

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

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AUTHORISATION

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1. CONSTITUTION

- 1.1 In line with the requirements of section 94 of the Companies Act of 2008 (“the Act”) and the King IV Report on Corporate Governance for South Africa 2016 (“King IV™”), the board of directors of Octodec Investments Limited (“Octodec” or “the company”) resolved to establish a statutory committee of the board of directors (“the board”) to be known as the audit committee (“the audit committee”).
- 1.2 The audit committee is a statutory committee and not an executive committee. As such it shall not perform any management functions or assume any management responsibilities and shall have an objective, independent role, operating as overseer and a maker of recommendations to the board for its approval or final decision. Neither the appointment nor the duties of the audit committee reduces the functions and duties of the directors of any of their responsibilities to the company, but assists them to fulfil those responsibilities except with respect to the appointment, fees and terms of engagement of the auditor of the company.
- 1.3 The overall objective of the audit committee is to provide independent oversight of, among others:
- 1.3.1 The effectiveness of the company’s assurance functions and services with particular focus on combined assurance arrangements, including external assurance providers, internal audit and the finance function; and
- 1.3.2 The integrity of the annual financial statements and to the extent delegated by the board, other external reports issued by the company.

2. MEMBERSHIP

- 2.1 At each annual general meeting of the company, the members of the company must appoint at least 3 (three) members of the audit committee from a list of suitable candidates provided by the board, of which at least 3 (three) should be independent non-executive directors.
- 2.2 During the period between annual general meetings of the company, the board has the authority to appoint members to the audit committee to fill a casual vacancy, based on the recommendation of the board.
- 2.3 In terms of section 94(5) of the Act, read with Regulation 42, at least one-third of the members of the audit committee must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs and/or human resource management. In addition, the members of the audit committee must have sufficient expertise and experience required to perform their functions as set out in these terms of reference.

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- 2.4 The audit committee shall consist of a minimum of 3 (three) members and no more than 5 (five). All members of the audit committee should be independent non-executive directors of the board.
- 2.5 Audit committee members shall be free from any business or other relationship which could materially interfere with the exercise of their independent judgment as an audit committee member.
- 2.6 The appointment of alternatives or proxies to act for or on behalf of audit committee members is not permitted.
- 2.7 The chairman of the audit committee who shall be an independent non-executive director, shall be appointed by the board and shall be one of the members of the audit committee as appointed by the members of the company at the annual general meeting.
- 2.8 If the chairman is absent from a meeting, the members present shall elect one of the members to act as chairman for that meeting.
- 2.9 The chairman of the board shall not be a member of the audit committee, unless otherwise agreed by the board depending on the composition of the board and requirements of the audit committee.
- 2.10 The board shall fill vacancies on the audit committee as soon as possible after the vacancy arises.
- 2.11 The members of the audit committee should, as a whole, have the financial literacy, skills and experience execute their duties effectively and at least 1 (one) member should be familiar with the industry within which the group operates.
- 2.12 The members of the audit committee shall be knowledgeable about the affairs of the group and, where appropriate, specific skills shall be represented on the audit committee.
- 2.13 New members should receive a complete orientation that allows them to function effectively from the start.
- 2.14 Opportunities for continuous education and training on sustainability issues should be actively pursued by each member.
- 2.15 All audit committee members will be required to keep up to date with developments affecting the areas of responsibility of the audit committee.
- 3. ATTENDANCE AT MEETINGS**
- 3.1 The chairman of the audit committee shall, in his or her entire discretion, be entitled to invite any person to attend and be heard at meetings of the audit committee.

