

RESIDENTIAL SECURE INCOME PLC
(the "Company")

Audit Committee

Terms of Reference

(as adopted 15 September 2021)

1. MEMBERSHIP

- 1.1 The board of directors of the Company (the "Board") has established an Audit Committee ("Committee") that shall consist of at least three members.
- 1.2 Members of the Committee shall be appointed by the Board, in consultation with the Committee Chair.
- 1.3 All members of the Committee shall be independent Non-Executive Directors of the Company, at least one of whom should be considered by the Board to have recent and relevant financial, accounting and/or auditing experience and the committee as a whole shall have competence relevant to the sector in which the Company operates.
- 1.4 The Chair of the Board can be a member of the Committee if they were independent on appointment. 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. Any member who fails to remain independent will step down from the Committee.
- 1.5 The Committee Chair, who shall not be the Chair of the Board, shall be appointed by the Board. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 1.6 Only members of the Committee have the right to attend and vote at Committee meetings. However, the Chief Financial Officer, and representatives of the external auditor may be invited to attend and address meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.7 Decisions of the Committee will be made by majority vote. In the event of an equality of votes, except where he or she has a personal interest, the Committee Chair shall have a casting vote.

2. SECRETARY

- 2.1 The Company Secretary shall be the secretary of the Committee and shall attend all meetings of the Committee. The Company Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. QUORUM

- 3.1 The quorum necessary for the transaction of business shall be two members, including, whenever possible, at least one member with recent and relevant financial experience

and competence in accounting and/or auditing. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum.

- 3.2 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.
- 3.3 Meetings of the Committee may be validly conducted when the members are physically present together or in the form of video or audio conference (or any such combination), provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting or are able to receive communications from each of the other Committee members participating in such meeting.

4. MEETINGS

- 4.1 The Committee shall meet at least twice a year inter alia to consider the half year and annual reports. Decisions may be taken by the Committee without a meeting if all of the members of the Committee provide their approval in writing.
- 4.2 Meetings may be held more frequently if the Committee deems necessary or if required by the Company's auditor.
- 4.3 The Company's auditor will be advised of the timing of Committee meetings and invited to meetings when appropriate and the Committee will have access to the auditor at any time if it so requires.
- 4.4 Outside of the formal meeting programme, the Committee Chair, and to a lesser extent, other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer and the external audit lead partner.

5. NOTICE OF MEETINGS

- 5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of the Committee Chair or any of its members, or at the request of external or internal auditors if they consider it necessary.
- 5.2 Save to the extent agreed otherwise by the Committee, 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 and any other person required to attend 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.

6. MINUTES OF MEETINGS

- 6.1 The secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.
- 6.2 At the beginning of each meeting, each member of the Committee shall declare the existence of any conflicts of interest and the secretary shall minute them accordingly.

- 6.3 Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the board and the Company Secretary unless, exceptionally, it would be inappropriate to do so.
- 6.4 Final signed copies of the minutes of the meetings of the Committee should be maintained for the Company's records, in hard and soft copy where possible.

7. ENGAGEMENT WITH SHAREHOLDERS

- 7.1 The Committee Chair shall attend the AGM of the Company and be prepared to respond to any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

8. DUTIES

- 8.1 The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for major subsidiary undertakings and the group as a whole, as appropriate.

8.2 Financial reporting

- (a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, any quarterly reports, preliminary announcements, prospectuses and any other formal statements 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 external auditor.
- (b) In particular, the Committee shall review and challenge where necessary:
- (i) the consistency and application of significant accounting policies and any changes to them both on a year to year basis and across the Company and its subsidiaries (together, the "Group");
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) whether the Company has adopted appropriate accounting standards and policies and made appropriate estimates and judgements, taking into account the external auditor's views;
 - (iv) the clarity and completeness of disclosures in the financial statements and the context in which statements are made;
 - (v) all material information presented with the financial statements, including the strategic report and the corporate governance statements (insofar as such information relates to the audit, internal controls and risk management);
 - (vi) any significant adjustments or unadjusted audit differences resulting from the audit; and

- (vii) the basis on which the Company has been determined as a going concern and the basis for the Company's long-term viability statement, and make the corresponding recommendations to the board.
- (c) The Committee shall review any other statements requiring Board approval which contain financial information, significant financial returns to regulators and any other financial information contained in certain other documents, such as announcements of a price sensitive nature, 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 Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules Sourcebook or Disclosure Guidance and Transparency Rules Sourcebook.
- (d) 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.
- (e) Where the Committee is satisfied with the proposed financial reporting by the Group, it should make representation to the Board summarising how and why it reached that conclusion, before making a recommendation to the Board for approval.

