

REGIONAL REIT LIMITED
(the “Company”)

Terms of Reference of the Audit Committee

1 Membership

- 1.1 The Audit Committee (the “Committee”) shall comprise the independent non-executive directors, at least one of whom shall have recent and relevant financial experience. As a whole, the Committee should have competence relevant to the sector in which the Company operates. Members of the Committee shall be appointed by the Board, in consultation with the Chairman of the audit Committee. The Chairman of the Board may be a member of, but not chair, the audit committee, providing he or she was independent on appointment as Chairman of the Board. If the Chair of the Board is a member of the Committee the Board to explain in the annual report why it believes this is appropriate.
- 1.2 Only members of the Committee have the right to attend and vote at Committee meetings. However, the external auditor will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.3 The Board shall appoint the Committee Chairman and determine the period for which he or she shall hold office. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.4 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. Where possible, the Chairman and members of the Committee should be rotated on a regular basis.

2 Quorum

- 2.1 The quorum necessary for the transaction of business shall be two members. 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 Frequency of meetings

- 3.1 The Committee shall meet at least two times a year at appropriate times in the reporting and audit cycle and otherwise as required by the Board Chairman.
- 3.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company’s governance, including the Board Chairman, the Asset Manager, the Investment Manager and the external audit lead partner.

4 Notice of meetings and proceedings at meetings

- 4.1 Meetings of the Committee shall be called by the Chairman of the Committee at the request of any of its members or at the request of the external audit lead partner if they consider it necessary.
- 4.2 Unless otherwise agreed, 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, any other person required to attend and all other directors, no later than three 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. Papers required by the Committee may be provided electronically.
- 4.3 Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conferences.

5 Minutes of meetings

- 5.1 The Chairman of the Committee shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 5.2 The Chairman of the Committee should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless, in the opinion of the Committee Chairman, it would be inappropriate to do so.

6 Annual general meeting

- 6.1 The Committee Chairman should attend the annual general meeting and be prepared to answer shareholder questions on the report on the Committee's activities and matters within the scope of the Committee's responsibilities.

7 Duties

- 7.1 The Committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as appropriate. The Committee shall, in conducting all of its duties in accordance with these terms of reference, act in a way it considers in good faith would be in the best interests of the Company.

7.2 Financial reporting

- 7.2.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary results announcements and any other formal announcement relating to its financial performance, 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 auditor.
- 7.2.2 In particular, the Committee shall review and challenge where necessary:
 - 7.2.2.1 the appropriateness, consistency of, and any significant changes to, significant accounting policies both on a year on year basis and across the Company/group;
 - 7.2.2.2 decisions requiring a major element of judgement;
 - 7.2.2.3 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 7.2.2.4 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 7.2.2.5 the clarity and completeness of disclosures in the Company's financial reports and the context in which statements are made;
 - 7.2.2.6 significant adjustments resulting from the audit;
 - 7.2.2.7 assessing the basis on which the Company has been determined as a going concern and to disclose any material uncertainties identified during such assessment;
 - 7.2.2.8 for the purposes of the viability statement:

- (i) assessing the principal risks and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and how they are managed and mitigated;
- (ii) assessing the prospects of the Company over such period deemed appropriate (but longer than 12 months); and
- (iii) determining and reporting to shareholders in the annual report whether there is 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 assessment;

7.2.2.9 all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management).

7.3 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.

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.

7.4 **Narrative reporting**

Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on 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.

7.5 **Internal controls and risk management systems**

The Committee shall:

- 7.5.1 keep under review the Company's internal financial controls (being the systems established to identify, assess, manage and monitor financial risks) and risk management systems and review the adequacy and effectiveness of the Company's risk management systems, to ensure a robust assessment of the principal risks and emerging risks facing the Company;
- 7.5.2 ensure that there are clear processes for bringing significant issues to its attention more rapidly when required, and agreed triggers for doing so;
- 7.5.3 review and approve the disclosures included in the annual report concerning internal controls, risk management and longer-term viability, and the policies and process for identifying and assessing business risks and the management of those risks by the Company.

7.6 **Whistleblowing and fraud**

The Committee shall:

- 7.6.1 review the adequacy and security of the Company's arrangements for its external managers 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;

- 7.6.2 review the Company's procedures for detecting fraud; and
- 7.6.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

7.7 Internal audit

The Committee shall consider on an ongoing and regular basis any need for the Company to have an internal audit function and, if such internal audit function is established, shall:

- 7.7.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system, irrespective of whether this is an in-house or outsourced function;
- 7.7.2 approve the appointment or termination of the head of the internal audit function or the provider of the outsourced function;
- 7.7.3 review and approve the remit of the internal audit function and assess and ensure the function has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant appropriate professional standards. The Committee shall also ensure that the function has adequate standing and is free from management or other restrictions.
- 7.7.4 ensure the internal audit function has direct access to the Board Chairman and to the Committee Chairman and is accountable to the Committee;
- 7.7.5 review and assess the annual internal audit plan;
- 7.7.6 receive a report on the results of the internal auditor's work on a periodic basis;
- 7.7.7 review and monitor management's responsiveness to the internal auditors findings and recommendations;
- 7.7.8 meet the head of internal audit and/or head of the internal auditors at least once a year, without the presence of management; and
- 7.7.9 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

