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|  <p>VUKILE PROPERTY FUND REAL ESTATE. REAL GROWTH.</p> | | TERMS OF REFERENCE | |
| Title: Audit and Risk Committee | | | |
| Policy No : VKE-A&R | Status : Final | Page 1 of 9 | |
| Prepared By : J Neethling | Date reviewed : 7 March 2016 | Next Review Date : Aug 2018 | |
| Authorised By : ARC | Date authorised : 6 April 2016 | | |
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1. INTRODUCTION

The Audit and Risk Committee (“the Committee”) is constituted as a statutory committee of Vukile Property Fund Limited (“the Company”) in respect of its statutory duties in terms of section 94(7) of the Companies Act, 2008 and a committee of the Board in respect of all other duties assigned to it by the Board. The Committee is further constituted in line with the third report on Governance in South Africa as compiled by the King Committee (“King III”).

The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities that they have 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 judgement in accordance with their legal obligations.

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.

2. PURPOSE OF THE TERMS OF REFERENCE

The purpose of these terms of reference is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

3. COMPOSITION OF THE COMMITTEE

The Committee comprises at least three members to be elected by the shareholders on recommendation by the Human Resources and Nominations Committee.

All members of the Committee must be suitably skilled and experienced independent non-executive directors.

The members of the Committee must collectively have sufficient qualifications and experience to fulfil 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.

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- The chairman of the Board is not eligible to be the chairman or a member of the Committee.
- The Committee is chaired by an independent non-executive director.
- The Board elects the chairman of the Committee.
- If, for any reason, the chairman is unable to continue as chairman, a new chairman shall be elected from the existing members of the committee.
- The Board must fill vacancies on the Committee within 40 business days after the vacancy arises.
- The Committee members must keep up-to-date with developments affecting the required skill-set.

4. **ROLE**

The Committee has an independent role with accountability to both the Board and shareholders. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

5. **RESPONSIBILITIES**

The Committee has the following specific responsibilities:

5.1. **Integrated Reporting**

The Committee oversees integrated reporting and, in particular, the Committee must:

- 5.1.1 Have regard to all factors and risks that may impact on the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
- 5.1.2 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;

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- 5.1.3 Comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
- 5.1.4 Review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- 5.1.5 Recommend to the Board the engagement of an external assurance provider on material sustainability issues;
- 5.1.6 Recommend the integrated report for approval by the Board;
- 5.1.7 Consider the frequency for issuing interim results;
- 5.1.8 Consider whether the external auditor should perform assurance procedures on the interim results;
- 5.1.9 Review the content of any summarised information for whether it provides a balanced view;
- 5.1.10 Engage the external auditors to on all material matters arising from the audit and consider the assurance requirements on the summarised financial information.

5.2. Combined Assurance

The Committee will ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities and, in particular, the Committee should:

- 5.2.1 Ensure that the combined assurance received is appropriate to address all the significant risks facing the company;
- 5.2.2 Monitor the relationship between the external assurance providers and the company.

5.3. Finance Function and Financial Director

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5.3.1 The Committee reviews the expertise, resources and experience of the company's finance function, and discloses the results of the review in the integrated report.

5.3.2 The Committee also considers and satisfies itself of the suitability of the expertise and experience of the financial director every year.

5.4. Internal Audit

The Committee is responsible for overseeing of internal audit and, in particular, the Committee must:

5.4.1 Be responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive or Lead Internal Audit Partner (where internal audit is outsourced to an external firm);

5.4.2 Approve the internal audit plan and recommend internal audit fees to the Board;

5.4.3 Ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate;

5.4.4 Review the Internal Audit Charter from time to time;

5.4.5 Review significant matters reported by internal audit and conclusions on internal controls.

5.5 Risk Management

The Committee is an integral component of the risk management process and as part of its functions the Committee should:

5.5.1 Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Board;

5.5.2 Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes;

5.5.3 Make recommendations to the Board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board;

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- 5.5.4 Oversee that the risk management plan is widely disseminated throughout the company and integrated in the day-to-day activities of the Company;
- 5.5.5 Ensure that risk management assessments are performed on a continuous basis;
- 5.5.6 Ensure that management considers and implements appropriate risk responses;
- 5.5.7 Ensure that continuous risk monitoring by management takes place;
- 5.5.8 Ensure that adequate insurance cover remains in place;
- 5.5.9 Express the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management;
- 5.5.10 Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.
- 5.5.11 Oversee and monitor internal controls specifically related to financial reporting risks; and fraud risks (and any incidents of fraud).

