



TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE

Gemgrow Properties Limited
(Registration number 2007/032604/06)
("Gemgrow" or "the company")

1. Constitution

The company shall establish a committee to be known as the audit and risk committee ("committee") to assist the Board of directors ("the Board") in discharging its duties relating to risk management processes, including but not limited to the safeguarding of assets, the operation of adequate systems and control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

The committee shall not perform any management functions or assume any management responsibilities. Notwithstanding the foregoing, members of the committee may be appointed as members of the investment committee. The committee shall provide a forum for discussing business risk and control issues and for developing relevant recommendations for consideration and approval by the Board.

Membership, resources, responsibilities and authority of the committee to perform its role effectively are stipulated in these Terms of Reference, which may be amended by the Board as and when deemed necessary. The committee is constituted in terms of the requirements of sound corporate governance practice and shall operate within that framework.

2. Membership

- › Membership of the committee shall consist of not less than three independent non-executive directors who have the requisite financial literacy and experience. The Chairperson of the Board of directors shall not be appointed as Chairperson of the committee. At the date of Board approval of these amended Terms of Reference, the committee shall comprise of the members listed on Annexure A.
- › The Board shall appoint a Chairperson from the members of the committee and determine the period for which he/she shall hold office.
- › The Board shall have the power at any time to remove any members from the committee and to fill any vacancies created by such removal.
- › Gemgrow's company secretary shall act as the secretary of the committee.

3. Responsibilities of the committee

Auditors

- › The committee may be requested to recommend to the Board which firm should be appointed as the external auditor.
- › The committee shall:
 - i) evaluate the effectiveness and independence of the external auditor and consider whether non-audit services rendered by such auditor are likely to substantively impair its independence;
 - ii) evaluate the performance of the external auditor;
 - iii) formulate principles related to utilisation of the external auditor for non-audit services;
 - iv) consider and make recommendations on the appointment and retention of the external auditor and any questions of resignation or dismissal of the auditor;
 - v) discuss and review with the external auditor before the audit commences, the auditor engagement letter, the terms, nature and scope of the audit function, procedures and engagement and the audit fee;
 - vi) negotiate procedures, subject to agreement, beyond minimum statutory and professional duties;
 - vii) agree to the timing and nature of reports from the external auditor;
 - viii) consider any problems identified in going concern or internal control statements;
 - ix) make suggestions as to problem areas that the audit should address;
 - x) consider any accounting treatments, significant unusual transactions or accounting judgements that could be contentious;
 - xi) identify key matters arising in the current year's management letter and satisfy itself that these are being properly followed up and addressed;
 - xii) consider whether any significant ventures, investments or operations are not subject to external audit;



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- xiii) review the overall audit role to explore objectives, minimise duplication, discuss implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money;
- xiv) obtain assurance from the external auditor that adequate accounting records are being maintained.

Financial statements

The committee shall examine and review the annual financial statements, prior to submission and approval by the Board, focusing particularly on:

- > the implementation of new accounting systems;
- > taxation and litigation matters involving uncertainty;
- > any changes in accounting policies and practices;
- > major judgmental areas;
- > significant adjustments resulting from the audit;
- > the basis on which Gemgrow has been determined as a going concern;
- > capital adequacy;
- > internal control;
- > compliance with accounting standards, the JSE, regulatory and legal requirements;
- > the efficiency of major adjustments processed at year-end;
- > compliance with the financial conditions of loan covenants;
- > reviewing special documents, such as prospectuses and circulars.

Tax affairs

The committee shall be responsible for ensuring that management ensure that the tax affairs of Gemgrow are attended to in an effective and timely manner.

Internal audit

An important role of an audit and risk committee is to monitor and supervise the effective function of internal audit. In view of the fact that the accounting, company secretarial, rent collection and property administration functions are all outsourced, an internal audit function would not be practical and is therefore considered by both the Board and by the committee to be unnecessary at the present time. Instead the committee shall be entitled to place reliance on the internal auditors of one or more of the service providers and where deemed necessary, shall seek assurances from the internal auditors and external auditors of one or more of the service providers.

Where there is a change in circumstances which warrants an Internal Audit function, such a function will be established to provide management with advice and assurances that proper systems and controls are in place and are functioning properly.

Regulatory compliance

The committee shall ensure adherence by the company to the requirements of relevant regulatory bodies, including the JSE and others.

Reporting

The committee shall assess and evaluate the adequacy and effectiveness of reporting throughout Gemgrow, including financial reporting and integrated and sustainability reporting, encompassing areas such as social investment, skills development, training, employment equity and environmental issues.

Ethics

There are a number of statutory, common law and other requirements that cover the ethical behaviour of directors, managers and officers of companies. Gemgrow shall establish a clearly defined and documented code of ethics.

The directors must declare the nature and extent of any interest in contracts entered into by the company.

