

The Gym Group plc

(the “Company”)

Audit and Risk Committee - Terms of Reference

Adopted by the Board on 28 November 2018

1. MEMBERSHIP

- 1.1 The Committee shall comprise at least three members, all of whom shall be independent Non-Executive directors. Membership shall include at least one member with recent and relevant financial experience, and at least one member with recent, relevant and practical risk experience. The Audit Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chairman of the Board shall not be a member of the Committee.
- 1.2 Appointments to the Committee are made by the Board on the recommendation of the Company’s Nomination Committee, in consultation with the Committee’s Chairman. Appointments shall be for a period of up to three years, which may be extended by no more than two additional three year periods, provided that member continues to meet the criteria for membership of the Committee.
- 1.3 Only the members of the Committee have the right to attend and vote at Committee meetings. However, other individuals, such as the Chairman, the Chief Executive Officer, other Directors and External Advisors may be invited to attend all or part of any meeting, as and when appropriate and necessary, and with the agreement of the Committee Chair. The Committee shall remain independent of management and majority shareholders at all times.
- 1.4 The External Auditor and the Chief Financial Officer will be invited to attend all meetings of the Committee, unless agreed otherwise with the Committee Chair.
- 1.5 The Board shall appoint an Independent Non-Executive Director as the Committee Chair, on the recommendation of the Nomination Committee. In the absence of the Committee Chair and/or an appointed alternate member, the remaining members present at any meeting shall elect one of them to chair the meeting.
- 1.6 The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee and shall ensure that where members have concerns on any matters raised or any proposed action, those concerns are recorded in the Committee minutes.
- 1.7 Each member of the Committee shall disclose at the beginning of each meeting to the other members of the Committee:
 - (a) any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
 - (b) any potential conflict of interest arising from a cross-directorship; andany 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 requested by the Board) shall resign from the Committee.

2. QUORUM

The quorum necessary for the transaction of business at Committee meetings shall be two members present throughout the meeting. 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.

3. MEETINGS

- 3.1 The Committee shall meet at least four times a year, at appropriate times in the reporting and audit cycle and otherwise as required.
- 3.2 Outside the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman, the Chief Executive Officer, the Chief Financial Officer and the External Auditor lead partner.
- 3.3 Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers shall be issued to each Committee member and, as appropriate, any other person invited to attend, no later than three working days before the date of the meeting. These may be issued via electronic means where the recipient has agreed to receive the documents in such a way.
- 3.4 Members of the Committee may participate and be included in any quorum in any Committee meetings by means of conference telephone or similar communication equipment whereby all persons participating in the meeting can hear each other, provided the meeting is quorate. Such meetings shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Committee Chair is.
- 3.5 In the event of an equality of votes, the Committee Chair shall have a casting vote.

4. AUTHORITY

- 4.1 The Board authorises the Committee to:
 - (a) investigate any activity within these Terms of Reference and make recommendations to the Board which it deems appropriate on any area within its remit where action or improvement is needed;
 - (b) seek any information it requires from, or request the attendance at any of its meetings of, any director or employee of the Group and all directors and employees are expected to co-operate with any requests made by the Committee;
 - (c) obtain, at the Company's expense, such legal, accounting or other external professional advice as it considers necessary;
 - (d) the Committee has the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.
 - (e) ensure that where members have concerns on any matters raised or any proposed action, those concerns are recorded in the Committee minutes; and
 - (f) delegate any of its powers to one or more of its members or the Secretary.

5. DUTIES AND RESPONSIBILITIES

- 5.1 The Committee should make available its Terms of Reference, by including the information on the Company's website, explaining its role and the authority delegated to it by the Board.

Financial Reporting

- 5.2 The Committee shall monitor the integrity of the financial and narrative statements of the Group, including the annual report, half yearly reports and any other formal announcement relating to its financial performance and position, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the External Auditor.
- 5.3 In particular, the Committee shall review and challenge when necessary:
- (a) the consistency of application, and any changes to, significant accounting policies both on a year-on-year basis and across the Group;
 - (b) the methods used to account for significant or unusual transactions where alternative approaches exist;
 - (c) whether appropriate accounting standards have been followed and appropriate estimates and judgements made, taking into account the views of the External Auditor;
 - (d) the appropriateness, clarity and completeness of disclosure in the Group's financial and narrative statements and the context in which statements are made, including the going concern statement and viability statement to be made by the Board and the related information in the financial and narrative statements; and
 - (e) whether all material information is presented within the financial and narrative statements, and if relevant the strategic review, directors' report, corporate governance report and risk management report.
- 5.4 The Committee shall review and monitor any significant adjustments arising from the audit.
- 5.5 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 including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.
- 5.6 Where, following its review, the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

Narrative Reporting

- 5.7 The Committee shall review the contents of the Company's annual report and taking into account the work and consequential communications of the External Auditor:
- (a) assess whether management has made appropriate estimates and judgements; and
 - (b) where requested by the Board, provide advice on whether the annual reports and accounts, taken as a whole, is balanced, fair and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Internal controls and risk management systems

- 5.8 The Committee shall:
- (a) establish procedures to oversee the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems;

- (b) review and monitor management's responsiveness to addressing control weaknesses and non-compliance with laws, regulation and internal policies and other weaknesses identified by the management and the External Auditor;
- (c) assess the adequacy and security of arrangements by which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for the proportionate and independent investigation of such matters, and for appropriate follow-up action;
- (d) review the reports addressed to the Committee from the Chief Financial Officer on whistle blowing instances and make recommendations to the Board as it deems appropriate on any findings or improvements, where required.
- (e) review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Group's compliance function;
- (f) consider the major findings of internal investigations and management's response;
- (g) review and approve the statements to be included in the Company's annual report concerning internal controls and risk management and the viability statement; and
- (h) report any material incident or findings to the Board.

