



**Custodian REIT Plc**

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**Terms of Reference: Management Engagement  
Committee**

**31 May 2018**

## **1 INTRODUCTION**

1.1 The committee shall be known as the Management Engagement Committee (the “**Committee**”). The Committee shall have three principal functions as described in section 7 below:

1.1.1 to review annually the compliance by the investment manager (currently Custodian Capital Ltd) (“**Investment Manager**”) with the Company’s investment policy as established by the Board and with the investment management agreement entered into between the Company and the Investment Manager from time to time (“**Investment Management Agreement**”);

1.1.2 to review annually the performance of any other key service providers to the Company; and

1.1.3 to review annually the performance of the property valuer.

1.2 For the avoidance of doubt, the Committee will not review the performance of the Auditor.

## **2 MEMBERSHIP**

2.1 The Board shall appoint the Committee chairman.

2.2 The Committee shall consist of not less than two members drawn from amongst the other Non-Executive Directors who are independent of the Investment Manager from time to time.

2.3 The members of the Committee shall be appointed by the Board.

2.4 Appointments to the Committee shall be for a period of up to three years, which may be extendable for no more than two further three year periods, so long as members continue to be independent.

## **3 SECRETARY**

3.1 The Company Secretary or his nominee shall act as the secretary of the Committee.

## **4 MEETINGS**

### **4.1 Frequency**

The Committee shall meet at least once a year or at such other times as the Chairman of the Committee shall require.

### **4.2 Attendance**

4.3 Only members of the Committee shall have the right to attend Committee meetings. However, other members of the Board and representatives of the Investment Manager and other service providers, may be invited to attend all or part of any meetings as and when appropriate.

### **4.4 Notice**

Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with the agenda of items to be discussed shall be forwarded to each member of the Committee and any other person invited to attend, no fewer than five working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

#### **4.5 Quorum**

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

#### **4.6 Chairman**

In the absence of the appointed chairman of the Committee, the remaining members shall elect one of their number to chair the meeting. The chairman of the meeting shall have a casting vote on all matters in the event of an equality of votes.

### **5 MINUTES**

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Minutes of Committee meetings shall be circulated promptly, within ten working days, firstly to the Chairman and then to the Investment Manager, to all members of the Committee and, once agreed, to all members of the Board at the next Board meeting.

### **6 ANNUAL GENERAL MEETING**

The chairman of the Committee shall attend the Annual General Meeting of the Company and be prepared to respond to any Shareholder questions of the Committee's activities.

### **7 DUTIES**

The Committee shall carry out the duties below for the Company. In carrying out these duties, members of the Committee may also choose to consult other guidelines available to them in the public domain.

#### **7.1 Investment Manager**

7.1.1 The Committee shall:

monitor and annually review the Investment Manager's performance and compliance by the Investment Manager with the terms of the Management Agreement;

- 7.1.1.1 reviewing the terms of the Management Agreement from time to time to ensure that the terms thereof comply with all relevant regulatory requirements, conform with market and industry practice and remain in the best interests of Shareholders and making recommendations to the Board on any variation to the terms of the Management Agreement which it considers necessary or desirable;
- 7.1.1.2 recommend to the Board whether the continuing appointment of the Investment Manager on the agreed terms is in the best interests of the Company and shareholders, and the reasons for this recommendation;
- 7.1.1.3 review the adequacy and security of the Investment Manager's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- 7.1.1.4 oversee the relationship with the Investment Manager including (but not limited to):
  - 7.1.1.5 recommendations on its remuneration;
  - 7.1.1.6 approval of its terms of engagement and the Management Agreement;
  - 7.1.1.7 assessing annually their independence and objectivity taking into account relevant regulatory requirements;
  - 7.1.1.8 assessing annually the qualifications, expertise and resources of the Investment Manager, its key managers and their remuneration; and
  - 7.1.1.9 meet regularly with the Investment Manager and at least once a year, to discuss the Investment Managers remit, the performance of the Company's investments and any issues arising from the management of the Company's investments.

## 7.2 **Property Valuation**

- 7.2.1 The Committee shall:
  - 7.2.1.1 consider and make recommendations to the Board, in relation to the appointment, re-appointment and removal of the Company's property valuers;
  - 7.2.1.2 ensure that at least once every five years the property valuation services contract is put out to tender, 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;

7.2.1.3 oversee the relationship with the external property valuers including (but not limited to):

- a. recommendations on their remuneration, and that the level of fees is appropriate to enable an effective and high quality valuation to be conducted;
- b. approval of their terms of engagement, including any engagement letter issued at the start of each annual valuation and the scope of such valuation;
- c. assessing annually their independence and objectivity;
- d. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the property valuer and the Company (other than in the ordinary course of business) which could adversely affect the valuer's independence and objectivity; and
- e. assessing annually the qualifications, expertise and resources of the property valuer and the effectiveness of the valuation process.

7.2.1.4 review and approve the annual property valuation plan and ensure that it is consistent with the scope of the engagement.

### 7.3 **Other Service providers**

7.3.1 The Committee shall;

7.3.1.1 monitor compliance by providers of other services to the Company with the terms of their respective agreement from time to time;

7.3.1.2 review and consider the appointment and remuneration of providers of services to the Company; and

7.3.1.3 consider any points of conflict which may arise between the providers of services to the Company.

#### 7.4 **Generally**

- (i) The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (ii) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (iii) All members of the Committee shall give due consideration to all applicable laws and regulation and shall have to sufficient resources in order to carry out its duties, including access to the advice and services of the secretary of the Committee with a view to ensuring that procedures of the Committee and all applicable rules and regulations are followed.
- (iv) The review process shall be consultative and the Committee may seek input from relevant parties having a relationship with the service provider in question to satisfy itself that the relationship is working and is cost efficient.
- (v) The Committee shall ensure that it is aware of key service providers to the Company and shall request an extract of the general ledger to ensure that all service providers including professional advisers, are identified for possible evaluation, noting the total remuneration paid to service providers annually.
- (vi) The Committee shall consider any specific matters relating to the engagement of the parties which the Board may request.
- (vii) In the event that the Committee or any member of the Committee requires access to independent professional advice in connection with its/his/her duties, a request may be made to the Chairman.
- (viii) Every member of the Committee shall give sufficient time and attention to his/her duties as a member of the Committee. He/she shall give the Company the benefit of his/her skills and expertise through regular attendance and active participation.
- (ix) The Committee shall, at least once a year, review its own performance, 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.

#### 7.5 **Annual Report**

The Committee shall produce:

- 7.5.1 A disclosure statement to be included in the Company's Annual Financial Report about its activities; and
- 7.5.2 Any statements regarding the Investment Manager, its remuneration and any other terms of its appointment which are required to be included in the Company's Annual Financial Report or as otherwise required by the Board

**8 AUTHORITY**

The Committee is authorised to investigate and review any matter within its terms of reference, to consider any matter the Committee deems relevant to the discharge of its duties and to obtain, at the Company's expense, outside legal or other professional advice on any matters within its term of reference when the Committee reasonably believes it necessary to do so.

**9 OTHER MATTERS**

The Committee shall

- 9.1 Have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;
- 9.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 9.3 Give due consideration to laws and regulations, the provisions of the Code, the AIC Code of Corporate Governance and the requirements of the Financial Conduct Authority, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 9.4 Work and liaise as necessary with other board committees; and
- 9.5 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.

Adopted by the Board with effect from 31 May 2018.

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Chairman