- 3.2 The chairman of the board of directors and other board members who are not audit committee members shall have the right of attendance. They shall not be entitled to vote, but shall be entitled to be heard at such meeting.
- 3.3 The chief financial officer, a representative (financial officer) of the property management company, chief audit executive, chief risk officer and a representative of the external auditors shall attend meetings at the invitation of the audit committee. Legal or other advisers, who may have meaningful input of the audit committee's activities, may be requested to attend meetings as and when needed.
- 3.4 The chairman of the audit committee shall excuse from the meeting or from any item on the agenda, any director, member or representative, who could, in his or her opinion, have any conflict of interest. Members of the audit committee shall declare any conflict of interest. The chairman shall also delegate his or her position to any other member should he or she have any conflict of interest in matters discussed, and shall recuse himself or herself from the agenda item.
- 3.5 The audit committee shall annually meet with the external and internal auditors respectively, without management being present and with or without other board members, as the audit committee may elect, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.
- 3.6 No invitee is entitled to participate without the consent of the chairman and does not have the right to vote at any meeting.
- 3.7 Other board members shall have the right of attendance, with the prior consent of the chairman of the audit committee. However, unless that member is also a member of the audit committee, the member is not entitled to fees for such attendance, unless payment of fees is agreed to by the board and shareholders.
- 3.8 The company's company secretary shall be secretary of the audit committee.
- 3.9 Committee members will attend all scheduled meetings of the audit 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.

4. FREQUENCY OF MEETINGS

- 4.1 Meetings of the audit committee shall be held as frequently as the committee considers appropriate (convened by the chairman of the audit committee). It shall normally have meetings not less than 3 (three times) a year which, and where appropriate, should coincide with key dates in the company's financial reporting cycle. These meetings should be held prior to the commencement of the annual external audit; prior to the board's approval of the interim results; after the completion of the annual external audit and prior to

the board's approval of the annual financial statements and annual report ("the integrated report").

- 4.2 Sufficient time should be allowed between audit committee meetings and board meetings to allow any work arising from the audit committee meeting to be carried out and reported to the board of directors as appropriate.
- 4.3 The board of directors or any member thereof, including members of the audit committee, the external auditors, or internal auditors may request a meeting if deemed necessary and a meeting will then be arranged in consultation with the chairman of the audit committee.
- 4.4 Audit committee packs are to be distributed at least 5 (five) business days prior to any meeting.
- 4.5 Any member of the audit committee, may request meetings in addition to those scheduled if deemed necessary and a meeting will then be arranged in consultation with and on approval by the chairman of the audit committee.

5. PROCEEDINGS AT MEETINGS

- 5.1 Minutes of the audit committee meetings shall be taken and the minutes of audit committee meetings shall be approved at the next meeting of the audit committee.
- 5.2 In respect of voting at meetings:
 - 5.2.1 The majority of the total number of the appointed members of the audit committee in person or via telecommunication and/or videoconferencing facilities shall constitute a quorum at any meeting of the audit committee.
 - 5.2.2 A decision agreed upon by the majority of the members present at any meeting of the audit committee shall constitute a decision of the audit committee.
 - 5.2.3 In the event of an equality of votes regarding any matter, the chairman of the audit committee or the person acting as chairman, shall have a casting vote in addition to his or her deliberate vote. When the chairman is not available to chair the audit committee the members present will select a member to chair the meeting provided that an independent non-executive director chairs the meeting.
- 5.3 The company secretary shall agree with the chairman of the audit committee on the contents of the agenda for each meeting together with any items a member wishes to place on the Agenda. Meeting agendas should be prepared and distributed in advance together with sufficient background information to enable the audit committee members to appropriately prepare for the meetings. The company secretary shall attend the audit committee meetings and comprehensively record the proceedings and decisions taken.

Minutes should be distributed to all the audit committee members after the preliminary approval by the chairman of the audit committee.

6. AUTHORITY

6.1 In respect of the statutory duties of the audit committee as set out in section 94 of the Act, the audit committee will be accountable to shareholders and report to shareholders as provided for in the Act. In addition to its statutory duties, the board may delegate other responsibilities to the committee. In respect of all such other duties as contained in these terms of reference, the audit committee will be accountable and report to the board, but the board remains ultimately accountable for such delegated responsibilities.

6.2 The audit committee is authorised by the board of directors to:

6.2.1 Seek any information that it requires from any employee or the property administrator of the company and all employees are directed to co-operate with any request made by the audit committee;

6.2.2 Investigate any activity within its terms of reference;

6.2.3 Obtain outside independent professional advice at the company's cost, from with relevant experience and expertise, subject to the approved process, and such professional advisers may, at the request of the audit committee, attend meetings as necessary;

6.2.4 The audit committee may establish and delegate authority to any member or sub-committee to assist it in carrying out certain of its functions; and

6.2.5 The company shall meet all expenses reasonably incurred by the audit committee in fulfilling its duties as set out herein.

7. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the audit committee shall be to:

7.1 Statutory duties (section 94(7) of the Act)

7.1.1 Nominate, for appointment as auditor of the company under section 90 of the Act, a registered auditor who, in the opinion of the audit committee, is independent of the company;

7.1.2 Determine the fees to be paid to the auditor and the auditor's terms of engagement;

7.1.3 Ensure that the appointment of the auditor complies with the provisions of the Act and any other legislation relating to the appointment of auditors;

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- 7.1.4 Determine, subject to the provisions of the Act, the nature and extent of any non-audit services that the auditor must provide to the company, or that the auditor must not provide to the company or a related company;
- 7.1.5 Pre-approve any engagement letter with the auditor for the provision of non-audit services to the company;
- 7.1.6 Prepare a report, to be included in the annual financial statements of the company for the relevant financial year, that addresses the items as listed in the Act;
- 7.1.7 Receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, in relation to the matters set out in the Act; and
- 7.1.8 Make submissions to the Board on any matter concerning the company's accounting policies, financial control, records and reporting.
- 7.2 External auditors and audit process**
- 7.2.1 Annually review the independence, objectivity and effectiveness of the external auditors. The statement to be incorporated in the integrated report, whether the audit committee is satisfied that the external auditor is independent to the company should specifically address:
- 7.2.1.1 The policy and controls that address the provision of non-audit services by the external auditor and the nature and extent of such services rendered during the financial year;
- 7.2.1.2 The tenure of the external audit firm and in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firm;
- 7.2.1.3 The rotation of the designated external audit partner;
- 7.2.1.4 Significant changes in the management of the company during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management; and
- 7.2.1.5 The audit committee's views on the quality of external audit, with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators;
- 7.2.2 Consider and set, if appropriate and subject to relevant legislative requirements, mandatory term limits on the length of time the external auditors or audit partner may serve the company and ensure a managed rotation process in respect of the audit partner after every 5 (five) years;

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- 7.2.3 Discuss with the external auditor, before the audit commences, the engagement letter, the nature and scope of the audit and to review steps taken by the auditor to respond to changes in regulatory and other requirements;
 - 7.2.4 Discuss problems and reservations arising from the interim and final audits, (if and when applicable), and any matters incidental thereto which the external auditors may wish to discuss (in the absence of management where necessary);
 - 7.2.5 Review the quality and effectiveness of the external audit process as well as any accounting or auditing concerns identified as a result of the internal or external audits;
 - 7.2.6 Oversee the process for selecting the external auditors and make appropriate recommendations through the board of directors to the shareholders to consider at the annual general meeting;
 - 7.2.7 Review the external auditors' management letter and the response of the financial officer/property management company (as appropriate);
 - 7.2.8 Review the company's statement on internal control systems prior to endorsement by the board;
 - 7.2.9 Review the external auditors' audit report;
 - 7.2.10 Recommend the annual financial statements and interim report to the board for approval having satisfied itself of the correctness of the annual financial statements (or summarised financial information) and interim report after having consulted with management and, where necessary, sought audit advice or other assistance;
 - 7.2.11 Consider whether the external auditor should perform assurance procedures on interim results and make a recommendation to the board in this respect; and
 - 7.2.12 Ensure that the information technology risks insofar as they relate to financial reporting and the going concern status of the company are adequately managed.

7.3 Internal Audit

- 7.3.1 Approve the structure of the internal audit function (internal or outsourced) as proposed by management;
- 7.3.2 Approve the internal audit charter, on behalf of the board, and the internal audit plan as well as the resources required;
- 7.3.3 Consider the appointment of internal auditors and assess the independence of the internal auditor;

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- 7.3.4 Review the internal auditor's work plan and ascertain and ensure that the internal audit function is adequately resourced;
 - 7.3.5 Review the chief audit executive's reports on the effectiveness of systems for internal financial control, financial reporting and risk management at each meeting of the audit committee as well as the assessment of the internal financial controls;
 - 7.3.6 Consider the major findings of the investigations of the internal auditors and the response of the property administrators or financial officer (as appropriate) to any internal audit recommendations;
 - 7.3.7 Approve the appointment or dismissal of the company's internal auditors;
 - 7.3.8 Annually review the performance and objectivity of the internal auditor and subject the internal audit function to an independent quality review as and when deemed necessary by the audit committee; and
 - 7.3.9 The audit committee's views on the effectiveness of the chief audit executive and the arrangements for internal audit should be incorporated in the integrated report.

