

# TRITAX BIG BOX REIT PLC - AUDIT COMMITTEE

## Terms of reference

(Adopted by the board on [●] 2013)

### 1. The Audit Committee

The Audit Committee:

- (a) is a sub-committee of the board and shall make recommendations to the board which retains the right of final decision;
- (b) is made up of at least two members;
- (c) has the primary responsibility of reviewing the financial statements and the accounting principles and practice underlying them, liaising with the external and internal auditors and reviewing the effectiveness of internal controls; and
- (d) will meet at least twice a year and in any event sufficiently frequently and for long enough to perform its duties effectively.

### 2. Main role and responsibilities

The main role and responsibilities of the Audit Committee are to:

- (a) monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;
- (b) review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors or by the board itself, the company's internal control and risk management systems;
- (c) review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- (d) monitor and review the effectiveness of the company's internal audit function;
- (e) make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- (f) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- (g) develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and

- (h) 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.

### **3. Membership**

- 3.1 There should be a minimum of two members.
- 3.2 Membership should be confined to independent directors at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accounting bodies. Any member who is determined by the board no longer to be independent shall cease to be a member of the Audit Committee.
- 3.3 Appointments to the Audit 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 be independent of Tritax Securities LLP.
- 3.4 Proper minutes shall be kept of its proceedings which shall be circulated to all directors of the company, and, if the Audit Committee so chooses, to the company's external auditor.

### **4. Meetings**

- 4.1 Audit Committee meetings shall be held not less than two times a year, to discuss general audit matters, the interim and full year report and statements and otherwise as required. The external auditor may request a meeting if they consider that one is necessary.
- 4.2 The external auditor, head of internal audit and the finance director/controller of the company should normally be invited to attend meetings of the Audit Committee without being members and other non-members may be invited to attend all or part of the meeting as and when appropriate and necessary.
- 4.3 The quorum necessary for the transaction of business shall be two members.

### **5. Chairman**

The board shall elect one of the members of the Audit Committee (but not the company Chairman) to act as Chairman of the Audit Committee who shall be an independent director and he will be responsible for:

- (a) preparing the agenda;
- (b) the timely distribution of the agenda and any supporting papers;
- (c) reporting to the board on issues and decisions made; and
- (d) answering questions about the Audit Committee's work at the AGM.

### **6. Authorisation**

- 6.1 The Audit Committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any

employee in order to perform its duties and all employees will be directed by the board to co-operate with any request made by the Audit Committee.

- 6.2 The Audit Committee is authorised by the board to obtain, at the company's expense, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. This authority is subject only to the requirement that independent advice is sought at a reasonable cost commensurate with the matter under review.

## **7. Duties**

The duties of the Audit Committee shall be as follows.

### **7.1 External reporting**

- (a) Review and monitor the integrity of the financial statements before submission to the board, reviewing and reporting to the board on significant financial reporting issues and judgments which they contain having regard to the matters communicated to it by the auditor, and focusing particularly on:
- (i) the consistency of, and any change in, accounting policies and practices both on a year on year basis and across the company/group;
  - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iii) any major judgemental areas;
  - (iv) any significant adjustments resulting from the audit;
  - (v) the going concern assumption;
  - (vi) compliance with accounting standards, taking into account the views of the external auditor;
  - (vii) compliance with applicable regulatory and legal requirements
  - (viii) the clarity and completeness of disclosure in the company's financial reports and the context in which statements are made ; and
- (i) compliance with best practice in the area of corporate governance.
- (b) Review the annual report in its entirety.
- (c) Review the summary financial reports.
- (d) Review circulars issued in respect of takeovers, defences against takeovers and other major non-routine transactions.
- (e) Review press statements and advertisements relating to financial matters prior to their issue.

### **7.2 External auditor**

- (a) Consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment and re-appointment of the external auditor and any questions of resignation or dismissal.

