

	DELTA PROPERTY FUNDS LIMITED Registration Number: 2002/005129/06	Revision No. & Date V1.0 – 23 September 2020
		V2.1 – May 2024
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	ASSETS LIABILITIES AND INVESTMENT COMMITTEE TERMS OF REFERENCE	

1. INTRODUCTION

- 1.1.1. The Committee is constituted as a Committee of the Board of Directors of Delta Property Fund Management (the Board) in respect of the duties assigned to it by the Board in terms of these Terms of Reference (ToR) and is accountable to the Board.
- 1.1.2. These ToR are subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation (MOI), any other applicable law or regulatory provision, corporate governance principles, best practices and the Group Authority Limits approved by the Board from time to time.
- 1.1.3. The duties and responsibilities of the members of the Committee as set out in this ToR 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 regarding their fiduciary duties and responsibilities. The members must continue to exercise due care and judgement in accordance with their legal obligations.

2. PURPOSE

The purpose of these ToR is to set out the Committee’s authority, role and responsibilities, its composition and meeting procedures.

3. Objectives of the Committee

The overall objective of the Committee is to:

- 3.1. oversee financial risks associated with capital management, liquidity, credit, interest rate, foreign exchange, credit rating, hedging, concentration, and market risk.
- 3.2. oversee the investment and disposal strategy of the Group in addition to reviewing Group specific policies and procedures relating to acquisitions, disposals and capital expenditure as described in annexure A to this ToR.

4. Constitution of the Committee

- 4.1. The Committee comprises at least three non-executive directors and any other persons designated by the Board.
- 4.2. Members of this Committee and its Chairman are nominated by the Board. The members of the Committee must have sufficient qualifications and experience to fulfil their duties.
- 4.3. In addition to the members of the Committee, the executive directors and members of senior management as may be required, assurance providers, professional advisors and other Board members may be in attendance at Committee meetings, but by invitation only and they may not vote, nor shall they receive fees for their attendance/participation at the Committee meetings.

5. Meetings and Proceedings

- 5.1. The Committee should hold sufficient scheduled meetings to discharge all its duties as set out in these ToR but subject to a minimum of four meetings per year.
- 5.2. Meetings in addition to those scheduled may be held at the request of the Chairman, any member of the Committee or at the instance of the Board. Such request shall specify the reason and agenda items of the meeting.
- 5.3. The quorum for meetings is a majority of members present.
- 5.4. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.
- 5.5. Committee members must attend all scheduled meetings of the Committee, including meetings called on an *ad hoc* basis for special matters, unless prior apology, has been submitted to the Chairman or Company Secretary.
- 5.6. The Company Secretary is the Secretary of this Committee.
- 5.7. 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.

6. **Agenda and minutes**

- 6.1. The number, timing and length of meetings, and the agendas are to be determined by the Committee.
- 6.2. A detailed agenda, together with supporting documentation, must be circulated prior to each meeting to the members of the Committee and other invitees within seven days of a meeting.
- 6.3. The minutes must be formally approved by the Committee at its next scheduled meeting.

7. **Written resolutions**

- 7.1. A written resolution passed on a round - robin basis signed by most of the members of the Committee is valid and effectual as if it has been passed at a duly constituted meeting of the Committee.
- 7.2. A written resolution passed on a round-robin basis will be presented for noting at the next meeting of the Committee.

8. **Duties and Responsibilities**

Duties

- 8.1. The Committee may carry out additional functions and adopt such other policies and procedures as may be appropriate in light of changing business, legislative, regulatory and other conditions.
- 8.2. The Committee shall:
 - 8.2.1. review compliance with legal, statutory and regulatory matters relevant to its duties and responsibilities.
 - 8.2.2. oversee the implementation of an effective process for managing the Group's interest rate, liquidity, currency and similar market risks relating to the Group's balance sheet and associate activities, including the review from time to time of Group policies, risk limits and capital levels.
 - 8.2.3. ensure the development, implementation and regular review of an appropriate A Group policies, which will determine the Group's asset and liability goals and strategies relating to liquidity, interest rate risk management, foreign exchange risk management, hedging risk, cash management, capital management, credit rating and use of derivative products and will implement any additional policies and procedures relating to asset and liability management as may be consistent with the Asset Liability and Management (ALM) and Financial Risk Policy.
 - 8.2.4. approve exceptions to the Group policies to address specific conditions or circumstances that may arise from time to time.
 - 8.2.5. exercise the authority delegated to it by the Board in terms of the Group Authority Limits.

- 8.2.6. delegate authority to the executive management team to execute ALICO directives and decisions within appropriate risk parameters.

