

# TRITAX BIG BOX REIT PLC (the “Company”)

## AUDIT & RISK COMMITTEE

### Terms of Reference

(Adopted by the Board on 13 March 2018)

#### 1. The Audit & Risk Committee

The Audit & Risk 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 three members;
- (c) has the primary responsibility of reviewing the financial statements and the accounting principles and practice underlying them, liaising with the external 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 & Risk 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 Manager 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 (if any);
- (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 and EU 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 guidance and legislation 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.
- (i) Provide advice to the board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- (j) Consider and approve the Going Concern Statement and the Viability statement to be contained in the Company's Annual Report and Accounts.

### **3. Membership**

- 3.1. There should be a minimum of three 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 & Risk Committee.
- 3.3. Appointments to the Audit & Risk Committee shall be for a period of up to three years, and may be extended, so long as the member shall continue to be independent of Tritax Management LLP (the "Manager").
- 3.4. Proper minutes shall be kept of proceedings which shall be circulated to all directors of the Audit & Risk Committee, and, if the Audit & Risk Committee so chooses, to the Company's external auditor.

### **4. Meetings**

- 4.1 The quorum necessary for the transaction of business shall be two members.
- 4.2 Audit & Risk Committee meetings shall 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.
- 4.3 The external auditor and the Head of Finance for the Company and the Fund Manager should normally be invited to attend meetings of the Audit & Risk

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.

## **5. Chairman**

The board shall elect one of the members of the Audit & Risk Committee (but not the Company Chairman) to act as Chairman of the Audit & Risk 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;
- (d) Preparing the Audit & Risk Committee and signing the Audit & Risk Committee's report for the company's Annual Report, and, if necessary, the Half Yearly Report; and
- (e) Answering questions about the Audit & Risk Committee's work at the AGM.

## **6. Authorisation**

- 6.1. The Audit & Risk 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 of the Manager in order to perform its duties and all employees of the Manager will be directed by the partners of the Manager to co-operate with any request made by the Audit & Risk Committee.
- 6.2. The Audit & Risk 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 & Risk Committee shall be as follows.

### *7.1. External reporting*

- (a) Review and monitor the integrity of the interim and annual 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 matter 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 judgmental areas;
  - (iv) Any significant adjustments resulting from the audit;
  - (v) The going concern assumption;
  - (vi) The viability statement;
  - (vii) Compliance with accounting standards, taking into account the views of the external auditor;
  - (viii) Compliance with the AIC Code of Corporate Governance and applicable regulatory and legal requirements;
  - (ix) The clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
  - (x) Compliance with best practice in the area of corporate governance.
- (b) Review the Annual Report and the Interim 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 final accounts audit and the interim independent review any matter 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 Manager's letter and the Manager'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 and ensuring that the external auditor implements necessary internal controls to protect the independence of the external auditor and to comply with all legislation.
- (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, the Manager 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 the Manager.
- (k) Consider periodically an assessment by the external auditor of the quality of accounting and finance personnel in the group.

7.3. *Internal auditors – if relevant*

- (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 the Manager's responsiveness to the findings and recommendations.
- (c) Review objectives and plans and ensure 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 & Risk 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 the Manager and others;
- (iii) monitoring of the relevant reports by the Manager;
- (iv) the maintenance of a control environment directed towards the proper management of risk; and
- (v) annual reporting procedures.

#### 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 Company's compliance with relevant 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, Market Abuse Regulation and any other legislation concerning financial matters or regulatory or compliance matters, those Listing Rules which the Company has agreed to voluntarily comply with and any other applicable rules, as appropriate.
- (j) Consider and approve what risks the Company faces and oversee the disclosure of those risks in the Annual Report and Accounts;

- (k) Consider and review the business plan including stress testing and analysing scenarios and ensuring any relevant contingency plans are in place;
- (l) Considering and confirming that the relevant operational, compliance and financial systems are in place at the Manager and any other key Company supplier and that they are functioning correctly.
- (m) Reviewing and recommending the FPPPs to the Board for adoption.

## **8. Reporting Responsibilities**

- 8.1. The Audit & Risk 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 & Risk 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 & Risk 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 & Risk Committee has addressed the effectiveness of the external audit process; the significant issues that the Audit & Risk 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 & Risk Committee should exercise judgment 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 & Risk 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 & Risk Committee and the Board.