

AEW UK REIT PLC

(the "Company")

AUDIT COMMITTEE

Terms of Reference

(as adopted on 22 November 2019)

1. DEFINITIONS

- 1.1 Reference to the "**Committee**" shall mean the Audit Committee.
- 1.2 Reference to the "**Board**" shall mean the Board of Directors of the Company.
- 1.3 Reference to the "**Investment Manager**" shall mean any entity appointed by the Company to carry out the day-to-day discretionary management of the Company's investments.
- 1.4 Reference to the "**Board Chairman**" shall mean the duly appointed Chairman of the Company.
- 1.5 Unless otherwise stated, reference to the "**Company Secretary**" shall mean the Company Secretary of the Committee.

2. MEMBERSHIP

- 2.1 The Committee shall be made up of at least two members. Members of the Committee shall be appointed by the Board.
- 2.2 All members of the Committee shall be independent Non-Executive Directors, at least one of whom shall have recent and relevant financial experience and the Committee as a whole should have competence relevant to the sector in which the Company operates.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals (if not members of the Committee) such as representatives of the Investment Manager or other external advisers may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.4 The external auditors, as appropriate, will be invited to attend meetings of the Committee on a regular basis.
- 2.5 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.
- 2.6 Each member of the Committee shall disclose to the Committee:
 - 2.6.1 any personal, financial or other interest in any matter to be decided by the Committee; or
 - 2.6.2 any potential conflict of interest arising from a cross-directorship or otherwise; and
 - 2.6.3 any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall absent him/herself, or, if appropriate, resign from the Committee.

3. SECRETARY

- 3.1 The Company Secretary or their nominee shall act as Company 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 the issues.

4. QUORUM

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

5. FREQUENCY OF MEETINGS

- 5.1 The Committee shall meet at least twice a year at appropriate times in the Company's reporting and audit cycle and otherwise as required.
- 5.2 Outside of the formal meeting programme, the Committee Chairman, and to a lesser extent the other members of the Committee, will maintain dialogue with key individuals involved in the Company's governance, including the Board Chairman, the Investment Manager and the external audit partner.

6. NOTICE OF MEETINGS

- 6.1 Meetings of the Committee shall be called by the Company Secretary of the Committee at the request of any of its members or at the request of the Investment Manager or external auditors if they consider it necessary.
- 6.2 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.

7. MINUTES OF MEETINGS

- 7.1 The Company Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 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 members of the Committee unless it would be inappropriate to do so.

8. ANNUAL GENERAL MEETING

- 8.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the separate section of Annual Report describing the Committee's activities and matters within the scope of the Committee's responsibilities. The Committee Chairman shall be available to respond to any shareholder questions on the Committee's activities.

9. DUTIES

9.1 The Committee should carry out the duties below for the Company, major subsidiary undertakings (if any) and the group as a whole (if a group is in existence), as appropriate.

9.2 Financial Reporting

9.2.1 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 significant financial reporting issues and judgments which they contain having regard to matters communicated to it by the auditor.

9.2.2 In particular, the Committee shall review and challenge, where necessary, the Company's financial statements taking into account:

9.2.2.1 the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company;

9.2.2.2 decisions requiring a major element of judgment;

9.2.2.3 the methods used to account for significant or unusual transactions where different approaches are possible;

9.2.2.4 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

9.2.2.5 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;

9.2.2.6 significant adjustments resulting from the audit;

9.2.2.7 the basis on which the Company has been determined as going concern and to disclose any material uncertainties identified during such assessment;

9.2.2.8 for the purposes of the viability statement,

(i) the current position of the Company and the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and how they are managed or mitigated; and

(ii) the prospects of the Company over such a period deemed appropriate (but longer than 12 months); and

9.2.2.9 all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management).

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

9.3 Internal Controls and Risk Management Systems

- 9.3.1 The Committee shall as appropriate given the nature of the Company:
- 9.3.1.1 keep under review the adequacy and effectiveness of the Company's internal financial control systems that identify, assess, manage and monitor financial risks and other internal control and risk management systems;
 - 9.3.1.2 establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements;
 - 9.3.1.3 establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements; and
 - 9.3.1.4 review and recommend to the Board the disclosures included in the annual report concerning internal controls and risk management including the report to the Board on their review of the effectiveness of the risk management and internal control systems and the confirmation that they have carried out a robust assessment of the principal risks.

9.4 Compliance, Whistleblowing and Fraud

- 9.4.1 The Committee shall review compliance, whistleblowing, prevention of bribery and fraud detection procedures from service providers.

9.5 Internal Audit

- 9.5.1 The Committee shall annually consider whether there is a need for an internal audit function and make a recommendation to the Board.