7.4 Annual financial statements/interim financial statements

- 7.4.1 To review, comment and challenge where necessary, the actions and judgments of the property administrator or financial officer (as appropriate), in relation to all financial reporting, including the half year and annual financial statements before submission to the board of directors for approval, paying particular attention to:
 - 7.4.1.1 critical accounting policies and practices, and any changes thereto;
 - 7.4.1.2 decisions and significant estimates included in the financial statements requiring a major element of judgment;
 - 7.4.1.3 the extent to which the annual financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - 7.4.1.4 the clarity of disclosures;
 - 7.4.1.5 significant adjustments resulting from the audit;
 - 7.4.1.6 the going concern assumption;
 - 7.4.1.7 compliance with accounting standards;
 - 7.4.1.8 compliance with stock exchange and statutory requirements;

7.4.1.9 reliability and assurance of the financial information;

7.4.1.10 whether the annual financial statements present a balanced and understandable assessment of the company's position, performance and prospects.

7.5 **Other**

7.5.1 Review the policies and processes for identifying and assessing business risks and the management of those risks by the company;

7.5.2 Enquire of the representatives of the property administrators, the internal auditors and the external auditors about significant financial risks or exposures that affect the integrity of the external reports issued by the company and review the process implemented to manage such risks;

7.5.3 Review with the external auditors and the internal auditor:

7.5.3.1 the adequacy, maintenance and effectiveness of the company's systems of internal controls, including internal financial controls, business risks management, computerised information system controls and security;

7.5.3.2 the quality of financial information produced to ensure integrity and reliability;

7.5.3.3 the maintenance of proper and adequate accounting records;

7.5.4 Review the directors' responsibility statement to be included in the annual financial statements including the statement on effectiveness of the systems of internal control, prior to publication, and in particular to review:

7.5.4.1 the effectiveness of the design and implementation of internal financial controls and the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error;

7.5.4.2 the procedures for identifying financial risks and controlling their impact on the company;

7.5.4.3 the company's policies and procedures for preventing or detecting fraud;

7.5.4.4 the company's policies and procedures for ensuring compliance with relevant regulatory and legal requirements;

7.5.5 Review and monitor the corporate governance practices, in particular the ethical conduct of the company, its directors and officials; and

7.5.6 Consider other topics, as defined by the board of directors.

7.6 Integrated reporting and assurance model

- 7.6.1 Oversee integrated reporting, having regard to all factors and risks that may impact on the integrity of the integrated report, and recommending the integrated report to the board for approval;
- 7.6.2 Review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- 7.6.3 Review the company's combined assurance model and recommend to the board the engagement of an external assurance provider on material sustainability issues when deemed necessary. The audit committee's views on the effectiveness of the arrangements in place for combined assurance should be incorporated in the integrated report;
- 7.6.4 Monitor the relationship between the company and the external assurance providers; and
- 7.6.5 Annually review the expertise, resources and experience of the company's chief financial officer and the finance function and disclose the audit committee's views thereon in the integrated report.

7.7 General

- 7.7.1 Give due consideration to the relevant provisions of the Act, the Listings Requirements of the JSE Limited and the Code of Governance Principles as contained in King IV™;
- 7.7.2 Retain a copy of the current terms of reference of the audit committee at the registered office of the company and provide shareholders with a copy of same if requested;
- 7.7.3 Include a report in the annual financial statements describing how the audit committee carried out its functions, stating whether it is satisfied that the external auditors are independent of the company, presenting the audit committee's views on the financial statements and the accounting practices and stating whether the internal financial controls are effective;
- 7.7.4 In addition to the above report, include a report in the integrated report summarising its role and providing details of its composition, number of meetings and activities;
- 7.7.5 Receive and deal with any internal or external complaint relating to either accounting practices and the internal audit of the company or to the content or auditing of the financial statements or to any related matter;
- 7.7.6 Fulfil all of the abovementioned functions in respect of the company and all of its subsidiaries and related entities, where appropriate; and
- 7.7.7 Consider such other topics and fulfil such other duties as defined by the board.

