

REUNERT

REUNERT LIMITED

POLICY ON BALANCE OF POWER: REUNERT LIMITED

REUNERT BOARD

RECOMMENDED BY THE NOMINATION AND GOVERNANCE

COMMITTEE ON 24 MAY 2022

APPROVED BY THE BOARD ON 24 MAY 2022

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1. Purpose

In compliance with paragraph 3.84(a) of the JSE Listings Requirements and Part V of the King IV Report on Governance for South Africa 2016 (“**King IV**”) this policy (“**the Policy**”) summarises the framework for ensuring that Reunert Limited (“**the Company**”) maintains a balance of power and authority in respect of its board of directors (“**the Board**”) and that no one director has unfettered powers of decision making.

This Policy is reviewed and updated annually by the nomination and governance committee (“**the Committee**”) and approved by the Board, with or without further amendment, as the Board deems appropriate. If the review and approval of a new Policy is delayed for any reason, the previous version of the Policy shall remain valid until a new version is approved by the Board.

2. Background

Relevant requirements applicable to the balance of power of the Board are highlighted below:

2.1 JSE Limited Listings Requirements

The JSE Limited Listings Requirements prescribe that:

- there must be a policy evidencing a clear balance of power and authority at board of directors’ level, to ensure that no one director has unfettered powers of decision-making; and
- the issuer must have an appointed chief executive officer and a chair and these positions must not be held by the same person. The chair must either be an independent non-executive director, or the issuer must appoint a lead independent director, in accordance with King IV.

2.2 King IV has the following applicable principles and recommended practices

- The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.
- When determining which of its committees the chair of the board should serve on, either as member or chair, the board should consider how this affects the overall concentration and balance of power on the board. Generally, the following should apply:
 - the chair should not be a member of the audit committee;
 - the chair may be a member of the remuneration committee;
 - The chair should be a member of the nomination committee and may also be its chair;
 - the chair may be a member of the risk committee and may also be its chair;
 - the chair may be a member of the social, ethics and transformation committee, but should not be its chair.
- The board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.
- The board should determine if and when to delegate particular roles and responsibilities to an individual member or members, or to standing or ad hoc-committees. The exercise of judgement by the board is subject to legal requirements and should be guided by what is appropriate for the organisation and achieving the objectives of the delegation.
- Delegation to an individual member or members of the board should be recorded in writing and approved by the board. The record should set out the nature and extent of the responsibilities delegated, decision-making authority, the duration of the delegation, and the delegates’ reporting responsibilities.

- Delegation to committees should be recorded by means of a formal terms of reference that should be approved and reviewed annually by the board. The board should consider the allocation of roles and associated responsibilities and the composition of membership across committees holistically, so as to achieve the following:
 - effective collaboration through cross-membership, where required; coordinated timing of meetings; and avoidance of duplication or fragmented functioning in so far as possible;
 - where more than one committee has jurisdiction to deal with a similar matter, the specific role and positioning of each committee in relation to such matter are defined to ensure complementary rather than competing approaches;
 - a balanced distribution of power in respect of membership across committees, so that no individual has the ability to dominate decision-making, and no undue reliance is placed on any individual; and
 - the committee for remuneration should be chaired by an independent non-executive member.

Paragraphs 3 to 6 apply to support the balance of power in respect of the Company's Board:

3. Composition

- As set out in the Board's policy entitled "*Policy on appointments of directors and diversity of the Board: Reunert Limited*", the composition of the Board must reflect a broad range of diversity, including diversity relating to gender, race, culture, age, field of knowledge, skills and experience, in the interest of quality decision-making.
- The majority of the members of the Board must be non-executive and the majority of such non-executive directors must be independent. (Guidelines on the classification of directors as executive or non-executive and independent, are set out in **Annexure A** hereto.)
- Each Board committee must comprise of at least three directors, the majority of such directors being non-executive and the majority of such non-executive directors being independent.
- At least one third of directors shall retire by rotation annually at the Company's annual general meeting. Consequently, no director is appointed for an indefinite period.

4. Practices

The Board will comply with the King IV principles and recommended practices relating to maintaining the balance of power on the Board. In particular:

- The Board, with the assistance of the Committee, establishes and maintains a framework for the delegation of authority to executive management and reserving specified matters for the Board or any of its committees, which framework will be reviewed annually.
- The appointment of directors to achieve a balanced and diverse Board is dealt with in the Board's Policy on appointments of directors and diversity of the Board.
- The Committee's recommendations to the Board on the membership and chairing of committees will be in accordance with the recommended practices of King IV in this regard.
- The chair of any meeting of the Board or Board committee must ensure that there is reasonable opportunity for each of the members present at that meeting to express their views.
- The Board, with the assistance of the Committee, will evaluate, at least annually, the independence of directors classified as "independent", with a particular focus on such directors serving a term beyond nine years.
- The Board, the relevant committee of the Board, or any one shareholder, does not have the right to permanently appoint any director, or to remove any director, other than as provided for in section 71 of the Companies Act, 2008.

