review any other financial information that is released externally in other forms.

10.2.2 The Committee should review all published financial statements before submission to the Board, focusing particularly on:

- The consistency of, and any changes to accounting policies and practices on both a year-by-year basis and across the Group as a whole;
- The going concern assumption;
- The methods that have been used to account for unusual or significant transactions where different approaches are possible, reviewing any significant adjustments resulting from the audit;
- Verifying whether the Company has followed the appropriate accounting standards (UKGAAP or IFRS as appropriate), taking into account the views of the external auditor and reviewing whether they have met the necessary Stock Exchange and legal requirements;
- The clarity and completeness of disclosure in the financial reports of the Company and the context in which statements are made;
- All material information presented with the financial statements, including operating and financial reviews and the corporate governance statement;
- The robustness of the external valuation; and
- The appropriateness of the Group's accounting policies and practices.

10.2.3 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it should report its views to the Board.

10.2.4 The Committee should review where applicable any annual financial statements of the Company's pension funds where the Board as a whole does not review them.

10.2.5 Where it would be practicable and consistent with any reporting requirements under any law or regulation (including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook), the Committee shall review any other statements requiring Board approval which contain financial information before they are submitted to the Board for approval.

10.3 Internal Controls and Risk Management System

The Committee shall:

10.3.1 Keep under review the adequacy and effectiveness of the Company's internal financial controls, internal control and Risk Management Systems in the context of its business;

10.3.2 Review the Company's statement on internal control systems and Risk Management prior to endorsement by the Board and inclusion in the Annual Report;

10.3.3 Review the Group's risk appetite, risk strategy and risk management plans; and

10.3.4 Review the findings of internal investigations and managements' response.

10.4 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 Group's performance, business model and strategy and whether it informs the Board's statement in the Annual Report on these matters that is required under the UK Corporate Governance Code (Code).

10.5 Compliance, Whistle Blowing and Fraud

The Committee shall:

- 10.5.1 Review the adequacy of Company procedures that have been put in place to enable employees and third parties to raise concerns, in confidence, about possible wrongdoing in relation to financial reporting or other matters. These arrangements must allow for reasonable independent investigation of such matters and any appropriate follow up action;
- 10.5.2 Review the Company's procedures for detecting fraud; and
- 10.5.3 Review the Company's systems and controls for the prevention of bribery, and receive reports on non-compliance.

10.6 Internal Audit

- 10.6.1 The Committee should regularly monitor (annually) the need for an internal audit mechanism.
- 10.6.2 If an internal audit mechanism is not introduced, the Committee must be comfortable that valid reasons for this omission exist, and that these are fully explained and documented within the Annual Report.
- 10.6.3 If an internal audit function is introduced, then the Committee's functions with regard to Internal Audit are as set out in Appendix 1.

10.7 External Audit

The Committee shall:

- 10.7.1 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;
- 10.7.2 Ensure that at least once every ten years, the audit services contract is put to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other firms; and in respect of such tender, oversee the selection process, and establish that all tendering firms have such access as is necessary, to information and individuals during the tendering process;
- 10.7.3 Should the auditor resign, the Committee shall investigate the reasons behind this and decide whether any action is required;
- 10.7.4 Oversee the relationship with the external auditor in order to:
 - 10.7.4.1 annually assess their independence and objectivity, taking into account relevant law, regulation, the FRC Revised Ethical Standard December 2019 (the "**Ethical Standard**") and other professional requirements regarding relationships with a company's auditor, including assessing any threats to the auditor's independence and the safeguards applied to mitigate those threats and including the provision of any non-audit services;
 - 10.7.4.2 approve their remuneration, including both fees for audit and non-audit services, and be comfortable that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
 - 10.7.4.3 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 10.7.5 Satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

