

REUNERT

REUNERT LIMITED



INTEGRATED REPORT 2017

PERFORMANCE SNAPSHOT

OPERATIONAL

- > **15%** revenue growth

- > **14%** increase in operating profit

- > **R1,1 billion** revenue from acquisitions¹

- > **19%** improvement in headline earnings per share (HEPS)

- > **2%** shares repurchased

- > **8%** increase in total dividend to **474** cents per share

STRATEGIC

- > **Diversification**
 - Acquisitions:
 - 100% of Nanoteq², effective 1 October 2016
 - 51% of Terra Firma³, effective 1 March 2017
 - 74,9% of Ryonic Robotics⁴, effective 1 March 2017
 - Geographic diversification:
 - 28% of revenue derived from outside of South Africa, an increase of 33% on 2016.

- > **Product innovation**
 - Low Voltage launched new solar electronic meters and alternative energy direct current (DC) products
 - Nashua launched three new product lines into the franchise channel
 - Reutech's RSR 904 ground surveillance radar used to track poachers and to protect rhinos in the Kruger National Park
 - Ryonic Armadillo robot being designed to operate in rugged terrain

- > **Transformation**
 - One Broad-Based Black Economic Empowerment (BBBEE) transaction concluded, increasing Applied Electronics' direct BBBEE ownership to 20%
 - 77% of all management placements were employment equity candidates

¹ Includes incremental revenue from Zamefa, Omnigo, Nanoteq, Terra Firma and Ryonic Robotics.

² Nanoteq Proprietary Limited.

³ Terra Firma Solutions Proprietary Limited.

⁴ Ryonic Robotics Proprietary Limited

CONTENTS

Performance snapshot	IFC
OUR SALIENT FEATURES	IFC
REPORT OVERVIEW	2
Board responsibility	2
REUNERT OVERVIEW	3
Who we are	4
Where we operate	4
Our moral compass	5
How we are structured and integrated	6
How we create value	8
What is material to Reunert	10
STRATEGY OVERVIEW	12
Strategy development	13
Key external business drivers	16
Group strategic pillars and objectives	21
LEADERSHIP REVIEWS	27
Chairman's report	28
Executive review	31
SEGMENTAL PERFORMANCE REVIEWS	37
Electrical Engineering	38
Information Communication Technologies	44
Applied Electronics	52
TRANSFORMATION STRATEGY REVIEW	63
Social, Ethics and Transformation Committee report	64
Transformation overview	66
Pillar one: BBEE review	67
Pillar two: Human resources review	71
Pillar three: Sustainability review	76
HOW WE ENSURE WELL-MANAGED OPERATIONS	86
Governance framework and structures	87
Leadership	90
Governance policies, procedures and processes	92
Board committees	102
Risk management	104
Information Technology	109
Remuneration report	110
SUMMARISED FINANCIAL STATEMENTS AND OTHER INFORMATION	119
Currency conversion table	120
Audited summarised consolidated financial statements	121
Additional information	135
Share ownership analysis	136
Financial value-added statement	137
Ten-year review	138
APPENDICES	142

NAVIGATION ICONS







Refers the reader to other sections in this report.









Refers the reader to online information.

OUR SALIENT FEATURES

We invest in our people, acquisitions, new products and services and capacity to ensure we continue to achieve real revenue and operating profit growth. The table below provides an integrated view of the key features of our business.

MATERIAL MATTERS ¹	KEY RISKS	KEY OPPORTUNITIES
 <p>Political and regulatory environment</p> <p>The South African business environment is increasingly being shaped by growing political, policy, regulatory, labour and societal uncertainties.</p>	<p>Concentration risk</p> <ul style="list-style-type: none"> > 72% of the group's earnings are directly linked to the South African economy and currency. 	<p>Diversification</p> <p>Increasing foreign revenue (non-ZAR) through acquisitions of businesses with access to niche export markets and increasing exports of:</p> <ul style="list-style-type: none"> > Circuit breakers > Radars (commercial and military applications) > Other Applied Electronics products. <p>Expanding African markets and regional acquisitions:</p> <ul style="list-style-type: none"> > Infrastructure (power and telecommunications) > Information communication technologies (managed office solutions)
 <p>Economy and markets</p> <p>Our target export and local markets contain significant growth opportunities, and our products are also in demand in niche markets.</p>	<p>Slow top-line growth</p> <ul style="list-style-type: none"> > Certain of Reunert's businesses are in the mature stage of product life cycles. > Increased competition and commoditisation of products contribute to slow growth. > Inflation, competitors' activities and low macro-economic growth lead to margin pressure. 	<p>Efficiency</p> <ul style="list-style-type: none"> > Efficiency improvements through technology and streamlined processes including workplace digitalisation > Margin management through cost optimisation
 <p>Technology</p> <p>The dynamic nature of technology is disrupting the way in which business is conducted and creating opportunities.</p>	<p>Technology</p> <ul style="list-style-type: none"> > Escalation in large-scale cyberattacks and data fraud > Disruption and changing business models 	<p>Innovative product and solutions offerings through technology</p> <ul style="list-style-type: none"> > Secure communications > Robotics > Renewable energy > Mining safety > Connectivity
 <p>People</p> <p>Talented, skilled and experienced employees foster a culture that encourages innovation, diversity and high performance.</p>	<p>People</p> <ul style="list-style-type: none"> > Retaining skilled and experienced technical employees. 	<p>Talent development</p> <ul style="list-style-type: none"> > Investing in employee development through structured individual development plans > Managing talent and developing succession plans to ensure continuity and appropriate employee development to meet business requirements
	<p>Diversity and transformation</p> <ul style="list-style-type: none"> > Not achieving appropriate BBBEE scores jeopardises Reunert's South African income. 	<p>Position to participate</p> <ul style="list-style-type: none"> > Transform and reposition Reunert in alignment with South Africa's transformation objectives > Transform business models to adapt to the evolving customer and business requirements.

¹ Key themes that influence our ability to create value over the short, medium and long term.

STRATEGIC PILLARS	STRATEGIC OBJECTIVES	KEY-PERFORMANCE INDICATORS (KPIs)	PERFORMANCE AGAINST 2017 KPIs
 <p>Diversification</p>	<p>Diversify and increase earnings through a combination of:</p> <ul style="list-style-type: none"> > geographic expansion; > new products and services; and > improved service offerings. 	<ul style="list-style-type: none"> > Change in revenue mix: <ul style="list-style-type: none"> – Non-ZAR revenues (%) – Geographical split in revenues (%) – Customer segmentation (%) (public vs private sector) 	<ul style="list-style-type: none"> > 33% increase in non-ZAR revenue > 9% increase in ZAR revenue > 2% increase in private sector revenue
 <p>Efficiency</p>	<p>Ensure best-in-class operational efficiency and improved capital efficiency</p>	<ul style="list-style-type: none"> > Total shareholder returns (TSR) > NHEPS growth > Return on equity (ROE) > Operating profit margins (%) 	<ul style="list-style-type: none"> > 19% TSR > 5% improvement in NHEPS > 16% ROE > 1% decrease
 <p>Innovation</p>	<p>Develop new products and services, and reduce costs through innovation, research and development</p>	<ul style="list-style-type: none"> > The revenue from new products released per year 	<ul style="list-style-type: none"> > Major new product innovations and cost reduction programmes are covered in segmental performance reviews.
 <p>Our customers</p>	<p>Provide customer-centred products, services and solutions</p>	<ul style="list-style-type: none"> > A variety of customer-related KPIs are used at business unit level, measuring: <ul style="list-style-type: none"> – customer loyalty; – customer service levels; – customer retention; and – market share. 	<ul style="list-style-type: none"> > Performance against customer-related metrics is covered in the various segmental performance reviews. 37
 <p>Our people</p>	<p>Develop a high-performance organisation focusing on effective employee engagement</p>	<ul style="list-style-type: none"> > Succession plans for critical roles > Retention of critical skills > Zero fatalities 	<ul style="list-style-type: none"> > 36% of identified successors on development plans 73 > 39% succession plans for critical roles identified > Zero fatalities
 <p>Transformation</p>	<p>Transform our businesses to effectively participate in the markets we serve</p>	<ul style="list-style-type: none"> > Employment equity for South African management (%) > BBBEE Code level per business unit 	<ul style="list-style-type: none"> > 11% improvement in employment equity representation at top and senior management. > The majority of business units achieved their BBBEE Code level targets. 69

REPORT OVERVIEW

Reunert Limited (Reunert or the group¹) is pleased to present our integrated report (report) for the period 1 October 2016 to 30 September 2017.

Our report is primarily addressed to investors and other stakeholders who desire insight into how Reunert and its operations create and sustain value. This report presents the holistic performance of the group's activities and makes no distinction between legal entities within the group.

An administrative corporate restructure during 2017 created three statutory entities that hold all the businesses in the respective segments. Entities that were previously divisions of Reunert were corporatised and transferred to the appropriate segment holding company. This restructure has no impact on the consolidated group accounts. Refer to note 30 in the annual financial statements.

'Segment' refers to one of the three segments of Reunert – Electrical Engineering, Information Communication Technologies (ICT) and Applied Electronics. 'Business unit' refers to a company or entity that forms part of a segment.

For more information about the preparation of this report, including our scope and boundary, reporting suite and assurance and data measurement, refer to the 'About this report' appendix [142](#).

BOARD RESPONSIBILITY

The Board of directors (Board) and Audit Committee, in conjunction with the other subcommittees of the Board, acknowledge their responsibility to oversee and ensure the integrity and completeness of this report. The Board applied its collective mind to the preparation and presentation of the integrated report and concluded that the information herein is materially presented in accordance with the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework.

On 20 November 2017, the Board approved the 2017 integrated report. It took into consideration the completeness of the material matters it deals with and the reliability of information presented, in line with the group's combined assurance process.



Trevor Munday
Chairman



Rynhardt van Rooyen
Chairman of the
Audit Committee



Alan Dickson
Group chief
executive officer (CEO)



Nick Thomson
Group chief financial
officer (CFO)

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to Reunert's performance prospects, results, and operations. Although these statements represent our future expectations and judgements, the opinions are subject to known and unknown risks and uncertainties that could adversely impact our business and financial performance. Undue reliance should not be placed on such opinions, forecasts or data. Forward-looking statements apply only as of the date on which they are made, and Reunert does not undertake any obligation to publicly update or revise any of its opinions or forward-looking statements, whether to reflect new data or future events or circumstances.

The financial information on which the forward-looking statements are based was not audited or reported on by Deloitte & Touche (Deloitte), Reunert's independent external auditors.

¹ The group includes Reunert Limited, its subsidiaries and their operations.

Reunert manages a portfolio of businesses in the fields of Electrical Engineering, Information Communication Technologies (ICT) and Applied Electronics.



REUNERT OVERVIEW

Who we are	4
Where we operate	4
Our moral compass	5
How we are structured and integrated	6
How we create value	8
What is material to Reunert	10

WHO WE ARE

Reunert manages a **PORTFOLIO OF BUSINESSES** in the fields of Electrical Engineering, ICT and Applied Electronics¹.

Established **1888**.

Listed on the JSE in **1948** and included in the JSE industrial goods and services (electronic and electrical equipment) sector.

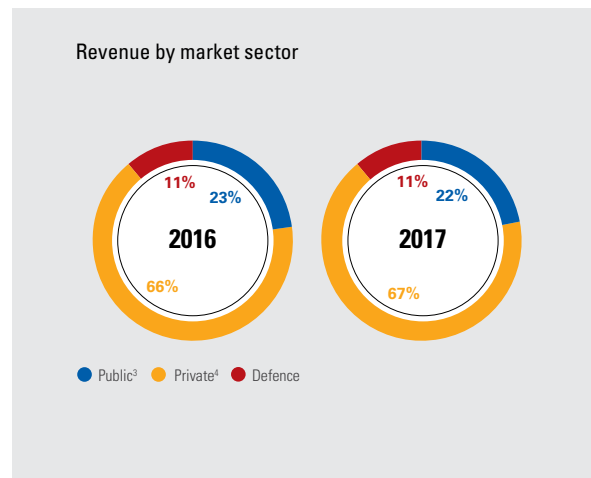
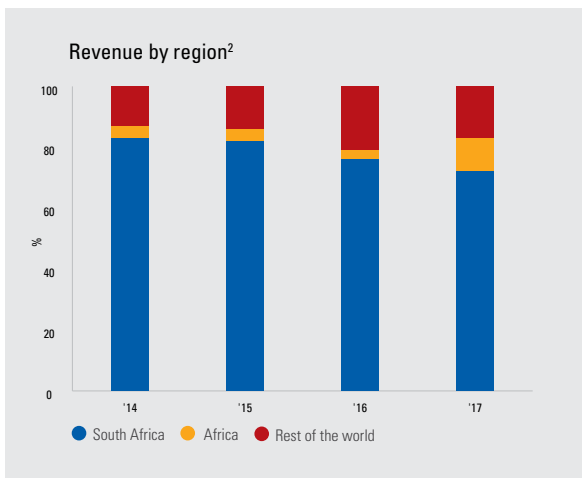
We create a values-driven organisation by:

- 1.** Placing our **CUSTOMERS AT THE CENTRE** of our engagement model,
- 2.** **CREATING TECHNOLOGY SOLUTIONS** that enable our customer's purpose, and
- 3.** **PROMOTING STRONG ETHICS** and cultivating a high-performance culture,

which should ensure that we deliver the **BEST FINANCIAL PERFORMANCE** in the electronic and electrical equipment sector of the JSE.

WHERE WE OPERATE

The group predominantly operates in South Africa with smaller operations in Australia, Lesotho, Sweden, the United States of America (USA), Zambia and Zimbabwe. The group's offices are located in Woodmead, Johannesburg, South Africa.



Key facts for southern Africa

37 Nashua franchises

4 Data centres

10 Testing laboratories

14 Manufacturing plants

12 Innovation centres

320+ Independent ECN Channel partners

¹ Refer to Annexure A of the annual financial statements for Reunert's subsidiaries, joint ventures and associates.

² Excludes the joint venture.

³ Public sector includes all revenues from national and provincial government customers (both locally and internationally), local metros and municipalities. It includes state-owned entities (SOEs) that are not listed (i.e. it excludes Telkom) and excludes defence, which is shown separately.

⁴ Private sector includes all customers not classified as public sector.

OUR MORAL COMPASS



HOW WE ARE STRUCTURED AND INTEGRATED

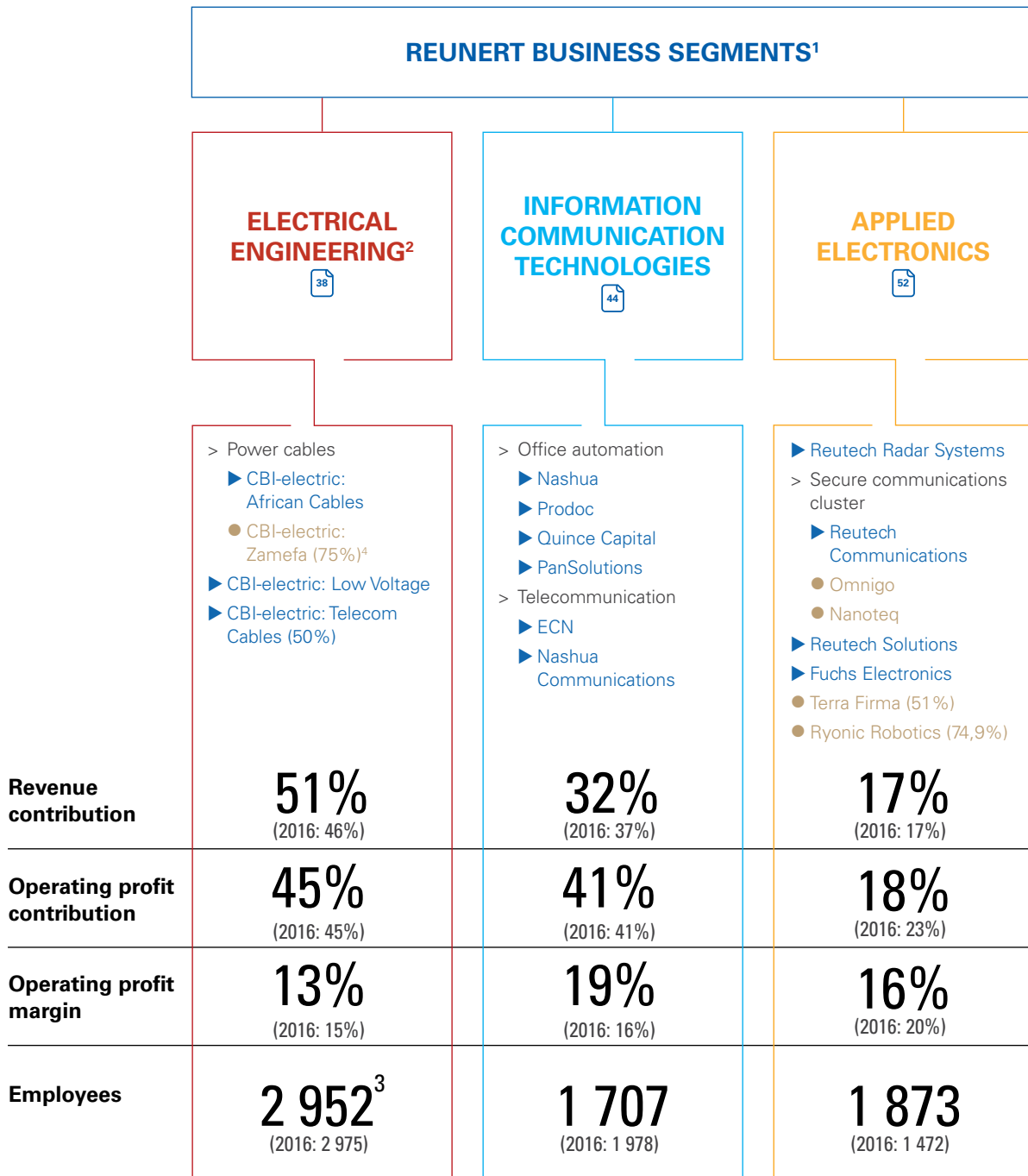
Reunert operates through a federal business model which enables the preservation of our entrepreneurial spirit, and assigns responsibility for performance and strategy execution to the segments.

