

REUNERT

REUNERT LIMITED

POLICY ON NON-AUDIT SERVICES PROVIDED BY EXTERNAL AUDITOR

AUDIT COMMITTEE

APPROVED BY THE COMMITTEE ON 14 AUGUST 2020

1. Introduction

The nature and extent of non-audit services provided by the external auditor must not affect, or be seen to affect, the independence of the firm or the individual external registered auditor (both of them referred to herein as “**the Auditor**”) appointed by or at Reunert Limited or any other company in the Reunert group of companies (“**the Group**”).

The purpose of this policy is to formalise the matters considered by the Reunert Audit Committee (“**the Committee**”) in exercising its obligations in terms of section 94 of the Companies Act, 2008 (“**the Companies Act**”) in respect of the independence of the external auditor, as it applies to the approval of non-audit services.

2. Relevant provisions of the Companies Act

Sections 94(7)(d) and (e) of the Companies Act provide that the duties of the Committee include the following:

- To determine, subject to the provisions of the Companies Act which prohibit the Auditors from providing company secretarial and bookkeeping services, the nature and extent of any non-audit services that the Auditor may provide to a Reunert Group company, or that the Auditor must not provide to a Reunert Group company, or a related company; and
- To pre-approve any proposed engagement of the Auditor for the provision of permitted non-audit services to the company.

3. Background

In this policy:

- the term “**Audit Services**” includes both the external audit and independent review engagements of financial statements, together with any services that are by their nature closely associated with the audit or independent review of the financial statements and the fees for which are habitually included in the audit fee. These services include services that, in terms of legislation, may only be performed by a registered auditor (for example issuing an auditor’s certificate in terms of section 18A(2B) of the Income Tax Act); and
- in the context of restrictions on non-audit services the term “**Auditor**” also refers to a related entity (and its employees) to the firm appointed as Reunert Limited’s Auditor, trading under a similar name as the Auditor.

In assessing whether the auditor should provide services in addition to Audit Services, the Committee recognises that there are instances where it is in the interest of the Reunert Group to engage the Auditor to provide consulting, advisory or other permitted non-audit services. These include:

- services performed in support of or to enhance the quality of the audit; and
- services where the Auditor’s knowledge of the business is likely to enhance the quality of the permitted non-audit services or give rise to significant time or cost efficiencies.

4. Prohibited non-audit services

The Auditor may not provide non-audit services that:

- will disqualify the Auditor from providing Audit Services (including the services mentioned in section 90(2)(b) of the Companies Act);

- will result in the Auditor being in breach of (or being at significant risk of being in breach of) the Code of Professional Conduct of the South African Institute of Chartered Accountants or the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors; or
- are, in light of the nature of those services, likely to have a negative impact on the perception of the Auditor's independence by an objective third party.

In principle, the Auditor may provide any other permitted non-audit services, subject to the limitation on fees contemplated paragraph 5 below.

5. Maximum fees for permitted non-audit services

5.1 Maximum fee per financial year for permitted non-audit services

The total of all fees for permitted non-audit services to be provided by the Auditor (the nature of which complies with the criteria of the Committee and is inclusive of tax services) may not exceed an aggregate of 20% of the sum of the most recent approved fee for Audit Services per financial year.

No single assignment/project may, however, exceed 10% of the most recent approved fee for Audit Services.

5.2 Process to increase maximum fee for permitted non-audit services

In exceptional circumstances management may make specific representations to the Committee to increase the threshold, in the event that circumstances exist which in the view of management justify these additional non-audit services above the monetary threshold. The Committee may, in its discretion, provide specific approval for the increase of the threshold in those circumstances, provided that the Committee is satisfied that the extent of the non-audit services will not impact on the independence of the Auditor (that is, that the proposed increase in the threshold will not contravene paragraph 4) and that the rationale for the extension of services is, in the view of the Committee, compelling.

The Committee may exercise the above discretion by way of a round robin process, at the discretion of the chair of the Committee.

If the Committee provides approval for non-audit services that result in the aggregate fee for non-audit services exceeding 20%, the Committee must notify the board of directors of this decision, no later than the next scheduled meeting of the board.

