



## **Irish Residential Properties REIT plc (the “Company”)**

### **Audit Committee (“Committee”) – Terms of Reference**

**Adopted by the board of directors of the Company (the “Board”) on 31 March 2014 (as amended 2 April 2015, 11 March 2016, 1 November 2016 and 29 March 2017)**

References to members and the chair below are references to members of the Committee and the chair of the Committee respectively unless otherwise specified. References to Group refer to the Company and IRES Residential Properties Limited, collectively.

#### **1. Constitution**

1.1. The Committee was established by resolution of the Board duly constituted in accordance with the UK Corporate Governance Code and the Irish Corporate Governance Annex thereto (the “UK Code”) and the Company’s articles of association, and is to be known as the Audit Committee.

#### **2. Membership**

2.1. Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the chair of the Committee and will consist of a minimum of two members. Subject to paragraph 2.2, all members of the Committee will be independent non-executive directors.

2.2. The Company chair may be a member of, but not chair, the Committee provided he or she was considered independent on appointment as chair.

2.3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the other directors, external advisers or representatives of the Company’s investment manager or other service providers, may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

2.4. The external auditors will be invited to attend meetings of the Committee on a regular basis.

2.5. At least one member of the Committee shall have recent and relevant financial experience and ideally hold a professional qualification from a recognised professional accountancy body.

2.6. The Board shall appoint the Committee chair, subject to 2.2 above, who shall be an independent non-executive director. In the absence of the Committee chair, the remaining members present shall elect one of the non-executive directors present to chair.

2.7. Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to meet the criteria for membership of the Committee.

### **3. Meetings**

- 3.1. The Committee shall meet not less than four times a year at appropriate times in the reporting and audit cycle of the Company or more frequently if the Committee chair so requires. The quorum for any meeting of the Committee 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, powers and discretions vested in or exercisable by the Committee.
- 3.2. At least once a year, without the presence of executive management the Committee shall meet separately with each of the external auditors and the head of Internal Audit (in circumstances where the Group has an internal audit function) to discuss matters relating to its remit and any issues arising from the audit.
- 3.3. Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the Company's governance, including the Company chair.
- 3.4. Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary.
- 3.5. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, 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.

### **4. Secretary**

- 4.1. The company secretary of the Company or its nominee shall act as the secretary 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.
- 4.2. The Committee shall have access to the services of the company secretary on all Committee matters, including assisting the Committee chair in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support.

### **5. Minutes of Meetings**

- 5.1. The secretary shall minute the proceedings and the resolutions of all Committee meetings, including the names of those present and in attendance.
- 5.2. The secretary shall 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 and, once agreed, to all members of the Board, unless it would be inappropriate to do so in the opinion of the Committee.

## **6. Annual General Meeting**

6.1. The Committee chair shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## **7. Authority**

7.1. The Committee is authorised by the Board to:

7.2. investigate any activity within its terms of reference;

7.3. seek any information that it requires from the management team, any employee and all employees are directed to co-operate with any request made by the Committee;

7.4. call any employees or service providers to be questioned at a meeting of the Committee as and when required;

7.5. publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board;

7.6. do all other matters as it believes appropriate in respect of the conduct of its duties, including, without limitation, the matters referred to herein;

7.7. delegate any of its powers to one or more of its members or the secretary; and

7.8. obtain external legal or other professional advice on any matter within its terms of reference and to invite those persons to attend a meeting of the Committee as required by the Committee. The cost of obtaining any advice or services shall be paid by the Company within the limits as authorised by the directors of the Company.

## **8. Duties**

The Committee shall carry out the following duties:

### **8.1. General duties**

The Committee shall:

8.1.1. ensure that there is an open line of communication between the internal auditors (if any), the external auditors and the Board; and

8.1.2. review as often as required and at least annually, and, if necessary, propose for formal board adoption, amendments to the Committee's terms of reference.

## 8.2. Financial Reporting

The Committee shall:

- 8.2.1. monitor the integrity of the financial statements of the Group, including its annual and half-yearly financial reports and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;
- 8.2.2. review and challenge where necessary:
  - the consistency of and any changes to accounting policies both on a year to year basis and across the Group;
  - the methods used to account for significant or unusual transactions where different approaches are possible;
  - whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - the clarity of disclosure in the Group's financial reports; and
  - the context in which statements are made and all material information presented with the financial statements, such as the business review the operating and financial review and the corporate governance statement (insofar as it relates to the audit and to risk management).
- 8.2.3. review the annual and interim financial statements before submission to and approval by the Board; and
- 8.2.4. where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall report its views to the Board.

## 8.3. Internal controls and Risk Management System

The Committee shall:

- 8.3.1. monitor and keep under review the adequacy and effectiveness of the Group's internal controls and internal control and risk management systems;
- 8.3.2. monitor the adequacy of, and the compliance with, the internal procedures relating to the Group by the Group's service providers;
- 8.3.3. review and approve the statements to be included in the annual report concerning internal controls and risk management; and
- 8.3.4. review and consider at meetings of the Committee the risk appetite of the Group and risk register and the effectiveness of the existing or proposed mitigating or corrective actions or controls in respect of key areas.