- (b) Oversee the relationship with the external auditor including, but not limited to, assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.
- (c) Review the proposed audit fee and keep under review the scope and results of the audit and its cost effectiveness.
- (d) Prior to the audit commencing, discuss the nature, scope and timing with the external auditor and ensure co-ordination where more than one audit firm is involved.
- (e) Discuss any problems and reservations arising with the interim and final accounts audits and any matters the auditor may wish to raise.
- (f) Discuss the meaning and significance of audited figures and any notes thereto.
- (g) Review the external auditors' evaluation of the company's internal controls, the management letter and the management's response.
- (h) Review any factors that might impair, or be perceived to impair, the external auditor's independence and objectivity. Where the auditor also supplies a substantial volume of non-audit services to the company, keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money.
- (i) 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 and the effectiveness of the audit process.
- (j) Arbitrate in any disputes between the auditors and management.
- (k) Consider periodically an assessment by the external auditor of the quality of accounting and finance personnel in the group.

### 7.3 *Internal auditors*

- (a) Review the organisation, lines of reporting and the independence of the internal audit function and keep under review the effectiveness of the group's internal control systems.
- (b) Receive a report on the internal auditor's work on a periodic basis and review and monitor management's responsiveness to the findings and recommendations.
- (c) Review objectives and plans and assure adequacy of resources.
- (d) Discuss any problems in carrying out audits, major findings and adequacy of controls.
- (e) Ascertain actions taken on recommendations.
- (f) Discuss the relationship between external and internal auditors and co-ordination of their work.

- (g) Keep under review the adequacy and effectiveness of the company's' systems on internal controls prior to endorsement by the board, report to the board regularly and make recommendations to the board regarding the effectiveness of the group's internal control systems. The Audit Committee's reviews should include:
  - (i) the authority, resources and co-ordination of those involved in the identification, assessment and management of significant risks faced by the group;
  - (ii) response to the significant risks which have been identified by management and others;
  - (iii) monitoring of the relevant reports by the group's management;
  - (iv) the maintenance of a control environment directed towards the proper management of risk; and
  - (v) annual reporting procedures.
- (h) Consider from time to time appointing a "risk sub-committee" and (with any risk sub-committee) to keep abreast of all changes made to the group's system of internal controls and to follow up on areas which require improvement.

#### 7.4 *Other matters*

- (a) Enquire into illegal, questionable or unethical activities.
- (b) Adherence of officials to the corporate code of conduct.
- (c) Review any significant transactions outside the company's normal business.
- (d) Initiate special projects or investigations on any matter within its term of reference.
- (e) Review the efforts of the company to comply with social and environmental obligations.
- (f) Ensure that the board receive timely relevant and reliable information, tailored to assist them with monitoring the business and taking important decisions.
- (g) Consider other topics as defined by the board from time to time.
- (h) Oversee any investigation of activities which are within its terms of reference.
- (i) Give due consideration to laws and regulations, the provisions of UK Listing, Authority's Prospectus Rules and Disclosure and Transparency Rules, those Listing Rules which the company has agreed to voluntarily comply with and any other applicable rules, as appropriate.

## **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:
- (a) the significant issues that it considered in relation to the financial statements (required under paragraph 7.1(a)) and how these were addressed;
  - (b) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
  - (c) any other issues on which the board has requested the Audit Committee's opinion.
- 8.2 The Audit 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 Audit Committee shall compile a report on its activities to be included in the company's annual report. The report should include an explanation of how the Audit Committee has addressed the effectiveness of the external audit process; the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor..
- 8.4 In compiling the reports referred to in 8.1 and 8.3, the Audit 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 Audit Committee is authorised to have the right to publish in the company's annual report details of any issues that cannot be resolved between the Audit Committee and the board.

## TRITAX BIG BOX REIT PLC – NOMINATION COMMITTEE

### Terms of reference

(Adopted by the board on [●] 2013)

#### 1. The Nomination Committee

The Nomination Committee:

- (a) is a sub-committee of the board and shall make recommendations to the board which retains the right of final decision;
- (b) is made up of at least two members;
- (c) has the primary responsibility of leading the process for board appointments and make recommendations to the board in that regard; and
- (d) will meet sufficiently frequently and for long enough to perform its duties effectively.