4. Reporting and accountability

- > The Chairperson of the committee shall account to the Board for its activities and make recommendations to the Board concerning the adoption of the financial statements and any other matters arising from the above responsibilities.
- > The committee shall formulate its activities during the year for inclusion in the annual report.
- > The Chairperson, or in his/her absence, an alternate member of the committee, shall attend the annual general meeting to answer questions concerning matters falling within the ambit of the committee.



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5. Activities of the committee

In discharging its responsibilities, the committee shall:

Financial statements

- › Review the quality of financial information, financial statements and any required public and regulatory reporting, including compliance thereof with applicable accounting standards (including general accounting practices and International Financial Reporting Standards);
- › Review the financial statements taken as a whole to ensure they present a balanced and understandable assessment of the position, performance and prospects of the company;
- › Review the external auditor's proposed audit certificate;
- › Discuss problems and reservations arising from the audit and any matters the auditor may wish to discuss (in the absence of executive directors and any other person who is not a member of the committee);
- › Review the external auditor's management letter and management response;
- › Review the credibility, independence and objectivity of the auditor, taking into account the audit and non-audit fees. Where the auditor also supplies non-audit services to Gemgrow, the committee shall keep the nature and the extent of such services under review, seeking to balance the maintenance of objectivity with value for money. The committee shall approve all non-audit assignments.

Appointment of external auditor

In the context of making recommendations to the Board regarding the appointment of one or more firms of external auditors, the committee shall take into account factors such as:

- › effectiveness;
- › independence, having regard to any non-audit and other services provided by the external auditor;
- › value for money of services provided.

Internal control

The committee shall review Gemgrow's internal controls and systems prior to endorsement by the Board and in particular review:

- (i) the procedures for identifying business risks and controlling their impact on Gemgrow;
- (ii) Gemgrow's policies for preventing or detecting fraud;

- (iii) Gemgrow's policies for ensuring that it complies with applicable regulatory and legal requirements;
- (iv) the operational effectiveness of the policies and procedures;
- (v) consider whether or not the objectives, organisation, staffing plans, financial budgets and audit plans provide adequate support to enable the committee to meet its objectives;
- (vi) review such significant transactions not directly related to Gemgrow's normal business as the committee might deem appropriate;
- (vii) review significant cases of employee conflicts of interest, misconduct or fraud or any other unethical activity by employees of Gemgrow;
- (viii) consider other relevant matters referred to it by the Board.

6. Meetings

- › Meetings of the committee shall be held as frequently as the committee considers appropriate, but it will normally meet not less than four times a year to discuss inter alia planning of the annual audit, a review of the audit activities and a review of the interim and annual financial results. The Board or any member thereof, including members of the committee and the external auditors may in consultation with the Chairperson request further meetings.
- › Reasonable notice of meetings and the business to be conducted shall be given to the members of the committee, the Chairperson of the Board, the chief executive, executives and managers responsible for finance and the external audit partner.
- › The quorum for decisions of the committee shall be any two members of the committee present throughout the meeting of the committee.
- › The chief financial officer and senior audit partner in charge of the external audit shall be in attendance at meetings of the committee and shall have unrestricted access to the Chairperson or any other member of the committee as is required in relation to any matter falling within the remit of the committee.
- › The Chairperson at his/her discretion, may invite other executives to attend and to be heard at meetings of the committee.
- › No attendee shall have a vote at meetings of the committee.
- › The agenda for each Board meeting shall provide an opportunity for the Chairperson of the committee to report orally on any matters of importance as well as on the committee's findings and recommended actions.



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7. Proceedings

- › Unless varied by these terms of reference, meetings and proceedings of the committee will be governed by the company's Memorandum of Incorporation regulating the meetings and proceedings of directors and committees.
- › The company secretary shall take minutes of meetings. These shall be reviewed and approved by the members of the committee.

8. Authority of the committee and resources available to it

In carrying out its tasks under these Terms of Reference, the committee:

- › is authorised to investigate any activity within its Terms of Reference;
- › may at its discretion require other employees of the company to attend meetings or parts of meetings;
- › may consult with and seek any information it requires from any employees, and all employees shall be required to co-operate with any request made by the committee in the course of its duties;
- › shall at least once a year meet with the external auditors without any executive member of the Board in attendance.

9. Remuneration

- › Having regard to the functions performed by the members of the committee, in addition to their functions as directors of the company, members of the committee may be paid such remuneration as shall be fixed by the Board and approved by shareholders in general meeting.
- › Such remuneration shall be payable in addition to the annual directors' fees payable to the non-executive directors.
- › Expenses reasonably incurred by the committee shall be borne by the company.

10. General

- › The committee, in carrying out its tasks under these Terms of Reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties.
- › The Board will ensure that the committee will have access to professional advice both inside and outside Gemgrow in order for it to perform its duties.
- › These Terms of Reference may be amended as required, subject to the approval of the Board.
- › These Terms of Reference shall apply to the company and its subsidiaries.

ANNEXURE A

Members of the audit and risk committee

- › C Abrams (Chairperson)
- › G Kinross
- › A Rehman