OASIS CRESCENT PROPERTY FUND MANAGERS & OASIS CRESCENT PROPERTY FUND

RISK MANAGEMENT REPORT

Risk management is carried out by the Oasis Group Central Risk Committee under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas.

1. Risk mitigation

Risk mitigation is the process of designing and implementing controls to effectively mitigate the risks identified in the risk identification process. The following key principles are adhered to in the risk mitigation process:

- Automation
- Multi-level review
- Ongoing monitoring
- Immediate escalation

1.1 Automation

A key principle in the risk mitigation process is automation. Management attempts to automate as many processes as possible in order to eliminate the risk of human error. Wherever a process has been automated, processing outside of the automated process is strictly prohibited. The majority of the automation of processes is done in-house, which ensures that in depth knowledge of the automated process is at hand at all times in the event of an incident.

1.2 Multi-level review

Through a multi-level review process management attempts to eradicate all human errors that could occur in any given process. Each process is signed off by the preparer, first reviewer and second reviewer. For critical and newly implemented manual processes, an independent review by internal audit is also included.

1.3 **Ongoing monitoring**

In order to be proactive in respect of risk management, a high level of independent review by the compliance and internal audit function has been incorporated into the day-to-day processes of the company. This ensures ongoing monitoring of the controls designed to mitigate significant risks. It also reduces risk by being able to identify potential compliance breaches or breakdowns in controls prior to the execution of a transaction.

1.4 **Immediate escalation**

One of the key principles in the risk mitigation process is immediate escalation of incidents. Although escalation of an incident is in its very nature a post event process, it serves to mitigate the potential impact of the incident on the organisation. All staff members are required to escalate any incident to their superior immediately and are not allowed to attempt to "fix it themselves". The superior will then escalate the matter to the head of compliance and internal audit and the relevant director.

1.5 Based on the controls, management has designed and implemented the following further controls in order to mitigate the risks.

Controls and Control Environment includes:

- Independent External Auditors
- Internal Audit
- Custodian oversight
- Segregation of Duties and Multi-level reviews
- Monitoring and Oversight
- Policies and Procedures
- Automation
- Systems
  - Disaster Recovery
  - Backups
  - Statpro, Decalog, Lexis Nexis (AML)
- Reconciliations
- Business Continuity and Succession Planning
- Internalisation of key processes
- Insurance
- Experienced, qualified, trained management and staff
- Detailed Screening of Staff (Hiring process)

Risk	Potential Impact	Mitigation response
Strategy		
Property market risk, pricing risk on purchase and sale of properties and impact on yield	Achieving lower than anticipated returns. Value of property could be written down on revaluation. Company receives less sales proceeds than it should have for reinvestment in new acquisitions/refurbishments.	Acquisitions are firstly considered by the Investment Committee, and are thereafter recommended for purchase to the Board. Selling prices approved by the Investment Committee, who makes recommendations to the Board.
Incorrect Investment Strategy	Lower returns and inefficient utilisation of capital.	Board Approval for strategies. Detailed analysis and research undertaken before approval
Acquisition, developments and disposal failure to meet investment criteria.	Poor investment returns. Reduced property valuations. Impact of liquidity and funding.	Investment decisions are approved by the Investment Committee or Board. Systems, controls and procedures. Skilled Management team. Comprehensive due diligence performed for acquisitions and feasibilities studies for developments. Post-acquisition and development reviews.
Balance Sheet risk	Non utilisation of capital	Non reliance on debt through utilisation of internally generated cash flows
Inefficient Property management	Vacancies can increase, Rentals can decrease, expenses not controlled	Effective monitoring, Efficient Control environment
Development (The company holds the properties and the development is outsourced to another Group company that develops the properties		
Inability to develop projects in-time and within budget	Lower Yields and lower investment returns, lower income.	Detailed analysis and research undertaken prior to approval of extensions. Dedicated development executive. Use of reputable consultants, contractors and professionals to ensure timely delivery.
Negative impact of extension to existing operational/income during construction	Disruptions resulting in lower rentals during construction and longer period for site/property to recover after a major extension, resulting in lower income.	Detailed analysis undertaken before approval extensions. Use of reputable consultants, contractors and professionals with experience in this field to ensure as little disruption to the centre as possible. High degree of involvement by management in

