

# SIRIUS REAL ESTATE LIMITED

(the **COMPANY**)

## AUDIT COMMITTEE – TERMS OF REFERENCE

In these Terms of Reference the following terms shall have the following meanings:

the **Board** means the board of directors of the Company;

the **Committee** means the Audit Committee;

the **Group** means the Company and its subsidiaries from time to time.

The primary function of the Audit Committee is to oversee and keep under review the Company's audit and financial functions and its risk management procedures, and to ensure the integrity of its annual and interim financial statements.

### 1 Membership and Attendance

- 1.1 The Board shall establish an Audit Committee of at least three independent, non-executive directors.
- 1.2 The chairman of the Board (the **Chairman**) shall not be a member of the Committee.
- 1.3 The members of the Committee shall, as a whole, have recent and relevant financial skills, experience in order to execute their duties effectively and competence relevant to the business of the Group. At least one member of the Committee shall have recent and relevant financial experience with competence in accounting and/or auditing.
- 1.4 Where possible, the Committee shall include at least one member of the Company's Remuneration Committee.
- 1.5 Members of the Committee shall be named in the Annual Report and Accounts of the Company.
- 1.6 The Board shall appoint a chairman of the Committee (the **Committee Chairman**). In the absence of the Committee Chairman the remaining members shall elect one of their number to chair meetings of the Committee (each a **Meeting**).

- 1.7 Only members of the Committee have the right to attend and vote at any Meeting. However, other individuals (for example, other directors of the Company and senior managers of the Group) may be invited to attend all or part of any Meeting as and when appropriate. The Committee may ask a representative of the external auditors to attend Meetings.
- 1.8 The Committee shall meet at least annually with the internal (if appointed) and external auditors of the Company, respectively, without management of the Company being present.
- 1.9 Members of the Committee shall be appointed by the Board for a period of up to three years. Such appointment may then be extended by no more than two additional periods of up to three years, provided the member continues to be an independent, non-executive director.

## **2 Secretary**

The Company Secretary or the Company Secretary's nominee shall act as the secretary of the Committee (the **Secretary**).

## **3 Quorum**

The quorum necessary for the any Meeting shall be two members including, wherever possible, at least one member with recent and relevant financial experience and competence in accounting and/or auditing. A duly convened Meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **4 Frequency of Meetings**

- 4.1 The Committee shall meet at least twice a year at appropriate times in the reporting and audit cycle and at any other time as the Committee Chairman shall require.
- 4.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's finance and governance functions, including the Chairman and the Company's Chief Executive and Finance Director.
- 4.3 Meetings shall be arranged to tie in with the publication of the Company's financial statements, where possible allowing at least five working days prior to a meeting of the Board (**Board Meeting**) where accounts or financial statements are to be approved.

## **5 Notice of Meetings and Proceedings at Meetings**

- 5.1 Meetings shall be convened by the Secretary at the request of the Committee Chairman or any member of the Committee or at the request of the Company's external or internal auditors.
- 5.2 Unless otherwise agreed, notice of each Meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days prior to the date of the Meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time as the dispatch of the notice.
- 5.3 Notices, agendas and supporting papers may be sent in electronic form where the recipient has agreed to receive documents in such a way.
- 5.4 Meetings of the Committee may be conducted when the members are physically present or through the medium of either video or audio conferences.
- 5.5 If a Committee member is found to have a material conflict of interest (the **Conflicted Member**) in respect of any matter to be considered at a Meeting (the **Conflicted Matter**), then the Conflicted Member shall have no right to vote at and shall have no input into the part or parts of the Meeting at which the Conflicted Matter is discussed. In the event that this results in only one member of the Committee being able to vote on a Conflicted Matter, such member of the Committee shall be entitled to determine his/her own procedures in respect of the Conflicted Matter, subject to the constitutional documents of the Company and to him/her having regard to the importance and urgency of the Conflicted Matter.

## **6 Minutes of Meetings**

- 6.1 The Secretary shall minute the proceedings and decisions of all Meetings, including recording the names of those present and in attendance.
- 6.2 The Secretary should ascertain, at the beginning of each Meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board (unless, in the opinion of the Committee Chairman, it would be inappropriate to do so).

## **7 Annual General Meeting**

- 7.1 The Committee Chairman should attend the Company's Annual General Meeting in order to respond to any shareholder questions on the Committee's activities.