A Board-approved Delegation of Authority (DoA) stipulates authority levels within which management can act. The Reunert Board and Group Executive Committee align business strategy, and define and monitor long-term strategic plans, risks and performance, while the business units make operating decisions and execute this strategy.

BOARD COMMITTEE OVERSIGHT	GROUP INTEGRATORS
<ul style="list-style-type: none"> > Board 	<div data-bbox="938 808 1370 965" style="background-color: #f0f0f0; padding: 5px;"> <p>Strategy The Board oversees the group's strategy, goals and values, annual budget, material acquisitions and capital allocation</p> </div> <div data-bbox="938 987 1370 1144" style="background-color: #f0f0f0; padding: 5px;"> <p>Governance Company secretarial, compliance, financial reporting processes and DoA</p> </div>
<ul style="list-style-type: none"> > Audit Committee > Investment Committee 	<div data-bbox="938 1216 1370 1361" style="background-color: #f0f0f0; padding: 5px;"> <p>Finance DoA, financial policies, tax and treasury management, capital allocation, financial controls and reporting</p> </div>
<ul style="list-style-type: none"> > Nomination and Governance Committee > Remuneration Committee > Social, Ethics and Transformation Committee 	<div data-bbox="938 1420 1370 1568" style="background-color: #f0f0f0; padding: 5px;"> <p>Transformation and human resources (HR) HR, transformation oversight and remuneration policies</p> </div>
<ul style="list-style-type: none"> > Risk Committee > Audit Committee 	<div data-bbox="938 1624 1370 1771" style="background-color: #f0f0f0; padding: 5px;"> <p>Risk management and internal audit Risk management and combined assurance</p> </div>
<ul style="list-style-type: none"> > Social, Ethics and Transformation Committee 	<div data-bbox="938 1827 1370 1975" style="background-color: #f0f0f0; padding: 5px;"> <p>Group communication Stakeholder engagement, communications and integration of sustainability practices and all matters relating to regulation 43 of the Companies Act</p> </div>

Capital allocation is controlled by the group head office, with the Board approving all significant projects. The Group CEO, Group CFO and segment heads assess the performance of the business units in each segment through predefined KPIs.

The business units are responsible for driving their own sales and marketing strategies, customer programmes, supply chain management, efficiency improvements, product and service innovations, and achieving targets. The Group Transformation Committee guides and monitors group-level transformation. The individual business units are responsible for the execution of the transformation strategy, including human resource management.



¹ Excludes Other segment.

² Includes contribution from CBI-electric: Telecom Cables joint venture.

³ Includes 50% of the joint venture's employees.

⁴ Metal Fabricators of Zambia (Plc) (75% ownership at 30 September 2017).

▶ Traditional business.

● New business.

HOW WE CREATE VALUE

We are committed to creating shared value through partnerships and collaboration.

INPUTS¹

We draw on these resources and relationships to perform our business activities. Creating shared value with:

Customers

- > Understanding the requirements and drivers of the markets and customers we serve
- > Exploring new market opportunities
- > Continuous investment in product research and development, technologies and manufacturing techniques

Channel partners

- > Franchise model/framework in the ICT segment
- > Networks of agents, distributors, resellers, wholesalers, branches, etc.

Providers of financial capital

- > Reinvested profits influenced by shareholder expectations and feedback
- > External funding, including lines of credit

Employees

- > 6 609 employees
- > A large proportion are highly technically skilled employees requiring ongoing investment into development
- > Our values ⁵ guide employee conduct and behaviour

Suppliers and service providers

- > More than 5 500 suppliers
- > Local and imported components, products and equipment
- > Raw materials and overall cost control
- > Relationships with original equipment manufacturers (OEMs)
- > Infrastructure enablers such as water, electricity, data networks and transport. This includes enterprise resource planning and other background systems

Regulators and government

- > Regulatory and government policies
- > Legal licence to operate
- > Government initiatives
- > Government as a customer

- > Manufacturing and assembly plants, testing laboratories, warehouses, distribution centres, etc.
- > Marketing activities
- > Quality policies, procedures and standards and international certifications where required ⁹⁸ and ⁹⁹

BUSINESS ACTIVITIES

Our business units are structured in three segments

Electrical Engineering

³⁸

Electrical Engineering manufactures a comprehensive range of power and telecommunications cables and low voltage circuit breakers.

Information Communication Technologies

⁴⁴

ICT offers a range of office automation and communication products and services to over 37 000 customers.

Applied Electronics

⁵²

Applied Electronics develops and supplies high-precision electronic products for defence and commercial applications.

Other

Head office drives the strategy and integration areas that support the segments.

¹ We categorise inputs according to the stakeholder group that either supplies the input or has a significant impact thereon ⁷⁸.

Reunert creates value and achieves the group’s goals strategic objectives ²¹ by leveraging the six capitals as defined by the IIRC <IR> Framework.

Collaborating with customers to develop new technologies and improve service delivery, partnering with suppliers, franchisees, agents and distributors to advance the group’s footprint, and building long-term partnerships with employees to deliver on our strategy are key components of our value creation process. We have a diverse portfolio of business interests using different business models. The ways we create value are presented around our key stakeholder groups ⁷⁹.

OUTPUTS

Our products, services, by-products and waste.

Our key products and services are listed in the segment performance reviews. We take responsibility for our outputs and place strong emphasis on customer centricity and on enhancing our efficiencies.

OUTCOMES

Internal and external consequences as a result of our business activities and outputs.

Customers	<ul style="list-style-type: none"> > Brand awareness and market share > A number of new products released and development of a pipeline of new products and services > R163 million invested in research and development (2016: R147 million) > Intellectual property and trademarks
Channel partners	<ul style="list-style-type: none"> > Increased footprint and distribution channels
Providers of financial capital	<ul style="list-style-type: none"> > R9,8 billion revenue (2016: R8,5 billion) including R1,1 billion revenue from acquisitions > R1 497 million operating profit (2016: R1 315 million) > R143 million capital expenditure (2016: R222 million) > Total dividend of 474 cents per share (2016: 439 cents per share) > TSR of 19% (2016: 7%) > NHEPS of 697 cents per share (2016: 662 cents per share) > Three acquisitions to the value of R241 million
Employees	<ul style="list-style-type: none"> > 65% black employees (2016: 71%)¹ > 39% female permanent employees (2016: 40%) > Zero fatalities (2016: 1) > 327 learnerships across the group (2016: 330) > R52 million invested in employee development (2016: R42 million) > R2,1 billion paid as employee remuneration (2016: R1,9 billion)
Suppliers and service providers	<ul style="list-style-type: none"> > R5,7 billion paid to suppliers (2016: R5 billion) > R36 million invested in enterprise and supplier development (2016: R53 million) > Partnerships and relationships with suppliers for mutual benefit > 71% of supply chain assessed² for responsible business practices
Regulators and government	<ul style="list-style-type: none"> > Legal and statutory compliance > R1,1 billion in government taxes paid (2016: R0,8 billion) > No significant or recurring fines received

% Financial wealth distribution

2017

Category	Percentage
Employees	42%
Payments to government	26%
Providers of capital	18%
Providers of debt	12%
Retained in the group to develop future growth	1%
Socio-economic development	1%

2016

Category	Percentage
Employees	43%
Payments to government	22%
Providers of capital	19%
Providers of debt	13%
Retained in the group to develop future growth	2%
Socio-economic development	1%

● Employees
● Payments to government
● Providers of capital
● Providers of debt
● Retained in the group to develop future growth
● Socio-economic development

Financial value-added statement ¹²⁰

¹ % of permanent South African employees.

² By spend.

WHAT IS MATERIAL TO REUNERT

Our materiality determination process considered input from key stakeholders, Board discussions, benchmarking and desk research¹, our various operating environments and our risk management process. Our material matters are similar to the previous integrated report. Our approach to our material matters is discussed in the related sections and throughout the performance reviews of this report.



Stakeholder engagement 79

Effective stakeholder engagement is an important aspect of good governance and sustainable business practices, as it can mitigate certain risks within the business. The following key themes emerged from stakeholder engagements during the year:

Growth prospects and dealing with market conditions

BBBEE levels and transformation

Fair and consistent remuneration practices linked to performance

Treating people fairly and with respect and dignity



Key external business drivers 16

Our value creation is influenced by opportunities and risks related to various external elements. These are not always within our control, and their impact varies depending on the specific business unit's situation.

South African economy

Infrastructure development

Security and defence demand

Commodity cycles

Competitive environment

Technology and innovation

Government policy

Exchange rates



Risk management 104

Risk management is a key business discipline, designed to balance risk and reward and protect the group against risks and uncertainties that could prevent us from achieving our strategic and operational objectives. Our key risks are:

Concentration risk

Slow top-line growth

Non-compliance with legislation and unethical business conduct

Escalation in large-scale cyberattacks and data fraud



Strategic pillars 21

Reunert's group strategy was formulated following consideration of the operating environment, identified risks and opportunities and input from all the material business units. It addresses our material matters, key stakeholder themes and key risks, and leverages our key external business drivers.



Our customers



Our people



Efficiency



Diversification











Innovation



Transformation

¹ Desk research draws from and collates existing research, rather than gathering and refining data.

There are four key themes that influence our ability to create value and achieve our goals.

Reunert's material matters ²			
<p>A material matter is defined as a matter or theme that has a significant direct or indirect impact on our ability to create or preserve financial, economic, environmental and social value for the group and our stakeholders. Our material matters are:</p>			
			
Political and regulatory environment	Economy and markets	Technology	People
 Low level of control	 Medium level of control	 Medium level of control	 Medium level of control
<p>The South African business environment is increasingly being shaped by growing political, policy, regulatory, labour and societal uncertainties.</p> <p>Reunert is cognisant of political and regulatory developments in our current and target markets. We include various scenarios into our mitigation strategies.</p>	<p>Our export and target markets contain significant growth opportunities, and our products are in demand in niche-markets.</p> <p>Reunert's current macro-economic and market trends are invariably linked to the South African environment which faces a variety of headwinds.</p>	<p>The dynamic nature of technology is disrupting the way in which business is conducted.</p> <p>It is influencing the business processes, products and service offerings that our customers need.</p> <p>Our focus on innovation and investing in relevant technologies leverages our existing IP as a strong business enabler.</p>	<p>Talented, skilled and experienced employees foster a culture that encourages innovation, diversity and high performance.</p> <p>We are a South African company, and equitable representation, especially at management levels, is a business imperative.</p>

² Material matters connectivity matrix 



STRATEGY OVERVIEW

Strategy development	13
Key external business drivers	16
Group strategic pillars and objectives	21

STRATEGY DEVELOPMENT

Reunert’s core competencies are its electrical and electronic engineering capabilities, coupled with service skills in information communication technologies.

Reunert’s key strengths

- > Strong market positions in our major South African businesses
- > Well-known and respected brands
- > Strong operational capability and well-managed operations
- > A proven ability to integrate systems
- > A strong balance sheet
- > Robust risk management, internal control processes and systems
- > Electronic, information communication technology and engineering expertise

The group strategy was formulated to address our material matters. It was designed to leverage Reunert’s key strengths, and was based on an analysis of the group’s operating environment, key business drivers, emerging trends, material matters, identified risks and opportunities, and input from all the material business units. Our strategy was developed to achieve the following strategic objectives:

- > Accelerating top-line growth
- > Growing the innovative and early life cycle business portfolio
- > Geographic diversification
- > Improving efficiencies through vertical integration and optimising processes and costs

This year, referencing the 2015 strategic plans, each business unit reviewed its progress, and presented this to the Board in March 2017. The Board reassessed the validity of the strategy in context of the current local economic and political environment.

2017 STRATEGIC REVIEW

Reunert’s core strategy was refreshed with four key group initiatives emerging from the 2017 strategic review. These support the group’s goals and strategic pillars and are critical to the success of the strategy.



GROUP OVERSIGHT

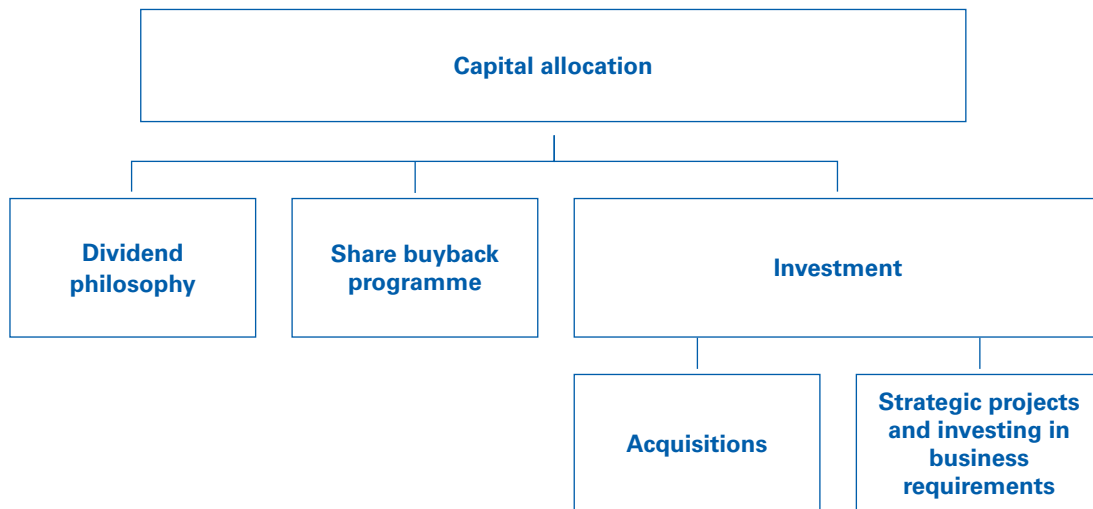
Strategic performance monitoring

Each business unit's strategy is aligned to the overarching Reunert strategy, and is approved by the Group Executive Committee. The strategies and targets are validated and reviewed annually. The Group Executive Committee provides regular oversight of the group's progress against its strategy and risk management functions. The Board reviews and approves the strategy every second year updating and modifying it where necessary. The implementation of the strategy is carefully assessed by the Board each alternate year.

KPIs contributing towards the execution of the strategy are identified during the annual budget process. These KPIs are driven through strategic project management and are entrenched in the variable remuneration system. The progress against targets is reported on monthly through the group-wide management reporting process, and strategic projects are reviewed at monthly management meetings.

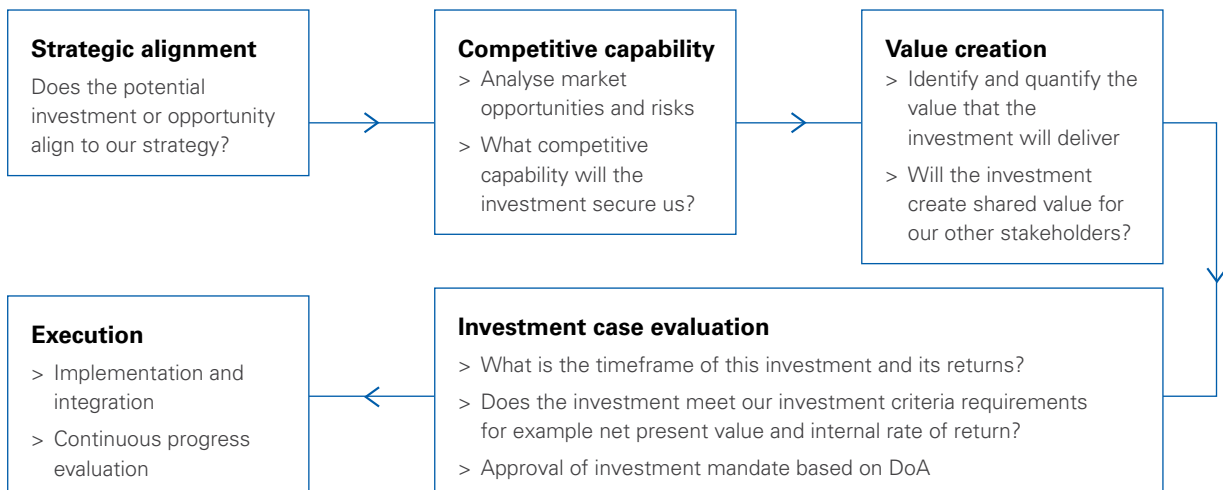
The Reunert Group Executive Committee considers potential opportunities that are broader than those pursued at business unit level, e.g. acquisitions of businesses in new territories or adjoining market segments.

