

Custodian REIT plc
Audit and Risk Committee Terms of Reference

The Audit & Risk Committee (the “Committee”) has been established by the Board of directors (the “Board”) of Custodian REIT plc (the “Company”) as a Committee of the Board.

1 DEFINITIONS

In these terms of reference, the following words and expressions have the following meanings:

- 1.1 “**AIC Code**” means the Association of Investment Companies Corporate Governance Code;
- 1.2 “**Code**” means the UK Corporate Governance Code published by the Financial Reporting Council;
- 1.3 “**Director**” means a director of the Company;
- 1.4 “**Investment Manager**” means Custodian Capital Limited; and
- 1.5 “**Non-Executive Director**” means a non-executive director of the Company.

2 PURPOSE

- 2.1 The purpose of the Committee is to assist the Board in carrying out its responsibilities relating to accounting policies, internal control, and financial reporting, and to provide oversight and advice in relation to current and future risk exposure of the Company including the future risk strategy, the determination of risk appetite and tolerance, and the effectiveness of the risk management framework required to manage risk.
- 2.2 The Committee may sub-delegate any of its powers and authority as it sees fit, including, without limitation, through the establishment of sub-committees to consider particular issues and report back to the Committee.

3 MEMBERSHIP

- 3.1 Membership will be made on the recommendation of the Nominations Committee and in consultation with the Chair of the Committee.
- 3.2 The Committee shall have at least two members and members shall be independent Non-Executive Directors.
- 3.3 Only members of the Committee shall have the right to attend meetings. Membership is personal to the position holder and cannot be delegated.
- 3.4 Membership shall be for a period of three years, which may be extended for up to two additional three-year periods, provided the member still meets the criteria for membership of the Committee.
- 3.5 The Committee’s Chair shall be appointed by the Board and shall be accountable for the effective operation of the Committee. In the absence of the Committee Chair, their deputy, or in their absence the remaining members shall elect one of themselves to chair the meeting. The Chair of the Board shall not be a member of the Committee.

- 3.6 At least one member shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the real estate sector, along with appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and appetite of the Company.
- 3.7 Other individuals may also be invited to attend all or part of any meeting as and when the Chair deems appropriate and necessary (e.g. the internal and external auditors).

4 MEETINGS

- 4.1 The secretary of the Committee shall be the Company Secretary or such other person as the Committee may appoint.
- 4.2 The Committee shall meet at least twice yearly. The Chair has the discretion to cancel, reschedule or call additional meetings as required. Meetings shall be called by the Secretary at the request of its Chair or any of its members, if they consider it necessary or appropriate.
- 4.3 Meetings may be conducted by telephone or video conference and decisions made by such means shall be appropriately recorded and shall have the same effect as those conducted in person.
- 4.4 The quorum necessary for the transaction of business shall be two members.
- 4.5 At least once per year the Committee shall meet with the external auditor in the absence of the Investment Manager. Outside of formal meetings, the Committee Chair shall maintain a dialogue with key individuals responsible for the Company's governance, including the Board Chairman.
- 4.6 The agenda for each meeting shall be approved by the Chair. Notice of each meeting, together with an agenda of items to be discussed shall be forwarded to each Committee member, and any attendees, no later than 5 working days before the meeting. Supporting papers shall be sent to Committee members, and other attendees as appropriate, at the same time.
- 4.7 The Secretary shall prepare formal minutes for every meeting capturing key issues raised and any decisions/approvals made/granted by the Committee.

5 RESPONSIBILITIES

Financial reporting

- 5.1 Monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's actual and forecast financial performance, reviewing significant financial reporting judgements contained in them, having regard matters communicated to it by the external auditors.
- 5.2 Review and discuss any unusual items or matters brought to its attention requiring the exercise of managerial judgement affecting the preparation of the statements and announcements of the Company.
- 5.3 Report to the Board on whether the annual report and accounts, taken as a whole is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.
- 5.4 Review and challenge, before submission of the relevant documents to the Board, the half yearly financial results, the preliminary announcement of annual results, the annual accounts and the accompanying reports to shareholders (including the strategic report and corporate governance statements) and any other announcement regarding the Company's results or other financial information, focusing particularly on:
 - 5.4.1 the application of, and any changes in, accounting policies and practices;
 - 5.4.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 5.4.3 the basis of any valuation of the Company's property portfolio;
 - 5.4.4 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;
 - 5.4.5 significant adjustments resulting from the audit;
 - 5.4.6 the clarity and completeness of disclosures and the context in which statements are made; and
 - 5.4.7 the going concern assumption and statement of longer-term viability.
- 5.5 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, Market Abuse Regulations and the Disclosure Guidance and Transparency Rules sourcebook.
- 5.6 Where not satisfied with any aspect of the proposed financial reporting by the Company, the Committee shall report its views to the Board.