5.6 External Audit

The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and, in this regard, the Committee must:

- 5.6.1 Nominate the external auditor for appointment by the shareholders;
- 5.6.2 Approve the terms of engagement and remuneration for the external audit engagement;
- 5.6.3 Monitor and report on the independence of the external auditor in the annual financial statements;
- 5.6.4 Define a policy for non-audit services provided by the external auditor;
- 5.6.5 Pre-approve the contracts for non-audit services to be rendered by the external auditor;

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5.6.6 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;

5.6.7 Review the quality and effectiveness of the external audit process;

5.6.8 Consider whether the audit firm and, where appropriate, the individual auditor that will be responsible for performing the functions of auditor, are accredited as such on the JSE list of Auditors and their advisors as required by the JSE Limited Listings Requirements.

5.7 Compliance

5.7.1 The Committee should oversee the compliance function designed to ensure compliance with applicable laws & regulations and advise on adherence to non-binding rules and standards;

5.7.2 The Committee should oversee the approval framework of the Committee and recommend amendments to Board as required from time to time.

6. AUTHORITY

The Committee has decision-making authority in regard to its statutory duties and is accountable in this respect to both the Board and the shareholders. To this end the chairman of the Committee must be present at all annual general meetings. On all responsibilities delegated to it by the Board outside of the statutory duties, the Committee makes recommendations for approval by the Board.

The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in this terms of reference. It has the power to investigate any activity within the scope of its terms of reference.

The Committee, in the fulfilment of its duties, may call upon the chairmen of the other Board committees, any of the executive directors, company officers, company secretary or assurance providers to provide it with information subject to the Board approved process.

The Committee has reasonable access to the company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to following Board approved process.

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The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.

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 a Board approved process being followed.

7. MEETINGS AND PROCEDURES

7.1 Frequency

The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a minimum of two meetings per year.

Meetings in addition to those scheduled may, with approval of the chairman, be held at the request of the external auditor, the Chief executive officer, Chief financial officer, Chief audit executive, Lead Internal Audit Partner or other members of senior management or at the instance of the Board.

The Committee must meet with internal and external auditors at least once a year without management being present.

7.2 Attendance

The chief executive officer, chief financial officer, chief audit executive, representatives from the external auditors, other assurance providers, professional advisors and Board members may be in attendance at Committee meetings, but by invitation only and they may not vote.

Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the chairman or company secretary.

The company secretary is the secretary to this Committee.

If the nominated chairman of the Committee is absent from a meeting, the members present must elect one of the members present to act as chairman.

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7.3 Agenda and minutes

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 the matters laid out in the audit committee charter: the more critical matters will need 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 the agendas are to be determined in accordance with the annual plan.

A detailed agenda, together with supporting documentation, must be circulated approximately one week prior to each meeting to the members of the Committee and other invitees.

Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters discussed.

The minutes must be completed as soon as possible after the meeting and circulated upon completion to the chairman and members of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

7.4 Quorum and Voting

A representative quorum for meetings is a majority of members present. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

Committee decisions are carried by a majority vote of all members present, with the chairman of the Committee not having a casting vote.

8. EVALUATION

The Board must perform an evaluation of the effectiveness of the Committee every year.

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9. APPROVAL OF THESE TERMS OF REFERENCE

These terms of reference were approved by the Board on 6 April 2016 and will be reviewed annually during August each year.