Capital allocation



The ability to deploy capital effectively is a critical element of the strategy execution, and requires transparency and consistency across the group. To achieve this, a project management approach was implemented in 2016 to drive the execution of strategic projects and the appropriate allocation of capital.

Reunert follows a structured approach in the investment of capital.



Acquisition process

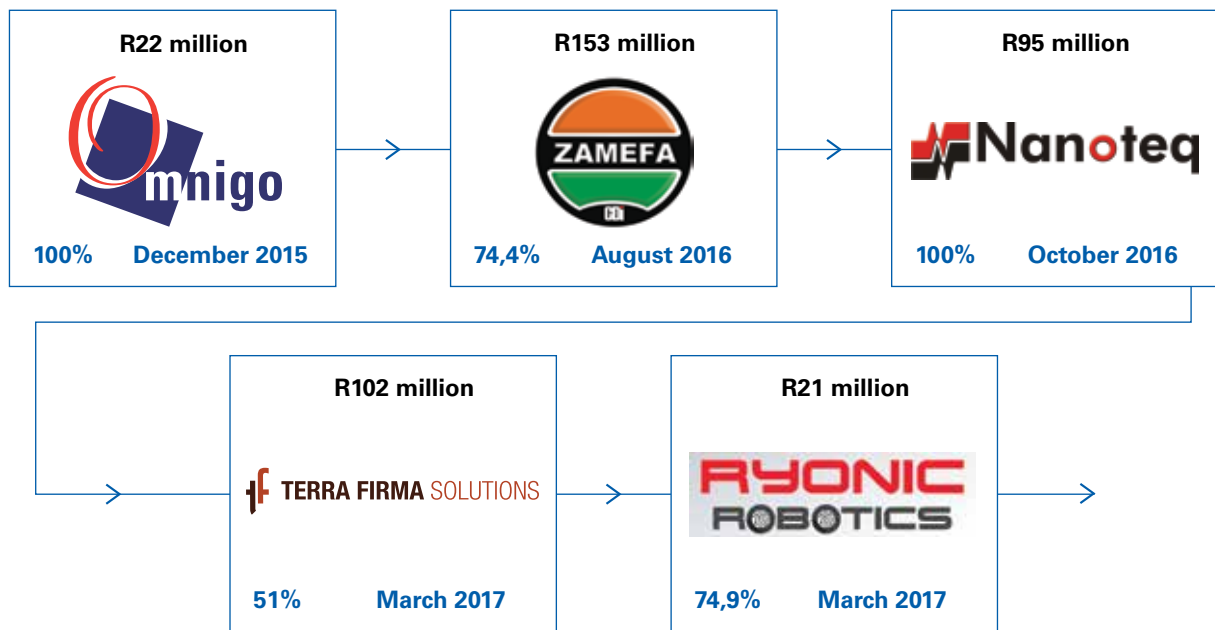
Acquisitions are a key element of Reunert's growth strategy.

Concluding an acquisition takes, on average, nine months. The process followed broadly breaks down into the following phases: initial identification and engagement, assessments, negotiations, contract finalisation and into obtaining the necessary regulators' approvals if required. Acquisitions are a key element of the achievement of our strategic objectives.

Timeline of recent acquisitions

Since 2015, the group has invested a cumulative amount of **R749 million** into acquisitions.

Our new acquisitions contributed **R1,1 billion** in revenue in the 2017 financial year, and **R104 million** operating profit.



Source of invested funding	R million
Cash paid for acquisitions ¹	398
Borrowings assumed as part of the acquisitions (Zamefa)	305
Minority interests	46
Total funding of acquisitions	749

¹ Excludes other acquisitions of R5 million in 2016.

KEY EXTERNAL BUSINESS DRIVERS

Through our three segments, the group is diversified across various market sectors. The diversification helps us to grow, and protects us against over-exposure to any given market segment. It adds complexity in assessing performance and prospects against the diverse risks and opportunities across the various markets.

This section sets out the opportunities and risks associated with our key external business drivers. The Reunert strategy aims to capitalise on these opportunities and mitigate the risks appropriately. The level at which each segment is impacted is indicated in the segment performance reviews:

- > Electrical Engineering 38
- > ICT 44
- > Applied Electronics 52

SOUTH AFRICAN ECONOMY

Economic activity, government expenditure, interest rates, consumer and business confidence, growth in gross domestic product (GDP) and gross domestic fixed investment (GDFI) – influence customers' spending patterns. The South African economy continues to underperform, while attractive growth opportunities exist in other regions.



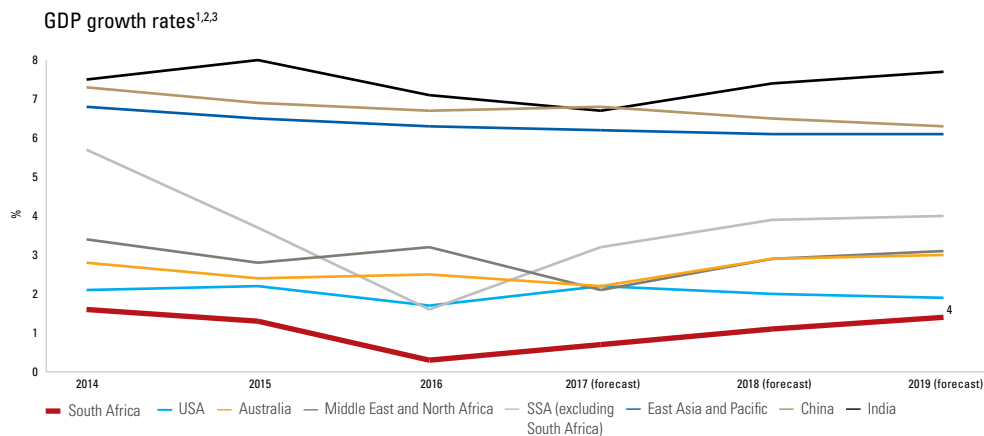
Opportunities

- > Leverage the demand for energy infrastructure in Sub-Saharan Africa (SSA)
- > Circuit breaker exports to growth markets in Africa, Australia, China and the USA
- > Prospects of investing in the Middle East and East Asia



Risks

- > South Africa's economic growth rates not meeting our growth expectations
- > Negative investment sentiment impacting South African fixed investment spending
- > Negative business sentiment in South Africa attributing to socio-political and policy uncertainty



¹ Major territories in which we have opportunities.

² Source: The World Bank, *Global Economic Prospects: a Fragile Recovery*, June 2017.

³ Source: International Monetary Fund, *World Economic Outlook*, October 2017.

⁴ Source: Econometrix, November 2017.

INFRASTRUCTURE DEVELOPMENT

The group's involvement in building construction, energy projects (including renewables), and maintenance and replacement programmes for public and commercial infrastructure contribute significantly to its revenue.



Opportunities

- > Demand for electricity in Africa
 - New generation capacity
 - Electrification for domestic and industrial users
 - Increase in off-grid solutions and renewable energy
- > Telecommunications demand in South Africa
 - Broadband and fibre roll-out
- > Foreign development investment in SSA



Risk

- > Political and policy instability impacting investment sentiment for the majority of infrastructure projects

SECURITY DEMAND

The sales volumes of security and defence-related products depend on South Africa's security and defence budgets and on global demand.



Opportunities

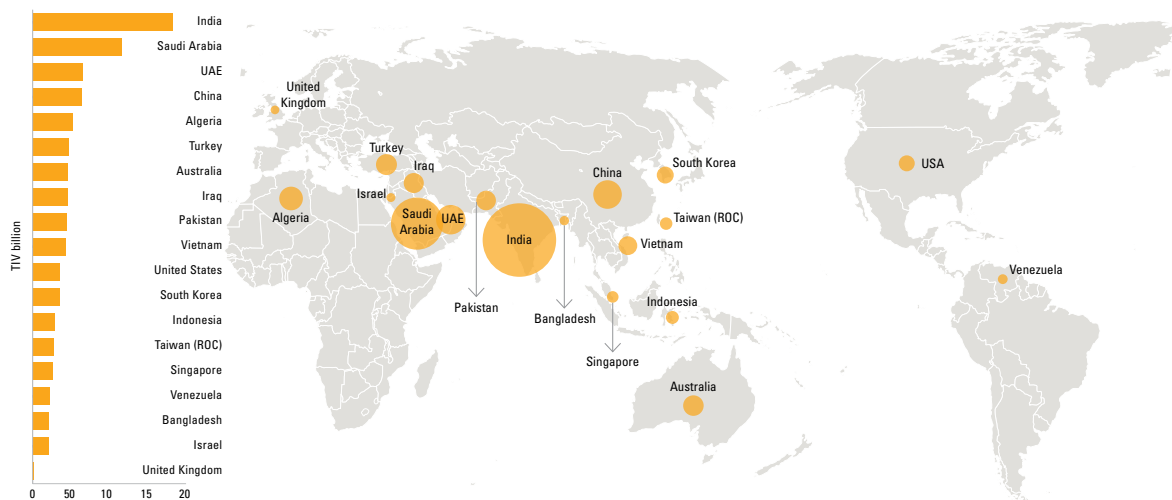
- > Middle East to Southeast Asia identified as growth markets
- > Already active in countries with higher demand for defence products
- > Applied Electronics continues to be a key supplier to the South African National Defence Force (SANDF)
- > Export market development for products co-developed with the SANDF



Risks

- > Demand is not constant as orders are typically linked to either new projects or replenishment
- > Complex and protracted negotiations
- > Change in political priorities impacting existing contracts
- > Request for unethical business conduct

20 largest importers of defence-related products 2014-2016¹



¹ Source: SIPRI arms transfers database, generated: 28 September 2017. SIPRI Trend Indicator Values (TIVs) are expressed in billions.

COMMODITY CYCLES

Local and global commodity cycles influence the demand for mining-related products and development.



Opportunities

- > Higher demand for commodities leading to capital expenditure investment by the mining sector
- > Increased emphasis on products that safeguard people and assets



Risks

- > Lower demand and lower commodity prices impact expansion projects
- > Oil producing countries curbing defence expenditure due to oil prices being under pressure

Major commodities impacting on Reunert¹

Commodity	Unit	2014	2015	2016	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Crude oil, average	\$/barrel	96,2	50,8	42,8	53,0	56,0	59,0	60,0
Gold	\$/toz	1 266	1 161	1 249	1 250	1 238	1 226	1 214
Copper	\$/mt	6 863	5 510	4 868	6 050	6 118	6 187	6 257
Aluminium	\$/mt	1 867	1 665	1 604	1 950	1 968	1 987	2 005
Coal, Australia	\$/mt	70	58	66	85	70	60	55

Source: World Bank commodities price forecast (nominal US dollars), 26 October 2017

¹ Averages per calendar year.

COMPETITIVE ENVIRONMENT

Volumes, pricing and margins are influenced by local and international competition.



Opportunities

- > Demand for participative production sharing in export markets (Applied Electronics)
- > Long-term fuze orders in export markets require innovative partnering
- > Increasing interest in South African radars and tactical communications
- > Demand in Australia and the USA for circuit breakers in renewable energy and telecommunication products
- > Build, operate and financing of commercial scale renewables



Risks

- > Increased local competition from Chinese entities in the telecommunications and power cable markets influencing the industry dynamics
- > Commoditisation of office automation products leading to margin reduction

TECHNOLOGY AND INNOVATION

Customer expectations, technological innovation, enhancements and market shifts each play a role in determining volumes and margins. Adapting to digitisation, technology convergence, product-agnostic and disruptive technologies, and system life cycles is becoming the norm.



Opportunities

- > Technology providing efficiency gains in our businesses
- > Research and development funding enabling product innovation, especially in the defence industry
- > Adapting and commercialising defence technologies for other markets
- > Secure communication technologies
- > Cloud and other evolving technologies
- > Globally integrated production lines relying on robotics and cobotics¹ in the future
- > Green technology products reaching acceptable levels of maturity



Risks

- > The wave of technology change leading to obsolete products and technologies
- > Growing threat of cyberattacks impacting on business continuity

GOVERNMENT POLICY

Uncertainty and/or changing government policy can impact how Reunert does business, and has possible cost implications.



Opportunities

- > Assisting small, medium and micro-sized enterprises (SMMEs) as part of enterprise development initiatives
- > Alternate growth markets supported by attractive policy incentives



Risks

- > Not meeting the changing procurement requirements in government entities resulting in loss of contracts or lower volume orders
- > Requirements for sub-contracting necessitating changes in production methods, with potential impacts on margins and length of supply chain
- > Differing interpretation of regulations and sector codes requiring additional black-ownership, which would necessitate changes in shareholding structures
- > A business climate supportive of unethical business conduct, including bribery and corruption

¹ A cobot is a robot that is designed and built to collaborate with humans.

EXCHANGE RATES

Exchange rate volatility influences the demand and pricing for imported materials, export revenues, margins and competitor pricing.



Opportunities

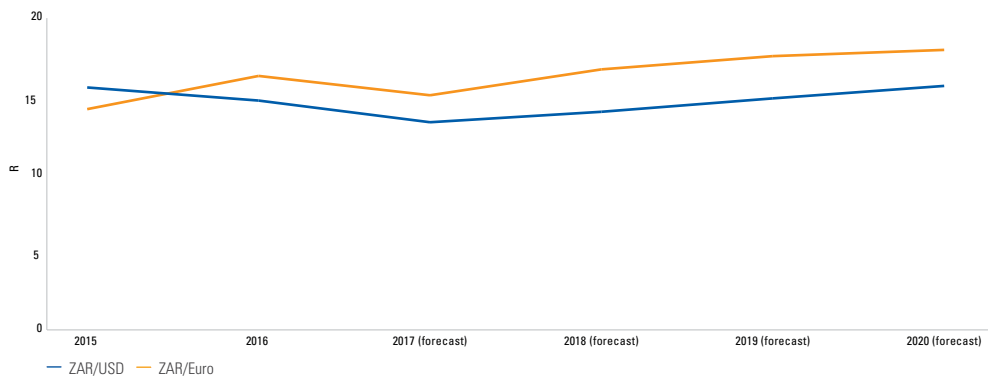
- > Optimise financial management
- > A weaker Rand benefits export margins



Risks

- > A volatile ZAR complicates the securing of and tendering at acceptable margins due to its impact on the price and volume of imports and exports

Exchange rate forecasts¹



¹ Average for the year.

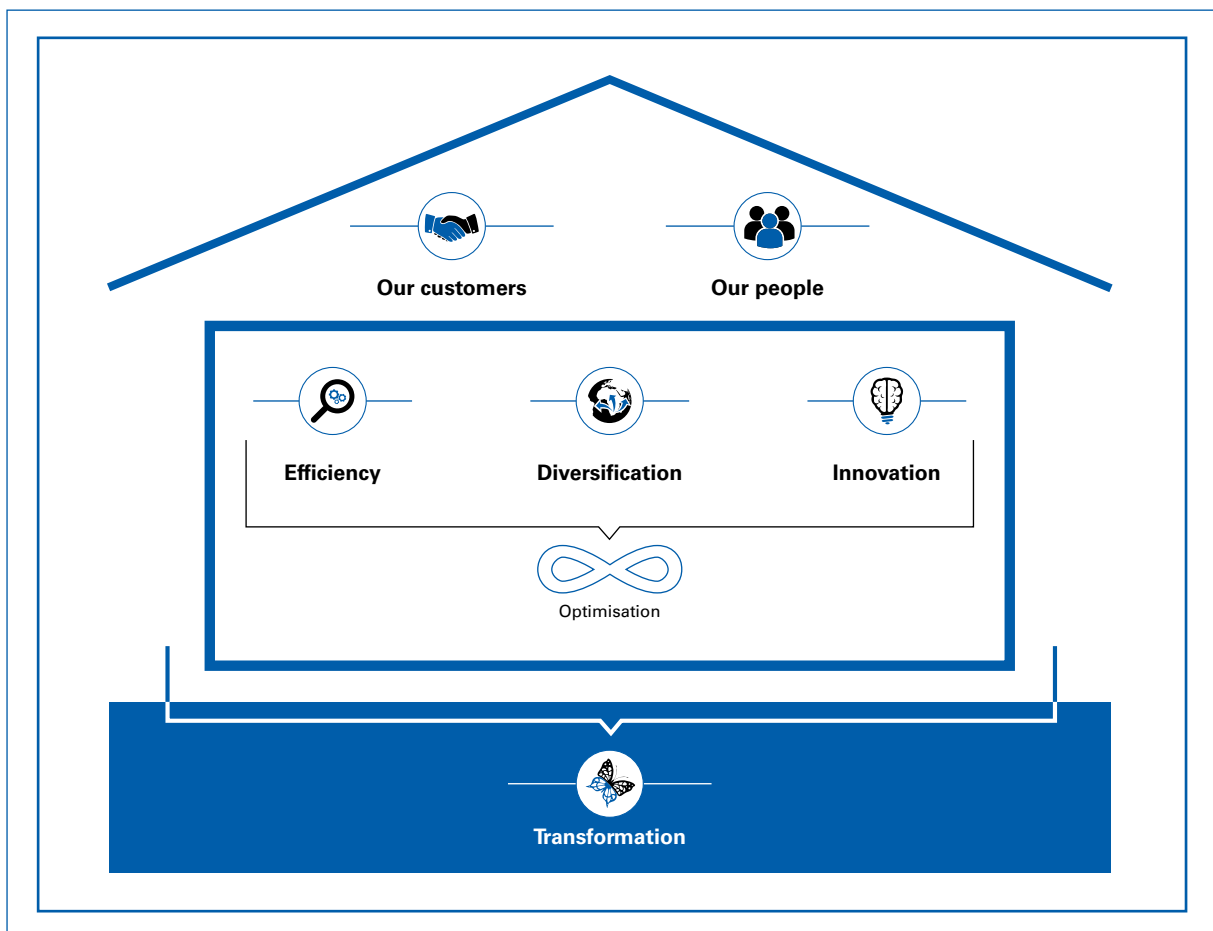
Source: SARB, Omega and Econometrix.

