

Befimmo SA
Internal Audit Terms of Reference

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Article 1 - Nature

Internal audit is an independent and permanent function established within the Company to examine and evaluate all the activities of the Company aiming to improve operational efficiency, risk management and internal control systems.

The Board of Directors of Befimmo SA (the “Board of Directors”) has decided to set up an internal audit for Befimmo SA in a step-by-step approach and has asked the Audit Committee to adopt the Internal Audit Terms of Reference.

Upon the Audit Committee’s recommendation and given the size of Befimmo SA and its subsidiaries (the "Company"), the Board of Directors has, at this stage, not considered necessary to hire a full time internal auditor; internal audit responsibilities and mission have been entrusted to a financial analyst of Befimmo SA, who spends 30% of its activities to this matter.

For the realisation of the internal audit of financial processes in which the financial analyst participates within the framework of its other appointments, Befimmo calls upon a third party (from outside the Company) who ensures its internal audit (external).

The Audit Committee has adopted these Terms of Reference which define and establish the rules applicable to the internal audit.

Article 2 - Mission, Objectives and Activities

Internal audit's prime objective is to examine and evaluate whether the Company's framework of the internal control process, is adequate and functioning properly and effectively.

Its secondary objective is to advise and assist the Audit Committee and the Chief Executive Officer in the effective execution of their responsibilities related to internal control, by providing them with independent, objective and impartial information, analyses, assessments, recommendations and counsel concerning the Company's activities reviewed. The internal audit may also provide assistance to the Board of Directors in the execution of its responsibilities related to the internal control.

The internal control encompass all policies, processes, practices and procedures established by the Executive Officers, the Audit Committee or the Board of Directors to provide reasonable assurance that:

- risk exposure is identified and adequately monitored and managed;
- resources are acquired economically, safeguarded adequately and used efficiently;
- significant financial and managerial information is accurate, relevant, timely and reliable;
- there is an adequate level of compliance with approved policies, standards and procedures and with applicable laws and regulations.

In order to fulfill its mission and objectives, internal audit's scope of work includes:

- the examination and evaluation of the adequacy and effectiveness of the internal control systems at various operations and activities of the Company;
- the review of financial and managerial information systems;
- the review of the accuracy and reliability of the Company's accounting records and financial reports;
- the testing of both transactions and functioning of specific internal control procedures at various departments of the Company;

- the evaluation of adherence to legal and regulatory requirements and to approved policies, standards and procedures;
- evaluating the effectiveness of existing policies, standards and procedures and giving recommendations for improvements;
- identifying opportunities for cost savings and making recommendations for improving cost efficiencies;
- examining that the Company's resources are acquired economically, used efficiently and safeguarded adequately;
- conducting special projects or investigations at the request of the Executive Officers, the Audit Committee or the Board of Directors;
- assisting in coordinating the internal and external efforts with regard to the annual audit conducted by the external auditors, as well as other special projects relating to internal controls;
- being kept informed of all requests by third parties to audit activities, functions, transactions, etc. of the Company; in addition, the Internal Auditor is to receive a copy of all audit correspondence issued upon completion of each third party review;
- assessing the action taken by the Executive Officers, the Audit Committee or the Board of Directors to remedy to reported deficient conditions and continuing reviews until there has been a satisfactory resolution of the matter.

In accordance with the other rules adopted by the Company, such as the Code of Ethics, the Internal Auditor must be notified immediately when any fraud, misappropriation or infringement of internal rules adopted by the Company or of laws or regulations is suspected. The Internal Auditor verifies that the necessary audit or investigation is conducted to resolve the issue.

Article 3 - Annual Programme

Each year, the Annual Program is adopted by the Internal Auditor, in conjunction with the Executive Officers, and approved by the Audit Committee.

The Annual Program defines the strategy, objectives, scope, time schedule and resources of the internal audit.

Article 4 - Reporting

4.1. The Internal Auditor issues an internal audit summary report (the "Summary Report") for every review performed.

Each Summary Report contains at least:

- the scope of the review;
- relevant administrative information (i.e. title of the review, area under review, reviewer, date of the review);
- a grading of the issues/findings raised (i.e. significant, important and minor);
- a summary of the issues/findings that arose during the review, together with appropriate recommendations and management actions.

Before the Summary Report is issued, the draft is discussed with the manager of the audited department and the Executive Officers.

When they are issued, the Summary Reports are submitted to the Audit Committee which examines those Reports. On request of the Audit Committee, the Internal Auditor provides with additional information.

The status of issues/findings previously reported to the Audit Committee will be reported at each Audit Committee meeting, until there has been a satisfactory resolution of the matter.

4.2. The Internal Auditor maintains a register of issues/findings raised during each audit review. The resolution of these will be monitored and, if required, reviews may be scheduled to follow up on the closure of issues.

4.3. The Internal Auditor reports to the Audit Committee, on a quarterly basis, on the status and results of the Annual Programs.

Article 5 - Authority

In accomplishing his activities, the Internal Auditor has full, free, and unrestricted access to all Company's departments, activities, records, information, properties and personnel, relevant to the performance of the internal audit. All information obtained is to be maintained in a confidential manner. The Internal Auditor is authorised to communicate directly and on his own initiative to the Executive Officers, and the members of the Audit Committee.

