

THE BRITISH LAND COMPANY PLC

Audit Committee Terms of Reference

Constitution and reporting procedures.

The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee.

Membership and attendance at meetings.

The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom shall be independent non-executive directors. The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director. The Company Secretary shall be the secretary of the Committee and shall circulate the minutes and agendas of meetings of the Committee to all members of the Board. A quorum shall be two members including at least one independent non-executive director.

Executive Board directors and other members of management shall not be members of the Audit Committee. They, together with other relevant or expert person(s) and a representative of the external auditors, may attend meetings at the invitation of the chairman of the Committee.

Frequency of meetings.

Meetings shall be held not less than three times a year or more frequently as circumstances require. The external auditors may request a meeting with the Committee or its chairman if they consider that one is necessary. At least once a year, without the presence of executive management, the Committee shall meet with the external auditors.

Authority

The Committee is authorised by the Board to:

- (a) investigate any activity within its terms of reference;
- (b) seek any information that it requires from any employee and all employees are directed to co-operate with any request made by the Committee; and
- (c) obtain outside legal or other independent professional advice.

Duties

The duties of the Committee shall be to:

- (a) consider the appointment, resignation or dismissal of the external auditor;
- (b) discuss with the external auditor the nature and scope of the audit (including any significant ventures, investments or operations which are not subject to audit) and ensure co-ordination if more than one audit firm is involved;

- (c) review the independence and objectivity of the auditors and matters related to the provision of non-audit services;
- (d) review and consider the results of the external audit, its cost effectiveness and the audit fee;
- (e) consider communication from the external auditors on audit planning and findings and on material weaknesses in accounting and internal control systems that came to the auditors' attention;
- (f) review and discuss with management and auditors the preliminary results, interim information and annual financial statements before submission to the Board, focusing particularly on:
 - (i) the quality and acceptability of the accounting policies and practices and financial reporting disclosures and changes thereto;
 - (ii) areas involving significant judgement, estimation or uncertainty;
 - (iii) material misstatements detected by the auditors that individually or in aggregate have not been corrected and management's explanations as to why they have not been adjusted;
 - (iv) the basis for the going-concern assumption;
 - (v) compliance with financial reporting standards and relevant financial and governance reporting requirements;
- (g) discuss any difficulties, reservations or other matters arising from the external auditors' interim and final audits (in the absence of management where necessary);
- (h) review, prior to its consideration by the Board, the external auditors' report to the directors and management's response;
- (i) review the Company's annual statement on internal control and its compliance with the Turnbull guidance prior to consideration by the Board; and in particular where requested by the Board to review:
 - (i) the policies and overall process for identifying and assessing business risks and managing their impact on the Company;
 - (ii) regular assurance from management, internal audit, external audit and others on the operational effectiveness of matters related to risk and control;
 - (iii) the timeliness of, and reports on, the effectiveness of corrective action taken by management; and
 - (iv) whether the principles of the Turnbull guidance are being embedded within the Company;
- (j) 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) annually consider and make recommendations to the Board on whether an internal audit function is required;
- (l) consider the major findings of any relevant internal investigations into control, weaknesses, fraud, or misconduct and management's response (in the absence of management where necessary);
- (m) consider the disclosure about the role of the Audit Committee included in the annual report;
- (n) review other disclosures or documents as determined by the Board;
- (o) consider other topics, as defined by the Board, such as the Company's policies for preventing or detecting fraud, its code of corporate conduct/business ethics, or the policies for ensuring that the Company complies with relevant regulatory and legal requirements,

- (p) periodically review and update its own terms of reference requesting Board approval for all proposed changes and, at appropriate intervals, evaluate its own performance against its terms of reference and best practice;
- (q) to keep under review prospective changes in legislation and regulation which may affect the Company;
- (r) to review any correspondence with regulators;
- (s) to review any correspondence with present or past employees which pertains to “whistle-blowing”; and
- (t) to report to the Board on its proceedings and findings as soon as possible.