6. Delegation of authority to the chair

6.1 Chair's authority to pre-approve changes on behalf of the Committee

The chair of the Committee is authorised, on behalf of the Committee, to pre-approve specific non-audit services if the nature thereof is not in contravention of paragraph 4 of this policy and the extent thereof does not exceed the thresholds contemplated in paragraph 5.1. This includes the authority to approve adjustments

or amendments to the nature or extent of such pre-approved permitted non-audit services, subject to the limitations imposed by paragraphs 4 and 5.1.

For the avoidance of doubt, in the event that the approval sought will or may have the result that the aggregate non-audit fee in any financial year exceeds the thresholds contemplated in paragraph 5.1, the matter must specifically be considered by the Committee (not only the chair), as contemplated in paragraph 5.2.

6.2 Process for the chair to exercise delegated authority

The following process will be followed to obtain the chair of the Committee's pre-approval for any specific non-audit services, or adjustments or amendments proposed in respect of permitted audit services previously approved by the chair or the committee:

1. Any request to the chair shall be accompanied by the following information:
 - a. A recommendation on behalf of executive management (either the CFO or the CEO) in respect of the need for and reasonableness of the nature, scope and quoted fee for the non-audit services;
 - b. Information on the aggregate non-audit fees incurred by the Reunert Group, from the beginning of the Group's financial year, to the date of the request (including the percentage that such non-audit fees constitute in respect of the thresholds approved in paragraph 5.1);
 - c. Information on the budgeted non-audit fees expected to be incurred during the remainder of the Group's financial year, showing the impact of that the approval of the request will have on such fees (including the percentage that such non-audit fees are expected to constitute in respect of the thresholds approved in paragraph 5.1); and
 - d. Confirmation from the designated audit partner that the proposed non-audit fees will not breach the requirements of paragraph 4.

The purpose of the above process is to enable the chair of the Committee to exercise the delegated authority in a responsible and informed manner. However, if circumstances, in the discretion of the chair, require that any aspect of the above process not be followed, be followed informally or amended, this does not impact on the validity of the exercise of the chair's delegated authority.

7. Publicly available or incidental programmes and services

7.1 Background

Employees and officers of the Reunert Group may, from time to time, make use of educational, continuing professional development and information programmes, seminars, tools, webcasts and other materials, made available by the Auditor to its clients, or to the general public. These publicly available or incidental programmes or services may be available free of charge, at a nominal fee, or at a fee at prevailing market rates. Complimentary food, stationery or similar items may be made available as part of such services. (For the sake of brevity, goods and services in the nature contemplated in this paragraph are referred to below as "**Incidental Programmes**").

7.2 Conditional general pre-approval for Incidental Programmes

Participation by anyone in the Reunert Group in Incidental Programmes are hereby pre-approved, provided the following criteria are met:

- The Incidental Programmes are made available to the public and are offered to the Reunert Group on the same terms as those that apply to the general public; or
- The Incidental Programmes are offered by the Auditor to all or some of its other clients, free of charge; provided that:
 - any fees or costs payable by the Reunert Group to the Auditor relating to Incidental Services shall be disclosed to the Audit Committee in compliance with paragraph 8 and shall be taken into account when calculating the aggregate fees for non-audit services during any period for purposes of paragraph 5;
 - the nature of the Incidental Services shall not be prohibited in terms of paragraph 4, and shall not, in aggregate during any twelve months and together with all other non-audit services exceed the thresholds contemplated in paragraph 5; and
 - such Incidental Services shall not be of either the nature or extent that a reasonable and informed third party would conclude in the circumstances that the independence, integrity, impartiality or objectivity of the Auditor, or any member of executive management in the Group, is, or is likely to be, compromised by the Incidental Services.

8. Obligation to report to Committee

The Auditor is required to report, at each meeting of the Committee, the nature of and fees incurred by the Reunert Group in respect of non-audit services.

9. Amendments to the policy

The Audit Committee may adopt amendments to this policy at any time.

10. Effective date

This policy takes effect on the date of adoption thereof by the Audit Committee.

11. Approval of the policy

This policy was adopted by the Audit Committee, following review by its members, on **14 August 2020**.