
SA CORPORATE REAL ESTATE LIMITED
Audit Committee
Terms of Reference

Introduction

The Audit Committee ('the Committee') is constituted as a statutory committee of SA Corporate Real Estate 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. The Board must apply its collective mind to the information, opinions, recommendations, report and statements presented to the Committee or a member. [Pr 8 rp 49].

The Committee is a standing committee of the Board and the members have to be approved by the shareholders at the annual general meeting ('AGM') on an annual basis. [Pr 8 rp 43e]

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, the JSE Listing Requirements, REIT tax provisions and any other applicable law or regulatory provisions.

Membership

1. The Committee shall be appointed by the shareholders at the AGM and shall comprise of at least three independent non-executive directors of the company, as defined by King IV and the Companies Act.
2. The Chairman of the Committee shall be an independent non-executive director and shall appointed by the Board.
3. The Chairman of the Board should not be a member of the Committee. [Pr7 rp 36a]
4. The Committee's quorum is two members. Members who attend via video or teleconference may be counted in the quorum.
5. The members of the Committee must collectively have the necessary financial literacy, competency, qualifications, skill and experience to execute its duties effectively. [Pr8 rp 55]
6. The Chairman of the Committee will be required to attend the Company's AGM meeting to answer relevant questions posed by shareholders.
7. Committee members are required to keep up to date with developments, in particular regulatory and statutory requirements 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 Company Secretary shall be the secretary of the Committee and will be responsible for the preparation of the agenda in consultation with the Chairman, Chief Executive Officer and Chief Financial Officer.
4. 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.
5. Written 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. 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 appointment of the auditors comply with the Companies Act and JSE listing requirements and ensure a managed rotation period of the audit partner and significant management changes during the course of the audit partner's tenure, every five years and rotation of the firm every 10 years from 2023.
- 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 defined in the Auditing Profession Act, 2005) identified and reported by the external auditor.
- 1.13 Meet annually with the external auditor without management being present, so as to create an opportunity for views and concerns to be raised.
- 1.14 Review the external audit tracking log.

2. Financial Reporting

The Committee will review the consolidated annual financial statements ("AFS"), interim and final results announcements, summarised financial information contained in the Integrated Annual Report ("IAR"), any other price sensitive information released on a regulated market, circulars, trading statements and any other regulated documents.

The following will be focused on:

- 2.1 Ensure that the Company has established appropriate financial reporting procedures and that those procedures are operating, including consideration of all entities included in the consolidated group AFS, ensuring that the Committee has access to all financial information to allow effective preparation of and reporting on the financial statements.
- 2.2 Review of portfolio performance, actuals and forecasted.
- 2.3 Monitor compliance with the approved valuation policy and recommend approval of portfolio property valuations at half and year end.
- 2.4 The appropriateness of accounting policies adopted and any changes in accounting practices and standards.
- 2.5 The appropriateness of major adjustments processed and unadjusted misstatements, resulting from the audit performed at year-end.
- 2.6 The basis on which the Group and its subsidiaries has been determined as a going concern.
- 2.7 The reliability and accuracy of financial information and reporting.

- 2.8 Ensure that the solvency and liquidity tests are applied as required in terms of the Companies Act.
- 2.9 Compliance with statutory and regulatory requirements including JSE Listing Requirements and King IV.
- 2.10 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.
- 2.11 Whether the AFS fairly present a balanced and fair assessment of the Group's position, performance and cash flows.
- 2.12 Review of taxation matters.
- 2.13 Consider the appropriateness of all disclosures and in particular the disclosure of related party transactions.
- 2.14 Compliance with the financial conditions of loan covenants.
- 2.15 Bank exposures limits.
- 2.16 Recommend approval of interim and final results, distributions and announcements to the Board.
- 2.17 Include a report in the AFS 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.

3. Internal audit

- 3.1 Ensure that the internal audit function has the necessary skills and resources to be effective. [Pr 15 rp 48]
- 3.2 Ensure there is clarity on who fulfils the role of Chief Audit Executive and obtain confirmation annually from the person that the internal audit conforms to the recognized code of ethics [Pr 15 rp 55]
- 3.3 Ensure that the internal audit function is subject to an independent quality review, at least once every 5 years. [Pr 15 rp 60]
- 3.4 Review and approve the audit approach and annual internal audit plan, which must be risk-based. [Pr 15 rp 58]
- 3.5 Review and approve the internal audit charter.
- 3.6 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.
- 3.7 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.
- 3.8 Review the co-operation and co-ordination between internal and external audit functions to avoid unnecessary duplication of work.
- 3.9 Consider and review any difficulties encountered in the course of audits, including any restrictions on scope of work and access to information.

