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**SA CORPORATE REAL ESTATE LIMITED**  
**Audit Committee**  
**Terms of Reference**

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**Introduction**

The Audit Committee ("the Committee") is constituted as a statutory committee of SA Corporate Real Estate Fund Limited ("the Company") and has statutory duties in terms of section 94(7) of the Companies Act No 71 of 2008, as amended ("Companies Act"). In addition to its statutory duties, the Board has assigned other duties to this committee.

The duties and responsibilities of the members of the committee are in addition to those as members of the Board. The deliberations of the committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their statutory obligations.

The committee has an independent role with accountability to both the Board and shareholders.

These terms of reference are subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision.

**Membership**

1. The committee shall be appointed by the shareholders at the annual general meeting ("AGM") and shall comprise of at least three non-executive directors of the company, all of whom must be independent as defined by King III.
2. The chairman of the committee shall be appointed by the Board and shall be an independent non-executive director.
3. The Chairman of the Board may be a member of the committee but may not be Chairman.
4. The Chairman of the Risk Committee will be an ex officio member of the Committee.
5. The committee's quorum is two members. Members who attend via video or teleconference may be counted in the quorum.
6. The members of the Committee must collectively have sufficient qualifications and experience to fulfill their duties, including an understanding of the following: financial and sustainability reporting, internal financial controls, external audit process, internal audit process, corporate law, risk management, sustainability issues, information technology governance as it relates to Integrated Reporting and governance processes within the company.
7. The Chairman of the committee will be required to attend the Company's AGM meeting to answer relevant questions posed by shareholders.
8. Committee members are required to keep up to date with developments affecting the areas of responsibility of the committee.

**Attendance at Meetings**

1. The Executive Directors, Chairman of the Board, representatives from the external auditors and internal auditors and other assurance providers may attend by invitation but may not vote.
2. Other Directors shall have the right to attend with the appropriate notice to the Chairman of the committee but may not vote.
3. The committee shall meet annually with the external and internal auditors without management being present.
4. The Company Secretary shall be the secretary of the committee and will be responsible for the preparation of the agenda in consultation with the Chairman, Managing Director and Financial Director.
5. The committee's discussion shall at all times be open and constructive. The Chairman shall seek consensus but, may if required, call a vote on the matter under discussion. If there is an equality of votes, the matter will be referred to the Board. The Chairman shall not have a casting vote. Where a member strongly disagrees with a decision his/her dissent should be noted and recorded in the minutes of the meeting.
6. Round robin resolutions must be sent to all members and must be signed by all members of the committee who are available and contactable and as a minimum require a quorum and the approval by no less than two-thirds of the members. Any such resolution shall be deemed to be signed on the date it was signed by the last Committee member (unless a statement to the contrary is made in that resolution).

### **Frequency of meetings**

1. The committee will meet formally three times a year and more frequently as required. Meetings should be organised so that attendance is maximised.
2. Any member of the committee may request a meeting and a meeting will then be arranged in consultation with the Chairman of the committee.

### **Duties and Responsibilities**

The committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of all matters laid out in the audit committee terms of reference. More critical items will have to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period. The number, timing and length of meetings, and agenda are to be determined in accordance with the annual plan.

The Committee has the following specific responsibilities:

#### **1. External audit**

- 1.1 Recommend the appointment and/or termination of the external auditor for appointment by the shareholders at the AGM.
- 1.2 Approve the terms of engagement and annual audit fee of the external auditor.
- 1.3 Monitor and report on the independence of the external auditors.
- 1.4 Review the quality and effectiveness of the external audit process.

- 1.5 Determine the nature and extent of non-audit services which the external auditors may provide.
- 1.6 Define a policy for non-audit services and pre-approve the contracts for non-audit services to be rendered by the external auditor.
- 1.7 Ensure that the employment of the auditors comply with the Companies Act and JSE listing requirements and ensure a managed rotation period of the audit partner every five years.
- 1.8 Review and approve the auditors' plan before the annual audit starts.
- 1.9 Review the findings of the audit with the auditors and discuss and review problems and concerns arising from the interim and final audits.
- 1.10 Review the external auditors' management letter and management's response.
- 1.11 Review the management representation letter and recommend to management that they sign it.
- 1.12 Ensure that there is a process for the audit committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor.
- 1.13 Review the external audit tracking log.

## **2. Financial Reporting**

The Committee will review the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents.

The following will be focused on:

- 2.1 Review of portfolios performance, actuals and forecasted.
- 2.2 Monitor compliance with the approved valuation policy and recommend approval of portfolio property valuations at half and year end.
- 2.3 The appropriateness of accounting policies adopted and any changes in accounting practices and standards.
- 2.4 The appropriateness of major adjustments resulting from the audit passed at year-end.
- 2.5 The basis on which the Group and its subsidiaries has been determined as a going concern.
- 2.6 The reliability and accuracy of financial information and reporting.
- 2.7 Ensure that the solvency and liquidity tests are applied as required in terms of the Companies Act.
- 2.8 Compliance with statutory and regulatory requirements including JSE Listing Requirements and CISCA (until such time as the Fund is wound up).
- 2.9 Review the JSE's reports on the pro-active monitoring of financial statements and respond to queries if the Group's annual financial statements are selected for review.

- 2.10 Whether the annual financial statements fairly presents a balanced and fair assessment of the Group's position, performance and cash flows.
- 2.11 Tax matters.
- 2.12 Compliance with the financial conditions of loan covenants.
- 2.13 Recommend approval of interim and final results, distributions and announcements to the Board.