		project planning and implementation.
Development risk	Return achieved being lower than anticipated. Value of property could be written down on revaluation.	Developments are considered by the Investment Committee, which recommends purchases to the Board. Direct control – employment of qualified, experienced developers, project managers and leasing consultants. Insurance cover is also taken where appropriate. Weekly internal meetings to monitor progress of projects. Endeavour to ensure that developments are let prior to completion.
Greenfield risk	Risk of construction overruns, problems with permitting, difficulty in accessing resources, and issues with labour.	
Treasury		
Lack of available funding	Inability to pursue investments opportunities.	Maintaining conservative loan to value ratios. Ensuring available funding to cover capital requirements.
Limited availability of capital from investors and lenders.	Rating of share does not support equity issuance. Limited growth potential. Increase in interest rates has a negative impact on net property income and distributions.	Maintain relationships and communication with potential and significant investors and lenders. Manage debt ratios. „
Deterioration in the company's credit profile or a decline in debt market conditions.	The cost of financing increases substantially reducing distributable income.	The group monitors its key financial ratios and seeks to maintain a strong investment grade credit rating.

Investment in foreign countries, equity price risk and exchange rate risk	Volatility in and/or declining distributions to PI holders. A fall in the price of offshore investments could result in a material write-down of investment. A strengthening of the ZAR could result in reduced distributions being received in ZAR, from offshore investments.	Investments in listed companies with appropriate regulations. Regular contact with management team of investment. Exchange rate forecasts are monitored and forward swaps taken out to protect distribution income. Management monitors currency forecasts and if deemed necessary, forward swaps used.
Currency Risk	Reduced Distributable Income.	Matching Off-shore funding with off-shore income
Exchange rate risk Economic recession Financial market movements	Yield on investment is unpredictable Growth prospects impaired Recapitalisation of investment at low yields Impairment of capital invested	The risks identified are not considered key International exposure limited through a conservative limit of total assets Strategic input provided at board level Prudent management of foreign currency fluctuations Geographic diversification of investment In-country financing to provide a natural hedge
Operations		
Lease renewals and tenant extension. Significant volume of leases expiring in any one period	Prolonged periods of vacant space in properties, new lettings at below market rentals, decrease in distributable income and under achieving budget expectations.	Proactive management of lease expires, monthly lease expiry reports to EXCO, Close engagement with tenants throughout their Tenure, Staggering of major lease expiries.
Incomplete Lease Documentation	Invalid documentation cam impair Landlords enforceability of its rights.	Standardised lease documentation between landlords and tenant. Monthly monitoring of documentation status.
Tenant Failure inability to pay rental	Prolonged periods of vacant space, Reduction in Distributions.	Close Engagement with Tenants throughout their Tenure. Credit checks prior to conclusion of Lease Agreements. Adequate security from Tenants.
The ability of tenants to absorb the increasing cost of occupancy is limited.	The increased cost of occupancy may result in more tenant business failures and legal action leading to higher vacancies and increased legal costs and bad debts.	Tenant arrears are closely monitored. Asset managers meet with tenants on a regular basis in order to mitigate legal action and bad debts.

Inability to maintain the quality of assets	Difficulty in retaining tenants and tenants signing at lower than market rentals, valuation of buildings decreasing and inability to acquire additional funding.	Extension and regular upgrades, manager ensure assets are well maintained. Maintenance programs approved and reviewed regularly and Annual Capital allowance for improvements.
Inability to adequately insure assets	Damage from disaster/fire, leads to loss of income and riot risks.	Properties all insured based on replacement costs as well as loss of income. Adequacy of insurance cover regularly reviewed
Reputational and brand risk when assets does not comply with consumer expectation	Increase in vacancy, loss of Distributable income.	All properties owned are of high quality. Close engagement with tenants to foster good relationship
Increases in municipal cost charges	Reduced distributions as tenants fail to contribute to their portion of charge. Lower rentals to ensure certain tenants are retained.	Planning and implementation methods to measure and reduce consumption. Engaging actively with local authorities to contest excessive rate increases.
Deterioration of municipal administration and service delivery	Delayed plan approvals for development and extension of assets. Delays in property transactions for acquisitions and disposals. Extended periods without electricity and Tenants not trading effectively.	Privatising meter reading and utility recovery.
Disruption of supply and increase in cost of utilities Municipalities are not taking actual readings but billing on estimates	Inability of tenants to trade, which may result in their inability to pay rentals and operating costs. Impact of cost increases on tenants' ability to service rental liabilities, increasing lease default risk. Negative effect on net income of Fund. Buildings may be incorrectly charged resulting in accruals being made which may be inaccurate.	Investigations being carried out in respect of the use of generators to keep electricity supplies available to buildings. Various methods of achieving savings on utility costs are being investigated and introduced. Tenants are also being advised on the methods of calculating their usage, which could result in savings being achieved, if usage patterns are improved.
Health, Safety and environmental compliance	Potential legal claims, withdrawals of insurance cover or the increase in insurance premiums. Fines for non-compliance.	Regular training regarding the OHS Act, Independent audits to ensure compliance. Dedicated staff to ensure compliance at all times.
The difficult economic climate makes the letting of vacant space challenging.	Vacant space reduces rental income and expenses are incurred regardless of whether the property is tenanted. this results in less distributable income.	Asset managers meet with tenants on a regular basis to ensure that their concerns are addressed. Rentals are offered at market related rates and incentives are offered to brokers