8.3 **Narrative reporting**

Where requested by the Board, the Committee should review the content of the annual report and accounts, half-yearly reports, preliminary announcements, and other price-sensitive and regulatory disclosures and advise the Board on whether, taken as a whole, it is fair, balanced and understandable. The Committee should also advise the Board whether the annual report and accounts provide the information necessary for shareholders to assess the Company'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 Association of Investment Companies Code of Corporate Governance (the "AIC Code").

8.4 **Risk appetite, tolerance and strategy**

The Committee shall:

- (a) advise the Board on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objectives;
- (b) seek assurance on the risks the Company identifies as those to which the business may be exposed;
- (c) advise the board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact; and
- (d) advise the Board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the Company, and taking independent external advice where appropriate and available.

8.5 Internal controls and risk management systems

- (a) Given the size of the Company, and its operation via an external Investment Manager and external service providers, there is no internal audit function beyond the Audit Committee. Therefore, the Committee will depend substantially on the systems and controls of Investment Manager and the service providers.
- (b) For the Committee to obtain comfort that these are adequate, the Investment Manager and the service providers should provide the following:
 - (i) A report detailing their systems and internal controls; updated for any changes on an annual basis.
 - (ii) Such a report should cover both the systems and controls implemented for its activities with the Group, and the wider control environment of the service provider (e.g. its training, adherence to its own regulatory framework, etc.)
 - (iii) The reports should also include the results of any internal audit review or regulatory inspections
- (c) For each service provider, the Committee should establish key performance criteria to be monitored and assessed on a periodic basis.
- (d) The Depositary should provide the Committee with reports on the adherence of the Investment Manager to the investment parameters, cash flow monitoring and the safeguarding of assets.
- (e) With the assistance of the Investment Manager and service providers, the Committee should identify the principal risks and uncertainties facing the Group and determine strategies to ensure they are being mitigated.
- (f) The Company Secretary should provide reports to the Committee on the Company's adherence to the AIC Code, other regulations and compliance with filing requirements.
- (g) The Investment Manager should advise the Committee of changes in market conditions, regulations and/or accounting standards that may have an effect on the Group.

The Committee shall, as appropriate given the nature of the Company:

- (h) carry out robust assessment of the Company'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.
- (i) keep under review the Company's risk management and internal financial controls and, at least annually, review their adequacy and effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls;

- (j) ensure that there are clear processes for bringing significant issues to its attention more rapidly when required, and agreed triggers for doing so;
- (k) review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement;
- (l) review and approve statements explaining how assets have been invested with a view to spreading investment risk;
- (m) liaise with the Board and ensure that other statements regarding the Company's Manager, including relevant details of its remuneration and appointment and its continued appointment, are included in the annual report;
- (n) ensure that the annual report includes:
 - (i) the full text of the Company's published investment policy;
 - (ii) a detailed and meaningful analysis of the Company's investment portfolio; and
 - (iii) a summary of the valuation of the Company's portfolio made in accordance with the Listing Rules; and

8.6 Compliance, speaking-up and fraud

The Committee shall, as appropriate given the nature of the Company:

- (a) review the adequacy and security of the Company's arrangements for its contractors and external parties to raise concerns, in confidence, 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;
- (b) review the Company's procedures for detecting fraud;
- (c) review the Company's systems, controls and policies for the prevention of bribery and money laundering and receive reports on non-compliance.

