

REUNERT

REUNERT LIMITED

TERMS OF REFERENCE

AUDIT COMMITTEE

REVIEWED BY THE COMMITTEE ON 20 MAY 2019

APPROVED BY THE BOARD ON 24 MAY 2019

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1. Introduction

The audit committee (“**the Committee**”) is constituted in compliance with the requirements of section 94 of the Companies Act No, 2008, the JSE Listings Requirements and further to assist the board of directors (“**the Board**”) of Reunert Limited (“**Reunert**” or “**the Company**”) with its oversight of financial reporting and internal financial controls of the Company and its subsidiaries, and affiliates to the extent relevant (“**the Reunert Group**”), and matters related thereto, as set out in these terms of reference.

2. Purpose of these terms of reference

The purpose of this document is to constitute the terms of reference of the Committee by setting out the role and responsibilities of Committee, to regulate the affairs of the Committee and deal with administrative matters relating thereto. In the event that there is a conflict between these terms and reference and any regulation that binds the Committee, the provisions of the regulation will prevail.

3. Composition

3.1 Election of and requirements relating to members

The members of the Committee are elected, at each annual general meeting of the Company, in accordance with section 94(2) of the Companies Act, from the candidates proposed for election by the nomination and governance committee and confirmed by the Board. The nomination and governance committee takes account of the following when making its recommendations in respect of members of the Committee:

- The Committee must have at least three members, each of whom must be a non-executive director of the Company;
- The individual and collective skills and experience of the candidates must be appropriate to carrying out the role and associated responsibilities of the Committee, with particular focus on financial literacy and reporting;
- Compliance with regulatory requirements and due regard to the recommended practices in the King IV Code, including that each member:
 - must have academic qualifications, or experience, in any of the following fields: economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management;
 - may not be the chair of the Board;
 - may not be involved in the day-to day management of the of the business of the Company or any entity in the Reunert Group, or have been so involved at any time during the previous financial year;
 - may not be a prescribed officer, or full time employee of the Company or another related or inter-related company, or have been such an officer or employee at any time during the previous three financial years; and
 - may not be a material supplier or customer of the Company or any entity in the Reunert Group, such that a reasonable and informed third party would conclude in the circumstances that the integrity, impartiality or objectivity of that director is compromised by that relationship.

3.2 Filling of casual vacancies

The Board must appoint an individual to fill a vacancy on the Committee within 40 business days after the vacancy arises (in other words at any time that the membership no longer meets the minimum statutory composition criteria), from the candidates presented for appointment by the nomination and governance committee of the Company. The Board may appoint an individual to the Committee from candidates

presented for appointment by the nomination and governance committee at any time that it believes that such appointment is in the interest of the Reunert Group. Either such appointment is only for the period from the date of the appointment until the date of the first annual general meeting following such appointment, where shareholders will exercise their voting rights referred to in paragraph 3.1 in respect of the re-appointment of the new member.

In order to ensure compliance with the JSE Listings Requirements, which stipulate that the Committee must have at least three members, the Committee may not continue to execute its mandate if it has less than three members.

3.3 Attendance by request

The Committee may require any employee of the Reunert Group, external consultant, or subject matter expert, to attend some or all of the meetings of the Committee, but (unless appointed to the Committee in accordance with the process in paragraphs 3.1 and 3.2) these individuals may not be members of the Committee and, as such, may not vote on any matters before the Committee.

Generally, the Committee will request at least the chair of the Board, the chief executive officer, the chief financial officer and representatives of the external auditors and internal auditors of the Reunert Group, to attend its meetings.

3.4 Chair of the Committee

The nomination and governance committee recommends, for approval by the Board, a member of the Committee to be its chair. The chair must be an independent non-executive director of the Company.

If the appointed chair of the Committee is absent from a meeting, the members present shall elect one of them to act as chair of that meeting.

4. Mandate

The role and associated responsibilities and functions of the Committee are set out below.