### **3. Internal audit**

- 3.1 Approve the structure of the internal audit function – internal or outsourced.
- 3.2 Ensure that the internal audit function is subject to an independent quality review, as and when the committee determines it appropriate (at least every 5 years).
- 3.3 Review and approve the audit approach and annual audit plan.
- 3.4 Review and approve the internal audit charter.
- 3.5 Consider and review with Management and the internal auditors, significant findings and Management's responses thereto in relation to reliable reporting, corporate governance and adequate and effective internal control.
- 3.6 Ensure that the internal control objectives and goals, staffing, budgets and plans provide adequate support for the goals and objectives of the audit committee, as well as the fulfilment of the internal audit charter.
- 3.7 Review the co-operation and co-ordination between internal and external audit functions to avoid unnecessary duplication of work.
- 3.8 Consider and review any difficulties encountered in the course of audits, including any restrictions on scope of work and access to information.
- 3.9 Review internal auditor's overall opinion on the effectiveness of the internal control systems and risk management processes.
- 3.10 Review the internal tracking log.

### **4. Risk Management Oversight**

The committee is an integral component of the risk management process and specifically the committee must oversee financial reporting risks, internal financial controls, fraud and IT risks as it relates to financial reporting.

### **5. Integrated Reporting**

- 5.1 Oversee Integrated Reporting, having regard to all factors and risks that may impact on the integrity of the Integrated Annual Report, and recommending the Integrated Annual Report to the Board for approval.
- 5.2 Comment in the annual financial statements on the financial statements, the accounting practices and in the Integrated Annual Reports and the effectiveness of the internal financial controls.
- 5.3 Consider the appropriateness of all disclosures and in particular the disclosure of related party transactions.

- 5.4 Review the disclosure of sustainability issues in the Integrated Annual Report to ensure that it is reliable and does not conflict with the financial information.
- 5.5 Recommend to the Board the engagement of an external assurance provider on material sustainability issues.
- 5.6 Consider whether the external auditor should perform assurance procedures on the interim results.
- 5.7 Engage the external auditors to provide assurance on the summarized financial information.

## **6. Combined assurance**

- 6.1 Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.
- 6.2 Ensures that the combined assurances received are appropriate to address all the significant risks facing the Group.
- 6.3 Monitor the relationship between the external assurance providers and the Group.

## **7. Finance function and Financial Director**

- 7.1 Reviews the expertise, resources and experience of the Group's finance function, and discloses the results of the review in the Integrated Annual Report.
- 7.2 The committee also considers and satisfies itself of the suitability of the expertise and experience of the Financial Director every year and confirm this in writing in the Integrated Annual Report.

## **8. Other Statutory Duties**

- 8.1 Include a report in the annual financial statements describing how the committee carried out its functions, stating whether it is satisfied that the external auditors are independent of the Group, presenting the committee's view on the financial statements and the accounting practices.
- 8.2 Include a report in the Integrated Annual Report summarising its role and providing details of its composition, number of meetings and activities.
- 8.3 Receive and deal with any internal or external complaints relating to both accounting practices and internal audit of the Group or to the content or auditing of the financial statements or to any other related matter.

## **9. Other Delegated Duties**

- 9.1 Review of the consolidated annual budget and recommendation to the Board for approval.
- 9.2 Recommend the approval of the debt structuring policy to the Board.
- 9.3 Agreeing on debt fixing guidelines from time to time as required and the co-approval of interest rate fixes and swaps, when one of the Executive Directors is not available. Both these duties may be performed by any one member of the committee.

- 9.4 Recommendation of new debt facilities that increases the gearing level to the Board for approval.
- 9.5 Approval of extensions, renewals and changes to debt and overdraft facilities.
- 9.6 Approve the provision of property as security for debt including the structuring thereof.
- 9.7 Approve tenant write offs, write down and rental concessions in excess of R1 million.
- 9.8 Monitoring that decisions taken by the Board that effect the committee are followed through.
- 9.9 The committee shall never accept any operational responsibilities.

### **Authority**

1. The committee has decision-making authority in regard to its statutory duties and is accountable to both the board and shareholders.
2. In addition to its statutory duties, the committee acts in terms of the delegated authority of the Board as recorded in these terms of reference. It is authorised by the Board to investigate any activity within the scope of its terms of reference.
3. The committee, in the fulfillment of its duties, is authorised to obtain information it requires from the chairmen of the other board committees, any of the executive directors, officers or company secretary.
4. The committee shall have reasonable access to the Group's records, facilities, the asset and property managers' employees and other resources necessary to discharge its duties and responsibilities.
5. The committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at company's cost, subject to following a Board approved process.
6. The committee makes the recommendations to the Board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.

### **Reporting procedure**

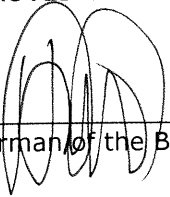
1. The secretary shall include copies of the approved minutes of committee meetings in the board packs for noting purposes.
2. If minutes are not available, the Chairman shall report verbally to the Board on proceedings of the committee.
3. The committee shall annually report to the Board on its statutory duties and review its compliance with its terms of reference and report to the Board thereon.


### **Review and Assessment**

1. The committee's terms of reference will be reviewed and updated annually and approved by the Board.

2. The committee's activities and effectiveness shall be assessed by the Board on an annual basis.

APPROVED THIS 3<sup>RD</sup> DAY OF DECEMBER 2015

  
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Chairman of the Board

  
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Chairman of the Committee