- 10.7.6 Monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- 10.7.7 Monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard; and
- 10.7.8 Specifically not allow the auditor to do anything that is a management responsibility, provide accounting or book keeping services nor prepare financial statement disclosure items.
In addition:
- 10.7.9 If the external auditor is to be considered for the provision of non-audit services, their scope of work and fees must be approved in advance by the Chief Financial Officer, the Chair of the Audit Committee and the Committee Secretary. The Committee shall review and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be preapproved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
 - 10.7.9.1 threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 10.7.9.2 the nature of the non-audit services;
 - 10.7.9.3 whether the external audit firm is the most suitable supplier of the non-audit service;
 - 10.7.9.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - 10.7.9.5 the criteria governing compensation;
- 10.7.10 The Committee must make available a statement detailing any non-audit services that the external auditor supplies to the Group;
- 10.7.11 The Committee shall agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;
- 10.7.12 The Committee should annually assess the qualifications, expertise and resources of the auditors, including reviewing the auditors report on their own internal quality procedures;
- 10.7.13 Discussions should be held with the external auditor before the audit commences, covering the nature and scope of the audit;
- 10.7.14 The Committee should review the audit process, including a discussion of any major issues which arose during the audit, the auditor's explanation of how the risks to audit quality were addressed, reviewing key accounting and audit judgements, the auditor's view of their interactions with senior management and the level of errors identified during the audit;
- 10.7.15 The Committee should review any representation letters that the external auditor may request before they are signed by management, and also discuss the external auditor's management letter and management's response;
- 10.7.16 The Committee should review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee;
- 10.7.17 The Committee or the Chair should, at least twice a year, meet with the external auditors without management present, in order to assess the relationship with the auditors and to allow them to raise any issue they consider of importance. If no issues are raised this should be minuted;

- 10.7.18 The Committee may consider other issues, as specified by the Board, and discharge any other duties that may arise in accordance with codes of best practice; and
- 10.7.19 Due consideration must be given to IFRS, UKGAAP all laws, regulations, provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules and Company compliance with REIT legislation.

11 Reporting Procedures

- 11.1 The Chair shall report formally to the Board after each meeting on the proceedings of the Committee on all matters within its duties and responsibilities and how it has discharged its responsibilities. The report shall include the significant issues that are considered in relation to financial statements (required under paragraph 10.1.1) and how these were addressed.
- 11.2 The Committee shall make whatever recommendations to the Board that it deems appropriate on any area within its terms of reference where it feels that changes or improvement is necessary.
- 11.3 The Committee shall compile a report to the shareholders on its activities that shall 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 and how the significant issues considered were addressed; an explanation of how the committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; and an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code.
- 11.4 In compiling the reports referred to in 11.1 and 11.3, the Committee should exercise its judgement on identifying significant issues, but should include at least those matters that have informed the Board's assessment of whether the company is a going concern and the inputs to the board's viability statement. The report to shareholders can cross-refer to information disclosed elsewhere in the Annual Report.

12 Shareholder engagement

- 12.1 The Chair of the Committee shall, where it is deemed necessary and appropriate, seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

13 Other matters

The Committee shall:-

- 13.1 Have access to sufficient resources in order to carry out its duties effectively. This includes access to the Company Secretary for advice;
- 13.2 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; and
- 13.3 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. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the Annual Report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.

14 Committee Performance

The Committee should undertake a periodic evaluation of the Committee's performance. At least once a year, the Committee should review its own performance, constitution and terms of reference to monitor that it is operating as efficiently as possible. Any changes that are necessary, should be recommended to the Board for approval.

APPENDIX 1

1.1. Potential Role of Internal Audit

The Committee would:

- 1.1.1. Monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- 1.1.2. Approve the appointment and removal of the head of the internal audit function;
- 1.1.3. Consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also monitor the function has adequate standing and is free from management or other restrictions;
- 1.1.4. Review and assess the annual internal audit plan;
- 1.1.5. Review promptly all reports on the Company from the internal auditors;
- 1.1.6. Review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- 1.1.7. Meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chair of the Board and to the Committee; and
- 1.1.8. Review and approve the line reporting arrangements for the internal auditor.