

REUNERT

REUNERT LIMITED

TERMS OF REFERENCE

AUDIT COMMITTEE

REVIEWED BY THE COMMITTEE ON 18 MAY 2018

APPROVED BY THE BOARD ON 25 MAY 2018

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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 71 of 2008, the JSE Listings Requirements and further to assist the board of directors (“**the Board**”) of Reunert Limited (“**the Company**”) with its oversight of financial reporting and internal financial controls of the Company and its subsidiaries (“**the Reunert Group**”), and matters that are related thereto.

2. Purpose

The purpose of this document is:

- To constitute the terms of reference for the Committee to assist in its compliance with its statutory duties and additional functions as mandated by the Board; and
- To regulate the affairs of the Committee and deal with administrative matters relating thereto.

3. Composition

3.1 Election of and requirements relating to members

The members of the Committee will be 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 will take 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. Such appointment will only be for the period from the date of the appointment until the date of the first annual general meeting following such appointment, unless such individual is re-elected as a member of the Committee by the annual general meeting.

3.3 Attendance by request

The Committee may require any employee of the Company, 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) such 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 shall recommend, 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 shall include:

- 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 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;
- To determine the fees to be paid to the external auditor and the auditor's terms of engagement;
- To 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;

- To 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;
- To pre-approve any proposed agreement with the external auditor for the provision of non-audit services to the Reunert Group;
- To prepare a report, to be included in the 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 control of the Company and the Reunert Group;
- To 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
- To 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 shall be 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));
- To consider and make recommendations to the Board on compliance with the JSE Listings Requirements;
- To 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;
 - 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 and litigation against the external auditors) in the Committee's assessment of the suitability for appointment of their current or a prospective audit firm and designated individual partner. To consider such information both when an external audit firm or designated audit partner is appointed for the first time and thereafter annually for every re-appointment;
 - report to shareholders, on an annual basis, that the Committee has executed the above responsibilities; and
- To 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 Reporting

The Committee shall be 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 will examine and review the annual financial statements of the Company (including consolidated Group financial statements), the interim reports, the accompanying reports to shareholders, the preliminary announcement of results and any other announcement regarding the Company's financial results or other financial information to be made public, prior to submission to and approval by the Board.

The Committee will focus 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 has been determined a going concern as well as meeting the solvency and liquidity test (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 will oversee integrated reporting, having regard to all 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 will review 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 shall consider and advise the Board on the appropriateness of the tenure of the external audit firm and audit partner; and
- The Committee shall oversee audit firm and designated audit partner rotation.

4.3.2 Further duties in respect of external auditors

The Committee:

- Will receive and consider any Reportable Irregularities identified and reported by the external auditors in terms of the Auditing Profession Act, 2005;
- 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
- 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 a discussion in an open forum.

4.4 Combined assurance

The Committee:

- Must review the overall audit role, minimise duplication and discuss implications of new auditing standards;
- Must review 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 of work;
- Must ensure that the combined assurance provides an objective overview of the operational effectiveness of the Group’s systems of internal control and reporting;
- Shall ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities and shall:
 - Ensure that the combined assurance received is appropriate to address all the significant risks facing the Company; and
 - Ensure 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 must monitor the effectiveness the Reunert Group’s internal audit function, including:

- 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;
- Review 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 five 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, including 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 a discussion in an open forum.

4.6 Ethics and integrity of information

- The Committee must review forensic audit reports that relate to matters that could have an impact on financial reporting;
- The Committee 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; and
 - Support the integrity of external reports.

4.7 Finance function

The Committee shall review 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 Other duties

To undertake for the Reunert Group the following delegated duties:

- To liaise closely with the risk committee to exchange information relevant to financial reporting risk;
- To 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
- To consider any distribution to shareholders or securities repurchase proposed by executive management and to make recommendations to the Board in this regard.

4.8.1 Technology and information

The Committee will oversee the governance of the Reunert Group's technology and information with respect to the efficacy of financial controls and integrity of financial reporting.

5. 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 the Reunert Group 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:

- Take and implement decisions on any matter delegated to it by the Board in terms of the formal "Delegation of Authority" document or on an ad hoc basis;
- Investigate, monitor and report to the Board on any activity within the scope of its mandate as contemplated in these terms of reference, 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.

6. Administration and meetings

6.1 Frequency

The Committee must hold a minimum of three meetings per annum.

Meetings, in addition to those scheduled, may be scheduled by the chair of the Committee, in consultation with the company secretary, or at the instance of the Board.

6.2 Attendance

Committee members must 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, shall be submitted to the chair of the Committee or to the company secretary.

6.3 Quorum

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

Invitees and a representative of the company secretary shall not be taken into account when determining a quorum.

7. Approval of these terms of reference

These terms of reference were recommended to the Board by the Committee following review by its members on **18 May 2018** and approved by the Board on **25 May 2018**, represented by its chair.