		in order to let the vacancies. Buildings are well maintained.
Vacancies in properties and failure to retain tenants	Negative impact on revenue stream of Fund, resulting in failure to meet budgets.Deteriorating building values and net asset value.	Regular contact with external leasing brokers.Emphasis on retention of existing tenants on lease expiries and tracking successful retentions. Leasing strategy per property.Continued engagement with tenants.Willingness to negotiate leases to retain tenants. Management of expiry profiles monitored.
High levels of bad debts and arrears	Failure to recover amounts owing. Negative impact on Fund's cash flow. Large write-offs in income statement.	Regular Debtors Control meeting, internal legal team following up non-payments. Continued engagement with tenants. Willingness to negotiate lease terms to retain tenants. Tight lease agreements and rigorous tenant credit checks. Deposits and sureties from tenants
Liquidation of major tenant	Immediate negative impact on financial results. Difficulty in re-letting large areas.	Significant diversification in tenant mix with regard to type of premises and geographical location.
Destruction of Assets	Buildings destroyed due to force majeure, fire etc. and as a result income cannot be generated from tenants.	Insurance cover is carefully monitored to ensure that it is sufficient. The insurable amount is based on replacement valuations obtained from an independent valuer. Capital uses reputable underwriters with sufficient financial backing to sustain the cover paid for.
Land Invasion	Delayed developments due to inability to remove illegal land occupiers Decreased land valuations Potential loss of income Additional operating cost to manage potential land invasion	Boundary demarcation Court order obtained to evict trespassers Regular proactive patrols We rely on our strong relationship with council for their support Operational control over our assets

Human capital		
Lack of management skills and experience. Staff turnover at senior levels. Management capacity and inadequate resource levels.	Poor performance from Manager.	Indirect risk mitigated through outsource and appointment of Manager who allocates sufficient resources to meet requirements.
Attraction and retention of skilled human resources	Loss of skilled staff could result in an increased extra workload being placed on existing staff members.	By effectively internalising the management of the Fund, the interests of staff and PI holders have been aligned. Incentivisation plans have been put in place, in order to retain and attract experienced members of staff, which are further enhanced by best practice principles company. Retention strategy which encompasses short, medium and long-term performance incentives, remuneration benchmarking, performance evaluations and personal development Consistent upskilling of staff
Governance and Compliance		
Failure to comply with Legislation	Fines and penalties. Reputational loss.	Legal executive employed to review legislative compliance. Compliance reviewed by Risk Committee
Statutory and regulatory compliance with the Companies Act, Income Tax Act, debt covenants, etc.	Fines and public censures if non-compliance occurs. Reputational issues.Increase in legal and compliance resource costs.	Compliance checklist. Standard systems, controls & procedures with clearly defined responsibilities. Compliance monitoring by Risk and Compliance Committee and Board.
Company risk and conflict of interest	Reputational issues. Negative effects on PI holder returns.	Board of directors' oversight. Annual general meeting to address queries. Objective decision in case of potential conflict with full record of motivation.