5.9 The Committee is authorised by the Board to investigate any activity within the scope of its duties.

Compliance and fraud

5.10 The Committee shall:

- (a) review the Group's procedures for detecting fraud;
- (b) review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (c) review reports from the Chief Financial Officer and the adequacy and effectiveness of the Group's anti-money laundering systems and controls; and
- (d) provide advice, oversight and challenge necessary to embed and maintain a support risk culture throughout the Group.

Internal Audit

5.11 The Committee shall review annually whether, and in what form, the Company will have an internal audit function and make an appropriate recommendation to the Board. Where there is no internal audit function, the Committee shall consider alternative methods by which it can satisfy itself that internal assurance is achieved and maintained, and how this might affect the work of the external auditor, where applicable.

External Audit

5.12 The Committee shall monitor and review the effectiveness of the External Auditor, including:

- (a) overseeing and making recommendations to the Board, in relation to the selection, appointment, re-appointment and removal of the Company's External Auditor, to be put to the shareholder(s) for approval, conducting reviews as part of the selection process for a new External Auditor and, in the event of the resignation of an External Auditor, investigating the issues surrounding this and whether any action is required;

- (b) ensuring that at least once every ten years, and in compliance with all relevant legislation, the external audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent External Auditor with those of other audit firms; and in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals throughout the duration of the tendering process;
- (c) overseeing the relationship with the External Auditor including, but not limited to:
 - (i) reviewing and approving their terms of engagement, including any engagement letter issued at the start of each audit, the scope of the audit and their remuneration fees for audit and non-audit services, ensuring the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (ii) reviewing and monitoring their independence and objectivity and the effectiveness of the audit process and monitoring the External Auditor's compliance with relevant ethical and professional guidance on the rotation of the 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 and assess these in the context of relevant legal, professional and regulatory requirements, guidance and Ethical Standard;
 - (iii) assessing annually the qualifications, expertise and resources of the External Auditor and the effectiveness of the audit process, which shall include a report from the External Auditor on their own internal quality procedures;
 - (iv) satisfying itself that there are no relationships between the External Auditor and the Group (other than in the ordinary course of business) which could adversely affect the External Auditor's independence and objectivity;
 - (v) agreeing with the Board a policy on the employment of former employees of the External Auditor and monitoring the implementation of this policy;
- (d) meeting regularly with the External Auditor, without management being present, to discuss the External Auditor's remit and any issues arising from the audit, including once at the planning stage before the audit and once after the audit at the reporting stage;
- (e) reviewing and approving the annual external audit plan and any interim audit plan to ensure that it is consistent with the scope of the audit engagement;
- (f) reviewing the findings of any annual or interim audit with the External Auditor (in the absence of management if necessary), which includes, but is not limited to, discussion of any significant issues which arose during the audit; key accounting estimates and audit judgements; the level of errors identified during the audit, the effectiveness of the audit process;
- (g) reviewing any representation letter(s) requested by the External Auditor before they are signed by management;

Non-Audit Services Policy

- 5.13 The Committee shall develop, implement and oversee a policy on the supply of non-audit services by the External Auditor to avoid any threat to auditor objectivity and independence.

Setting risk appetite, risk framework, limits and strategy

- 5.14 Subject to the Committee's authority, the Committee shall:

- (a) consider and recommend for approval by the Board the Group's risk appetite, tolerance and strategy and risk framework and limits as well as the metrics to be used, reviewing the adequacy of the framework and appropriateness of systems in place on an annual basis;
- (b) oversee and advise the Board on the current and emerging risk exposures of the Group and future risk strategy, and assist the Board in overseeing the implementation of that strategy in accordance with the Board's approved risk appetite;
- (c) in relation to risk assessment:
 - (i) keep under review the Group's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
 - (ii) review regularly and to approve the parameters used in these measures and the methodology adopted; and
 - (iii) set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
- (d) understand and oversee management of the key risk exposures of the Group with particular, but not exclusive emphasis on prudential and conduct risks; and
- (e) ensure the adequacy of the Group's insurance coverage.

6. REPORTING

6.1 The reporting responsibilities of the Committee shall include reviewing the following statements made by Directors which are included in the half yearly and annual accounts:

- (a) whether they considered it appropriate to adopt the going concern basis of accounting in preparing the accounts;
- (b) the current position of the Company and the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity, and how they are managed and mitigated and the prospects of the Company over such period deemed appropriate (significantly longer than 12 months) and why they consider that period to be appropriate;
- (c) the content of the annual report and accounts and, with the support of the External Auditor where requested by the Board, provide advice on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- (d) the statement by the directors to be included in the directors' report describing the roles and responsibilities of the Committee and actions taken by the Committee to discharge those responsibilities;
- (e) internal control and the management of risk;
- (f) the statement that the directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity (including an explanation as to how these risks are being managed or mitigated);
- (g) if the External Auditor provides non-audit services, an explanation for inclusion in the annual report of how auditor objectivity and independence is safeguarded.

- 6.2 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. This report shall include:
- (a) the significant issues that it considered in relation to financial and narrative statements and how these were addressed;
 - (b) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or re-appointment of the External Auditor; and
 - (c) any other issues on which the Board has requested the Committee's opinion.
- 6.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 6.4 The Committee shall report formally to the Board 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 financial and narrative statements and how these issues were addressed, having regard to matters communicated to it by the External Auditor and all other information requirements set out in the UK Corporate Governance Code.

7. REVIEW

These Terms of Reference shall be reviewed by the Committee and, where necessary, updated at least annually.