GROUP STRATEGIC PILLARS AND OBJECTIVES
















In 2017, the continued progress in implementing our strategy yielded positive results. The group achieved real growth in revenue and profit, and improved its returns to shareholders. This section provides an overview of our strategy and progress made against the 2014 baseline [\[22\]](#).

Our strategy consists of six strategic pillars, and is focused on achieving our overarching goals, objectives and aspirations. Continuous optimisation is an ongoing requirement in our efficiency, diversification and innovation strategic pillars.






Our salient features [\[FC\]](#) provide an overview of Reunert's material matters; key risks and opportunities together with the related strategic pillars and objectives; and KPIs and the group's performance against them. We indicate below which capitals we draw from, or impact on, in the execution of our strategy.



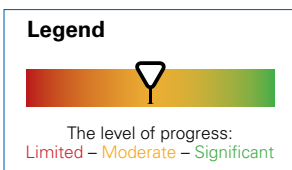
Group strategic pillars and objectives continued







 <p>Our customers</p> <p>Provide customer-centred products, services and solutions.</p>	<p>Customer-centricity focuses on enhancing the customer value offering. Its key objectives include customer loyalty and retention. In turn, it maximises our share of a customer's overall spend.</p>	<p>Capitals</p>  
<p>Key achievements since 2015</p> <ul style="list-style-type: none"> > Electrical Engineering continues to hold strong South African market positions > ICT <ul style="list-style-type: none"> – The 37 000 Nashua and ECN customers present a key competitive advantage – Nashua improved its market share to 15,8%¹ (2014: 14,5%) – ECN is South Africa's largest independent VoIP provider > Applied Electronics operates in niche markets and receives repeat orders from long-standing customers 		
 <p>Our people</p> <p>Develop a high-performance organisation focusing on effective employee engagement.</p> <p></p>	<p>Reunert promotes a high-performance, values-based culture to support our growth strategy. We actively engage with all employees in a meaningful manner, and motivate and recognise execution excellence. While we actively invest in our people, employees are responsible for ensuring they adopt a high-performance culture. Innovation is an important skill in many of our businesses and the retention of key employees, including scarce and critical skills, is vital </p>	<p>Capitals</p>   
<p>Key achievements since 2015</p> <ul style="list-style-type: none"> > Developed a set of group values to strengthen a high-performance value-based culture > Successfully implemented the human resource strategy including: <ul style="list-style-type: none"> – a talent management programme focusing on succession planning and a talent development programme aligned with Reunert's business needs ; and – increased equity representation at all levels of management. 		
 <p>Efficiency</p> <p>Ensure best-in-class operational efficiency and improved capital efficiency.</p> <p>Focus areas</p> <p>To optimise our existing efficiencies, deliver strong cash flows and moderate operating growth</p>	<p>The efficiency strategic pillar focuses on managing existing assets. These assets are expected to deliver organic growth, in line with GDP and GDFI, and generate sufficient free cash flows to implement the group's diversification and innovation strategies. Cost control and the continued drive for business efficiencies are key contributors to good financial returns.</p> <p>We pay considerable attention to working capital management and optimising capital expenditure to maximise the cash generation from existing businesses. Enhancing supply chain efficiency to reduce costs is another focus area.</p>	<p>Capitals</p>    
<p>Key achievements since 2015</p> <ul style="list-style-type: none"> > ROCE improved from 14% in 2014 to 20% in 2017 > Improved key efficiency ratios at power and telecommunications business units, but not yet to desired levels > ICT focus on efficiency contributed to an improved operating profit margin of 19% (2014: 13%) > Improved cash flows in all business units 		

¹ Full calendar year projection. Source: Infosource






<div style="text-align: center;">  <p>Diversification</p> </div> <p>Diversify and increase earnings through a combination of:</p> <ul style="list-style-type: none"> > geographic expansion; > new products and services; and > improved solution offerings. <p>Focus areas</p> <p>Geographic diversification: To leverage our strong South African market share positions through expansion in non-South African regions:</p> <ul style="list-style-type: none"> > Africa > Australia > Middle East > Southeast Asia > USA 	<p>Diversification is centred on:</p> <ul style="list-style-type: none"> > Geography: Through acquisitive and organic growth, the group can expand the existing value offerings into carefully selected growth geographies where it has business experience, and where there are significant competitive advantages. Our choice of markets and the speed of geographical diversification will be determined by international developments and opportunities. > New products and services: Reunert leverages its strong brands to offer additional products and services to customers within South Africa. Cross-selling opportunities can provide further organic growth opportunities. > Improved solutions offering: We continuously introduce solutions that improve margins and help retain customers. We pursue the move up the value chain through acquisitions. 	<p>Capitals</p> <div style="text-align: center;">     </div>
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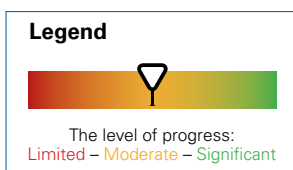
<div style="display: flex; align-items: flex-start;"> <div style="width: 20px; height: 100%; background: linear-gradient(to bottom, red, orange, yellow, green); margin-right: 10px;"></div> <div> <p>Key achievements since 2015</p> <ul style="list-style-type: none"> > Reduced concentration risk by improving geographic diversification and improved product and service offerings > 31 % CAGR increase in non-ZAR revenue to R2,8 billion (2014: R1,2 billion) > 28% of Electrical Engineering's revenue (2014: 12%) is from non-ZAR revenue driven by: <ul style="list-style-type: none"> – Zamefa acquisition – Increased circuit breaker exports to solar and rail industries in the USA since 2014 – Real growth in operating profit in Australia and the USA > Applied Electronics: <ul style="list-style-type: none"> – Export revenues increased by 72% to R843 million (2014: R490 million) – Export order books at record levels at September 2017 – Multi-year contracts secured in Fuchs Electronics, Reutech Radar Systems and Omnigo – Concerted effort on Southeast Asian and Middle Eastern markets </div> </div>










Legend					
					
Financial capital	Manufactured capital	Natural capital	Human capital	Intellectual capital	Social and relationship capital

Group strategic pillars and objectives continued

<div style="text-align: center;">  <p>Innovation</p> <p>Develop new products and services, and reduce costs through innovation, research and development.</p> <p>Focus areas</p> <ul style="list-style-type: none"> > Product innovation and services diversification > Using our existing brands to introduce new products and services </div>	<p>Through a group-wide culture of innovation, we drive the product, service and solution pipeline that supports sustainable growth. By harnessing technology, we become more efficient in our products and services, thereby growing our revenue.</p>	<p>Capitals</p> <div style="text-align: center;">     </div>
<p>Key achievements since 2015</p> <ul style="list-style-type: none"> > Increased focus on innovation and bringing new products and service offerings to the market > CBI-electric: Low Voltage in the Electrical Engineering segment focuses its product development on green technologies in specialised niche markets: <ul style="list-style-type: none"> – 2016: NanoView provides local households and commercial consumers a snapshot of electricity and water usage – 2017: Electronic meters for application in solar industry – 2017: DC product range for telecommunication and renewable energy applications > Material progress made on refocusing ICT as total office services provider with traditional office automation now less than 50% of the segment contribution: <ul style="list-style-type: none"> – 2015: Nashua incorporated ECN Voice into its offering – 2016: Nashua launched Smart Solutions – 2016: ECN launched Virtual PBX, followed by business-internet-access product suite – 2017: Nashua launched access control and connectivity > Applied Electronics continues investing in product development <ul style="list-style-type: none"> – New generation MSRs – SSP launched for use in underground mining safety – RSR 904 radar deployed in Kruger National Park as part of the Postcode Meerkat system – New generation combat net radios industrialised – Qmunicate H10 addresses cybersecurity – Ryonix Armadillo robot is being designed to operate in rugged terrain 		



Legend					
		Alignment with the IIRC's six capitals			
Financial capital	Manufactured capital			Intellectual capital	Social and relationship capital
		Natural capital	Human capital		



Transformation

Transform our businesses to effectively participate in the markets we serve.

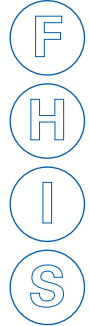
Focus areas

To maximise our participation in South African opportunities by ensuring our businesses are aligned to the government's transformation objectives

Transforming Reunert focuses on our human resources and business models.

- > Through **transformation** ⁶⁶, we capitalise on our opportunity to participate in South African revenue streams by aligning our transformation objectives to those of the South African government, including SOEs, the Department of Defence and municipalities.
- > We are **transforming our business** models, as required, to deliver value-added services and solutions, strengthening our position in the value chain. This business transformation is interlinked with our diversification, innovation and efficiency strategies.

Capitals



Key achievements since 2015

- > Electrical Engineering's black ownership increased to over 40% in South African cable businesses
- > Applied Electronics concluded two direct BEE ownership transactions of 10% each in Reutech
- > Business units maintained or improved the underlying pillars supporting the B-BBEE requirements on the new Codes ⁶⁵ since 2014
- > Consistent focus on transformation improved EE on management levels as follows:

EE management representation	2017	2014	%
	%	%	improvement
Top	34	22	55
Senior	47	26	81
Middle	36	22	64
Junior	61	55	11

Outlook for 2018

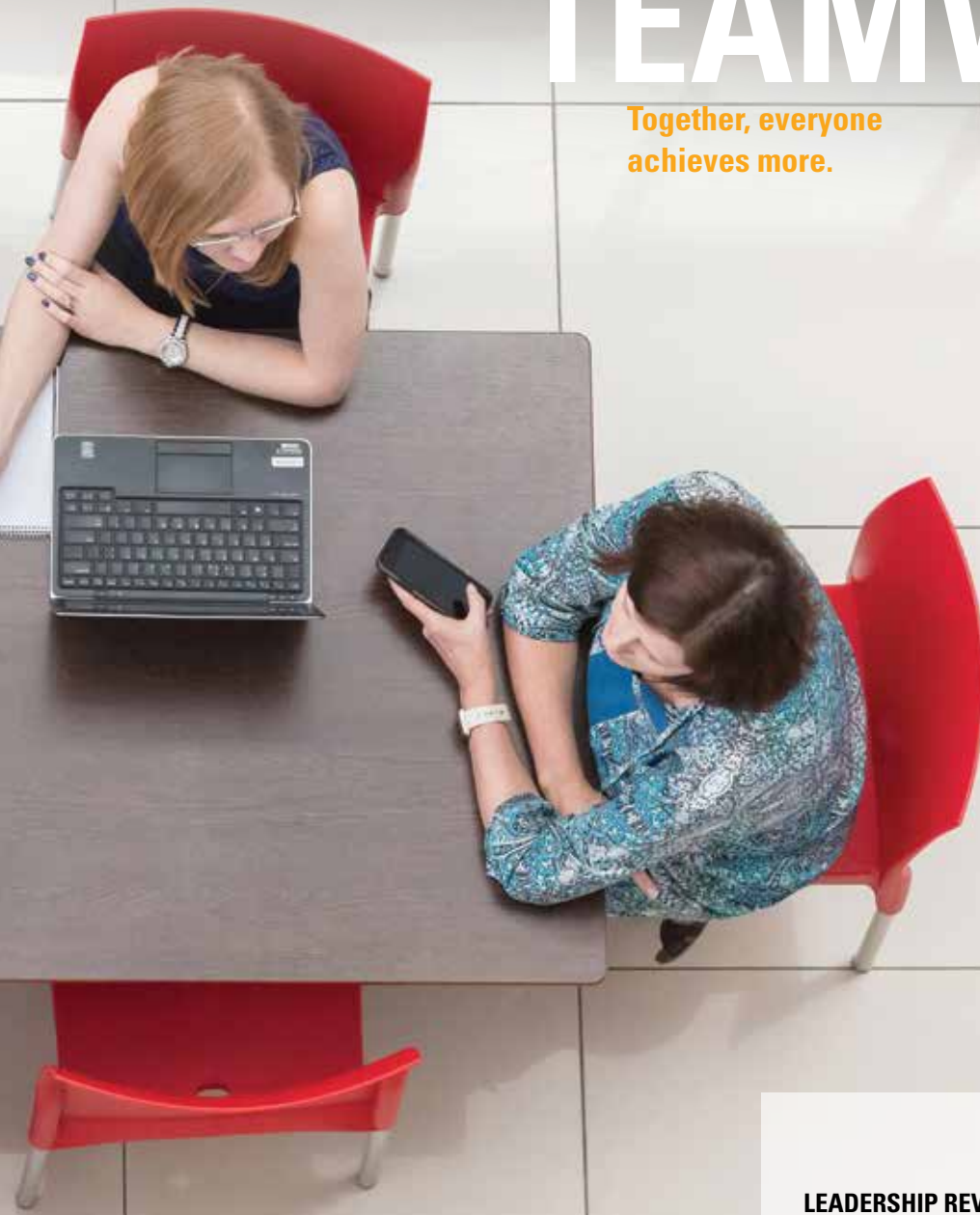
Linking remuneration to key objectives ¹¹⁸

- > Further acquisitions as a key driver of Reunert's growth strategy
- > 2018 non-ZAR revenue is expected to increase further
- > Progress the ICT segment strategy to migrate further to a service-focused segment
- > Improve credibility and legitimacy with stakeholders by driving group transformation with specific focus on EE representation at management levels
- > Implement Reunert's group values to embed a values-based culture



TEAMWORK

Together, everyone
achieves more.



LEADERSHIP REVIEWS

Chairman's report	28
Executive review	31

CHAIRMAN'S REPORT

It is pleasing that for the third consecutive year real earnings growth was achieved in an economy and markets that continued to be challenging and subdued.

FINANCIAL PERFORMANCE

This consistent performance in difficult trading conditions speaks to the benefits of the well-organised and monitored implementation of the strategy developed in 2014 by chief executive, Alan Dickson, and his executive team, and approved after due discussion and input by the Board in March 2015.

Revenues continued to successfully be further diversified geographically and in terms of product range. This reduces concentration risk and increases the proportion of early life cycle businesses in our traditional portfolio.

The balance sheet remains strong. We have been gradually increasing value to shareholders through our share buyback programme, and we continued acquiring businesses that we believe add meaningful benefit and sustainability to our portfolio.

COUNTRY CHALLENGES

Again, it is distressing that concerns expressed in previous years about South Africa's socio-political woes continued and, if anything, worsened in the past year.

It may seem repetitive to bemoan the damaging effects on business performance, investment, GDP growth and job creation of policy uncertainty and related blunders across various sectors of our economy. However, it is inconceivable that year-after-year matters have been allowed to meander along confusingly, and perhaps deliberately, under the Zuma administration. This is while economic growth is close to zero, unemployment grows to alarming levels, and the country's financial strength ebbs away. One also ponders why this happens with apparent impunity.

The vision of us having ethical political leadership, who relentlessly reject the pursuit of nefarious goals, corrupt ways and wrongful personal gain, and ensure that perpetrators are apprehended, tried and punished if convicted, is slipping away. When the 'rainbow nation' dawned in 1994, we confidently and joyfully united and embraced our Constitution as our compass to guide us forward. We did not envisage only 20 years later either the drastic decline in the rule of law or the financial plundering of South Africa by an elite political group and their cabal.

The scribes of our Constitution could not have imagined that the presidential powers written into it would be so disgracefully abused for personal gain. Clearly, those who formulated the Constitution anticipated that the future leaders of our country would have high moral standards and decency like Nelson Mandela. We have all been conned by an unscrupulous leadership that seems impervious both to wrongdoing and the damage it has done to our country and millions of poor and destitute citizens. It is shameful and unacceptable.

As patriotic South Africans, we despair at the deplorable drop in our schooling standards and the increasing reports of violence at our schools. We despair at the increasing rates of crime, and a skills-depleted and increasingly ineffective police function, including those policing our roads where lawless behaviour and dangerous driving grows. We read with disbelief the reports of increased racism and racist incidents around the country, exacerbated by the racist vitriol that social media fosters. We worry about the growing conversations among South Africans of all hues, who value sound human and societal standards, about emigrating from our wonderful country.

We lament the so-called capture and apathy of our law enforcement agencies in the face of blatant crime. We are shocked at the apparently compromised and incompetent offices of the Public Protector and the National Director of Public Prosecutions.

These varying influences have caused a damaging and debilitating plunge in business and consumer confidence, which under this administration has dropped to levels not experienced since before democracy dawned over 20 years ago. They have also convinced the leading international credit rating agencies that South Africa should be considered for, or accorded, junk investment status.

