

CAPITAL & COUNTIES PROPERTIES PLC

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. CONSTITUTION

The Audit Committee is a committee of the Board of Directors of Capital & Counties Properties PLC ("**Capital & Counties**") and answerable to the Board. The Audit Committee reports to and, within its remit, acts on behalf of the Board. Its existence does not increase or reduce the responsibility of any of the Directors of the Company. The meetings, proceedings, and recording of the Audit Committee's deliberations shall be governed by the applicable Regulations in Capital & Counties Articles of Association.

These Terms of Reference were approved and adopted by resolution of the Board dated 1 August 2011 .

2. MEMBERSHIP AND ATTENDANCE

- 2.1 Members of the Audit Committee and the Chairman of the Audit Committee shall be appointed by the Board and comprise Mr Staunton (Chairman of the Committee), Mr Henderson and Mr Strang, all of whom are "independent" Non-Executive Directors of Capital & Counties. A quorum shall be two members.
- 2.2 Subject to 2.3: (a) the audit partner or a senior representative of the Auditors of Capital & Counties, and the Internal Auditor (where appointed) shall have the right to, and will normally attend, meetings; (b) the Chief Executive /the Managing Director plus the Finance Director (or the Executive Director designated as responsible for the Finance function), other Directors, the Company's legal advisers and other persons may, by invitation from the Audit Committee, attend meetings. The Company Secretary of Capital & Counties will attend in order to act as secretary of the Audit Committee and to record minutes of meetings.
- 2.3 At least once a year the Audit Committee may, if it so requires, conduct part of its meeting with the Auditors without Executive Directors being present.
- 2.4 At the beginning of any meeting, each Director should declare to the Secretary the existence of any conflict of interest affecting him in respect of any matter to be discussed and should absent himself from any discussion of any such matter.

3. FREQUENCY OF MEETINGS

- 3.1 The Audit Committee will meet four-times yearly, two of such meetings to be prior to the publication and release of the Interim Statement and Preliminary Results/Annual Accounts respectively. Further meetings may be called by the Chairman of the Audit Committee or any member of the Audit Committee and at the request of the Auditors or legal advisers or the Internal Auditor of Capital & Counties (which persons shall each be entitled to ask to see the Chairman of the Audit Committee at any time), or at the instance of the Board:
 - 3.1.1 at the time of special or sensitive transactions, should they consider such meetings to be necessary in the particular circumstances; and
 - 3.1.2 whenever major changes in accounting policies, audit requirements or tax are expected.
- 3.2 Two meetings a year will formally consider the risk management of the group.

4. REPORTING REQUIREMENTS

Minutes of all meetings of the Audit Committee shall be maintained and kept in a minute book designated for that purpose. The minutes, or a summary of them, shall be submitted to the Board of Directors of Capital & Counties at the next following full Board Meeting. The agenda for each full Board Meeting shall provide an opportunity for the Chairman of the Audit Committee to report verbally on any matters of importance arising from the Committee's activities. The terms of reference shall be made available on the Company's website. A separate section of the Company's annual report shall describe the work of the Committee in discharging its responsibilities. The annual report shall explain to shareholders how, if the Auditor provides non-audit services, auditor objectivity and independence are safeguarded.

In addition, the Committee will report the frequency of, and attendance by members at, Audit Committee meetings in the annual reports.

5. AUTHORITY

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 Director or employee and all Directors and employees are directed to co-operate with any request made by the Committee.

The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

6. TERMS OF REFERENCE

6.1 Financial Matters

- (A) To 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.
- (B) To discuss with the Auditor before the Audit commences the nature and scope of the Audit, including any significant ventures, interests or operations not subject to audit, and the procedures proposed to be adopted in conducting the Audit, and to ensure (a) co-ordination where more than one audit firm is involved and (b) that an objective and professional relationship is maintained by the Company's executives with the external Auditors.
- (C) To 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. In addition, to review and consider the results of the Audit and its cost effectiveness. To review the independence and objectivity of the Auditors, in matters relating to the provision of non-audit services and the balance between audit fees and fees for non-audit work.
- (D) To develop and implement policy on the engagement of the external auditor or others to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to 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.

- (E) To 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 and in particular focusing on:
- the quality and acceptability of, and significant changes in, accounting policies and practices
 - areas involving significant judgement, estimation or uncertainty
 - significant audit adjustments
 - compliance with and/or departures from accounting standards
 - compliance with the requirements of legal and regulatory bodies
 - the basis of the going-concern assumptions
 - any material mis-statements detected by the Auditors which, individually or in aggregate, have not been covered and Management's explanations in relation thereto.
- (F) To review the Interim Statement and Annual Report and Accounts taken as a whole to ensure they present a balanced and understandable assessment of the Company's position, performance and prospects.
- (G) To discuss matters arising from the Audit with the Auditors and any other matters the Auditors may wish to discuss (in the absence of Executive Directors or Management where necessary) and to consider (and follow up with action required in response to) the Auditor's management letter and Management's response including any weakness in accounting or the interim audit process that has come to the Auditors' attention.
- (H) To consider the appointment and the circumstances of any resignation or dismissal of any Internal Auditor.
- (I) To review the company's internal financial controls and to review the company's internal controls and risk management systems, including the review of the Company's annual statement on internal control and its compliance with the Turnbull guidance thereon prior to consideration by the Board; and in particular, to review:
- (1) the policies and overall process for identifying and assessing business risks and managing their impact on the Company
 - (2) regular assurance reports from Management, Internal Audit, Auditors and others on the operational effectiveness of matters related to risk and control;
 - (3) the timeliness of, and reports on, the effectiveness of corrective action taken by Management; and
 - (4) whether the principles of the Turnbull guidance are being made part of the fabric of the Company.
- (J) To consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any significant problems disclosed in the Annual Report and Accounts.