- The appointment and remuneration of any director employed by the Company must be determined by the Board, on the recommendation of the Committee and the remuneration committee, respectively, subject to shareholder approval as applicable.
- Retrenchments or dismissals of Reunert Limited's executive directors require a recommendation by the Committee and final approval by the Board.
- Written resolutions of the Board are presented to the Board at the first of its meetings following the adoption of such resolution.
- The quorum for Board meetings is at least 50% of the executive directors as well as at least 50% of the non-executive directors. (The quorum for Board committee meetings are dealt with in each committee's terms of reference.)
- The approval required to pass a written resolution (resolutions circulated between Board meetings) of Reunert Limited is at least 50% of the executive directors as well as at least 50% of the non-executive directors, provided that all directors have received notice of the resolution. As a matter of good practice, written resolutions must be reviewed and approved for circulation by the chief executive officer and the chair of the Board ("**Chair**"), prior to circulation thereof for approval by the Board.
- The delegation of roles and associated responsibilities to standing committees of the Board will take account of the recommended practices of King IV and will be done by way of written terms of reference, annually reviewed by the Committee and approved by the Board. Delegation to committees should be done in a manner that enhances collaboration between committees, avoids duplication of work and ensures that no single member of the Board dominates decision making. Committees' terms of reference will be available to shareholders.
- Any member of a committee of the Board is entitled to obtain independent professional advice required in the exercise of his/her duties, subject to following a Board-approved process, if any.

5. Chair

- The Chair shall be an independent non-executive director.
- The Chair shall be elected (or re-elected) by the Board on an annual basis.
- The Chair may not be a member of the audit committee of the Company, but may attend the meetings of this committee by invitation.
- The Chair may not be the chair of the social, ethics and transformation committee.

Failure by the Board to elect or re-elect a chair on an annual basis shall not in any way affect the validity of the actions and resolutions of the Board.

6. Lead independent director

Taking due account of the recommendations of the Committee in this regard, the Board may annually elect (or re-elect) an independent non-executive director as lead independent director to enhance the balance of power between members of the Board in accordance with the duties of the lead independent director recorded in the Board's charter.

Failure by the Board to elect or re-elect a lead independent director on an annual basis shall not in any way affect the validity of the actions and resolutions of the Board.

7. Amendments to the policy

- The Committee may propose amendments to this Policy to the Board at any time.
- The Board may amend this Policy at its discretion at any time, having due regard to the JSE Listing Requirements and King IV.

8. Effective date

This Policy takes effect on the date of adoption thereof by the Board.

9. Approval of the policy

This Policy was recommended to the Board by the Committee following review by its members on **24 May 2022**, and approved by the Board on **24 May 2022**.

Classification as executive

JSE Listing Requirements

(i) Executive directors:

Directors that are involved in the management of the company and/or in full-time salaried employment of the company and/or any of its subsidiaries;

(ii) Non-executive directors are directors that are not:

- (1) Involved in the day to day management of the business, or
- (2) Full-time salaried employees of the company and/or any of its subsidiaries;

Classification of non-executive directors as independent

JSE Listings Requirements

Independent directors should be determined holistically, and on a substance over form basis in accordance with the indicators provided in Section 94(4)(a) and (b) of the Companies Act and the King Code. In addition, it must be noted that any director that participates in a share incentive/option scheme, will not be regarded as independent;

Section 94(4) of the Companies Act

A director **will not be independent** if he/she is:

- Involved in the day-to-day management of the company's business or have been so involved at any time during the previous financial year;
- A prescribed officer, or full-time employee, of the company or another related or interrelated company, or have been such an officer or employee at any time during the previous three financial years; or
- A material supplier or customer of the company, 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; and
- Related (ie spouse/parent/child) to any person who falls within any of the criteria set out above.

King IV

The term "*independence*" in the King Code is defined as exercising objective, unfettered judgement. In relation to a board member, independence means the absence of any:

- interest;
- position;
- association; and
- relationship

which, when judged by a reasonable and informed third party is likely to:

- influence unduly or cause bias in decision making; or to
- affect the ability of the director to act in the best interest of the company.

King IV provides that the board should determine whether non-executive members are independent, holistically, and on a substance over form basis. The following will be regarded as indicators that a director is **not** independent:

- The directors is a provider of significant or ongoing funding or represents such person;
- The director owns securities in the company to a value material to his or her personal wealth;
- The director has been in the employ of the company in the previous three years in executive management;
- The director has been the designated auditor or key member of the audit team during the preceding 3 years;
- The director is a significant or ongoing professional advisor;
- The director is a member of the board or executive management of a significant supplier or customer;
- The director is a member of the board or executive management of a related company; or
- The director is entitled to remuneration contingent on the performance of the company.

Independence of member serving for longer than 9 years should be tested annually in order to assess whether the member exercises objective judgement.