If one intertwines these thoughts with reflections on the blatant national plundering and criminality that abounds, then with humility one deeply appreciates the courage of those who stand like rocks in public defence of our principles and a way of life that embraces honourable values.

We thank courageous and outspoken leaders including, but not limited to, Pravin Gordhan, Jabulane Mabuza, Trevor Manuel, Mavuso Msimang, Makhosi Khoza, Mcebisi Jonas, Frank Chikane and Sipho Pityana. We remain indebted to the legal brilliance and principled stances of Chief Justice Mogoeng Mogoeng and Advocate Thuli Madonsela.

Over the past year, the business community has found its voice through the sterling efforts of Business Leadership South Africa and the CEO Initiative. We salute their strong and principled leadership. Bonang Mohale has been particularly impressive and we thank him. We commend the gallant stances taken by religious and academic groups and leaders.

Our media has been central to the national fight against the scourge of corruption and incompetence, notably emanating from the presidency, certain ministers, and various state-owned enterprises, regrettably abetted in certain instances by rogue private enterprises. We appreciate the brave insightful writings and analysis of, among others, Ranjeni Munusamy, Peter Bruce, Barney Mthomboti, Jacques Pauw, Mondli Makhanya, Thabang Motsohi, Natasha Marrian and Ferial Haffajee.

These collective voices provide encouragement and hope for the reversal of this bewildering downward slide of our country's morality and financial integrity. Their value to our nation cannot be overestimated. History will surely judge them favourably for writing and speaking against the surge of negativity, disgraceful conduct and fading dreams that are driven by certain political leaders, and their sycophants, who do not seem to care.

BOARD MATTERS

In these challenging times, we continued to focus diligently on our various Board responsibilities. Together with continuously advancing Reunert's governance standards, our various committees and the Board engaged with our executive team throughout the year to keep momentum in implementing our strategy and to take Reunert forward.

In our strategy review process, the Board alternately revisits and updates our strategy one year, and thoroughly reviews its implementation the next. This process is proving to be very beneficial. All too often, strategy reviews in companies seem to occur routinely each year without required focus on and close interrogation of implementation progress and resourcing needs that are required to achieve objectives. Our process has resulted in heightened focus on implementation; reviewing the allocation and need for resources; and supporting management to deliver on our promises to stakeholders.

We are particularly pleased with our progress on advancing our transformation credentials. A few years ago, the Board was dissatisfied with the progress management was making with transformation, and notably with affirmative action. That has changed materially, and we are now achieving commendable results. We have serious momentum in our transformation efforts under the guidance of the Social, Ethics and Transformation Committee, the executive-driven Group Transformation Committee, Alan, executive director Mohini Moodley, and leaders throughout the group.

A noteworthy development during the period under review was the initiation of a group-wide values development process. Alan and Mohini ensured that the process was professionally led and highly interactive. Reunert has a federal business model and the cultures of our various business units differ because they interact with different markets. As a Board, we understand and foster these varying cultures.

Although some business units have had their own values, what we as a group believe in and are committed to should bind our businesses and functions together in a common belief system. It should embrace supporting behaviours that will ensure our values become deeply embedded in the group. These shared values are presented in this integrated report for the first time.

We are particularly pleased with our progress on advancing our transformation credentials.

We dedicated time and attention to implementing King IV. We are satisfied that we comply with the 16 principles that apply to Reunert and are well-advanced in testing our application of the practices. Each Board committee has conducted a focused review and their respective terms of reference are being updated to include the new requirements. In this integrated report, we have introduced information about many of the recommended practices, and will advance this process in the new financial year.

Board and committee attendance

Directors' attendance at scheduled Board and committee meetings (excluding the Investment Committee which holds ad hoc meetings) was 100% (2016: 95%).

The committees discharged their responsibilities as recorded in their respective terms of reference. We assure stakeholders that rigorous review and debate occurs at all meetings and that high levels of challenge and candour prevail in congenial and respectful ways. Our committee structures provide the comprehensive levels of oversight and governance that the group requires.

The Investment Committee was very active this year. The committee meets in response to management calls to consider acquisition proposals. It has the responsibility to vet empowerment partnerships and arrangements prior to them being submitted to the Board. Attendance at meetings this year was 87% which, although acceptable, reflects some difficulty that members face in responding to requests for meetings scheduled at short notice.

Board changes

Our membership was stable during the year. However, in October 2017 and after the financial year-end, Phuti Mahanyele resigned after having served on the Board for two years. Phuti advised that the growing time demands of her investment company made it increasingly difficult for her to meet her Reunert commitments. We thank her for her tenure and wish her well in the future.

Over the next two years or so, certain experienced and valued Board members will reach their mandatory retirement age of 70 years and will be obliged to retire from the Reunert Board. Thabang Motsosi retires at the 2018 annual general meeting (AGM). Brand Pretorius and Rynhardt van Rooyen, who chair the Risk and Audit committees respectively, and have done so with distinction for a few years, will retire at the 2019 and 2020 AGMs, respectively. I will retire at the 2020 AGM.

We assure stakeholders that the succession processes that are run by the Nomination and Governance Committee are progressing. We will ensure that the race and gender ratios of the Board and committees are upheld and that people with the required skills, knowledge and experience will be recruited.

APPRECIATION

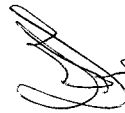
I thank the non-executive members of the Board for their diligent oversight and valued contributions to our deliberations. They are a pleasure to work with. A determined intent to move Reunert forward, rather than a simple duty to attend, characterises each Board meeting. I thank the chairmen of our committees for their commendable leadership and contributions to ensuring the integrity and efficiency of our many governance and reporting processes.

On their behalf, I thank our able executive directors, comprising Mohini, Nick Thomson and Mark Taylor, and the broader executive team under Alan's fine leadership, for their exemplary support of and interactions with the Board and our committees. I thank Alan for our continuing candid and constructive relationship.

On behalf of the Board, I thank the head of our company secretarial service, Karen Louw, for her professional assistance and guidance. She continues to provide an independent and much-appreciated service.

Together, we thank the management and employees of our businesses and functions for their collective and individual contributions to the success of Reunert. As I have said before, they represent the true value of Reunert.

We thank our customers for their ongoing support and assure them of our commitment to meeting their requirements. We thank our many business partners, including our suppliers, trade unions, technology and other associates, and our empowerment partners for their relationships with us. We value them.



Trevor Munday

Chairman

20 November 2017



EXECUTIVE REVIEW

Last year's acquisitions contributed positively to both our financial performance and regional diversification.

SUMMARY OF THE YEAR UNDER REVIEW

For the third consecutive year, Reunert delivered a positive financial performance, increasing operating profit by 14% to R1 497 million and achieving a 19% growth in profit for the year to R1 142 million. The improvement in profitability, combined with the reduction in the number of shares due to the share buyback programme, resulted in HEPS growing by 19%. A three-year compound annual growth rate of 20% in this metric has now been achieved.

The execution of our group strategy gained further traction, including the acquisition of three early life cycle businesses. These innovative businesses show strong growth potential and improve our access to new markets. Last year's acquisitions contributed positively to both our financial performance and regional diversification.

Reunert's value proposition remains convincing and we continued our share buyback programme. We have bought back 3 392 422 million shares (2% of issued shares), since the start of the programme in September 2016.

Reunert recognises the challenging socio-political space in which South Africa finds itself. We are deeply entrenched in South Africa and we are committed to playing an ethical role as we embrace the ideals of inclusive growth. To support this, during this year, we enhanced our values-driven leadership culture and improved our governance procedures.

We continue participating in South Africa's CEO Initiative, although we recognise that this year's political environment complicates the delivery of the initiative's positive outcomes. We remain hopeful that the political environment will stabilise and that the associated improved governance will improve the business environment our country desperately needs.

FINANCIAL PERFORMANCE

Summarised consolidated statement of profit or loss

	2017 Rm	2016 Rm	% Change
Revenue	9 773	8 511	15
EBITDA ¹	1 635	1 433	14
Depreciation and amortisation	(138)	(118)	17
Operating profit (before net interest income, dividends and empowerment transactions)	1 497	1 315	14
Net interest income and dividends received	65	137	(53)
Profit before empowerment transactions	1 562	1 452	8
Empowerment transactions	(20)	(113)	
Profit before taxation	1 542	1 339	15
Taxation	(437)	(404)	8
Profit after taxation	1 105	935	18
Share of joint venture's and associate's profit	37	28	32
Profit for the year	1 142	963	19

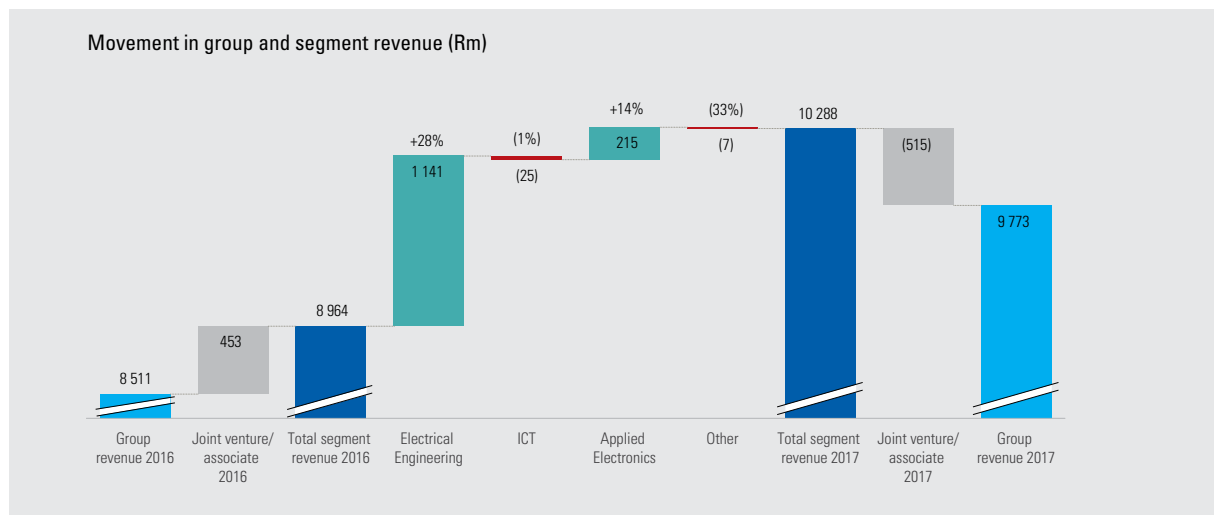
Key earnings metrics

	Units	2017	2016	%
Basic earnings per share	cents	680	577	18
Headline earnings per share	cents	679	570	19
Normalised headline earnings per share	cents	697	662	5

¹ Earnings before net interest income and dividends, taxation, depreciation and amortisation, and empowerment transactions.

Group revenue

Group revenue increased by 15% to R9,8 billion (2016: R8,5 billion). The major area of growth was in the Electrical Engineering segment, where segment revenue grew by 28%. Revenue in the Applied Electronics segment grew by 14%, despite a stronger Rand impacting export revenue, and full export fuze production only resuming in the second half. Revenue in the ICT segment was flat. In the office automation business, revenue increased from the sales of fewer, but higher-value units. In the voice-over-internet business, the final statutory reduction in interconnect rates resulted in lower income despite the positive customer growth.

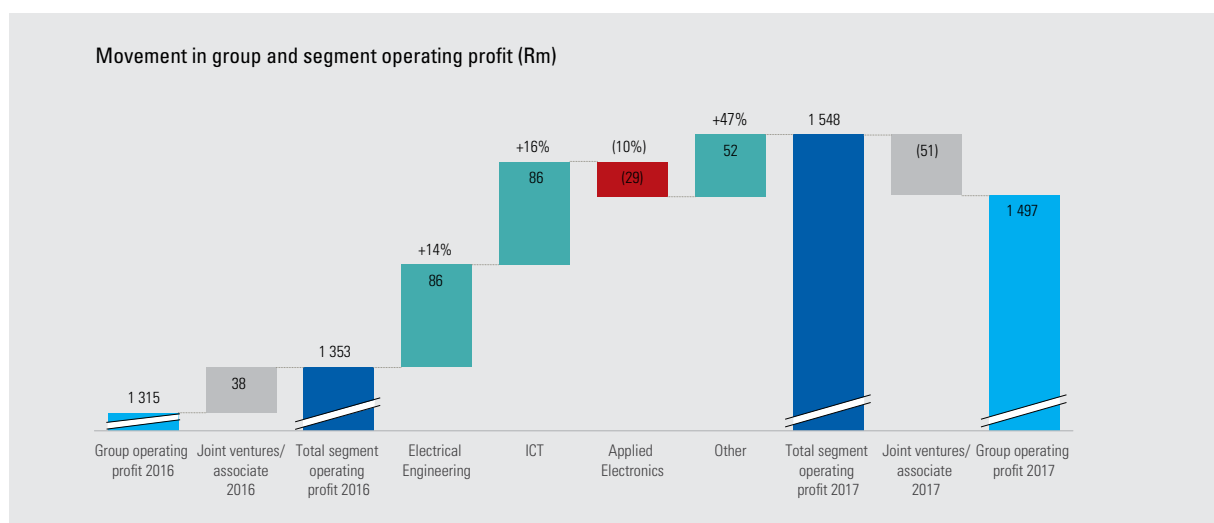


Operating profit (before net interest, income dividends and empowerment transactions)

Group operating profit increased by 14% from R1,3 billion to R1,5 billion. The 16% increase in the ICT segment was mainly due to the successful implementation of margin enhancement programmes in both Nashua and ECN and volume growth on higher volume office automation equipment and voice minutes.

The Electrical Engineering segment's operating profit improved by 14%, driven by strong performance in our cable businesses and the incorporation of our Zamefa acquisition in Zambia. The stronger Rand negatively impacted our circuit breaker business.

Despite profit growth in the majority of Applied Electronics segment's businesses, the segment returned a 10% decline in operating profit because of reduced export sales in the fuze business. The fuze business returned to full production in the second half of the year after securing new long-term contracts.



Group cash resources

We continued our share buyback programme under general authority from shareholders. During the year, we repurchased a further net 2,9 million (2016: 0,4 million) shares at an average price of R67,39 per share (2016: R62,69) including transaction costs. This brings the total shares repurchased since commencing the programme in September 2016 to 3,3 million or 2% of shares in issue.

Net capital of R199 million was allocated to the share buyback programme and R241 million was invested into acquisitions, reflecting the execution of the Board's dual mandate to return surplus cash to shareholders and seek appropriate acquisitions.

At year-end, we had combined money market deposits and other liquid resources totalling R1 455 million (2016: R1 982 million). This provides sufficient net cash resources to continue the implementation of our strategy.

As reflected below, we continued to enjoy a strong balance sheet, with our net cash resources reducing by R527 million (2016: R654 million) as we executed our strategy.

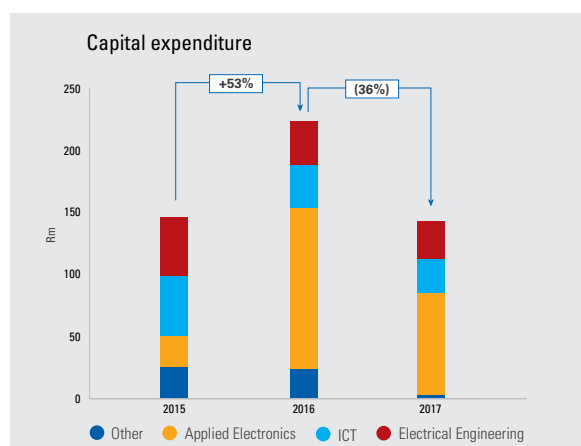
Summarised consolidated statement of financial position

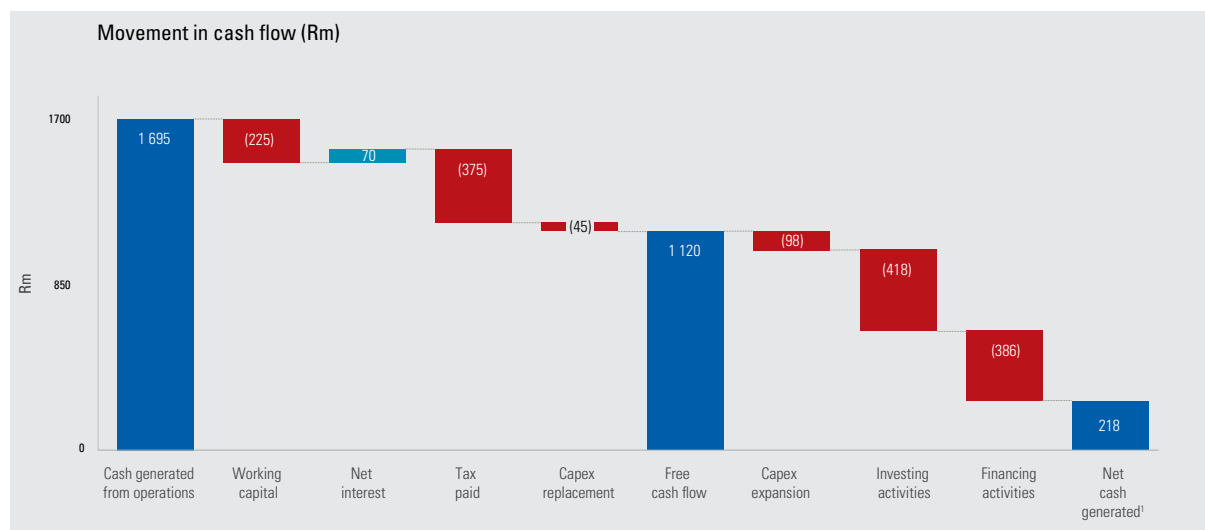
	2017 Rm	2016 Rm
Property, plant and equipment, investment properties and intangible assets	1 095	1 019
Goodwill	921	737
Other long-term assets	2 001	1 758
Non-current assets	4 017	3 514
Inventory	1 439	1 295
Receivables	2 981	2 718
Cash and cash equivalents including money market instruments	1 652	2 382
Current assets	6 072	6 395
Accounts payable	2 332	2 043
Bank overdraft and short-term loans	208	629
Current liabilities	2 540	2 672
Net current assets	3 532	3 723
Net assets	7 549	7 237
Equity and put options	7 364	7 092
Deferred tax	112	102
Long-term borrowings	73	43
Equity and long-term funding	7 549	7 237

Capital expenditure

Capital expenditure amounted to R143 million (2016: R222 million). The expenditure was divided between replacement capital of R45 million (2016: R48 million) and expansion capital of R98 million (2016: R174 million).