9.6 External Audit

- 9.6.1 The Committee shall:
- 9.6.1.1 consider and conduct the tender process and make recommendations to the Board, to be put to shareholders for approval at general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor.
 - 9.6.1.2 be responsible for the selection procedure for the appointment of audit firms. It will oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.
 - 9.6.1.3 If an auditor resigns, investigate the issues leading to this and decide whether any action is required;
 - 9.6.1.4 oversee the relationship with the external auditor including (but not limited to):
 - 9.6.1.4.1 make recommendations 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;

- 9.6.1.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 9.6.1.4.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements;
- 9.6.1.4.4 reporting to the Board on how its responsibilities have been discharged;
- 9.6.1.4.5 seeking information annually about their policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those regarding the rotation of audit partners and staff;
- 9.6.1.4.6 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);
- 9.6.1.4.7 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;
- 9.6.1.4.8 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
- 9.6.1.4.9 consider mind-set and culture; skills, character and knowledge; quality control; and judge the robustness and perceptiveness of the auditors in handling key judgements, responding to questions from the Committee and in their commentary where appropriate on the systems of internal control.
- 9.6.1.5 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 management being present, to discuss their remit and any issues arising from the audit;
- 9.6.1.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 9.6.1.7 review the findings of the audit work and the auditor's report with the external auditor. This shall include but not be limited to, the following:
 - 9.6.1.7.1 a discussion of any major issues which arose during the audit and have subsequently been resolved and those issues that have been left unresolved; and
 - 9.6.1.7.2 ask the auditor to explain how they addressed risks to audit quality';
- 9.6.1.8 weigh the evidence they have received in relation to each of the areas of significant judgment and review key accounting and audit judgments; and

9.6.1.9 discuss the effectiveness of the audit.

9.6.2 The Committee shall also:

9.6.2.1 review any representation letter(s) requested by the external auditor before signature and give particular consideration to matters where representation has been requested that relate to non-standard issues;

9.6.2.2 develop and implement a policy on the supply of non-audit services by the external auditor and monitor the level of fees payable to the external auditor in respect of these services, taking into account any ethical guidance on the matter and keep the policy under review

9.6.2.3 approve any non-audit services, ensuring that the provision of such services does not impair the auditor's independence or objectivity; and,

9.6.2.4 develop a policy for how the Committee will assess whether non-audit services have a direct or material effect on the audited financial statements, how the Committee will assess and explain the estimation of the effect on the financial statements and how the Committee will consider the auditor's independence.

10. REPORTING RESPONSIBILITIES

10.1 Where requested by the Board, the Committee shall 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.

10.2 In annual and half-yearly financial statements, the Committee should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

10.3 Taking into account the Company's current position and principal risks, the Committee shall explain in the annual report how it has assessed the prospects of the Company, over what period it has done so and why it considers that period to be appropriate. The Committee should state whether it has 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 their assessment, drawing attention to any qualifications or assumptions as necessary.

10.4 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and how it has discharged its responsibilities.

10.5 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.6 The Committee shall compile a report to shareholders on its activities, composition, assessments and considerations to be included in the Company's annual report.

11. COMMUNICATION WITH SHAREHOLDERS

11.1 The terms of reference of the Committee, including its role and the authority delegated to it by the Board, should be made available. A separate section in the annual report should describe the work of the Committee in discharging those responsibilities.

- 11.2 The Committee section in the annual report should include the following matters:
- 11.2.1 a summary of the role and work of the Committee;
 - 11.2.2 how the Committee composition requirements have been addressed and the names and qualifications of all members of the Committee during the period;
 - 11.2.3 if the Chair of the Board is a member of the Committee, the Board should explain in the annual report why it believes this is appropriate;
 - 11.2.4 the number of Committee meetings;
 - 11.2.5 how the Committee's performance evaluation has been conducted;
 - 11.2.6 how the Committee conducted its review of the effectiveness of the Company's risk management and internal control systems;
 - 11.2.7 an explanation of how it has assessed the effectiveness of the external audit process and of the approach taken to the appointment or re-appointment of the external auditor;
 - 11.2.8 the length of tenure of the current audit firm, the current audit partner name, and for how long the partner has held the role;
 - 11.2.9 when a tender was last conducted and advance notice of any re-tendering plans;
 - 11.2.10 if the external auditor provides non-audit services, the Committee's policy for approval of non-audit services and an explanation of how auditor objectivity and independence is safeguarded;
 - 11.2.11 the audit fees for the statutory audit of the Company's consolidated financial statements paid to the auditor and its network firms for audit-related services and other non-audit services, including the ratio of non-audit work. For each significant engagement, the report should explain what the services are and why the Committee has concluded that it was in the interests of the Company to purchase them from the external auditor;
 - 11.2.12 the significant issues that the Committee considered in relation to the financial statements and how these were addressed, having regard to matters communicated to it by the auditor; and
 - 11.2.13 reporting on compliance with the CMA Order should the Company be a constituent of the FTSE 250.

12. OTHER MATTERS

- 12.1 The Committee shall:
- 12.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
 - 12.1.2 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;
 - 12.1.3 give due consideration to applicable laws and regulations including the requirements of the Listing Rules, Prospectus Rules, Disclosure, Guidance and Transparency Rules, the provisions of the UK Corporate Governance Code (and, if applicable the AIC Code of Corporate Governance) as such apply to the Company from time to time;

- 12.1.4 supervise the Company's policy in respect of tax planning;
- 12.1.5 supervise the Company's policy in respect of the financing of the Company;
- 12.1.6 oversee any investigation of activities which are within its terms of reference; and
- 12.1.7 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.

13. AUTHORITY

13.1 The Committee is authorised:

- 13.1.1 to seek any information it requires from any of the Company's service providers in order to perform its duties;
- 13.1.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 13.1.3 to request that representatives of the Investment Manager and Company Secretary be available to answer questions at a meeting of the Committee as and when required; and
- 13.1.4 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.