- 3.10 Ensure that the internal auditor provides an overall statement annually as to the adequacy and effectiveness of the governance, internal control systems and risk management processes within the scope of the internal audit plan that has sufficient coverage to fulfil their obligation [Pr 15 rp 59]
- 3.11 Meet annually with the internal auditor without management being present, so as to create an opportunity for views and concerns to be raised.
- 3.12 Review the internal audit tracking log.

4. Risk Management Oversight

The Committee is an integral component of the risk management process and specifically the Committee must oversee the management of financial and other risks that affect the integrity of external reports issued by the Company. [Pr 8 rp 54].

5. Annual Reporting

- 5.1 Oversee annual reporting, having regard to all factors and risks that may impact on the integrity of the Integrated Annual Report, and recommending the them to the Board for approval.
- 5.2 Include a report of the Audit Committee in the AFS commenting on the financial statements, the accounting practices and the effectiveness of the internal financial controls the nature and extent of material weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud and corruption or material errors. State whether it is satisfied that the external auditors are independent of the Group.
- 5.3 Consider the appropriateness of all disclosures and in particular the disclosure of related party transactions.
- 5.4 Consider whether the external auditor should perform assurance procedures on the interim results.
- 5.5 Consider significant matters raised by the external auditors, if any in respect of the financial matters raised in the IAR for consistency with the AFS.

6. Combined assurance

- 6.1 Ensure that the combined assurance model is effective and applied to provide a coordinated approach to all assurance activities.
- 6.2 Ensures that the combined assurance model is designed and implemented to cover all significant risks and material matters. [Pr 15 rp 42]

7. Finance function and Chief Financial Officer

- 7.1 Review the expertise, resources and experience of the Group's finance function and discloses the results of the review in the AFS.
- 7.2 The Committee also considers and satisfies itself of the suitability of the expertise and experience of the Chief Financial Officer every year and confirm this in writing in the AFS.

8. Other Statutory Duties

- 8.1 Ensure that the necessary statutory and King IV disclosures in relation to the Committee is made in the Integrated Annual Report. [Pr 8 pr 59].
- 8.2 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 including JSE monitoring of group financials and Company's general report.

9. Other Delegated Duties

- 9.1 Recommend the approval of the debt structuring policy to the Board.
- 9.2 Agreeing on interest rate fixes and cross currency pricing guidelines from time to time as required. When one of the Executive Directors is not available, any one member of the Audit Committee may approve. Both these duties may be performed by any one member of the Committee.
- 9.3 Approval and recommendation to the Board of new debt facilities in accordance with the Approvals Framework.
- 9.4 Approval of extensions, renewals and changes to debt and overdraft facilities in accordance with the Approvals Framework.
- 9.5 Approve the provision of property as security for debt including the structuring thereof.
- 9.6 Approve tenant write offs, write down and rental concessions in excess of R1 million, before the event.
- 9.7 Monitoring that decisions taken by the Board that affect the Committee are followed through.
- 9.8 The Committee shall never accept any operational responsibilities.

Authority

1. The Committee carries ultimate decision-making power and accountability for statutory duties. If differences of opinion should arise between the Board and the Committee where the Committee's statutory functions are concerned, the Committee's view prevails.
2. The Committee has decision-making authority in regard to its statutory duties and is accountable to both the board and shareholders.
3. 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.
4. 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.
5. 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.

6. 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.
7. 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. The minutes of the meetings will be in writing and a draft set of minutes shall be circulated for comment within 10 business days of the date of the meeting to which the minutes pertain.
3. If minutes are not available, the Chairman shall report verbally to the Board on proceedings of the Committee.
4. 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 performance of the Committee, its Chairman and individual members shall be evaluated by means of a formal process, at least every two years.

APPROVED THIS 28th DAY OF February 2020.

Chairman of the Board

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