Responsibilities

- 8.2.7. The Committee is responsible for reviewing:
- Group funding strategy which is based on accessing various sources of funding including domestic and commercial paper.
 - the most appropriate funding platforms and mechanisms for the Group or any of its divisions and/or subsidiaries.
 - liquidity management strategies, activities and positions.
 - the sensitivity of earnings under varying interest rate scenarios.
 - trends in the domestic and global economy in general and interest rates and exchange rates in particular with a view toward their impact on the Group.
 - limits for interest rate risk and appropriate liquidity and capital levels.
 - foreign exchange hedging policies and practices of the Group and its subsidiaries, where required.
 - the capital position of the Group.
 - banking facilities including structured products and utilization levels.
 - approve new funding mechanisms and derivative instruments.
 - exposure limits for recommendation to the Board where required.
 - acquisitions and disposals.
 - CAPEX requirements and budgets.
 - Reports on performance of the portfolio of properties.
 - Reports on repairs and maintenance of properties.
- 8.2.8. act as an advisory body to the executive management of the Group and to the Board on strategic matters of acquisitions, disposals, CAPEX and any corporate actions referred to by the executive management or the Board.
- 8.2.9. review, evaluate and make recommendations to the Board on investment, divestment, corporate restructuring and financing proposals, CAPEX, which require prior approval of the Board in terms of the Group Authority Limits.
- 8.2.10. review, evaluate and make recommendations to the Board on the Group's overall acquisition and expansion strategy and the extent to which completed investments and divestments further the strategy approved by the Board.
- 8.2.11. consider and approve funding required for acquisitions or capital purchases and its impact on funding and financial ratios.
- 8.2.12. evaluate proposed unbudgeted capital expenditure which exceeds the levels of authority of the executive directors.
- 8.2.13. review the assumptions of the annual net income budget.
- 8.2.14. approve valuers and valuation methodology of properties.
- 8.2.15. review the annual and/or ad hoc valuations of the property portfolio and recommend that such valuations be adopted by the Board as the directors' valuations for annual financial statements.

9. Authority

- 9.1. The Committee acts in accordance with the delegated authority of the Board as recorded in these ToR. It has the power to investigate any activity within the scope of its ToR.
- 9.2. 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, and Company Secretary or assurance providers to provide it with information subject to Board approved process.

- 9.3. The Committee will have reasonable access to the Group's records, facilities and any other resources necessary to discharge its duties and responsibilities subject to following a Board approved process.
- 9.4. The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.
- 9.5. The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Group's cost, subject to a Board approved process being followed.

10. Reporting

- 10.1. The Committee provides feedback to the Board on its deliberations and shall submit to the Board such recommendations as the Committee may deem appropriate.
- 10.2. The Committee shall prepare a statement for inclusion in the annual report that describes the Committee's composition and responsibilities and how these responsibilities were discharged.

11. Remuneration of Committee members

The Remuneration and Nomination Committees shall from time to time, recommend Board confirmation of the fees to be paid to members, which fees shall be paid in accordance with the remuneration levels approved by the shareholders at an annual general meeting of the Company.

12. Evaluation

- 12.1. The Committee must perform an evaluation of its effectiveness every two years.
- 12.2. The Committee must annually review these ToR.

13. General

- 13.1. The Committee members are obliged to disclose in writing any interests they have within or outside the Company and the Group that may interfere or conflict with the performance of their duties.
- 13.2. All Company-related information that becomes known to directors in their performance of their duties must always be kept confidential.

14. Approval of these ToR

These terms of reference were approved by the Chairman of the Board and Chairman of the Committee on 23 September 2020, reviewed on 15 May 2024 and approved by the Board on 24 May 2024.

Liquidity Risk

Liquidity Risk is the risk that funding is not available in order to fund the assets, operations and financial commitments of the Group timeously and cost-effectively. This risk is measured by analysis of the maturity mismatch gap between assets and liabilities and is managed by accessing various sources of funding (bonds, commercial paper, bank facilities and structured products) across the yield curve from a diverse pool of investors and lenders.

Interest Rate Risk

Interest Rate risk is the risk that the interest or interest rate-related income earned on assets and paid on liabilities are not properly matched in terms of their repricing profile and therefore, should there be fluctuations in interest rates, the Group could suffer losses through the margin between returns and borrowing rates being eroded. This risk is measured by analyzing the repricing profile of assets and liabilities into the future through repricing gap analysis and it is managed by ensuring that the interest rate repricing profile of borrowings is matched to assets, or through interest rate derivatives, in order to attain an appropriate mix of fixed and floating rate exposures.

Foreign Exchange Risk

Exchange Rate Risk exists if foreign currency obligations and receivables are not adequately secured in order to ensure that the local currency equivalent of such monies, once exchanged, is not adversely affected by exchange rate fluctuations. This risk is managed mainly through taking appropriate forward cover or any other effective or appropriate hedging mechanisms such as currency options over foreign currency obligations and receivables.

Credit Rating Risk

Credit Rating Risk is the risk of a downgrade in the Group's international and domestic credit ratings. Various issues could contribute to a possible downgrade such as a deterioration of the debt/equity ratio, deterioration in the free cash flow position, weak liquidity position, unexpected adverse change in asset values, dramatic change in business strategy, change in ownership, adverse corporate governance events. This risk is monitored by regularly reviewing the rating agency measurement ratios and managing relationships with the rating agencies assisted by open and transparent communication and disclosure.

Capital Management Risk

Capital Management Risk is the risk that insufficient capital is available to sustain any business activity or that the available capital is not applied or geared effectively in order to achieve optimum wealth creation. Capital management involves the appropriate allocation of capital to all operating entities as well as the centre and the measurement of returns achieved on the capital by the various business segments. To this end a Weighted Average Cost of Capital (WACC) is calculated for every business segment using appropriate gearing levels that serve as performance threshold guides and for evaluating investments. Return on invested capital (ROIC) measurements are used to measure performance against the appropriate WACCs of the various businesses.

Hedging Risk

Hedging is an advanced risk management strategy that involves buying or selling an investment to potentially help reduce the risk of loss of an existing position. Businesses mitigate the potential impact of adverse price movements on their portfolios or operations. By hedging, investors can reduce the volatility of their investments and protect them against potential losses.