

SEGRO plc

Audit Committee - Terms of Reference

Approved by the Board of SEGRO plc on 26 July 2022.

1. ROLE

The role of the Audit Committee (the Committee) is to satisfy itself that the Company has formal and transparent procedures to ensure the independence and effectiveness of internal and external audit functions. To provide assurance to the Board on the integrity of financial and narrative statements, to monitor the risk management process and to oversee the internal control framework.

2. CONSTITUTION

2.1. Membership and Chair

2.1.1. The membership of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee, from amongst the Independent Non-Executive Directors. At least one member of the Committee shall have recent and relevant financial experience and the members as a whole must have competence relevant to the sector in which the Company operates.

2.1.2. The Committee shall comprise at least three members. The Chair of the Company shall not be a member of the Committee.

2.1.3. The Board shall appoint the Chair of the Committee. In the absence of the Chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting.

2.2. Secretary

2.2.1. The Secretary of the Company, or nominee, shall act as Secretary to the Committee.

2.2.2. The Secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

2.2.3. The Secretary shall keep a proper and timely record of meetings of the Committee and circulate such minutes to all members of the Committee, unless the Committee determines it inappropriate to do so.

3. MEETINGS

3.1. A quorum necessary for the transaction of business shall be at least two members. A duly convened meeting of the Committee at which a quorum is present shall be authorised to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

3.2. Only members of the Committee have the right to attend Committee meetings.

3.3. The Chair of the Company, the Chief Executive, the Chief Financial Officer, the Group Financial Controller, representatives of the external and internal auditors and external advisers may be invited, by the Chair of the Committee, to attend for all or part of any meeting along with any other person the Committee determines would assist with the performance of its duties.

- 3.4. The Committee shall meet not less than two times a year, two of these meetings should coincide with key dates in the Company's financial reporting cycle, and meetings may be held in person, by telephone or videoconference, or by any combination thereof.
- 3.5. Outside of the formal meeting programme, the Chair of the Committee shall maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, the Chief Executive, the Chief Financial Officer, the Company Secretary, the Group Financial Controller and the external and internal audit partner.
- 3.6. There shall be at least one meeting, or part of a meeting, each year, where each of the external auditor and internal auditor attend without management present.
- 3.7. The external auditor or the internal auditor may request a meeting with the Committee if they consider that one is necessary.

4. APPOINTMENT OF ADVISERS

- 4.1. The Committee may, at its discretion, select, appoint and instruct suitably experienced and qualified persons to act as advisers to the Committee and to attend such meetings as the Committee may decide. The Company shall meet the expense of such advice.

5. POWERS

- 5.1. The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties and may request that the Company Secretary or Group Financial Controller obtain this on its behalf.
- 5.2. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the advice and assistance of the Company Secretary as required.
- 5.3. The Committee shall give due consideration to all applicable laws and regulations, including the relevant provisions of the UK Corporate Governance Code, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules and authoritative best practice guidelines for audit committees as appropriate.
- 5.4. The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Company Secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

6. RESPONSIBILITIES

The Committee has a responsibility to act in a way which it considers, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole.

The Committee shall:

6.1. Financial Reporting

- 6.1.1. monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and review significant financial reporting issues and judgements contained therein;

In doing so, the Committee shall have regard to and challenge where necessary:

- i. the need to monitor and satisfy itself on the integrity of the financial reporting process, and the integrity of the financial and narrative statements;
- ii. critical accounting policies and practices, and any changes in them;
- iii. whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements including, the extent to which the financial statements are affected by any unusual transactions during the year, how they are disclosed and the clarity and adequacy of those disclosures;
- iv. significant adjustments resulting from the audit and all identified but unadjusted items;
- v. the going concern assumption;
- vi. the requirement to ensure that the process followed by the Company to support the making of the viability statement is robust and correctly followed;
- vii. the Company's proposed statements on internal control systems and on its policies and processes for identifying and assessing business risks and the management of those risks by the Company;
- viii. compliance with accounting standards, and any other applicable laws and regulations;
- ix. all material information presented within the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management;
- x. any findings and conclusions made by the Financial Reporting Council from inspections of previous audits; and
- xi. the requirement to review the process the Company has followed to ensure that, taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

6.1.2. 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.