4.1 Statutory

4.1.1 Companies Act

In accordance with section 94 of the Companies Act, the Committee's role includes to:

- nominate for appointment as external auditor of the Company and the Reunert Group, a registered (external) auditor who, in the opinion of the Committee, is independent of the Company and the Reunert Group. In determining the independence of the proposed external auditor, the Committee must:
 - ascertain that the external auditor did not receive any direct or indirect remuneration or other benefit from the Reunert Group, other than as auditor or for rendering services to the Reunert Group of the nature and only to the extent authorised by the Committee;
 - consider whether the external auditor's independence may have been prejudiced as a result of any previous appointment as external auditor and having regard to the extent of any consultancy, advisory or other work undertaken by the external auditor for the Reunert Group;
 - consider compliance with other criteria relating to independence or conflict of interest as prescribed by the Independent Regulatory Board for Auditors;
- determine the fees to be paid to the external auditor and the auditor's terms of engagement;
- ensure that the appointment of the external auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of external auditors;

- determine, subject to the provisions of the Companies Act (particularly relating to the type of services that auditors may provide), the nature and extent of any non-audit services that the external auditor may provide to the Reunert Group;
- pre-approve any proposed agreement with the external auditor for the provision of non-audit services to the Reunert Group;
- prepare a report, to be included in the Company's and the Reunert Group's consolidated annual financial statements of each financial year:
 - describing how the Committee carried out its functions;
 - stating whether the Committee is satisfied that the external auditor was independent of the Company and the Reunert Group;
 - commenting, in any way the Committee considers appropriate, on the financial statements, the accounting practices and the internal financial controls of the Company and the Reunert Group;
- receive and deal appropriately with any concerns or complaints, whether from within or outside the Reunert Group, or on its own initiative, relating to:
 - the accounting practices and internal audit of the Reunert Group;
 - the contents or auditing of the Reunert Group's financial statements;
 - the internal financial controls of the Reunert Group;
 - any related matter; and
- make submissions to the Board on any matter concerning the Reunert Group's accounting policies, financial control, financial records and financial reporting.

4.1.2 JSE Limited Listings Requirements

In respect of the JSE Listings Requirements the Committee is responsible to:

- consider and make recommendations to the Board on the preparation of financial results in compliance with the JSE Listings Requirements (required in terms of section 2.8(c));
- consider and make recommendations to the Board on compliance with the JSE Listings Requirements that relate to any aspect of the Committee's mandate as set out in this paragraph 4;
- consider and confirm to the JSE that the Committee has considered the JSE Report on pro-active monitoring of financial statements and whether any changes are being made to the Reunert Group's reporting as a result thereof;
- in terms of section 3.84(g) of the JSE Listings Requirements to:
 - consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director;
 - ensure that Reunert has established appropriate financial reporting procedures and that those procedures are operating;
 - annually request from the external auditor (and if necessary consult with the audit firm on) the information detailed in section 22.15(h) of the JSE Listings Requirements (relating, among other things, to inspections by the Independent Regulatory Board for Auditors ("IRBA") of and litigation against the external auditors) and consider such information in the Committee's assessment of the suitability for appointment of their current or a prospective audit firm and designated individual partner;
 - report to shareholders, on an annual basis, that the Committee has executed the above responsibilities; and
- consider, when recommending an external auditor and designated audit partner to the annual general meeting for appointment/re-appointment, that the proposed external auditor and reporting accountant are accredited as such on the JSE's list of Auditors and Accounting Specialists, and do not appear on the JSE's list of disqualified individual auditors, as set out in section 22 of the JSE Listings Requirements.

4.2 Group reporting

The Committee is primarily responsible for providing direction and oversight in respect of all aspects of external reporting, unless another Committee is specifically mandated to oversee a particular reporting matter.

4.2.1 Financial statements

The Committee examines and reviews the annual financial statements of the Company and the consolidated Reunert Group financial statements, the interim reports, the accompanying reports to shareholders, the preliminary announcement of results and any other announcement regarding the Company's or consolidated Reunert Group's financial results or other financial information to be made public, prior to submission to and approval by the Board.