All capex was funded from internal cash resources and represented 1,5% (2016: 2,6%) of revenue or 12% (2016: 28%) of free cash flow before capital expenditure.





- > Investing activities – Acquisitions of Terra Firma, Nanotech and Ryonix (R241 million)
 - Increase in rental/lease book (R231 million)
 - Other inflows (R54 million)
- > Financing activities – Repayment of external loans in Quince (R199 million)
 - Share buyback programme (R203 million)
 - Other inflows (R16 million)

SEGMENTAL RESULTS

Despite challenging local political and economic conditions, Reunert's operating profit from our businesses in the Electrical Engineering and ICT segments again increased in real terms. Applied Electronics did not have full export order books for the entire year, but still delivered a solid performance. The positive contribution from our acquisitions culminated in a strong overall operational result.

Electrical Engineering

The double-digit growth in Electrical Engineering was driven by the strong performance of the power and telecommunications cable business units and the acquisition of Zamefa. Revenue increased from R4,1 billion to R5,2 billion (28%) and operating profit from R610 million to R696 million (14%).

Telecom Cables continued to benefit from the local FTTX² roll-out and experienced strong production volumes. The South African power cable business' diverse market position allowed it to secure meaningful volumes, despite the weak general infrastructure demand. Zamefa, integrated well and many of the vertical integration benefits are being realised. In the first six months, Zambia had liquidity issues, which weakened demand and increased working capital. All of the cable business units have implemented long-term continuous improvement projects and efficiency gains were realised in all factories.

Low Voltage, our circuit breaker business, faced a challenging year as local investor sentiment slowed residential and commercial building activity. The strong Rand reduced export margins, which added pressure. Several new product releases, including high-capacity DC breakers for telecommunication and renewable energy applications, supported the business unit's performance.

¹ Before dividends to shareholders of R745 million.

² Collective term for various optical fibre delivery topologies that are categorised according to where the fibre terminates.

Information Communication Technologies

The ICT segment delivered a strong performance, underpinned by good growth in both the office automation and voice business portfolios. Revenue was flat at R3 billion but operating profit increased by 16% (from R549 million to R635 million).

Nashua progressed well in the execution of their strategy to change from an office automation hardware supplier to a total office services provider to their 28 000-strong customer base. A continued move to larger category machines underpinned their positive market share movement, and a strong Rand supported the hardware margins. Several newly launched services increased cross-sell revenue and improved the performance of the franchise channel.

Our voice business, ECN, enjoyed a 9% minute growth with 1,2 billion minutes carried on the network. The impact of lower business confidence reduced demand per customer which was offset by substantial growth in the number of customers serviced. We invested into the ECN network and the upgrade has resulted in a more robust, high-quality and simplified network, and has created scale for our new business-internet-access product suite. The ability to provide voice and data to our customers offers new diversified revenue streams and underpins the continued growth rate of the company.

Quince Capital increased our in-house finance book from R2,1 billion to R2,4 billion on the back of improved office automation sales. The quality of the book remains high and, despite the tough economic times, bad debts remain well below industry norms.

Applied Electronics

The Applied Electronics segment's 10% reduction in operating profit is due to lower export orders in the first six months. As the year progressed, the order position improved significantly. The strong Rand negatively impacted the export margins and particularly in the area of high-volume export fuzes, movement and surveying radars and electronic sub-assemblies. Revenue increased by 14% to R1,7 billion and operating profit decreased by 10% to R276 million (2016: R305 million).

Fuchs Electronics returned to full production in the second half of the year on receipt of a new large-scale export order.

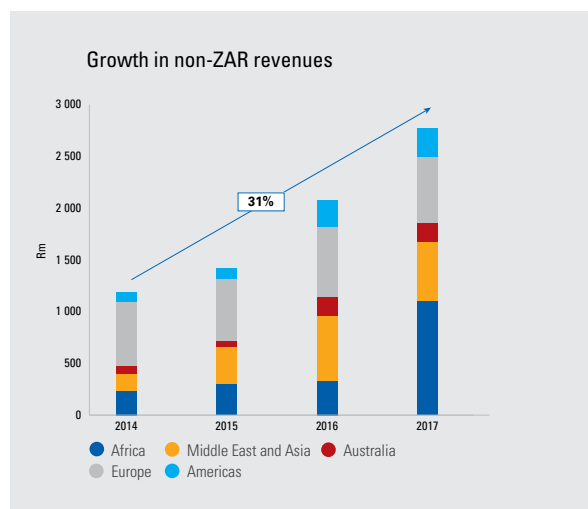
Reutech Radar Systems had a record year in the mining and commercial market sectors. The increased volume improved production efficiencies and this more than offset the stronger Rand's impact on margins. The business unit secured a large defence export order which improved our year-on-year performance, and will support sales throughout the next financial year.

Reutech Communications finished industrialising our new range of tactical communication products. While this took longer than expected, we achieved full production during the second half of the year. Efficiencies are reaching the levels envisaged at the start of the capital investment project. Securing the next phase of orders from the local customer remains an important element of this unit's business case.

Reutech Solutions responded well to their major customers' ongoing budget reductions and delivered a solid result.

The acquired businesses performed well. Omnigo executed their advanced printed circuit board (PCB) export orders successfully and, as a result, received further hard currency orders. This allows them to continue operating at full capacity. More equipment was deployed into the business unit which increased their capability to manufacture high-specification electronic sub-assemblies and, in turn, to enter new geographic markets. Nanoteq, our specialist encryption business, performed in line with its business case despite key customers in a new geography having budget constraints that delayed the placement of a large order.

Strategy execution translating into results



STRATEGY EXECUTION

Against the backdrop of challenging local economic and political conditions, we continued to execute the group strategy first articulated in 2015. Several key achievements in 2017 underpinned our financial results which will continue to position the group to deliver results into the future. These strategic gains reflect the tangible benefits of our strategy execution and should give investors confidence that the strategy is leading to the desired performance. Refer to [21](#) for a more detailed analysis of our strategic performance since 2015.

Geographic diversification

We further accelerated the expansion of our geographic footprint. In 2014, only 16% of our revenue was earned from outside of South Africa. Our efforts over the past three years have increased this to 28% in the current year. More importantly, it is likely to increase further in the 2018 financial year through improved economic conditions in Central Africa, and large-scale, hard currency, orders for fuzes, radars, tactical communication radios and electronic sub-assemblies.

Complementary, bolt-on acquisitions

The group concluded three more complementary, bolt-on acquisitions to position Reunert in the growth markets of voice and data encryption, robotics, energy efficiency and solar energy. Each of these markets is early life cycle, and we believe they will have sustainable long-term growth that should materially exceed that of the South African GDP.

The solar and robotics businesses have only been part of Reunert for seven months. Terra Firma already secured an excellent position in the solar market and we expect to improve our position in the rapidly growing renewable energy sector. They entered 2018 with a strong order book, and a good performance is expected in the year ahead.

The previous year's acquisitions contributed positively to this year's results. Omnigo's and Zamefa's non-ZAR revenue increased, and we expect this to continue.

New products and services

The group continues to leverage its strong brands and market positions to launch ancillary products and services. A detailed overview of the new products and services is included in the segment performance reviews (pages [37](#) to [62](#)). Reunert maintained its research and development spend and invested R163 million. Augmenting our product portfolios with new releases that entrench customer value remains a core strategic initiative.

Transformation

Reunert's transformation strategy ensures we remain positioned to capitalise on our South African target markets. We completed the second tranche of our BBBEE transaction in Applied Electronics.

Reunert's trading entities were verified against the new BBBEE and new ICT Sector Codes and, as in previous years, the commitment towards BBBEE is clearly visible from the certification obtained ⁶⁹. We will continue to remain abreast of the evolution of the country's BBBEE legislation.

People transformation is entrenched within the group, with an improvement in employment equity representation across all management levels. This has been a consistent outcome since the inception of the transformation strategy three years ago and remains a key focus area.

PROSPECTS

Reunert's traditional businesses have continued to deliver real growth in tough local economic conditions. Applied Electronics' order books are at record high levels and should translate into a strong operating performance, with exchange rates providing some uncertainty in the financial results. Subject to no adverse changes in the local economic, social and political environment, we expect another year of real growth in 2018. The order mix of the group again favours a stronger financial performance in the second half of the 2018 financial year.

APPRECIATION

Reunert's performance can only be achieved through the dedicated and driven teams at each of our business units. We thank our employees for their sterling efforts. We thank the Board for their wise counsel and support.

To all our customers, thank you for your support. We are committed to continued investment and action to improve our value offerings to you. Our appreciation also goes to our suppliers for their contributions to our business.



Alan Dickson
Group CEO



Nick Thomson
Group CFO

20 November 2017



ACCOUNTABILITY

We act with integrity
and take ownership
for our actions.



SEGMENTAL PERFORMANCE REVIEWS

Electrical Engineering	38
Information Communication Technologies	44
Applied Electronics	52

ELECTRICAL ENGINEERING

The Electrical Engineering segment is a diversified group of vertically integrated companies, each with a significant footprint in various sectors of the electrical and telecommunications industries.

MAJOR BUSINESS UNITS

Power cables



CBI-ELECTRIC: AFRICAN CABLES

Designs and manufactures a comprehensive range of electrical conductors, cables and accessories up to 275 kV. The power installations division specialises in the turnkey installation, testing and maintenance of medium and high-voltage cable systems up to 400 kV.

Products and services

Low-voltage PVC/XLPE insulated cable, medium-voltage XLPE and paper-insulated lead cable, low-cost reticulation cables including aerial bundled conductor and overhead split concentric cable, aluminium conductor steel-reinforced (ACSR), high-voltage XLPE insulated cable and associated installation, testing and maintenance services. Cable accessories for high, medium and low-voltage and telecommunications.

Distribution channels

Direct channel for the utilities, mining and industrial sectors. Indirect channel through solution integrators, engineering and procurement contractors (EPC), distributors and wholesalers.

Market sectors

Mining, industrial, utilities, commercial and general market.

Intellectual property

Zerotox (cable insulation compound that does not emit noxious gases in case of an underground fire).

CBiD (cable theft prevention system).

 www.africancables.com



CBI-ELECTRIC: ZAMEFA¹

Designs and manufactures a comprehensive range of low voltage electrical energy cables, and insulated wires up to 800 mm². Also designs and manufactures overhead aluminium conductors and solid sector aluminium low voltage energy cables, and manufactures 99,9% pure copper casted rod.

Products and services

Low-voltage PVC/XLPE copper and aluminium insulated cable up to 3,3 kV, low-voltage PVC insulated general wires and ACSR and 99,9% pure copper casted rod up to 16 mm².

Distribution channels

Direct channel for utilities, mining and industrial sectors and cable manufacturers. Indirect channel through solution integrators, EPCs, distributors and wholesalers.

Market sectors

Central and East African market sectors: mining, utilities, agricultural, cable manufacturers, electrical contractors and industrial customers.

Intellectual property

99,9% pure copper upcasted, oxygen-free rod.

 www.zamefa.com



¹ Metal Fabricators of Zambia (Ptc)

The Electrical Engineering segment comprises CBI-electric: African Cables, CBI-electric: Zamefa, CBI-electric: Low Voltage, and CBI-electric: Telecom Cables (a joint venture)¹.



CBI-ELECTRIC: LOW VOLTAGE

Supplier of low-voltage electrical distribution, protection and control equipment and customer-specific solutions.

Products and services

Circuit breakers, earth leakage devices, surge protection devices, switchgear, electricity meters, automation and control devices, motor control devices, wiring accessories and monitoring devices.

Distribution channels

Channel partners (i.e. electrical distributors), system integrators and original equipment manufacturers (OEMs) in South Africa, Europe and Asia, and wholly owned subsidiaries in Australia and North America.

Market sectors

Residential, commercial, mining, utilities, industrial, equipment manufacturers and retail.

Intellectual property

Owns the intellectual property rights to all products it manufactures.

 www.cbi-lowvoltage.co.za



CBI-ELECTRIC: TELECOM CABLES¹

Designs, manufactures and supplies copper and optical fibre telecommunications cables and cable ducts for the telecommunications, industrial and structured data cabling markets.

Products and services

Copper and optical fibre cables and cable ducts.

Distribution channels

Direct channel to major telecom operators including SOEs and the industrial market. Indirect distribution through distributors to municipalities, and through integrators and EPC companies.

Market sectors

Fixed and mobile network operators, petrochemical, transport, power, industrial and mining industries.

Intellectual property

Infraduct (cable ducts).

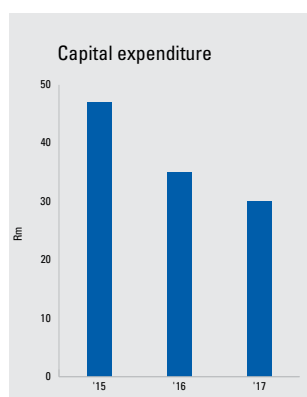
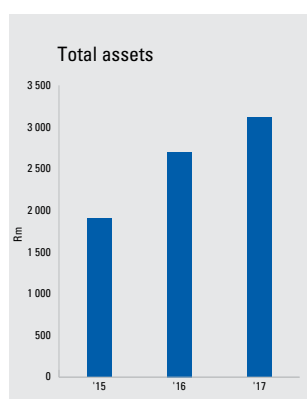
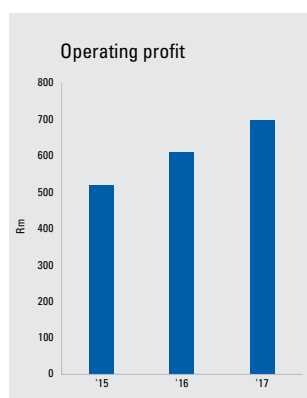
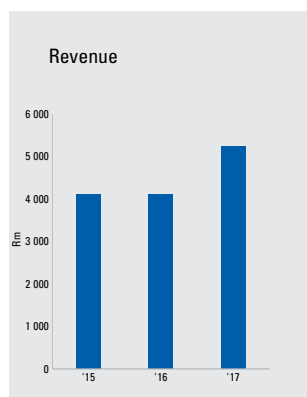
Lambda (structured data cable).

 www.cbitele.com



¹ Joint venture with a company in the Altron group.

ELECTRICAL ENGINEERING AT A GLANCE¹



KEY EXTERNAL DRIVERS

- > SSA growth
- > Infrastructure development
 - Demand for electricity in Africa
 - New generation capacity
 - Electrification for domestic and industrial users
 - Increase in off-grid solutions
 - Renewable energy
 - Broadband connectivity



ACHIEVEMENTS

- > Diversification yielding good results with 28% (2016: 19%) non-ZAR revenue
- > Zamefa successfully integrated into the group
- > Maintaining strong South African market position for fibre, power cables and circuit breakers
- > Increased fibre volumes driven by the national FTTX roll-out paired with good factory utilisation
- > New solar electronic meters and high-capacity DC breakers launched for telecommunication and renewable energy application in the international markets



CHALLENGES

- > The local competitive environment
- > Local government and SOE policy uncertainty
- > Barriers to foreign trade into new markets such as onerous regional certification requirements



IMPROVEMENTS

- > Enhanced efficiencies but not yet to desired levels



DISAPPOINTMENTS

- > Depressed local economic conditions constrained growth potential
- > Subdued infrastructure development and capital investment in South Africa
- > Stronger Rand negatively impacting export margins on unhedged sales






OUTLOOK AND FOCUS AREAS

Electrical Engineering is leveraging its South African and Zambian operations to capitalise on the electricity infrastructure growth expected in Africa. The growth expectations are based on projected GDP growth and the number of planned power generation and distribution projects on the continent. The new entrants in the market may change the industry dynamics, but we are well positioned to respond to the market changes.

The focus areas are aligned with our strategy ¹²:

- > SSA infrastructure
 - Power
 - Telecommunications
- > Energy efficiency products
- > Innovation in creating new products to meet market needs, including the implementation of micro-fibre technology for the FTTX roll-out
- > Acquisitions to support our diversification strategy
- > Driving efficiencies and enhancing cash flow management

¹ Graphs above include contribution from the joint venture.

