

MAGNA HOUSING LIMITED (“Magna”)

RISK AND AUDIT COMMITTEE (RAC)

TERMS OF REFERENCE

1. PURPOSE

The purpose of the RAC is to, on behalf of the Strategic Board (“The Board”):

- Review matters relating to statutory financial reporting and the effectiveness of internal financial control systems.
- Oversee the risk management framework, including strategic risk management, risk governance and internal control systems.
- Oversee matters related to financial crime and system abuse, in particular anti-money laundering, fraud detection and prevention, anti-bribery and corruption.
- Safeguard the independence of the externally delivered internal audit service and oversee its performance as well as monitoring the effectiveness of the external auditor.
- Review Magna’s compliance with health and safety legislation.
- Oversee Magna’s Business Continuity arrangements.
- Oversee Magna’s Whistleblowing Policy.
- Provide input to the Board in its assessment of risks and determination of risk appetite.

2. CONSTITUTION AND PROCESS

2.1. Authority

The RAC is a Committee of the Board, established in accordance with Rule D32.

The Committee has delegated authority from the Board to exercise the functions and powers set out in these Terms of Reference, subject to the Board’s overall responsibility for governance and risk management.

The Committee has authority to investigate any matter within its Terms of Reference and to obtain such information as it may require from the business.

2.2. Chair

The Board has sole power to appoint the Chair of the Committee. The Chair of the Committee, who shall be a Board member but must not be the Board Chair, is responsible for the proper conduct of its affairs in accordance with its Terms of Reference.

In the absence of the Chair of the Committee the remaining members present shall elect one of themselves to chair the meeting.

2.3. Membership

The Committee members must be approved by the Board and will retire after their initial fixed term.

Unless otherwise determined by the Board, Members shall serve on the Committee for a fixed period of up to three years, which may be extended by the Board for an additional fixed period of up to three years. Membership of the Committee shall include at least one person with recent and relevant financial experience, and at least one member with expertise in risk management or internal controls.

The Chair of the Board must not chair the committee, has no vote and is not counted towards membership or quorum.

The CEO shall not be a member of the Committee, has no vote and is not counted towards membership or quorum.

Members may be removed from the Committee at any time by the Board.

2.4. Other Attendance

The Chief Finance Officer is the Executive Board lead for the Committee and will attend all meetings.

The Company Secretary will be in attendance at all meetings

Other members of the Executive Board may be asked to attend for items specific to their portfolios.

2.5. Meetings

The Committee shall meet at least four times each financial year with additional meetings convened as necessary to address emerging or significant issues. A quorum for meetings of the Committee is three Members of whom two must be Board members.

Meetings of the Committee may be called by the Chair of the Committee at any time to consider any matters falling within these Terms of Reference.

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.

The Governance Team will provide secretariat support to the Committees and will attend all meetings. The Governance Team are responsible for providing the minutes and matters arising for each meeting.

2.6. Actions arising

Actions arising from each meeting will be distributed to all members of the Committee, regardless of whether they were present at the meeting.

3. PRINCIPAL RESPONSIBILITIES OF THE RAC

The fundamental responsibility of the Committee is to exercise their professional judgment to act in what they reasonably believe to be the best interests of Magna, its customers, colleagues, and stakeholders.

3.1. Financial Reporting

The Committee shall monitor the integrity of the financial statements, including the appropriateness of accounting policies, estimates and judgements and report to the Board on significant financial reporting issues ensuring alignment with applicable accounting standards, regulatory requirements and judgements which those statements contain, having regard to matters communicated to it by the auditor. In particular, the Committee shall review and challenge where necessary:

- The application of significant accounting policies and any changes to them.
- The methods used to account for significant or unusual transactions where different approaches are possible.
- Whether Magna has adopted appropriate accounting policies and made appropriate estimates and judgements, considering the external auditor's views on the financial statements.
- All material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

3.2. External Audit

The Committee is responsible for:

- considering the appointment, re-appointment or removal of the external auditor and overseeing the selection process for a new auditor where required.
- annually challenging and assessing the performance, independence, and objectivity of the external auditor, discussing issues they raise in the audit and monitoring the effectiveness of the audit process and reviewing their quality control procedures and steps taken to respond to regulatory and other changes.
- approving the terms of engagement in respect of any audit and non-audit services and approving in advance the fees.
- approving the nature and scope of the audit with the external auditor before the audit commences and reviewing the findings of the audit, as well as management's response on completion.
- reviewing management representation letters in relation to financial reporting requested by the external auditor prior to signing.
- monitoring the effectiveness of the relationship between the external and internal auditors.
- resolving disagreements between management and the external auditor regarding financial reporting.
- meeting regularly with the external auditor (including at least once a year without management being present), to discuss the auditor's remit and any issues arising from the audit.