7.8 External Audit

The Committee shall:

- 7.8.1 consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- 7.8.2 conduct the selection procedure and selection process for the appointment of a new auditor, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 7.8.3 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, 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;
- 7.8.4 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;

- 7.8.5 oversee the relationship with the external auditor including (but not limited to):
- 7.8.5.1 approval of their remuneration, including both fees for audit or non-audit services, and satisfying itself that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - 7.8.5.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit, and reviewing the scope of the audit;
 - 7.8.5.3 monitor and assess, at least annually, their independence and objectivity, taking into account relevant UK law, regulation, ethical standards and other professional and regulatory requirements, including any threats to the external auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services. This assessment should involve a consideration of all relationships between the Company and the audit firm, including throughout the group and with the audit firm's network firms, and any safeguards established by the external auditor and whether those relationships appear to impair the auditor's independence and objectivity;
 - 7.8.5.4 satisfy itself that there are no relationships between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
 - 7.8.5.5 reviewing and monitoring the effectiveness of the audit process;
 - 7.8.5.6 seeking information annually about the auditor's policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those regarding the rotation of audit partners and staff and the employment of former employees of the Company's auditor;
 - 7.8.5.7 monitoring the auditor's compliance with relevant ethical and professional guidance, the level of fees paid by the Company compared to the overall fee income of the firm, or relevant part of it, and other related regulatory requirements;
 - 7.8.5.8 assessing annually and reporting to the Board on the qualifications, expertise, resources and independence of the auditor and the effectiveness of the audit process, which shall include obtaining a report from the external auditor on their own internal quality procedures and consideration of the audit firm's annual transparency reports, where available;
 - 7.8.5.9 seeking to ensure co-ordination with the activities of the internal audit function (if applicable); and
 - 7.8.5.10 evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the auditor from the market in that evaluation;
- 7.8.6 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, without management being present, to discuss the auditor's remit

and any issues arising from the audit;

7.8.7 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, including planned levels of materiality and proposed resources, having regard to the seniority, expertise and experience of the audit team; and

7.8.8 review the findings of the audit with the external auditor in a timely manner. This shall include, but not be limited to, the following:

7.8.8.1 a discussion of any major issues which arose during the audit, including those that have been resolved and those that remain unresolved;

7.8.8.2 an explanation from the auditor as to how they addressed any risks to audit quality previously identified;

7.8.8.3 a review of the evidence received in relation to each area of significant judgement and of key accounting and audit judgements; and

7.8.8.4 levels of errors identified during the audit and the reasons for any that remain unadjusted.

7.8.9 at the end of the annual audit cycle, the Committee should assess the effectiveness of the audit process. In the course of doing so, the Committee should:

- (i) ask the auditor to explain the risks to audit quality that it identified and how these have been addressed and discuss with the auditor the controls relied on to address these risks;
- (ii) review whether the auditor has met the agreed audit plan and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;
- (iii) obtain feedback about the conduct of the audit from key people of the Managers involved; and
- (iv) review and monitor the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the Company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.

The Committee shall also:

7.8.10 review any representation letter(s) requested by the external auditor before they are signed by the Board;

7.8.11 review the management letter and management's response to the auditor's findings and recommendations;

7.8.12 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;

7.8.13 develop and recommend to the Board a policy on the supply of non-audit services by the external auditor, including approval of non-audit services by the Committee and specifying the types of non-audit services to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements, and monitor the level of

fees payable to the external auditor in respect of these non-audit services considering the impact this may have on independence, taking into account any relevant ethical guidance and legal requirements on the matter, and keep the policy under review. In respect of the assessment of whether non-audit services have a direct or material effect on the audited financial statements, the Committee shall report to the Board on any improvement or action required.

The policy should include consideration of the following matters:

- 7.8.13.1 threats to the independence and objectivity of the external auditor and any safeguards in place;
- 7.8.13.2 the nature of the non-audit services;
- 7.8.13.3 whether the external audit firm is the most suitable supplier of the non-audit service;
- 7.8.13.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
- 7.8.13.5 the criteria governing compensation.
- 7.8.14 approve any non-audit services, ensuring that the provision of such services does not impair the auditor's independence or objectivity. In the context of non-audit services that are not prohibited by law, the Committee should apply judgement concerning the provision of such services.