The Committee focuses particularly on:

- compliance with accounting standards and legal requirements relating to financial reporting;
- major judgemental areas and significant adjustments resulting from the external audit;
- the basis on which the Company and the Reunert Group have been determined to be a going concern and to be both solvent and liquid (in accordance with section 4 of the Companies Act);
- capital adequacy;
- any changes in accounting policies and practices;
- the appropriateness of major adjustments processed at year end;
- compliance with the financial conditions of loan covenants;
- tax and litigation matters, to the extent that it relates to financial reporting;
- accounting treatment of significant unusual transactions or accounting judgements that could be contentious; and
- any area of dispute between management and the external auditors regarding disclosure, critical judgements and estimates, presentation or errors.

4.2.2 Integrated reporting

The Committee oversees integrated reporting, having regard to factors and risks that may impact on the integrity of the integrated report. In this regard, the Committee will consider and review the findings and recommendations of the group executive committee and other Board committees insofar as they are relevant to the information reported in the integrated report.

4.2.3 Other financial information

The Committee reviews all documents that contain material financial information or other information which could impact materially on the financial results or performance of the Company, such as:

- circulars and prospectuses;
- press releases on earnings; and
- trading statements.

4.3 External audit

4.3.1 Audit firm tenure and rotation

- The Committee considers and advises the Board on the appropriateness of the tenure of the external audit firm and audit partner, including the application of the IRBA requirements on mandatory audit firm rotation; and
- The Committee oversees audit firm and designated audit partner rotation.

4.3.2 Further duties in respect of external auditors

The Committee:

- receives and considers any Reportable Irregularities identified and reported by the external auditors in terms of the Auditing Profession Act, 2005 in respect of the Company or the consolidated financial result of the Reunert Group;
- may make suggestions to the external auditor on areas of emphasis that the external audit should address;
- must consider the “key audit matters” identified by the external auditors and whether any matters arise from these that require further attention by the Committee;
- must ensure that the external audit fee will sustain a proper audit and provide value for money;
- must evaluate the performance of the external auditor; and

4.3.3 Facilitate discussion with external audit

The Committee must meet annually with representatives of the external auditor, without members of executive management being present, to facilitate an exchange of views or concerns that may not be appropriate for discussion in an open forum.

4.4 Combined assurance

The Committee:

- reviews the overall audit role and consider implications of new auditing standards;
- reviews the cooperation and coordination between the internal and external audit functions and the coordination of the formal internal audit work plan with the external auditors, to avoid duplication and enhance effectiveness of work;
- ensures that the combined assurance provides an objective overview of the operational effectiveness of the Group’s systems of internal control and reporting;
- ensures that the combined assurance received is appropriate to address all the significant risks facing the Company; and
- ensures the independence of the external service providers appointed by the Company to provide assurance on internal audit or the integrated report.

4.5 Internal audit function

The Committee monitors the effectiveness the Reunert Group’s internal audit function, including to:

- review and approve the internal audit charter, internal audit plans and internal audit’s conclusions with regard to internal control;
- review the internal audit function’s compliance with the internal audit charter as approved by the Committee;
- oversee that the internal audit plan is executed;
- assess the report of internal audit on the effectiveness of the Reunert Group’s system of internal control, including internal financial control, business risk management and maintaining effective internal control systems;
- review significant matters reported by the internal audit function and the adequacy of corrective action taken in response to such findings;
- oversee that the internal audit function is subject to an independent quality review, at least every three years;
- review significant differences of opinion between management and the internal audit function;
- assess the performance of internal audit. In this regard, annually assess:
 - the performance of the head of the internal audit function;

- the objectiveness and relevance of the internal audit function and the adequacy of available internal audit resources; and
- be the ultimate decision making body in respect of the appointment, dismissal or re-assignment of the head of the internal audit function.

The Committee must meet annually with the head of the internal audit function, without members of executive management being present, to facilitate an exchange of views or concerns that may not be appropriate for discussion in an open forum.

4.6 Ethics and integrity of information

The Committee:

- reviews forensic audit reports that relate to matters that could have an impact on financial reporting;
- oversees that adequate arrangements are in place to:
 - enable an effective internal control environment;
 - support the integrity of information used for internal decision-making by management, the Board and Board committees;
 - support the integrity of external reports; and
- receives and considers reports on any material instances of fraud discovered in the Group, or any instances of fraud by those charged with governance of Tier 1 companies in the Group.