Failure to comply with OHS Act and safety requirements	Possible prosecution of officers of the company.	Review of compliance by the property managers and implementation of their recommendations.
Destruction of assets.	Buildings destroyed due to force majeure, fire etc. and as a result income cannot be generated from tenants.	Insurance cover is carefully monitored to ensure that it is sufficient. The insurable amount is based on replacement valuations obtained from an independent valuer. Company uses reputable underwriters with sufficient financial backing to sustain the cover paid for.
Effectiveness of internal controls	Possibility of fraud and inaccurate financial data.	Internal controls reviewed on a regular basis, internal audits performed on an annual basis and reported back to audit committee
Information Technology		
Disaster Recovery Plan	Disruptions on operations, Loss of critical Management information, delays in billing and collection of rentals.	Internal audit performed on IT governance and controls. Risk identified and addressed, daily backups, centralised system.
Business continuity risk.	Business interruption may have a severe impact on the operations of the company and may reduce distributable income.	Company has a business continuity plan which includes the daily backup of data which is tested regularly.

Other Risks and measures put in place for mitigation

Risk	Mitigation
Information Technology Risk: The risk of losses arising from disruption of business or system failures. Business continuity is defined as business disruption and non-continuous service to clients (both internal and external to the group) due to the physical site, human resources, systems or information being unavailable. Included in business continuity is disaster recovery, namely the ability of the group's information technology system(s) to recover timeously, or respond with an acceptable alternative temporary solution, system or site	The company has invested in world class systems to ensure proper processing of records and accurate reporting The company has implemented sufficient redundancy in the technology infrastructure to ensure that there are no interruptions in the business process. The redundancy capacity of the company is tested at least annually.

following a disaster impacting the group, which might result in financial loss or reputational damage. This includes the risk of an uncoordinated, inefficient and/or under-resourced information technology strategy, as a result of which the group becomes progressively less competitive.	Daily back-ups of all information are made to ensure the information can be recovered in the event of a disaster A fully functional disaster recovery site has been established at an external location to ensure that there is no interruption in operations in the event of a disaster A group wide disaster recovery and business continuity plan has been designed and approved
Credit Risk: The risk that counterparties to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing financial loss.	The exposure to credit risk on its financial assets such as trade and other receivables, and cash and cash equivalents can arise due to change in the credit rating of the counter party subsequent to the acquisition of the financial assets. The Group has formal policies and procedures in place to ensure management of credit risk. A formal credit risk assessment is performed for all new tenants and tenancy contracts are made with tenants with an appropriate credit history. Cash is invested with high credit quality financial institutions. Furthermore, trade receivables consist of a spread of good quality tenant receivables and adequate provision is made for bad debts where applicable.

Market risk The risk that assets will decrease significantly in value due to market movements	The company has entered into investment management with reputable investment management companies in order to reduce the market risk due to poor investment decisions In terms of the investment managers' investment process, all investment decisions are approved by the investment committee prior to the investment being made
Employment risk **HR Risk:** The risk of losses arising from acts inconsistent with employment, health or safety laws or agreements. **People Risk:** People risk is the risk associated with inadequacies in human capital and the management of human resources, policies and processes, resulting in the inability to attract, manage, motivate, develop and retain competent resources, with a concomitant negative impact on the achievement of strategic group objectives. It includes: the risk that effective risk-adjusted performance measurement and indicators are not implemented in the group, resulting in incorrect reward allocation, the risk that the group fails to motivate staff through the use of inappropriate incentive schemes, or the poor administration of	Detailed policies and checklists are created and the staff dealing with these matters are adequately trained to ensure that we comply with all the employment related laws and regulations. The company provides ongoing training to staff to ensure that staff are multi-skilled to provide back-up capacity in the event of staff turnover. A robust staff remuneration model is implemented to ensure the retention of staff and incentivize them. A strong performance management framework and process is in place to

incentive schemes; and the risk that the group does not ensure that skills and experience are developed, consistently and methodically retained and enhanced to create value for the group (for example, in the form of innovative product designs, developed systems, methods and procedures).	ensure that poor work performance is adequately documented to ensure correct allocation of rewards based on performance.
Accounting Risk The risk that the integrity of the financial statements and related information cannot be upheld. The risk that: inappropriate accounting information causes incorrect decisions to be made, due to inappropriate policy, faulty interpretation of policy, or plain error; the financial statements and other statutory and regulatory reporting do not comply with International Financial Reporting Standards (IFRS) and/or other relevant statutory requirements are not based on appropriate accounting policies and do not incorporate required disclosures; and internal financial and operational controls of accounting and administration do not provide reasonable assurance that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures, and that assets are safeguarded.	Proper multi-level review in place where the information produced by the accounting function goes through detailed checks, there is a policy of peer review implemented in the department to ensure accuracy and quality of information produced. Further Internal Audit has an audit plan in place to review all the important information on regular basis and check controls over the processing and production of information. There are various committees and forums that reviews and provide input to the specific sections within the accounting function, Accounting Meeting is held every second week, Technical Committee meeting to discuss the changes and technical issues before implementation, Operation Meeting to obtain guidance and approval of all significant matters from the Executive Directors. External Auditors also review the integrity of Financial information