## **8 Duties**

The main role and responsibilities of the Committee shall include the following:

### **Internal Control and Risk Assessment**

- 8.1 The Committee shall keep under review the Company's financial reporting and internal control policies and procedures relating to the identification, assessment, management and reporting of both is financial and governance risks and other integral control and risk management systems and, where applicable, its internal audit function. It shall consider the major findings of internal investigations and the response of management thereto.
- 8.2 The Committee shall review and approve the statements to be included in the Annual Report and Accounts concerning internal control, risk management and the viability statement.

### **Narrative Reporting**

- 8.3 Where requested by the Board, the Committee shall provide advice on whether the Annual Report and Accounts of the Company, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

### **Internal Audit**

- 8.4 The decision on whether or not to set up an internal audit function shall be made by the Board, on the recommendation of the Committee (which shall consider annually whether there is a need for an internal audit function), based on the growth of the Company, the scale, diversity and complexity of the Group's activities and the number of employees, as well as cost/benefit considerations. If the Company does not have an internal audit function, the absence of such a function shall be explained in the Annual Report and Accounts.
- 8.5 If the Company does have an internal audit function, the Committee shall:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management strategy;
- (b) consider applications for the post of, and approve the appointment of, the head of the internal audit function (the **Chief Audit Executive**) and any dismissal of the post holder should be considered by the Committee;
- (c) on an annual basis, consider, review and approve the terms of reference of the internal audit function and the effectiveness of its work;
- (d) be advised of the planned programme of audits and the reason for any change or delay in the programme;
- (e) review and assess the annual internal audit plan to ensure it is aligned to the key risks of the business;
- (f) liaise with the Board to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and
- (g) review promptly all reports from the internal auditors on the Company.

#### **External Audit**

- 8.6 The Committee shall consider and make recommendations to the Board, to be put to shareholders for approval at the Company's Annual General Meeting, as regards the appointment and re-appointment of the Company's external auditors, as well as any questions relating to their resignation or removal.
- 8.7 The Committee shall ensure that:
- (a) whilst the Company is a Smaller Company, key partners within the appointed firm are rotated from time to time; and
  - (b) when the Company ceases to be a Smaller Company, at least once every ten years the audit services contract is put out to tender.
- 8.8 The Committee shall oversee the selection process for new external auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.

8.9 The Committee shall oversee the relationship with the external auditor including (but not limited to):

- (a) approval of their remuneration for audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
- (b) monitoring the level of remuneration for non-audit services in the context of the auditor's overall level of compensation for audit and non-audit services;
- (c) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of each audit;
- (d) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship, including the provision of any non-audit services, with the auditor as a whole;
- (e) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- (f) assessing annually their qualifications, independence, expertise and resources and the effectiveness of the audit process, taking into account relevant UK professional and regulatory requirements, and request a report from the external auditor on their own internal quality procedures; and
- (g) meeting the external auditor at least once a year, without management being present, to discuss the remit of the external auditor and any issues arising from the audit.

8.10 The Committee shall review the findings of the audit with the external auditor. This shall include, but not be limited to, discussing any major issues resulting from the audit, accounting and audit judgments and levels of errors identified during the audit. The Committee shall also prepare a statement relating to:

- (a) whether the Committee is satisfied that the external auditor is independent of the Company. This part of the statement shall specifically address:
  - (i) the policies and controls relating to the provision of non-audit services by the external auditors, and the nature and extent of such services rendered during the financial year;

- (ii) the tenure of the external auditor, and in the event of the external auditor having been involved in a merger or acquisition, including the tenure of the predecessor firm;
  - (iii) the rotation of the designated external audit partner; and
  - (iv) any significant changes in the management of the Company during the external auditor's tenure, which may mitigate the attendant risk of familiarity between the external auditor and the Board;
- (b) any significant matters that the Committee has considered in relation to the annual financial statements of the Company, and how these were addressed by the Committee;
  - (c) the Committee's views on the quality of the external audit, with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators;
  - (d) the Committee's views on the effectiveness of the Chief Audit Executive and the arrangements for the internal audit of the Company;
  - (e) the Committee's views on the effectiveness of the design and implementation of internal financial controls, and on the nature and the 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;
  - (f) the Committee's views on the effectiveness of the Company's Finance Director and the finance function of the Company; and
  - (g) the arrangements in place for combined assurance and the Committee's views on its effectiveness.