- (K) Where an internal auditor has been appointed, to:
- (1) review and discuss with the Internal Auditor the scope of work of the Internal Audit function, its plans, the issues identified as a result of its work and whether Management is addressing these issues in a timely and appropriate way;
 - (2) ensure that the function is adequately resourced, and has appropriate authority and standing within the Company;
 - (3) review co-ordination between the Internal Auditor and the Auditors and (where relevant) those responsible for risk management; and
 - (4) to monitor and review the effectiveness of the company's internal audit function and to periodically review the terms of reference of the function.
- (L) Consider the primary findings of any relevant internal investigations into control weaknesses, fraud or misconduct and Management's response (in the absence of Management where necessary).

6.2 **Compliance with Regulatory Bodies Requirements**

- (A) To monitor compliance with (and the operation of policies for compliance with) important regulations relevant to the Company's activities, focusing in particular on the requirements of:
- the London Stock Exchange and the Takeover Code and the Panel
 - Financial Services and Markets Act and the Financial Services Authority
 - The Companies Acts
 - The Johannesburg Stock Exchange or any other Stock Exchange on which the Company is listed
 - Any other regulatory body in whatever jurisdiction relevant to the business or accounting obligations of the Company or any subsidiary of the Company (e.g. BIS, the Data Protection authorities from time to time, HM Revenue & Customs, other Departments of State, etc).

7. **CORPORATE GOVERNANCE**

7.1 In the context of the following definition of corporate governance:

"Companies exist to create value for shareholders. Corporate Governance enables them to do so. It does not just work towards minimising the risk of mismanagement and failure, it has a positive side: to establish the structures and processes which can deliver shareholder value",

to review compliance with (and, if relevant, the stated reasons for areas of non-compliance with) and the most effective ways of achieving congruence with the UK Corporate Governance Code, focusing in particular on:

- (A) the general statements of compliance and disclosure on matters of corporate governance;
- (B) the provision of statements as follows:

- (1) the Directors' responsibility for the preparation of the report and accounts;
- (2) the effectiveness of the Company's system of internal control including the identification and arrangements of risk and the making of concomitant insurance arrangements;
- (3) the Directors' Report on the business as a going concern with supporting assumptions or qualifications as necessary;
- (4) arrangements for business continuity;
- (5) the Company's sensitivity to social, environmental and ethical issues which bear on risk management and value enhancement and its compliance with policies established in relation thereto; and
- (6) the Company's code of ethics and its policies for enforcing the same.

7.2 The Audit Committee shall review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

7.3 The Audit Committee shall review the following documents and policies annually and make recommendations to the Board on any proposed changes:

- These terms of reference;
- The Schedule of Matters Reserved for the Board
- The Procedure for Non-Executive Directors to obtain Independent Professional Advice
- Policies formulated in connection with the UK Corporate Governance Code, including the Non-Audit Services policy

8. INTERNAL CONTROLS

8.1 To review the effectiveness of, and any statement by the Company on, the internal control environment established by Management.

8.2 Management Information Systems

To review the adequacy of management information systems, focusing in particular on:

- reports submitted to Board Meetings
- the requirement for reliable and timely information in order to monitor the business and on which to base important decisions.

8.3 Controls

To ensure adequate procedures are in place to enable a controlled environment for the performance of the business, in particular focusing on:

- Authorities relating to banking transactions
- cheques and cheque books – safekeeping and control
- Treasury transactions

- confirmations
- powers to bind the company: procedures for signing
- letters
- agreements
- other documents
- security of share and stock certificates and the title documents to be held by group companies
- security of sensitive information and reports

8.4 To keep under review generally the quality and integrity of reporting throughout the group but particularly in the Finance functions, and any Internal Audit and Compliance functions.

9. STAFF

9.1 To review financial and security matters relating to directors and staff and transactions in group securities with particular reference to confidentiality and the avoidance of insider dealing and market abuse.

10. OTHER MATTERS

10.1 To review significant transactions outside the Company's normal business.

10.2 To review circulars issued in connection with a proposed merger or takeover or other major transactions of a non-routine nature.

10.3 To initiate special projects or investigations on any matter within the Committee's terms of reference and to consider any significant findings of internal investigations and Management's response thereto.

10.4 To consider other topics as identified and allocated to it by the Board.

1 August 2011