The Board retains responsibility for the review of the effectiveness of the Group's systems of internal controls and risk management and must form its own opinion despite aspects of that review being delegated to the Committee.

#### 8.4. Internal Audit

In circumstances where the Group has an internal audit function, the Committee shall:

- 8.4.1. monitor and review the effectiveness of the Group's internal audit activities in the context of the Group's overall risk management system and make recommendations to the Board thereon;
- 8.4.2. review and approve the appointment and removal of the head of the internal audit function of the Group (if any);
- 8.4.3. consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- 8.4.4. ensure the head of the internal audit function of the Group has the right of direct access to the Committee chair and the chair of the Board and is accountable to the Committee;
- 8.4.5. review and assess the annual internal audit plan;
- 8.4.6. review and periodically report on the results from the internal auditor's work;
- 8.4.7. review with management and the internal auditor:
  - (a) management's responsiveness to the findings and recommendations of internal audit and any restrictions placed on scope of work or access to required information or personnel; and
  - (b) approve the internal audit's terms of reference.

#### 8.5. External Auditors

The Committee shall:

- 8.5.1. oversee relations with the external auditor;
- 8.5.2. consider and make recommendations to the Board in relation to the appointment, reappointment and removal of the Company's external auditor subject to shareholder approval, if required. If the Board does not accept the Committee's recommendation on the appointment, re-appointment and removal of external auditors, the Committee shall prepare a statement explaining the Committee's recommendation which shall be included in the annual report and in any papers recommending appointment or re-appointment together with the Board's reasons for taking a different position.



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The Committee shall oversee 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;

8.5.3. oversee the relationship with the external auditor including (but not limited to):

- approve the remuneration to be paid to the external auditor in respect of audit and non-audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
- approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- assess the performance, independence and objectivity of the external auditors annually and the effectiveness of the audit process taking into account relevant UK and Irish professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
- satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Group (other than in the ordinary course of business) which could adversely affect the external auditor's independence and loyalty;
- monitor the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements; and
- assess annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures

8.5.4. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

8.5.5. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year without any member of the Company's management team being present, to discuss their remit and any issues arising from the audit;

8.5.6. review with the external auditors, the findings of their audit, including:

- any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved;
- any accounting and audit judgements
- levels of errors identified during the audit; and

- the effectiveness of the audit process
  - 8.5.7. ensure that the provision of non-audit services by the external auditor does not impair the external auditor's independence or objectivity;
  - 8.5.8. review any representation letter(s) requested by the external auditor before they are signed by management;
  - 8.5.9. review the management letter and management's response to the external auditor's findings and recommendations; and
  - 8.5.10. seek to ensure co-ordination with the activities of the internal audit function (if any);
  - 8.5.11. develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken; and
  - 8.5.12. evaluate the risk 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.
- 8.6. Compliance, whistleblowing, fraud and health and safety.

The Committee shall:

- 8.6.1. review the adequacy and security of the Group's arrangements for its employees and contractors, if any, to raise concerns in confidence about possible wrongdoing in financial reporting or other matters, and ensure that these arrangements allow proportional and independent investigation of such matters and appropriate follow-up action;
- 8.6.2. review the Company's procedures for the detection of fraud including procedures which its service providers have in place for detecting fraud;
- 8.6.3. verify that procedures are in place to comply with applicable legislation including the Irish Listing Rules and the REIT Guidelines;
- 8.6.4. review regular reports to monitor the adequacy and effectiveness of the Group's internal control, risk management and compliance systems;
- 8.6.5. review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- 8.6.6. monitor the Company's compliance with its health and safety policy and review reports from management on safety performance and improvement plans.

## 9. Reporting

- 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 on how it has discharged its responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.2. The Committee shall report at the meeting of the Board next following a meeting of the Committee.
- 9.3. The Committee shall compile a report on its activities to be included in the Company's annual report which shall include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the external auditor; if an external auditor provides non-audit services, an explanation of how the external auditor's objectivity and independence are safeguarded; the approach taken to the appointment or reappointment of the external auditor and information on the length of tenure of the current audit firm and when a tender was last conducted; and all other information requirements set out in the UK Code. The annual report shall also list the names of all members of the Committee, the number of Committee meetings and attendance by each member.
- 9.4. 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.
- 9.5. 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 Group's performance, business model and strategy.

## 10. Other Matters

The Committee shall:

- 10.1. have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 10.2. 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;
- 10.3. be responsible for co-ordination of the external auditors;
- 10.4. give due consideration to laws and regulations as appropriate;

- 10.5. arrange for periodic reviews (at least once a year) of its own performance, constitution and terms of reference, at least annually, in order to ensure that the Committee is operating at maximum effectiveness, and recommend any changes it considers necessary to the Board for approval;
  - 10.6. oversee any investigation of activities which are within its terms of reference;
  - 10.7. work and liaise as necessary with all other board committees;
  - 10.8. the Company's procedures for implementing the Company's Whistleblowing policy;
  - 10.9. work and liaise as necessary with all other board committees; and
  - 10.10. make publicly available these terms of reference, explaining its role and the authority delegated to it by the Board.
11. Any change to these Terms of Reference must be approved by the Board.