

INTRODUCTION

In order to maintain their credibility and effectively fulfill their primary role as the Group's auditors, the Group's external auditors are required to be independent of AECI Limited ("AECI") both in fact and in appearance. The provision of extensive levels or certain types of other services to the Group may impair their independence or be perceived to do so.

The most restrictive auditor independence rules to which listed companies are subject are those of the Listings Requirements of the JSE Limited which have been extended in terms of the King II Report as well as the Companies Act, No 61 of 1973 as amended.

The following policy sets out the expectation of the AECI Audit and Risk Committee ("Committee") on services from the Group's external auditors which may or may not be considered by management.

Certain types of services by the Group's external auditors, which are listed under category "A" below, are prohibited altogether.

All other non-audit services require pre-approval by the Committee in terms of Section 270(A)(i)(e) of the Companies Act, No. 61 of 1973 as amended.

A. PROHIBITED NON-AUDIT SERVICES

A registered public accounting firm will not provide any of the following non-audit services to AECI:

1. ***Bookkeeping or other services related to the accounting records or financial statements*** of the company. The prohibited services are:
 - (a) maintaining or preparing the company's accounting records;
 - (b) preparing the financial statements or the information that forms the basis of the financial statements that are required by the JSE and;
 - (c) preparing or originating source data underlying the company's financial statements.
2. ***Design and implementation of financial information systems*** that aggregate source data or generate information that is significant to the financial statements taken as a whole, unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during the audit of the company's financial statements. This rule does not preclude the external auditors from working on hardware or software systems that are unrelated to the company's financial statements or accounting records.
3. ***Appraisal or valuation services, fairness opinions or contribution-in-kind reports*** or other opinions or reports in which the external auditors provide an opinion on the adequacy of consideration in a transaction, unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during the audit of the company's financial statements. This rule does not prohibit the external auditors firm from providing such services for non-financial reporting purposes (e.g., transfer pricing studies, cost-segregation studies and other tax-only valuations).
4. ***Actuarial services*** involving amounts recorded in the financial statements and related accounts for the company where it is reasonably likely that the results of these services will be subject to audit procedures during an audit of the company's financial statements. This prohibition extends to providing the company with any actuarially-oriented advisory service involving the determination of amounts recorded in the financial statements and related accounts for the company other than assisting the company in understanding the methods, models, assumptions and inputs used in computing an amount.
5. ***Internal audit outsourcing services*** relating to the internal accounting controls, financial systems or financial statements of the company. This prohibition on outsourcing does not preclude the external auditors from providing attest services related to internal controls, evaluating the company's internal controls during the audit or making recommendations for improvements to the controls, or management from engaging the external auditors to perform "agreed-upon procedures" engagements related to the company's internal controls.

6. **Management functions.** This rule prohibits the external auditors from acting, temporarily or permanently, as a director, officer or employee of the company or performing any decision-making, supervisory or monitoring function for the company. However, the external auditors may assess the effectiveness of the company's internal controls and recommend improvements in the design and implementation of internal controls and risk management controls.
7. **Human resources functions.** The external auditors may not seek out prospective candidates for managerial, executive or director positions, act as negotiator on the company's behalf such as determining position, compensation or fringe benefits or other conditions of employment or undertake reference checks of prospective candidates. The external auditors may also not engage in psychological testing or other formal testing or evaluation or recommend or advise the company to hire a specific candidate for a specific job.
8. **Broker or dealer, investment adviser, or investment banking services.** The external auditors are prohibited from serving as promoter or underwriter, making investment decisions on behalf of the company or otherwise having discretionary authority over the company's investments, or executing a transaction to buy or sell an investment of the company, or having custody of assets of the company.
9. **Legal services** that could be provided only by someone licensed, admitted or otherwise qualified to practise law in the jurisdiction in which the service is provided.
10. **Expert services in an advocacy capacity unrelated to the audit.** This precludes engagements that are intended to result in the external audit firm's specialised knowledge, experience and expertise being used to support the audit client's positions in adversarial proceedings.

This prohibits the external auditors from providing expert opinions or other services to the company or a legal representative of the company for the purpose of advocating the company's interests in litigation, or regulatory or administrative investigations or proceedings. This rule does not however preclude the company from engaging the external auditors to perform internal investigations or fact-finding engagements including forensic work and using the results of this work in subsequently initiated proceedings or investigations.
11. Any other service that the Audit Committee determines is impermissible.

B. NON-AUDIT SERVICES REQUIRING PRE-APPROVAL

The Committee will be required to approve, in advance:

1. **Other services that would normally be provided by the external auditors in connection with statutory or regulatory filings or engagements including:**
 - (a) Procedures relating to elements of the financial statements, in terms of compliance with contracts or regulations such as bank covenants and securitisation agreements;
 - (b) Attestation services on the effectiveness of the company's internal controls;
 - (c) Consultation and research related to financial reporting and regulatory matters affecting the company's financial statements;
 - (d) Assistance with registration statements including comfort letters; and
 - (e) Working capital adequacy letters.
2. **Audit-related services that traditionally are performed by the auditor:**
 - (a) Assistance to internal audit in its evaluation and documentation of the Group's internal controls;
 - (b) Audit services to related entities such as employee benefit plans; and
 - (c) Accounting consultations and due diligence procedures in connection with acquisitions, divestures and other potential transactions.

3. Tax services performed by professional staff in the external auditor's tax division except services related to the audit (i.e. the audit of tax balances in the financial statements):

- (a) Tax compliance including the preparation of original and amended tax returns, claims for refund and tax payment-planning services;
- (b) Audit-related tax advice including assistance with tax audits and appeals; and
- (c) Tax compliance and other services to AECI employees.

4. Other permitted services:

Information security consulting services where management retains explicit responsibility for making and implementing all decisions.

C. GENERAL

All permitted services required by AECI from its external auditors should be requested by way the completion of the appropriate and available form by AECI, which should be submitted to the Committee for approval.

The lists above are not exhaustive and are merely examples.

If an Audit Committee meeting is not conveniently scheduled the approval can be sought on a round robin basis.

D. OTHER

This policy will be reviewed on an annual basis.

Approved and adopted by the Board on 26 November 2007