Operational measures		2017	2016	2015
Percentage factory capacity utilisation				
> Power cables (African Cables)	%	71	71	73
> Power cables (Zamefa)	%	45	40	n/a
> Low Voltage	%	70	70	66
> Telecom: Copper cables	%	45	38	37
> Telecom: Fibre cables	%	80	74	47
Natural capital¹ 				
Electricity consumption ²	MWh	60 485	37 341	36 090
Water consumption ²	MI	187	170	237
CO ₂ e ³	Kt	39	42	42
Human capital¹ 				
Employees at year-end	Number	2 952	2 975	2 478
Work-related fatalities	Number	–	1	–
Training spend	Rm	28	20	15
Social and relationship capital¹ 				
Community investments	Rm	5	6	6
Enterprise and supplier development spend	Rm	13	16	10

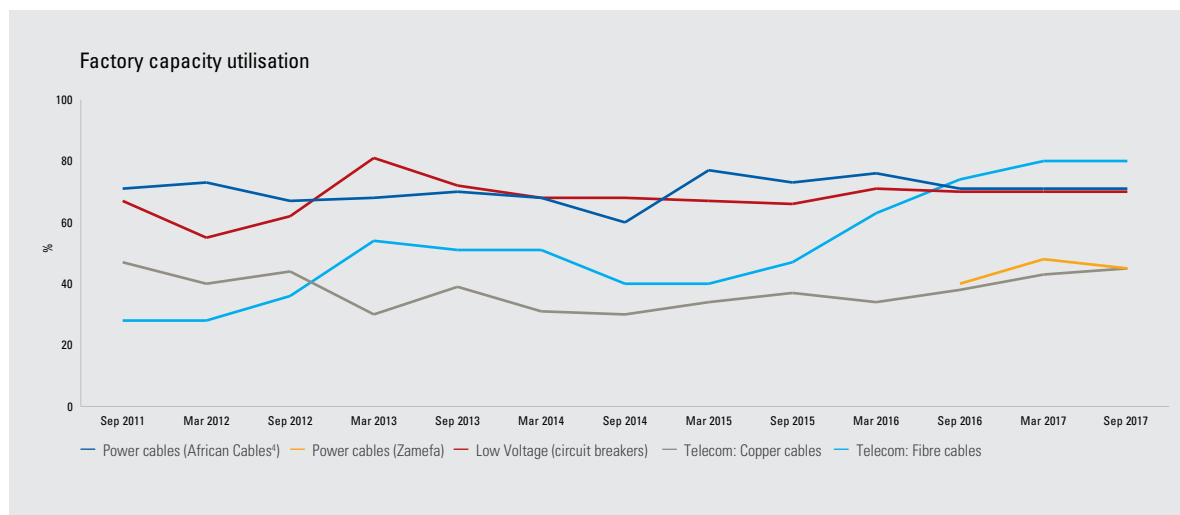
OPERATIONAL PERFORMANCE REVIEW

Electrical Engineering’s revenue increased by 28% to R5,2 billion (2016: R4,1 billion), inclusive of its earnings from the telecoms joint venture. Operating profit increased by 14% to R696 million (2016: R610 million). This performance was driven by strong performance from the power and telecoms business units and the acquisition of Zamefa. Non-ZAR revenues increased by 87%. Circuit breaker sales to Australia, China and the USA improved, but a stronger Rand negatively impacted export margins.

Our strong market position in South Africa contributed to good factory capacity utilisation for power and telecom

cables, while Low Voltage improved its market share despite the subdued local economy. Local economic conditions remained challenging, and new ownership in the market might change the competitor dynamics. A new competitive telecom fibre plant will increase optic fibre cable manufacturing capacity in the local market.

The changing dynamics in the industry require the segment to continually improve efficiencies. Long-term efficiency improvement programmes are formally executed to ensure sustainable improvement. There were efficiency gains in all factories.



¹ Includes 50% contribution from joint venture.

² Includes Zamefa’s consumption from 2017.

³ Excludes Scope 3 emissions.

⁴ Capacity utilisation adjusted for renewable energy cables from 2013.

Power cables¹

The successful integration of Zamefa and an improved sales mix from our traditional African Cables business increased power cables' revenue.

We acquired Zamefa in August 2016, and it exceeded expectations despite encountering liquidity constraints in the local market. It improved its profitability through increased export activity.

Zamefa exported 80% of its production. This increase in export sales alleviated the decrease in Zambian sales caused by the local liquidity issues. The continued growth in export sales and the expected recovery of local sales should have a positive effect on the 2018 results. Zamefa provides the group with a foothold into Common Market for Eastern and Southern Africa (COMESA) countries.

Zamefa's cash flow was negatively impacted by the Zambian government's liquidity constraints which delayed payments by two major debtors. The liquidity position in Zambia stabilised and further working capital improvements are expected.

Competition in South Africa is increasing with a change in the ownership of a local competitor and international competitors entering the market through local distributors. Despite the constraints of this environment, African Cables' diverse customer base and strong market position in all market sectors enabled the business unit to strengthen its South African market share and maintain volumes.

The local trading environment remained challenging as capital investment came under pressure and renewable energy projects were put on hold.

Cable accessories performed well due to the continued FTTX roll-out. The vertical integration of the cable operations realised a number of operational efficiencies, particularly in the sourcing of raw materials and in improving lead times on certain types of manufactured cables.

Service delivery improvements started to gain traction with the on-time-in-full indicator improving. This met the target of 90% delivery within seven days of committed due date.

CBI-electric: Low Voltage²

Revenue and sales volumes decreased marginally. Operating profit declined marginally as a result of the Rand's increase against the major export currencies. Approximately 60% (2016: 60%) of Low Voltage's circuit breakers are exported.

Low Voltage increased market share in the constrained South African economy. There was stimulation in the residential sector in high-density developments in the low-cost sector and security estate developments at the high-end. Overall the local volumes remained largely constant year-on-year.

The business unit performed well in Australia following its diversification from the mining sector into government, utilities and OEMs market sectors. The USA grew by 8%. European sales underperformed for the second consecutive year as major telecommunications equipment manufacturers refrained from investing in 3G and 4G network services as they awaited the introduction of next generation networks. Exports to China recovered as new railway projects emerged.




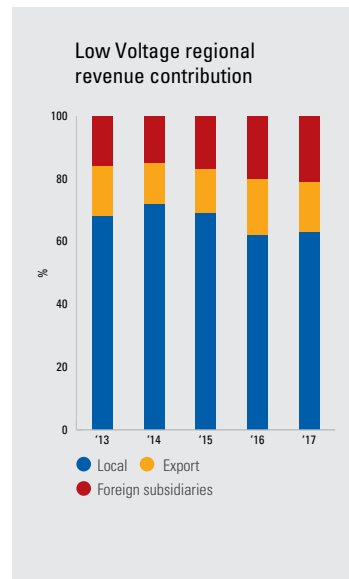
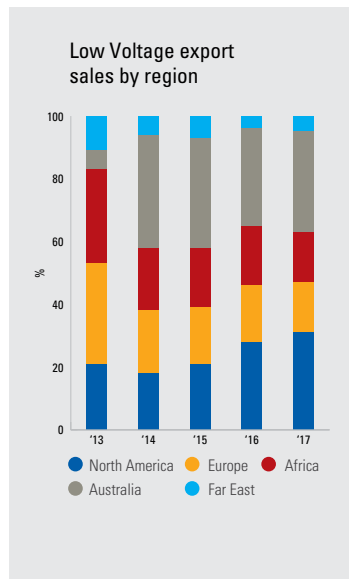
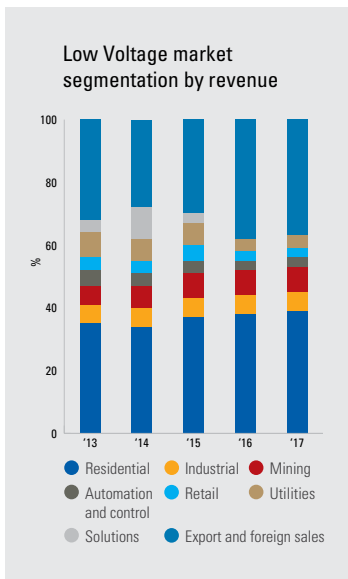
Research and development

Low Voltage increased research and development expenditure to develop new product ranges and earlier life cycle products. These include new remote switching devices for application in various industries and a direct current (DC) product range for application in the telecommunications and renewable energy markets.

With the introduction of renewable energy into the mainstream market and the drive for higher data rates of transfers of systems, companies are looking to push the boundaries of how DC can be applied. Data centres traditionally operated at low-voltage DC. However, with the need for more data traffic around the world, the centres increasingly recognise the advantages of using higher DC voltages, which can reduce the hardware size in the system while increasing the energy throughput, thus increasing the volume of transferred data. With all of the advances in DC usage, dedicated DC protection equipment is essential to ensure the safety of systems, equipment and people. CBI-electric has a comprehensive range of DC miniature circuit breakers, DC moulded case circuit breakers and a range of accessories suitable for providing protection for any DC system.

¹ Power cables includes CBI-electric: African Cables and CBI-electric: Zamefa.

² A complete list of authorised distributors is published on the company's website at  cbi-lowvoltage.co.za.



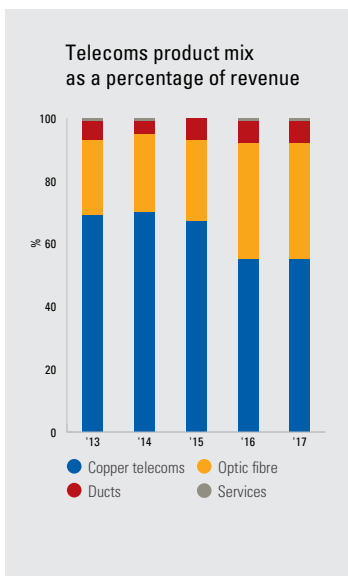
CBI-electric: Telecom Cables

Telecom Cables recorded a strong performance. The improved performance is due to a continued increase in fibre volume demand as a result of the national FTTX roll-out projects undertaken by various operators. There was also an increase in demand for copper telecom cables. Production capacity utilisation increased to 80% (2016: 74%) in fibre cables and capacity utilisation in copper cables increased to 45% (2016: 38%).

There were significant increases in the volume of copper and optical fibre cables, but lower industrial volumes across the other market segments, particularly in the processing sector, which partially offset these increases.



The new tubing line was successfully commissioned during November 2016, and was in full production for the entire year. This allows for the production of a new range of fibre cables with a fibre count of 144 and higher, using up to 24 fibres per tube (24-fibre tube technology).



The successful implementation of an efficiency improvement programme enabled Telecom Cables to streamline processes and maximise fibre and copper telecom cable output. We continued to reduce scrap and contain cable remakes to enhance quality and efficiency. Telecoms copper and industrial cable scrap continue to improve, but are not at desired levels yet.

The business had to be rightsized in anticipation of increased competition and reduced volume demand. To this end, retrenchments were concluded by 30 September 2017. This provides Telecom Cables with a solid base from which to grow and implement a strategy which ensures the business's sustainability as a cost-efficient manufacturer.

INFORMATION COMMUNICATION TECHNOLOGIES

The ICT segment's imperative is to use the power of its brands and its wide-reaching distribution and service network to become a total office provider.

MAJOR BUSINESS UNITS

Office automation

NASHUA

NASHUA

Nashua offers a range of office products and services which enables business processes and operations to business customers.

Products and services

Multi-functional printer (MFP) devices, managed print software and solutions, production printing devices, document management solutions, telephony and connectivity solutions (in conjunction with ECN), surveillance and access control. Nashua also provides other office products and services through its franchises. A suite of products and services is sourced from local and international suppliers, including Ricoh and Hewlett-Packard.

Distribution channels

Nashua Holdings, Nashua Kopano and independent franchises, selected dealers and independent brokers.

Market sectors

Corporate, SMEs, SOEs and government.

Intellectual property

Trademark and naming rights for Nashua in southern African and selected African countries.

 www.nashua.co.za

prodoc

PRODOC

Products and services

Office automation, MFP devices, managed-print solutions (MPS), managed print software's and solutions, consultancy services, document management solutions, communication and collaboration equipment and services. A suite of products and services is sourced from local and international suppliers, including Ricoh, LifeSize and LG.

Distribution channels

Prodoc direct sales offices in Stockholm, Malmö, Helsingborg and Gothenburg. Prodoc also provides its suite of products and services through selected dealers and IT outsourcing partners in Scandinavia and the Baltics.

Market sectors

Corporate, SMEs, SOEs and government.

Intellectual property

Trademark and naming rights for Prodoc in Sweden.

 www.prodoc.se



The ICT segment offers a range of office automation (Nashua, Prodoc, Quince Capital and PanSolutions) and telecommunication (ECN and Nashua Communications) products and services to customers. PanSolutions' and Nashua Communications' contributions are not material to the ICT segment, and, therefore, we include limited information on these two business units.

Office automation (continued)



QUINCE CAPITAL

Trading as Quince Capital and Nashua Finance, Quince provides asset-based financial solutions to the Reunert ICT segment companies.

Products and services

Asset-based financial solutions.

Distribution channels

Reunert's ICT segment companies.

Market sectors

Corporate, SMEs, SOEs and government.

Intellectual property

FinSight credit vetting system.

Quince Capital®.

 www.quincecapital.co.za

Telecommunications



ECN

ECN is a market leader in next generation networks offering a wide range of voice, data and hosted services.

Products and services

Broad set of cost-effective and innovative voice products and services delivered over fixed-line and wireless access circuits. Cloud-based virtual private branch exchange (PBX) offering, hosted call recording, geographic number portability and business internet access products.

Distribution channels

Indirect channel to market consisting of Nashua franchises and other independent dealers, service providers and wholesalers.

Market sectors

Corporate and SMEs, mainly in South Africa.

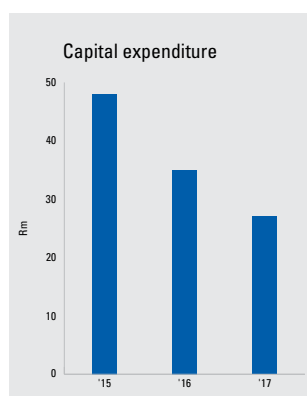
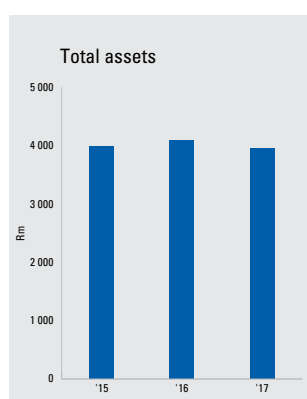
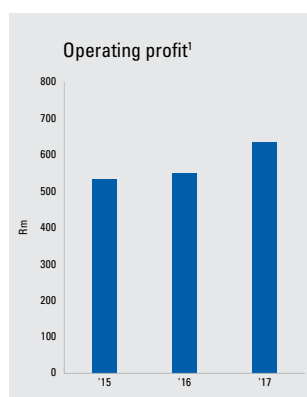
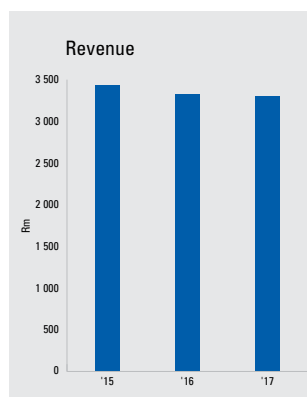
Intellectual property

All the systems used to route data, switch calls, monitor the network, and configure and bill customers were developed in-house.

 www.ecn.co.za



ICT AT A GLANCE



KEY EXTERNAL DRIVERS

- > South African economic growth
- > Competitive environment
- > Technology and innovation
 - Digitalisation
 - Broadband
 - Cloud and other evolving technologies
- > Exchange rates



ACHIEVEMENTS

- > Solid profit growth in office automation and voice business segments
- > Growth in higher yielding printing segments
- > Cross-selling strategy gained impetus
- > Introduction of new Smart Solutions capabilities
- > Business internet access product suite launched
- > Increased market share



CHALLENGES

- > Responding to Rand volatility due to the economic and political environment
- > Deflation in office automation prices



IMPROVEMENTS

- > Efficiency gains in all business units
- > Organic growth
- > Greater number of tenders awarded



DISAPPOINTMENTS

- > Slower-than-expected uptake by franchises of professional services
- > Slow geographic expansion into Africa






OUTLOOK AND FOCUS AREAS

Our ICT businesses operate in a significantly changing sector. We are responding by positioning the segment as a total office provider to business customers. This entails diversifying from predominantly office automation and voice revenues to a broader range of products and services, including data connectivity and internet access. Offering bundled solutions to our customers will protect core revenues and enable the segment to attract and retain customers.

The focus areas are aligned with our strategy ¹²:

- > Acquire complementary ICT-related businesses
- > Continue to evolve towards becoming a total office provider
- > Grow voice, PBX, Smart Solutions and Connectivity
- > Improve offerings via digitalisation and customer-facing systems

¹ Net interest charged on group funding provided to Quince has been eliminated in line with the consolidation principles of IFRS. This elimination amounted to R125 million (2016: R95 million).