6.2. External Auditor

- 6.2.1. conduct the tender process for selecting the external auditor, in accordance with regulations and guidance on auditor rotation, and make appropriate recommendations through the Board, about the appointment, reappointment and removal of the external auditor, to shareholders for consideration at the Annual General Meeting;
- 6.2.2. in the event that an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 6.2.3. approve the remuneration and terms of engagement of the external auditor;
- 6.2.4. develop and implement a policy on the engagement of the external auditor to supply non-audit services, monitor the application of this policy and review regularly the fees paid to the audit firm in respect of non-audit services;

- 6.2.5. develop and implement a policy on the employment of former employees of the external auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;
- 6.2.6. review and monitor the independence and objectivity of the external auditor, and its process for maintaining independence, taking into account relevant laws, regulations, the Ethical Standard and other professional requirements, ensuring that key partners are rotated at appropriate intervals;
- 6.2.7. discuss with the external auditor, before the audit commences, their terms of engagement, the nature and scope of the audit plan and to review the auditor's quality control procedures and the handling of key judgements by the auditor;
- 6.2.8. review the external auditor's management letter and representation letter;
- 6.2.9. review, with the external auditor, the findings of its work, including any major issues that have arisen during the course of the audit, including key accounting and audit judgements, and the auditor's response to questions from the Committee;
- 6.2.10. consider management's response to any major external audit recommendations;
- 6.2.11. review the effectiveness of the external auditor and the external audit process, taking into consideration relevant UK professional and regulatory requirements; and
- 6.2.12. approve the appointment of the auditor to subsidiaries of the Company.

6.3. Internal Auditor

- 6.3.1. monitor and review the effectiveness of the internal audit function and ensure that it has adequate resources and access to information to enable it to perform its functions effectively and that it is appropriate for the current needs of the organisation;
- 6.3.2. oversee the process for selecting the internal auditor and make appropriate recommendations to the Board;
- 6.3.3. review and approve the internal audit programme, to ensure it is aligned to the key risks of the business and receive regular reports on work carried out;
- 6.3.4. consider management's response to any significant internal audit recommendations;
- 6.3.5. ensure that the internal auditor has the necessary resources and access to information to enable it to fulfil its mandate and direct access to the Chairs of the Board and the Committee, providing independence from the Executive and accountability to the Committee; and
- 6.3.6. monitor and assess the role and effectiveness of the internal auditor, and where appropriate, conduct the tender process for selection of the internal auditor.

6.4. Internal Control and Risk Management

- 6.4.1. keep under review the adequacy and effectiveness of the Company's internal financial controls, internal control and risk management systems that identify, assess, manage and monitor risks; and

6.4.2. review and approve the statements to be included in the Annual Report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and recommend the viability statement to the Board for approval.

6.5. Compliance, Whistleblowing and Fraud

6.5.1. review, from time to time, the Company's arrangements for its employees to raise concerns, in confidence and anonymously, 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; and

6.5.2. review the Company's procedures for detecting fraud and the Company's systems and controls for the prevention of bribery and receive reports on non-compliance with these policies.

7. REPORTING

7.1. The Chair of the Committee shall report to the Board on its proceedings after each meeting on how the Committee has discharged its responsibilities.

7.2. The Chair of the Committee shall inform the Board of the outcome of the external audit, and shall explain how the Committee contributed to the integrity of financial reporting and the Committee's role in that process.

7.3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be made available for Board discussion where necessary.

7.4. There shall be a description of the work of the Committee in the Annual Report, reflecting the obligations set out in the UK Corporate Governance Code.

8. OTHER MATTERS

8.1. The Committee shall oversee any investigation of activities which are within its terms of reference.

8.2. The Chair of the Committee shall attend the Annual General Meeting and shall be available to answer questions from shareholders.

8.3. The Committee shall review regularly its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

8.4. The Committee shall work and liaise as necessary with the other Board Committees, ensuring the interaction between Committees and with the Board is regularly reviewed.

8.5. These Terms of Reference shall be made available on the Company's website.