8. REPORTING AND ACCOUNTABILITY

- 8.1 The company secretary shall incorporate the approved minutes of the most recent meetings of the audit committee in the meeting packs prepared for meetings of the board for noting purposes.
- 8.2 In addition to the above, the chairman of the audit committee will provide verbal feedback at the meetings of the board of directors on the audit committee's recent activities.
- 8.3 The company shall disclose in its annual integrated report whether or not the audit committee has adopted these formal terms of reference and if so whether or not the audit committee satisfied its responsibilities for the year in compliance with its terms of reference.
- 8.4 Membership of the audit committee, attendance at audit committee meetings, the audit committee's duties, activities and remuneration packages during the year shall be disclosed in the company's integrated report.
- 8.5 The audit committee shall make recommendations to the board concerning the annual financial statements and any other matters arising from the above responsibilities.
- 8.6 In addition to the reports to stakeholders as referred to above, the audit committee shall annually report to the board on its statutory duties and duties assigned to it by the board as set out in this document.
- 8.7 The chairman of the audit committee, or in his absence, any designated member of the audit committee, shall be required to attend the company's annual general meeting to answer relevant questions posed by shareholders.

9. REMUNERATION

The board shall consider the value of fees to be paid to the chairman and members of the audit committee for services rendered on the audit committee, which may only be paid in accordance with a special resolution approved by the shareholders of the company.

10. COMMITTEE RESOLUTIONS

- 10.1 Each member of the audit committee has 1 (one) vote on a matter before the audit committee and a majority of the votes cast on a resolution at an audit committee meeting is sufficient to approve that resolution.
- 10.2 A resolution in writing ("round robin resolution") signed by a majority of the members of the audit committee at the time when such resolution is released for signature, shall be as valid and effectual as if it has been passed at a duly constituted meeting of the audit committee, provided that each member of the audit committee shall have received notice of the matter

to be decided and, thereby, have been afforded a reasonable opportunity to express an opinion on the matter to which such resolution relates.

10.3 Any round robin resolution:

10.3.1 May be signed or accepted in any electronic form and in any number of counterparts, all of which, taken together, shall constitute one and the same document.

10.3.2 May, in signed or unsigned form, be conveyed or transmitted by telefax, e-mail or any other form of electronic means, subject to any conditions decided upon by the audit committee.

10.3.3 The passing of round robin resolutions of the audit committee must not detract from the requirements for frequency of audit committee meetings as set out in these terms of reference.

10.3.4 All round robin resolutions should be tabled at the next audit committee meeting for noting.

11. REVIEW AND ASSESSMENT

11.1 The audit committee's activities and effectiveness should be assessed biennially and reviewed with the board.

11.2 After completing its evaluation, the audit committee should review the results with the board, so that appropriate action can be taken on any recommendations resulting from the review.

11.3 The audit committee must review and reassess the adequacy of these terms of reference from time to time (at least every year) and must recommend to the board any improvements to these terms of reference that the audit committee considers necessary.

12. GENERAL

12.1 The audit committee members are obliged to disclose in writing any personal financial interest in terms of section 75 of the Act and any other interests they have within or outside the company and the group that may be of interest to the company or that may interfere or conflict with the performance of their duties.

12.2 All company and group related information that becomes known to persons in the performance of their duties must at all times be kept confidential.

12.3 Except to the extent of legal or regulatory provisions to the contrary, audit committee members, being a majority of non-executive directors, are entitled to rely on the executives of the company and/or City Property Administration Proprietary Limited and those of other entities within the group in relation to matters within their area of expertise and may assume the accuracy of information provided by such persons, provided that the audit committee

member is not aware of any reasonable grounds upon which reliance or assumption may be inappropriate.

APPROVED BY THE BOARD AT ITS MEETING ON 18 APRIL 2018