	produced and compliance of reports with IFRS.
Taxation Risk: The risk of loss (financial or otherwise) because: effective tax planning, coordination and strategy, compliance with tax laws and regulations, proactive identification and management of tax risks are not enforced; or a poor relationship with revenue authorities exists. Taxation risk is the risk of loss (financial or otherwise) as a result of: inappropriate tax planning and strategy, which will result in higher taxes being paid by the group than is legally necessary; non-compliance with or incorrect interpretation and application of taxation legislation, that is the risk of penalties, fines and/or reputational damage due to non-compliance with tax laws, regulations and/or accepted tax practice; or the effect of new tax legislation on existing financial structures or products.	All the Tax workings are prepared and checked by qualified Chartered Accountants, and reviewed by Internal Audit to ensure the accuracy and correctness of calculation and submission. All the tax related matters are discussed at a tax committee level where Chartered Accountants from Internal Audit and Accounting Function discuss all the matters. Reports are submitted to the CEO and the Executive Director for their review and feedback. The annual tax returns are also reviewed by the External Auditors to mitigate the risks.
Legal Risk: Legal risk arises from the necessity that the group conducts its activities in conformity with the business and contractual legal principles applicable in each of the jurisdictions where the group conducts its business. It is the possibility that a failure to meet these legal requirements may result in unenforceable contracts, litigation, fines, penalties or claims for damages or other adverse consequences. It includes risk arising from inadequate documentation, legal or regulatory incapacity, and insufficient authority of a counterparty and	All the relationships are thoroughly analysed from a risk perspective and dealings are done only with reputable counterparties. The risk is mitigated by not accepting any liabilities and ensuring that proper Service Level criteria are built into the agreement along with detailed dispute resolution methodology

uncertainty about the validity or enforceability of an obligation in counterparty insolvency. It comprises contravention, failure to prevent, detect or promptly correct violations of the terms and provisions of contractual agreements and related documents entered into with clients, counterparties, suppliers and other parties, including common-law and other applicable statutory liabilities.	
Transformation Risk: The risk of failure by the group adequately, proactively and positively to respond to and address transformation issues such as black economic empowerment and upholding related laws such as the Employment Equity Act.	The group is the level 1 contributor and it is ensured by placing adequate controls in place that we maintain the level 1 contributor status and comply with all the requirements of the Charter.
Corporate Governance Risk: Corporate governance is the structures, systems, processes, procedures and controls within an organisation, at both board of directors level and within the management structure, that are designed to ensure the group achieves its business objectives effectively, efficiently, ethically and within prudent risk management parameters. Good governance requires that there is an effective risk management process that can ensure the risks to which the group is exposed are addressed effectively.	Oversight of Audit Committee, Board of Directors. Adherence with King Code of Corporate Governance principles ("King IV"). Adequate representation of Independent non-executive directors Establishment of Audit and Risk Committee Ultimate responsibility for risk management rests with the board of directors of the company. The board is responsible for setting the tone and providing an environment that facilitates effective risk management. The board will approve the risk

	management policy and risk management plan. The board is also tasked with providing guidance to management in respect of significant risks to which the organisation is exposed. In terms of the risk management policy, the board of directors has delegated the functional risk management to the executive directors of the board. This puts the board in the position to be able to react to risks in real time in order to minimize any potential costs that might arise out of a risk materialising. The executive is responsible for preparation of the annual risk management plan, which includes the identification and rating of risks and the designing of controls to mitigate those risks. The executive is also responsible for ensuring that the controls are implemented in order to mitigate the risks. The executive reports to the board of directors at every meeting of the full board. The audit committee is responsible for functional oversight and monitoring of the risk management process. To this extent the audit committee will review the annual risk management plan and

	internal audit plan. The audit committee has delegated its day-to-day oversight and monitoring of the risk management function to the internal audit function. Senior management is responsible for implementing the controls designed by the executive in order to mitigate risks identified in the risk management plan. Senior management forms the first line of defence in the risk management process and is responsible for bringing any breach or potential breach of a control to the attention of the executive.