8 Reporting responsibilities

- 8.1 The Committee Chairman 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:
 - 8.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 7.2.1) and how these were addressed;
 - 8.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 7.7.4.7) and its recommendation on the appointment or reappointment of the external auditor; and
 - 8.1.3 any other issues on which the Board has requested the Committee's opinion.
- 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include, inter alia:
 - 8.3.1 a summary of the role and work of the Committee;
 - 8.3.2 how any audit Committee composition requirements have been addressed and the names and qualifications of all members of the Committee during the period;
 - 8.3.3 the number of Committee meetings;
 - 8.3.4 how the Committee's performance evaluation has been conducted;
 - 8.3.5 an explanation of how it has assessed the effectiveness of the external audit process and of the approach taken to the appointment or re-appointment of the external auditor;

- 8.3.6 the length of tenure of the current audit firm, the current audit partner name, and for how long the partner has held the role;
 - 8.3.7 when a tender was last conducted and advance notice of any re-tendering plans;
 - 8.3.8 if the external auditor provides non-audit services, the Committee's policy for approval of non-audit services and an explanation of how auditor objectivity and independence is safeguarded;
 - 8.3.9 the audit fees for the statutory audit of the Company's consolidated financial statements paid to the auditor and its network firms for audit-related services and other non-audit services, including the ratio of audit to non-audit work. For each significant engagement, the report should explain what the services are and why the Committee has concluded that it was in the interests of the Company to purchase them from the external auditor; and
 - 8.3.10 the significant issues that the Committee considered in relation to the financial statements and how these were addressed.
- 8.4 In compiling the reports referred to in 8.1 and 8.3, 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. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.
- 8.5 The Committee shall make available to shareholders these terms of reference by placing them on the Company's website.
- 9 Other matters**
- The Committee shall:
- 9.1 have access to sufficient resources in order to carry out its duties;
 - 9.2 be provided with appropriate and timely training at the Company's expense;
 - 9.3 give due consideration to applicable laws and regulations, including the provisions of the AIC Code of Corporate Governance and the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Rules and Transparency Rules, as appropriate;
 - 9.4 be responsible for co-ordination of the internal and external auditors;
 - 9.5 oversee any investigation of activities which are within its terms of reference;
 - 9.6 work and liaise as necessary with all other Board Committees; and
 - 9.7 arrange for periodic reviews of its own performance and, 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.
- 10 Authority**
- The Committee is authorised to:
- 10.1 seek any information it requires from any employee of the Company, the investment manager or the asset manager of the Company in order to perform its duties;

- 10.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so; and
- 10.3 publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

RESPONSIBILITIES OF THE CHAIR OF THE BOARD

1. The Chair leads the Board and is responsible for its overall effectiveness in directing the Company.
The Chair:
 - 1.1. demonstrates objective judgement throughout his/her tenure;
 - 1.2. promotes a culture of openness and debate;
 - 1.3. facilitates constructive board relations and the effective contribution of all non-executive Directors;
 - 1.4. ensures that Directors receive accurate, timely and clear information;
 - 1.5. in addition to formal general meetings, seeks regular engagement with major shareholders in order to understand their views on governance and performance against the Company's investment objective and investment policy;
 - 1.6. ensures that the Board as a whole has a clear understanding of the views of shareholders;
 - 1.7. represents the Company to its stakeholders and consider ways of reaching out to increase the visibility of non-executive Directors; and
 - 1.8. acts on the results of the annual evaluation of the performance of the Board, its Committees and individual Directors by recognising the strengths and addressing any weaknesses of the Board.
2. The Chair of the Board should not chair Board meetings when the Board is dealing with the appointment of his/her successor.
3. The Chair should be independent on appointment when assessed against the circumstances set out in Provision 13 of the AIC Code of Corporate Governance.
4. The Chair may be a member of the Audit Committee if they were independent on appointment, but cannot be the chair of the Committee.
5. The Chair may be a member of, but cannot chair, the Management Engagement and Remuneration Committee.

RESPONSIBILITIES OF THE SENIOR INDEPENDENT DIRECTOR

1. The Senior Independent Director;
 - 1.1. acts as a sounding board for the Chair of the Board, providing the Chair with support in the delivery of his/her objectives;
 - 1.2. leads the evaluation of the Chair on behalf of the other Directors as part of the annual evaluation process;
 - 1.3. serves as an intermediary for the other Directors, in particular when the Board or Company is undergoing a period of stress. The Senior Independent Director is expected to work with the Chair and other Directors, and/ or shareholders, to resolve significant issues in order to maintain Board and Company stability. Examples of such issues might include situations where:
 - 1.3.1 there is a dispute between the Chair and Investment Manager;
 - 1.3.2 shareholders or non-executive Directors have expressed concerns that are not being addressed by the Chair or the Investment Manager;
 - 1.3.3 the strategy is not supported by the entire Board;
 - 1.3.4 the relationship between the Chair and the Investment Manager is particularly close;
 - 1.3.5 decisions are being made without the approval of the full Board; and/or
 - 1.3.6 succession planning is being ignored.
 - 1.4. serves as an intermediary for shareholders. When called upon, the Senior Independent Director should seek to meet a sufficient range of major shareholders in order to develop a balanced understanding of their views.
 - 1.5. is available to shareholders if they have concerns that contact through the normal channels of Chair, other Directors or the Investment Manager has failed to resolve or for which such contact is inappropriate.