External Audit

- 5.7 Consider and make recommendations to the Board, to be put forward for approval at the annual general meeting, in relation to the appointment, re-appointment and the removal of the external auditors.
- 5.8 If an auditor resigns, investigate the reasons behind this resignation and whether any follow-up actions are necessary.
- 5.9 Fix the remuneration of the external auditors, as authorised by shareholders, and approve the terms of engagement of the external auditors.
- 5.10 Develop and oversee the selection procedure for the appointment of external auditors, ensuring a fair, open and transparent tender process. Ensure that at least every ten years the audit services contract is put out to tender.
- 5.11 Discuss with the external auditors before the audit commences the nature and scope of the audit, and other relevant matters and approve the terms of engagement of the external auditors.
- 5.12 Review and monitor:
 - 5.12.1 the scope, effectiveness and results of the external audit as well as its cost effectiveness, taking into consideration relevant UK professional and regulatory requirements;
 - 5.12.2 the independence and objectivity and qualifications, expertise and resources of the external auditors; and
 - 5.12.3 non-audit services provided by the external auditors to the Company under the non-audit services policy referred to in paragraph 5.22 below.
- 5.13 Agree with the Board a policy on the employment of former employees of the Company's auditors, considering the Ethical Standard and legal requirements, and monitor the application of this policy.
- 5.14 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.
- 5.15 Monitor the level of fees paid by the Company to the external auditors 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.
- 5.16 Assess annually the qualifications, expertise and resources, and independence of the external auditors and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures.
- 5.17 Discuss with the external auditors 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.

- 5.18 Review the findings of the audit with the external auditors, including a discussion on major issues which arose during the audit, and accounting and audit judgements, the auditor's view of their interactions with senior management and the level of errors identified during the audit.
- 5.19 Resolve any disagreements between management and the external auditors regarding financial reporting and review any representation letters requested by the external auditor.
- 5.20 Review the external auditors' management letter and management's response to the findings and recommendations.
- 5.21 Ensure co-ordination of the external audit with internal audit based activities, where relevant.
- 5.22 Develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditors, 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.
- 5.23 Discuss issues and recommendations arising from the audit and any matters which the external auditors wish to discuss (in the absence of management, where necessary).

Internal Controls and Risk Management

- 5.24 Review the design, implementation and effectiveness of the risk management framework and systems of internal control.
- 5.25 Liaise with the Investment Manager's internal audit function directly regarding any control or risk management issues affecting the Company.
- 5.26 Monitor any significant deficiencies and material weaknesses in internal controls and disclosure controls and procedures relating to the Company, as reported by internal audit reviews and the external auditors, and the implementation by management of appropriate remedial action.
- 5.27 Advise the Board on the Company's overall risk appetite tolerance and strategy, which shall also take into consideration environmental and economic factors.
- 5.28 Liaise with the Board and the Company's management engagement committee and ensure that other statements regarding the Company's Investment Manager, including relevant details of its remuneration and appointment and its continued appointment are, included in the annual report.
- 5.29 Ensure that the annual report includes:
 - 5.29.1 the full text of the Company's published investment policy;
 - 5.29.2 a detailed and meaningful analysis of the Company's investment portfolio; and
 - 5.29.3 a summary of the valuation of its portfolio made in accordance with the Listing Rules published by the Financial Conduct Authority.

Whistle blowing

- 5.30 Review the adequacy and security of the Company's arrangements for Key Service Providers to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, ensuring that such arrangements allow independent investigation of such matters and appropriate follow up action.

Property Valuation

- 5.31 The Committee shall have the opportunity to meet with the external property valuer at least once a year, to discuss the valuer's remit and any issues arising from the valuation.

6 SHAREHOLDER ENGAGEMENT

- 6.1 The Chair of the Committee should attend the Company's Annual General Meeting for the purpose of handling any questions or enquiries at the meeting about risk management or compliance.

7 REPORTING RESPONSIBILITIES

- 7.1 The Chair shall report to the Board on the Committee's proceedings on all matters within its accountabilities and responsibilities and the minutes for all Committee meetings shall be included in the papers for the subsequent Board meeting.
- 7.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be made available for Board discussion when necessary.
- 7.3 The Committee Chair shall make a statement in the Company's Annual Report about the activities of the Committee including, where significant and/or have informed the Board's assessment of whether the Company is a going concern and longer-term viability:
- 7.3.1 the significant issues the Committee considered in relation to the financial statements and how these issues were addressed;
 - 7.3.2 an explanation of how the Committee has assessed the independence and effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditors, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - 7.3.3 an explanation of how auditor independence and objectivity are safeguarded if the external auditors provide non-audit services.
- 7.4 The Committee shall also review and approve the statements to be included in the annual report concerning internal controls and risk management.
- 7.5 The Committee has the right to publish within the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

8 OTHER MATTERS

8.1 The Committee shall:

- 8.1.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 8.1.2 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.
- 8.1.3 Give due consideration to laws and regulations, the provisions of the Code, the AIC Code, the requirements of the London Stock Exchange plc, the Market Abuse Regulations and the requirements of the Listing Rules, Prospectus Rules, and the Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 8.1.4 Ensure that a periodic evaluation of the Committee's own performance is carried out.
- 8.1.5 Review the Committee's constitution and terms of reference at least annually to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

8.2 The Committee is authorised by the Board to:

- 8.2.1 Investigate any activity within its terms of reference.
- 8.2.2 Obtain any information it requires from any Director, or the Investment Manager, who will be directed to co-operate with any request made by the Committee.
- 8.2.3 Obtain outside legal or other independent professional advice at the Company's expense.
- 8.2.4 Instruct external professional advisers to attend any meeting if it considers this necessary or appropriate at the Company's expense.

8.3 The Committee will consider reports or topics, as may be requested by the Board.

8.4 The Committee will perform oversight functions as requested by the Board.

8.5 The Committee shall make available these terms of reference and include the information on the Company's website.

These terms of reference were adopted on 23 November 2021.