4.7 Finance function

The Committee reviews the expertise, resources and experience of the finance function annually and shall include a report on the results of the review in the integrated report (including the review of the expertise and experience of the financial director as required by the JSE).

4.8 Facilitate discussion with executive management

The Committee meets annually with members of executive management, without members of the external audit team being present, to facilitate an exchange of views or concerns that may not be appropriate for discussion in an open forum.

4.9 Technology and information

The Committee:

- oversees the governance of the Reunert Group's technology and information with respect to the efficacy of financial controls and integrity of financial reporting;
- monitors Information Technology's ("IT") suitability to support the Reunert Group's commercial and strategic requirements; and
- considers IT insights arising from external IT audit that are not related to financial reporting.

4.10 Other delegated duties

The committee undertakes, for the Reunert Group, the delegated duties to:

- liaise closely with the risk committee to exchange information relevant to financial reporting risk;
- consider legal and regulatory requirements to the extent that it may have an impact on financial or other reporting that falls within the ambit of its duties; and
- consider any dividends and other distribution to shareholders, or securities repurchase proposed by executive management and to make recommendations to the Board in this regard.

The Board may, by way of its formal "Delegation of Authority" document or on an ad hoc basis, mandate the Committee to fulfil any additional functions that the Board deems appropriate.

5. Reporting on the activities of the Committee

With respect to its activities during each financial year the Committee discloses by way of the integrated report or another publicly available platform (as the Committee in its discretion decides), on matters which fall within its mandate and as recommended by the King IV Code:

- its overall role and associated responsibilities and functions;
- its composition, including each members' qualifications and experience;
- any external advisors or invitees who regularly attend meetings;
- key areas of focus during the reporting period and key areas of future focus;
- the number of meetings held during the reporting period and attendance at those meetings; and
- whether the Committee is satisfied that it has fulfilled its responsibilities in accordance with these terms of reference, for the reporting period.

6. Authority

In terms of section 94 of the Companies Act, the Committee is entitled to:

- determine all matters relating to the appointment, fees and terms of engagement of the external auditor;
- payment by Reunert of all expenses reasonably incurred by the Committee in the exercise of its statutory duties, including, if the Committee considers it appropriate, the costs or the fees of any consultant or specialist engaged by the Committee in the performance of its functions.

In addition to its statutory authority, the Committee has the authority to:

- investigate, monitor and report to the Board on any activity within the scope of its mandate as contemplated in these terms of reference, the formal "Delegation of Authority" document, or granted on an ad hoc basis, and to take and implement decisions on such matters to the extent that the authority to do so is expressly or impliedly bestowed in terms of its mandate;
- sub-delegate any of the authority delegated to it;
- in the fulfilment of its roles and associated responsibilities, call on the chairs of other Board committees, any of the executive directors or officers, or the company secretary of the Company to provide it with information, subject to following a Board-approved process, if any;
- access the records of the Company and its subsidiaries, facilities and any other resources necessary to discharge its role and associated responsibilities, subject to following a Board-approved process, if any; and
- obtain independent outside professional advice to assist with the execution of its role and associated responsibilities, at the cost of the Company, subject to following a Board-approved process, if any.

7. Administration and meetings

7.1 Frequency

The Committee must hold a minimum of three meetings in any financial year.

Meetings, in addition to those scheduled before the commencement of each calendar year, may be scheduled by the chair of the Committee, in consultation with the secretary, or at the instance of the Board.

7.2 Attendance

Committee members are expected to make every effort to attend all meetings of the Committee, including meetings called on an ad hoc-basis.

If it is not possible for a member of the Committee to attend any meeting of the Committee, prior apology, with reasons, must be submitted to the chair of the Committee or to its secretary.

7.3 Quorum

The Committee shall not have a quorum to proceed with a meeting if more than one of its members are not present.

Invitees and the secretary are not taken into account when determining a quorum.

8. Approval of these terms of reference

These terms of reference were recommended to the Board by the Committee following review by its members on **20 May 2019** and approved by the Board on **24 May 2019**.