

CIVITAS SOCIAL HOUSING PLC

TERMS OF REFERENCE OF THE AUDIT AND MANAGEMENT ENGAGEMENT COMMITTEE

(updated on 21 November 2019)

Role

1. The role of the Audit and Management Engagement Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control.

The Committee will also ensure that the Company's Investment Adviser remains suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support.

Membership

2. The Committee shall be appointed by the Board and shall consist of not less than three members all of whom shall be independent non-executive Directors of the Company. At least one member of the Committee should be considered by the Board to have recent and relevant financial experience and with competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the investment trust sector.
3. The quorum shall be two members.
4. The Chairman of the Committee, who shall not be the Chairman of the Board, shall be appointed by the Board and an independent Director. In the absence of the Committee chairman and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting. If the Chairman of the Board is a member of the Committee, the Board should explain in the Annual Report why it believes this is appropriate.
5. Membership of the Committee shall be reviewed by the Board from time to time.
6. The Committee may invite such persons as it deems appropriate to attend meetings.

Meetings

7. The Committee shall meet at least twice a year inter alia to consider the half year and annual reports.
8. Meetings may be held more frequently if the Committee deems necessary or if required by the Company's auditors.
9. The Company's auditors will be advised of the timing of Committee meetings and invited to meetings when appropriate and the Committee will have access to the auditors at any time if it so requires.

Secretary

10. The Company Secretary shall be the secretary of the Committee and shall attend all meetings 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.

Authority

11. The Committee is authorised by the Board to investigate any activity within its terms of reference and seek any information it may require. It is authorised to obtain outside legal or other independent professional advice at the Company's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Role and Responsibilities

12. The responsibilities of the Committee shall be:

12.1 Financial Statements

- 12.1.1 to monitor the integrity of the financial statements of the Company and the Group, including its annual and half-yearly reports and any formal announcements relating to the Company's or the Group's financial performance, reviewing significant financial reporting issues and judgements contained in them, having regard to matters communicated to it by the auditor. In particular, the Committee shall review and challenge where necessary:
- (i) the consistency of, and any changes to, the application of significant accounting policies both on a year-on-year basis and across the Company and the Group;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible; and
 - (iii) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements.
- 12.1.2 to advise the Board on the contents of the annual report and accounts, in particular 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 and whether it informs the board's statement in the annual report on these matters that is required under the Code;
- 12.1.3 to ensure that the annual and half-yearly financial statements include a statement about whether the Directors consider it appropriate to adopt the going concern basis of accounting in preparing them and identify any material uncertainties to the Company's or the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- 12.1.4 taking into account the Company's current position and principal risks, to ensure that the Directors explain in the annual report how the Board has assessed the prospects of the Company and the Group, over what period it has done so and why it considers that period to be appropriate and whether it has a reasonable expectation that the Company and the Group 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 (the viability statement);
- 12.1.5 to review and, if appropriate, recommend to the Board, the Company's and the Group's annual and half year reports; and
- 12.1.6 to ensure that the annual report describes the activities of the Committee in discharging its responsibilities in accordance with the requirements of the Code and review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement.

12.2 Internal Control

- 12.2.1 to carry out a robust assessment of the Company's and the Group's emerging and principal risks and confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- 12.2.2 to monitor and review annually whether an internal audit function is required and make a recommendation to the Board;
- 12.2.3 to monitor the Company's risk management and internal financial control systems, and, at least annually, review their adequacy and effectiveness and report on that review in the annual report (the monitoring and review to cover all material controls, including financial, operational and compliance controls). The Committee shall review the internal control reports of the Investment Adviser, and/or Administrator and/or Depositary and other key service providers at least annually;
- 12.2.4 to monitor the Company's procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory authorities;
- 12.2.5 to review the Investment Adviser's whistleblowing arrangements;
- 12.2.6 to review the Company's procedures for detecting fraud and ensure that there are clear processes for bringing significant issues to its attention rapidly when required, and agreed triggers for doing so; and
- 12.2.7 to review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

12.3 External audit and relationship with the external auditor

- 12.3.1 to discuss any matters arising from the audit and recommendations made by the auditors;
- 12.3.2 to meet annually with the Company's designated Audit partner without the presence of representatives of the Investment Adviser present;
- 12.3.3 to review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 12.3.4 to make recommendations to the Board, to be put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor. The Committee shall conduct the selection process for new auditors and, if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 12.3.5 to ensure that at least once every ten years, the 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 auditor with those of other audit firms and, in respect of such tender, the Committee shall conduct the selection procedure, ensuring that all tendering firms have such access to all necessary information and individuals during the tendering process. No single firm may serve as the Company's auditor for a period exceeding 20 years;
- 12.3.6 to approve the remuneration of the external auditor, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
- 12.3.7 To approve the terms of engagement of the external auditor;

- 12.3.8 to monitor and assess, at least annually, the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration the qualification, expertise and resources of the external auditor, which shall include a report from the external auditor on its own internal quality procedures, as well as relevant UK professional and regulatory requirements;
- 12.3.9 to review any representation letter(s) requested by the external auditor before they are entered into by the Board of Directors;
- 12.3.10 to develop and implement policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, while considering the impact this may have on independence of the auditor. The policy to include consideration of relevant ethical guidance regarding the provision of non-audit services by the external audit firm and means of determining whether auditor independence and objectivity have been safeguarded, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- 12.3.11 to consider other topics, as requested and defined by the Board.

12.4 Management Services

- 12.4.1 to review the terms of the Investment Adviser agreement and to ensure that the terms are competitive, fair and reasonable for shareholders;
- 12.4.2 to review the performance of the Investment Adviser to ensure that the Investment Adviser remains suitable to manage the portfolio and that the continued appointment of the Investment Adviser is in the best interests of shareholders;
- 12.4.3 to review the adequacy of services provided to the Company by the Alternative Investment Fund Manager;
- 12.4.4 to review the adequacy of administrative and company secretarial services provided to the Company;
- 12.4.5 to review and make recommendations on any proposed amendment or material breach of the contracts with service providers; and
- 12.4.6 to review and make recommendations on the terms of appointment and remuneration of the service providers to the Company.

Reporting Procedures

13. The Committee Chairman, or in his absence the elected chairman of the relevant meeting, shall report on the issues raised at the meeting to the Board at the earliest opportunity and, at the meeting at which the annual report is considered, report to the Board on how it has discharged its responsibilities during the previous year. This report shall include:
- (i) the significant issues that it considered in relation to the financial statements and how these were addressed;
 - (ii) its assessment of the effectiveness of the external audit process, the approach taken to the appointment or re-appointment of the auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - (iii) any other issues on which the Board has requested the Committee's opinion.
14. The Secretary shall produce and circulate the minutes of meetings of the Committee to all members of the Board.

15. The Chairman of the Committee shall attend the Annual General Meeting and shall answer questions, through the Chairman of the Board, on the Committee's activities and its responsibilities.

Other matters

16. The Committee shall:
 - 16.1 have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;
 - 16.2 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
 - 16.3 oversee any investigation of activities which are within its terms of reference.