3.3. Internal Audit

The Committee is responsible for:

- recommending to the Board the appointment of internal auditors, their fees, and the scope of their work.
- approving the internal audit programme, considering Magna's strategic risks, and providing assurance to the Board on regulatory compliance.
- monitoring significant internal audit findings, including management's response to them, and the implementation of approved recommendations.
- reviewing the effectiveness and performance of the internal audit service provided by, including an annual review.
- meeting regularly with the internal auditor (including at least once a year without management being present), to discuss the auditor's remit and any issues arising from the audit programme.

3.4. Internal Control and Risk Management

The Committee is responsible for:

- Reviewing and advising the Board on the adequacy, effectiveness and continuous improvement of the organisations risk management framework effectiveness of accounting, risk management and other systems of internal control implemented by management.
- ensuring Magna complies with its policy on annual reporting on internal control
- assist the Board in its oversight of Magna's risk management framework.
- reviewing Magna's strategic risks quarterly and make recommendations to the Board on changes to the strategic risk register.
- assisting the Board in its determination of Magna's risk appetite.
- commissioning and reviewing reports on any specific risks facing Magna, consider how the Board can obtain assurance that risks are being managed effectively and make recommendations to the Board.
- considering and recommending to the Board which risks need to be included in stress testing and which factors should be stress tested.

3.5. Compliance, fraud, and whistleblowing

The Committee is responsible for:

- considering reports related to matters raised under the Whistle-blowing Policy and alleged or actual fraudulent activity.
- reviewing the adequacy of the arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting, health and safety or other matters.
- monitoring the adequacy and effectiveness of the systems and controls in place for the prevention and detection of fraud, bribery and money laundering and receive reports on non-compliance.
- scrutinizing the Fraud and Theft Register and reports on any case added to the Register since the last meeting of the Committee.

- making recommendations to the Board in respect of policies related to whistleblowing, fraud, bribery, and money laundering.
- reviewing at least annually the systems and controls in place to ensure compliance with health and safety legislation and good practice.
- annually assessing Magna's compliance with the Data Protection Act 2018 and UK General Data Protection Regulation (GDPR)
- monitoring the adequacy and effectiveness of the systems and controls in place for Data Protection.
- Reviewing at least annually the arrangements for Business Continuity.
- Receiving an annual report outlining lessons learned from cyber security incidents during each year, together with improvements to Magna's cyber security approach.

3.6 Policies and Procedures Review

The Committee shall review and recommend to the Board relevant policies in accordance with the policy schedule and in relation to its principal responsibilities. The relevant policies are listed below.

- Financial Regulations
- Data Protection Policy
- Risk Management Policy
- Health, Safety and Wellbeing Policy
- Non-Audit Services Policy (delegated to RAC for approval)
- Anti-Bribery, Anti-Fraud and Corruption and Counter-Money Laundering Policy
- Business Continuity Policy
- Whistleblowing Policy
- Tenancy Fraud
- Data Governance Policy

4. REPORTING

Minutes of each Committee meeting will be reported at the next meeting of the Board.

The Chair of the Committee shall report to the Board on matters within its duties and responsibilities after each meeting.

The Committee shall compile a report of the work of the Committee in discharging its responsibilities for inclusion in an annual report to the Board, including 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 auditor.

The Committee shall work and liaise as necessary with other Committees of the Board.

5. GOVERNANCE AND RESOURCES

The Committee shall, via the Governance Team, make available to new members of the Committee a suitable induction process and, for existing members, ongoing training as discussed and agreed by the Committee.

The Committee shall conduct an annual self-assessment of its performance, including an evaluation of its effectiveness in fulfilling its responsibilities under these Terms of Reference and report the findings and recommendations to the Board. As part of this assessment, the Committee shall also consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether its annual plan of work is manageable.

The Committee shall in its decision making, give due regard to any relevant legal or regulatory requirements, and associated best practice guidance, as well as to the risk and reputation implications of its decisions (liaising where relevant with other Committees).

The Committee shall have access to sufficient resources to carry out its duties and have the authority to obtain advice, reports or opinions from external advisers and will have the power to hire, at the expense of Magna, legal, financial, and other advisers as they may deem necessary or appropriate, and to invite them to attend meetings.

6. OTHER MATTERS

The Committee will have the authority to obtain advice, reports or opinions from external advisers and will have the power to hire, at the expense of Magna, legal, financial and other advisers as they may deem necessary or appropriate.

The RAC shall review these Terms of Reference annually to ensure they remain effective, current and aligned with governance best practices, regulatory requirements, and Magna's strategic objectives.