In the framework of his Annual Program, the Internal Auditor exercises his mission on his own initiative in all departments and functions of the Company.

The Internal Auditor is authorised to:

- apply the techniques required to accomplish his mission and objective, in accordance with the Internal Audit Terms of Reference and the Annual Program;
- obtain the necessary assistance of appropriate personnel of the Company;

- obtain the necessary assistance of the outsourced internal auditor;
- obtain assistance of specialists/professionals where considered necessary from within or outside the Company.

Article 6 - Independence

The Internal Auditor must be independent of the activities and processes he assesses, in order to ensure he is able to perform his duties in an objective manner and provide impartial assessments and advices to the Executive Officers, the Audit Committee and the Board of Directors.

In order to maintain his independence, the Internal Auditor shall be independent of the activities and operations audited and from the everyday internal control process; particularly, he is not authorised to:

- perform any operational duties that might be in conflict with his responsibilities as Internal Auditor;
- initiate or approve transactions external to internal audit;
- direct the activities of any employee of the Company who is not employed by internal audit;
- engage in any other activity which could compromise his objectivity or independence.

In order to ensure the independence of the Internal Auditor, the internal audit of operational processes in which the Internal Auditor is involved is audited by another person (the outsourced internal auditor).

It is the responsibility of the Internal Auditor to communicate to the Audit Committee any perceived or potential conflicts of interests that may compromise the objectivity or independence of internal audit.

Article 7 - Responsibility

The Internal Auditor has neither direct responsibilities for, nor authority over, any of the activities or transactions that he reviews.

In his function, the Internal Auditor reports directly to the CEO and the president of the audit committee.

The Internal Auditor has responsibility to:

- implement the Annual Program, including as appropriate any special tasks or projects requested by the Audit Committee, the Chief Executive Officer or the Board of Directors;
- issue reports summarizing results of internal audit activities and achievement of the Annual Program;
- keep the Audit Committee informed of emerging trends and developments in internal auditing practices and give recommendations for necessary revisions in Internal Audit Terms of Reference; provide a list of significant measurement goals and results to the Audit Committee;
- ensure that the internal audit complies with internal auditing standards and best practices;
- exercise due professional care in carrying out audit assignments;
- maintain integrity and objectivity.

The internal audit process, however, does not relieve the Audit Committee, the Executive Officers and the Board of Directors of their responsibility for the maintenance and improvement of controls in their respective areas.

The performance of the Internal Auditor is annually evaluated by the Audit Committee.

Article 8 - Resources

The allocation of the internal audit's resources is based on the Annual Program that takes into account:

- qualitative risk assessments of operations performed in consultation with the Executive Officers;
- strategy and business objectives;
- any special tasks or projects requested by the Executive Officers, the Audit Committee or the Board of Directors;
- discussion with and input from the Executive Officers;
- discussion with and input from the Company's external auditor.

Some examples of the factors considered in assessing risk exposure are:

- the adequacy of risk management practices within the Company generally;
- the extent of compliance with, relevance of, and financial effect of established policies, plans, procedures, laws and regulations;

- the extent to which resources and interests are accounted for and safeguarded from losses of all kinds, such as inefficient administration, poor value for money or fraud;
- the suitability, reliability and integrity of financial and other managerial information and the means used to identify, measure, classify and report such information;
- the security and integrity of information systems, including systems under development, to ensure that controls over data processing and associated operational procedures offer adequate protection against error, fraud and loss;
- the follow-up actions taken to remedy previously identified significant risk and internal control exposures.

Article 9 - Standards

The Internal Auditor is expected to promote the highest possible professional standards and service levels. In doing so, he will have regard to:

- internal audit procedures and standards applicable to the Company;
- the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors;
- any other standards relevant to the maintenance of his professional standing and compatible with the present Terms of Reference and the standards mentioned above.

In addition, the Internal Auditor is expected to:

- have a sufficient knowledge of transactions such as those realized by the Company;
- remain informed about significant issues affecting or likely to affect those transactions and be responsive to changing organizational needs;
- maintain his technical competence and build on his professional qualifications and skills through continuing education, which may include membership and participation in professional bodies, participation in research projects and attendance at relevant conferences, seminars, external courses and in-house training programs;
- exercise honesty, objectivity and discipline in the performance of his duties and responsibilities;
- maintain a healthy level of professional skepticism;
- maintain his independence and objectivity;

- be prudent in the use of information acquired in the course of his duties and, where necessary, preserve the confidentiality of such information;
- maintain a constructive relationship with other staff encountered in the course of his duties.

Article 10 - Self-assessment and Review of the Terms of Reference

The Internal Auditor regularly assesses the effectiveness of the internal audit.

The Internal Audit Terms of Reference are reviewed at least annually by the Internal Auditor to ensure they remain consistent with its strategy and objectives. The outcomes of this annual review should be reported to the Audit Committee. Any changes must be approved by the Audit Committee.

Any review of these Terms of Reference should take into consideration the impact of any service agreement with a third party for the provision of technical audit services.

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