#### 2. Membership

- 2.1 There should be a minimum of two members.
- 2.2 A majority of the members of the Nomination Committee shall be independent directors. If any member of the Nomination Committee is determined by the board not to be independent and if this would result in a majority of the Nomination Committee not being independent, that director shall cease to be a director of the Nomination Committee.
- 2.3 The majority of members should be independent of management and free from any involvement which might significantly interfere with their ability to judge matters independently.
- 2.4 Proper minutes shall be kept of its proceedings which shall be circulated to all directors of the company.
- 2.5 Only members of the committee have the right to attend committee meetings. However, other individuals and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 2.6 Appointments to the committee are made by the board and shall be for a period of up to three years, which may be extended for further periods of up to three-years, provided the director still meets the criteria for membership of the committee.

#### 3. Meetings

- 3.1 Nomination Committee meetings shall be held not less than once a year and otherwise as required.
- 3.2 The board shall appoint the committee chairman who shall either be the chairman of the board or an independent director, but the chairman of the board shall not chair the

Nomination Committee when it is dealing with the appointment of a successor to the chairmanship.

- 3.3 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 and any other person required to attend, 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.
- 3.4 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Nomination 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 Nomination Committee.

#### **4. Authorisation**

The Nomination Committee is authorised to obtain, at the company's expense, outside independent professional advice relevant to its duties.

#### **5. Duties**

5.1 The Nomination Committee shall:

- (a) be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise;
- (b) keep up to date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates
- (c) conduct its search for board candidates, and make appointments, based on merit, against objective criteria with due regard for the benefits of diversity on the board, including gender and background, taking care that appointees have enough time available to devote to the position;
- (d) before making an appointment, evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Nomination Committee shall use open advertising or the services of external advisers to facilitate the search;
- (e) for the appointment of a chairman, the Nomination Committee should prepare a job specification, including the time commitment expected. A proposed chairman's other significant commitments should be disclosed to the board before appointment and any changes to the chairman's commitments should be reported to the board as they arise;
- (f) prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest;
- (g) review annually the time required from directors to fulfill their duties. Performance evaluation should be used to assess whether the directors are spending enough time to fulfil their duties;

- (h) give full consideration to succession planning in the course of its work to ensure progressive refreshing of the board, taking into account the challenges and opportunities facing the company and what balance of skills and expertise are, therefore, needed on the board in the future;
- (i) regularly review the structure, size and composition (including the skills, knowledge and experience) of the board and make recommendations to the board with regard to any changes;
- (j) keep under review the leadership needs of the Company with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;
- (k) make a statement in the annual report about its activities; the process used for appointments and explain if external advice or open advertising has not been used; the membership of the Nomination Committee, number of Nomination Committee meetings and attendance over the course of the year;
- (l) make available its terms of reference explaining clearly its role and the authority delegated to it by the board; and
- (m) ensure that on their appointment to the board, directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.

5.2 The Nomination Committee shall make recommendations to the board:

- (a) as regards plans for succession for directors;
- (b) as regards the re-appointment of any director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the board in the light of the knowledge, skills and experience required;
- (c) concerning the re-election by shareholders of any director under the retirement by rotation provisions in the company's articles of association having due regard to their performance and ability to continue to contribute to the board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the board (particularly in relation to directors being re-elected for a term beyond six years);
- (d) concerning any matters relating to the continuation in office of any director at any time; and
- (e) concerning the appointment of any director to executive or other office other than to the positions of chairman and chief executive, the recommendation for which would be considered at a meeting of the board.

5.3 The Nomination Committee shall also consider such other topics as are defined by the board from time to time.

## **6. Reporting responsibilities**

6.1 The Nomination Committee chairman shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

- 6.2 The Nomination Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

**7. Other matters**

The Nomination Committee shall:

- 7.1 give due consideration to laws and regulations, the provisions of the Code and the requirements of the Prospectus Rules, Disclosure and Transparency Rules, those Listing Rules which the company has agreed to voluntarily comply with and any other applicable Rules, as appropriate; and
- 7.2 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 for approval.