8.7 External audit

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- (b) develop and oversee the selection procedure for the appointment of the external audit firm in accordance with the applicable AIC Code and regulatory requirements, conducting the tender process and ensuring that all tendering firms have access to all necessary information and individuals during the tender process;
- (c) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;

- (d) oversee the relationship with the external auditor, including but not limited to:
 - (i) approve their remuneration, 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; and
 - (ii) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of, and plans for, the audit including authority and organisational reporting lines and adequacy of staffing and compensation;
- (e) assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, the Financial Reporting Council's Revised Ethical Standard 2019 or as subsequently updated (the "Ethical Standard") and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- (f) satisfy itself that there are no relationships between the auditor and the Company or the directors (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (g) reviewing a formal report, at least annually, from the external auditor regarding the auditor's independence, including a delineation of all relationships between the external auditor and the Company or the directors (such as family, employment, investment, financial or business) (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity, and recommending to the board actions to satisfy the board of the independence of the auditor;
- (h) 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;
- (i) 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;
- (j) assess at least annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures, any material issues raised by the independent auditor's internal quality control review, peer review or any governmental or other professional inquiry performed within the past five years, and any remedial actions implemented by the firm, taking into consideration professional and regulatory requirements;
- (k) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee and consider the need to include the risk of the withdrawal of the external auditors from the market in that evaluation;

- (l) develop and recommend to the Board the Company's formal policy and guidelines 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 pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements taking into account applicable law, regulation and the Ethical Standards. The Committee should regularly monitor the implementation of the policy, report to the Board on any improvement or action required and ensure that the policy includes consideration of the following matters:
 - (i) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - (ii) the nature of the non-audit services;
 - (iii) whether the external audit firm is the most suitable supplier of the non-audit service;
 - (iv) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (v) the criteria governing compensation;
- (m) meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (n) discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (o) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) the auditor's explanation of how the risks to audit quality were addressed;
 - (iii) key accounting and audit judgements;
 - (iv) the auditor's view of their interactions with the Board and the Company's Manager; and
 - (v) levels of errors identified during the audit; and
 - (vi) the effectiveness of the audit;
- (p) review any representation letter(s) requested by the external auditor before it is (they are) signed by the Board;

- (q) review any response from the Board to the auditor's findings and recommendations;
- (r) review the effectiveness of the external 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.

9. REPORTING RESPONSIBILITIES

9.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

- (a) the significant issues that it considered in relation to the financial statements (required under paragraph 8.2(a)) and how these were addressed;
- (b) its assessment of the effectiveness of the external audit process (required under paragraph 8.7(r)), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
- (c) any other issues on which the board has requested the Committee's opinion.

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

9.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should describe the work of the Committee, including:

- (a) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the external auditor;
- (b) 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;
- (c) in the case of the board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment); and
- (d) 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 AIC Code.

9.4 In compiling the reports referred to in 9.1 and 9.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, 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 need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information. 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, identify any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

- 9.5 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. OTHER MATTERS

10.1 The Committee shall:

- (a) Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required.
- (b) 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.
- (c) Give due consideration to all relevant laws and regulations, the principles and provisions of the AIC Code and published guidance, the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules Sourcebook or Disclosure Guidance and Transparency Rules Sourcebook and any other applicable rules, as appropriate.
- (d) Be responsible for oversight of the coordination of the internal and external auditors.
- (e) Oversee any investigation of activities which are within its terms of reference.
- (f) Work and liaise as necessary with all other board committees, ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.
- (g) At least annually, review or participate in a review of its own performance, the results of which shall be presented to the board.
- (h) At least annually, review its constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

10.2 The Committee shall have the authority to delegate to any subcommittees of the Committee any responsibilities of the full Committee and to officers of the Company

such responsibilities of the full Committee, in each case to the extent permitted by applicable laws, rules or regulations.

11. AUTHORITY

11.1 The Committee is authorised by the Board to:

- (a) seek any information it requires from any member of the Board or any director or employee of the Manager in order to perform its duties;
- (b) examine any activity within its terms of reference and is authorised to have unrestricted access to the Company's external auditors;
- (c) obtain, at the Company's expense, independent legal, or other professional advice on any matters within its terms of reference when the Committee reasonably believes it necessary to do so; and
- (d) have the right to publish in the Group'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.