8.11 In addition to this statement, the Committee shall also review any representation letter(s) requested by the external auditor before they are signed by management, review any responses to the external auditor's findings and recommendations and take responsibility for the resolution of disagreements between management and the external auditor.

### **Financial Statements**

8.12 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal

announcement or statement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain, having regard to matters communicated to it by the auditor.

8.13 The Committee shall review and challenge where necessary the Company's financial statements (including all material information presented with the financial statements, including the strategic review and the corporate governance statements relating to the audit and risk management) before submission to the Board taking into account, in particular:

- (a) the application of significant accounting policies and any changes to them and the consistency of accounting policies both on a year-to-year basis and across the Group;
- (b) decisions requiring a major element of judgment;
- (c) the extent to which the financial statements are affected by any unusual or significant transaction;
- (d) the clarity and completeness of disclosures;
- (e) significant adjustments resulting from the audit;
- (f) the going concern assumption;
- (g) compliance with relevant accounting standards;
- (h) compliance with stock exchange and other legal and regulatory requirements; and
- (i) the Company's statement on internal control systems prior to endorsement by the Board and the policies and process for identifying and assessing business risks and the management of those risks by the Company.

8.14 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

### **Reporting Responsibilities**

8.15 The Committee or the Committee Chairman shall report formally to the Board on its proceedings after each Meeting in relation to all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.

- 8.16 The Committee or the Committee Chairman shall meet formally with the Board at least once a year to discuss matters including the Annual Report and Accounts of the Company and the relationship with the external auditors.
- 8.17 The Committee shall make recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is needed and shall compile a formal report to shareholders to be included in the Annual Report and Accounts of the Company.

### **Compliance**

- 8.18 The Committee shall review the adequacy and security of the Company's arrangements for the employees of the Group to raise concerns about possible wrongdoing in financial reporting or other matters and the procedures for handling these allegations. The Committee shall ensure:
- (a) that these arrangements allow proportionate and independent investigation of these matters and appropriate follow up action;
  - (b) the ease of use of such arrangements (in particular, the ability to raise concerns in German or English and access to appropriate translation facilities); and
  - (c) that such procedures are notified to all employees.
- 8.19 The Committee shall also review the Company's procedures for preventing and detecting fraud, review the Company's systems and controls for the prevention of bribery, and receive reports on non-compliance.

## **9 Other Matters**

- 9.1 The Committee shall have access to sufficient resources, including adequate information (provided by the Board on a proactive as well as a reactive basis) in order to carry out its duties, including access to the Company Secretary for assistance as required.
- 9.2 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 9.3 The Committee shall be responsible for co-ordination between the internal and external auditors.
- 9.4 The Committee shall give due consideration to relevant laws and regulations, the provisions of the UK Corporate Governance Code and the King Report on Corporate Governance for South Africa

and the requirements of any stock exchange on which the Company's shares are listed or admitted to trading from time to time (including, at the relevant time, the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules sourcebook and any associated guidance and the JSE Listing Requirements).

- 9.5 The Committee should, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 9.6 Members of the Committee may be provided with additional remuneration to recompense them for the additional time required to undertake their role.
- 9.7 The Committee shall report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- 9.8 These Terms of Reference shall be made generally available.

## **10 Authority**

- 10.1 The Committee is authorised by the Board to:
- (a) investigate any activity within its terms of reference and to seek any information it requires;
  - (b) call any member of staff to be questioned at a Meeting as and when required and secure the attendance at its Meetings of any other person with relevant experience and expertise if it considers this necessary;
  - (c) obtain, at the Company's expense, outside legal or other independent professional advice on any matters within its Terms of Reference provided that, prior to committing to any fees, the Committee will consult with the Chairman to agree fee levels;
  - (d) authorise the obtaining at the Company's expense of independent legal or other professional advice by any director on terms that the Committee may determine if a director of a Group member indicates to the Committee that he requires, or has obtained, independent legal or other professional advice in relation to his duties as a director,
- 10.2 The Board shall require that officers and employees of the Group and any external advisers co-operate with any request made by the Committee.

## **11 Procedure**

- 11.1 Subject to the constitutional documents of the Company, the Committee shall determine its own procedures.

Approved by the Board on 19 January 2018.

**Appendix**

Board obligations in respect of the Committee