Operational measures		2017	2016	2015
Total document volume (TDV) (Nashua)	Million clicks	4 486	4 577	4 869
Total voice minutes (ECN)	Million minutes	1 248	1 144	1 001
% of voice minutes sold by franchise channel	%	9	8	7
Advances book (Quince Capital)	Rm	2 325	2 143	2 116
Natural capital 				
Electricity consumption	MWh	1 029	1 022	5 072
Water consumption	MI	40	71	49
CO ₂ e ¹	Kt	1	2	2
Human capital 				
Employees at year-end	Number	1 707	1 978	2 116
Work-related fatalities	Number	–	–	–
Training spend	Rm	10	5	4
Social and relationship capital 				
Community investments	Rm	5	5	6
Enterprise and supplier development spend	Rm	18	16	17

OPERATIONAL PERFORMANCE REVIEW

ICT delivered a strong performance, underpinned by positive margin improvement in both office automation and telecommunications. Revenue remained flat at R3,3 billion (2016: R3,3 billion). The increased revenue from fewer, but higher-value units being sold in the office automation business was offset by the lower voice income due to the final statutory reduction in interconnect rates, despite the positive customer growth in our voice-over-internet business.

Operating profit increased by 16% to R635 million (2016: R549 million). Organic growth, a stronger Rand and improved efficiencies drove a 3% improvement in operating profit margin. The introduction of several new services increased cross-selling opportunities which improved performance from the Nashua franchise channel.

Despite a contraction in the office automation sector, Nashua improved its sales of higher category MFP units. ECN increased the number of customers serviced and voice minute volumes grew by 9%, but revenue declined as the final interconnect rate reduction became effective.

Nashua introduced a new service desk and launched Smart Solutions as part of its strategy to be a total office services provider. Smart Solutions include services such as surveillance and access control.

An investment into the ECN network resulted in a more robust, high-quality and simplified network, creating scale for our new business-internet-access product suite. The ability to provide voice and data to our customers offers new diversified sales streams and underpins the continued growth rate of ECN.

During the 2017 strategy review, the PanSolutions operating model was identified as an area to be addressed. Subsequently, all three retail branches were sold, and 121 employees transferred to the new business owners as part of this transaction. From 1 August 2017, PanSolutions continues as an importer and distributor of selected office automation products.

Office automation

Nashua

Nashua sales into higher segment and colour MFPs increased, and the business unit improved its market share from 13,7% to 15,5%. The recovery of the Rand lowered its cost of sales and contributed to increased margins.

Contribution from the franchise channel improved. Direct sales of voice minutes sold by franchisees increased by 23% to 115 million voice minutes. Nashua launched three new product lines, focusing on access control and surveillance, into the franchise channel. Nashua's sales teams leveraged customer knowledge within the franchise network to offer products and services aimed at meeting customer requirements.

Consequently, Nashua cemented its reputation as a customer-centric brand and achieved a client retention level of 95%. The brand's established relationships and distribution channels across southern Africa continue to offer a competitive advantage.



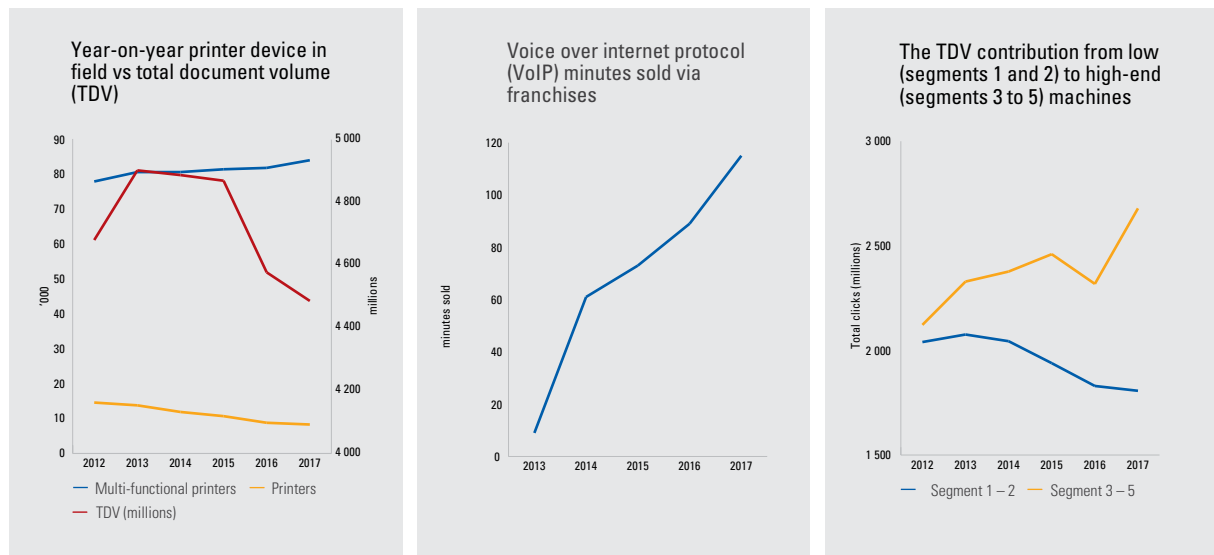
Nashua launched Smart Solutions to enhance its capabilities as a total office provider. The Smart Solutions capability collaborates communication elements including a range of surveillance solutions developed by Nashua and Hikvision, biometric fingerprint (Virdi product range) and facial recognition allowing for comprehensive access control, and interactive whiteboards. This product range was launched into the franchise channel and we expect further products and service offerings going forward.

¹ Excludes Scope 3 emissions.

The improved operating profit was supported by the cost containment drive which started at the end of 2013. Nashua controlled its operating costs while enhancing output. All supplier contracts were reviewed and where appropriate more competitive terms negotiated. The bespoke billing system, which offers one invoice to customers for all services and products, will remain in-house, and is considered a key differentiator in the total solutions offering.

The approach to franchisee and employee training was changed to incorporate a greater focus on efficiency. The consolidation of the warehousing function resulted in warehousing and logistics costs reducing by 25%. A key element was the introduction of a new inventory management system which improved cash flow and inventory management.

Nashua introduced a new service desk in September 2017: ServiceNow, a cloud-based system that enables service call logging and management, is Nashua's largest IT project in 15 years. The system will allow for easy access to real-time data, helping to drive efficiencies and performance improvements. It will improve service delivery in all lines of business. The ability to provide the right information to the right people in real time will help Nashua to drive business decisions and identify areas for improvement rapidly across all its product and service offerings. During the year, 188 service controllers, 57 technical managers, and 551 field service engineers were trained on the new system.



Customer satisfaction

Nashua maintained a score of 9,2/10 on the customer service index. In instances where a customer rates the business unit below 5/10, immediate corrective actions are taken to resolve customer concerns. Nashua continues to maintain a high level of customer loyalty as a result of the focus on customer experience.

Prodoc

Nashua owns 60% of Prodoc which trades in Scandinavia and the Baltics. Prodoc and Nashua are two of the top three independent distributors of Ricoh products globally.

Prodoc’s revenue in local currency (Swedish Krona) increased by 10% while operating profit decreased marginally. Converted to Rand, the business unit’s revenue decreased by 4% due to the stronger Rand.

During 2017, Prodoc secured some of its largest ever contracts within Scandinavia and the Baltics regions. This will increase future annuity revenue streams and TDV volumes are expected to increase in 2018.

Prodoc increased its focus on digital innovation and cross-selling multiple business lines to its customer base, and revenue from non-traditional office automation markets increased from 20% to 25%. Its extended offering includes communication and collaboration products (videoconferencing, audio and video solutions) and services for meeting rooms, control systems for meeting rooms and digital signage.

With a relatively small market share of below 7% in MFP and printer markets, Prodoc has good growth potential over the next three years. The business unit’s core business remains stable and will underpin the transformation of its service offerings.

Prodoc adopted Nashua’s process for customer satisfaction by implementing the NPS as a KPI. In the first year of measurement it attained a score of 28%.

Quince Capital

R million	2017	2016	2015	2014	2013
Advances book	2 375	2 143	2 116	1 965	1 820
Average monthly discounting	99	79	86	81	80

Quince’s customer base consists mainly of the Nashua franchises, who in turn lease the underlying equipment to a highly diversified customer base. Recurring business accounts for 67% (2016: 65%) of the business’s financing activities. As a result of increased sales volumes from customers and partners, the book increased by 11% to R2,4 billion (2016: R2,1 billion). The top 10 customers comprise 11% of the total advances book. The majority of contracts are direct with the franchises.

Risk management and funding cost

Reunert provides 96% of Quince Capital’s current funding (R2 billion). An external loan of R200 million was repaid in May 2017. In addition, Quince Capital has unutilised external funding facilities of R1 billion.

Funding costs increased by 0,29% as a result of an increase in lending rates. Interest rate risk (variable rate funding) on the fixed portion of the advances book (fixed interest rate in the underlying rental contained) is mitigated through interest rate swaps, where necessary. This ensures that fluctuations in interest rates do not have a material impact on margins, and that a satisfactory weighted average cost of funding is maintained. The variable nature of pricing on funding lines ensures that there is a natural hedge on the linked portion of the advances book. Interest rate swaps increased to R750 million (2016: R400 million) due to refinancing of an external fixed rate loan with an internal variable rate loan (and the consequential requirement to fix this variable rate loan) coupled with the increase in the advances book.

Quince Capital maintains a conservative approach to credit risk. A combination of strong credit vetting and monitoring improved the business unit’s credit loss ratio to 0,46% in the 50% recourse book (2016: 0,79%).

In August 2017, the Global Credit Ratings Agency reconfirmed Quince Capital Proprietary Limited’s credit rating to be A(ZA) and A1(ZA) in the long and short term respectively with the outlook accorded as stable.

Telecommunications

ECN

ECN growth in minutes routed over its network increased by 9% to 1,2 billion (2016: 1,1 billion). Revenue from voice minutes is 3% lower than the prior year, due to the drop in regulatory interconnect rates from 16 cents to 13 cents per minute.

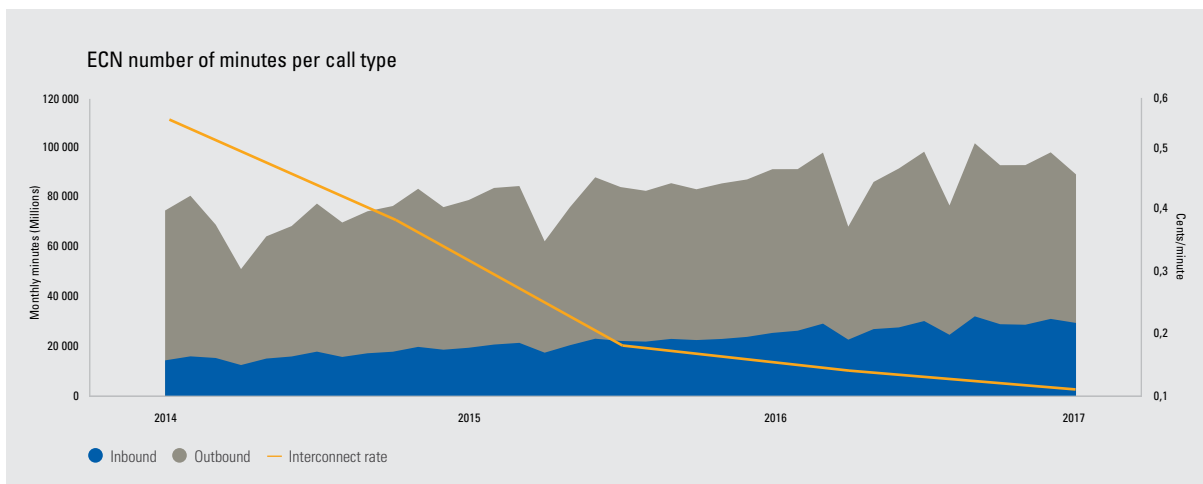
ECN added 5 128 new customers onto the network (2016: 3 732). Customer numbers ported to our network increased by 45% to 36 744. However, voice minute volume

per customer is decreasing due to economic pressure on customers and the growth in social platforms. The business unit's operating expenses were contained to below inflation.

The core network uptime level for the year was 99,7% (2016: 99,99%). A network failure on 31 March 2017 impacted the majority of ECN's customer base and resulted in 2,6 million lost minutes. All customers were recovered, and the network was stabilised. Customer satisfaction was 90% for all customers interviewed.



ECN expanded the business-internet-access product suite and released Virtual PBX to its service provider channel. The launch of more business-internet-access products, specifically over fibre and wireless, gives customers and channel partners more options. The ability to provide voice and data to our customers offers a new diversified sales stream and underpins the continued growth rate of this business.



ECN network enterprise systems architecture

R18 million was invested into network hardware and the ECN enterprise systems architecture and business intelligence system which went live on 1 October 2017.

The ECN business systems architecture was reviewed and rebuilt to ensure revenue assurance and business efficiency in the more complex product and billing environment. This includes the deployment of new networking hardware, the implementation of customer and service separation and the consolidation of the network's physical footprint.

The upgrade to ECN's core network allows it to provide high-speed capacity and throughput infrastructure. The upgrade will enable the business unit to easily scale its network to accommodate more customers and provide them with services such as high-capacity internet and data products. The benefits include:

- > future-proofing of ECN's core network by upgrading significant hardware components;
- > improved reliability and lower redundancy of services by removing significant single points of failure; and
- > customer satisfaction through improved operational efficiency and visibility.

Interconnect rates

In February 2017, the Independent Communications Authority of South Africa (ICASA) requested information from all licensees regarding call termination rates. ICASA has extended the current voice call termination rates for calls to fixed and mobile numbers for another year to 30 September 2018.

Reduction in interconnect rates as set by ICASA

START DATE	END DATE	TERMINATION RATE PAID FOR OUTBOUND MOBILE CALLS	TERMINATION RATE PAID FOR NATIONAL OUTBOUND FIXED CALLS	TERMINATION RATE EARNED FOR INBOUND CALLS
1 October 2014	30 September 2015	20 cents	15 cents	21 cents
1 October 2015	30 September 2016	16 cents	12 cents	16 cents
1 October 2016 ¹	Not applicable	13 cents	10 cents	12 cents



¹ The final reduction in interconnect rates became effective on 1 October 2016.

APPLIED ELECTRONICS

Applied Electronics develops, manufactures and distributes high-tech electronics to a wide range of industries globally.

MAJOR BUSINESS UNITS

Secure communications cluster

REUTECH
RADAR SYSTEMS

REUTECH RADAR SYSTEMS

Develops and manufactures search and tracking radar systems and subsystems for local and export markets. Technology includes radar sensor systems used globally at mining operations.

Products and services

Movement and surveying radars (MSRs), Sub-Surface Profiler (SSP) radar for underground mining safety applications, 904/906 family of surveillance radars, Frequency Modulated Continuous Wave (FMCW) Optronics Radar Tracker (FORT) and RSR 210 naval air/sea surveillance radar.

Distribution channels

Reutech Radar Systems' sales team, partnerships in the defence market and consultants and distributors in the mining environment.

Market sectors

Defence, mining and security.

Intellectual property

Floodlight radar system for detecting and locating moving targets in 3D.

StealthRad™.

A global provisional patent on the SSP.

Patent in the non-level deployment functionality of the MSR.

 www.reutechradar.com

REUTECH
COMMUNICATIONS

REUTECH COMMUNICATIONS

Specialises in secure communication systems for tactical airborne, land and naval-based platforms as well as secure network-centric solutions for command and control, blue force tracking, forward observation link and messaging services.

Products and services

Tactical, mobile and static secure radio communication systems, data tracking and information management solutions.

Distribution channels

Strategic partnerships with local and international ministries of defence and parastatals for technology and product development, products and customised system solutions. Partnerships with local and international OEMs and system houses for product and system solutions, and with international in-country resellers and support centres with a proven track record and product support capability.

Market sectors

Ministries of defence (South Africa and other countries) and local and international OEMs.

Intellectual property

Owns intellectual property developed through internal funding, shared and customer funding. Owns various local and international brands.

 www.reutechcomms.com



Applied Electronics comprises Reutech Radar Systems, Reutech Communications, Omnigo, Nanoteq, Reutech Solutions, Fuchs Electronics, and the recently acquired Terra Firma and Ryonic Robotics.

Secure communications cluster (continued)



OMNIGO

Omnigo is an electronic component manufacturer with a specialised production facility for the population and assembly of printed circuit boards (PCBs).

Omnigo makes customer designs a reality by delivering a quality working product, which allows customers to focus on their core business.

Products and services

Surface mount device population of PCBs, conventional manufacturing (through hole manufacturing), sub and final assembly, testing, screening and industrialisation.

Distribution channels

The Omnigo sales team and long-term relationships with local and international defence companies.

Market sectors

Omnigo can service any industry that has an electronic manufacturing need, with a specific focus on the defence market. Its major customers include local and international defence companies.

 www.omnigo.co.za



NANOTEQ

Nanoteq develops cryptographic products and solutions to meet cybersecurity and cyberdefence requirements.

Products and services

High-grade cryptographic solutions, cybersecurity solutions and enablers for the Internet of Things.

Distribution channels

Direct selling and via selected agents, distributors and resellers.

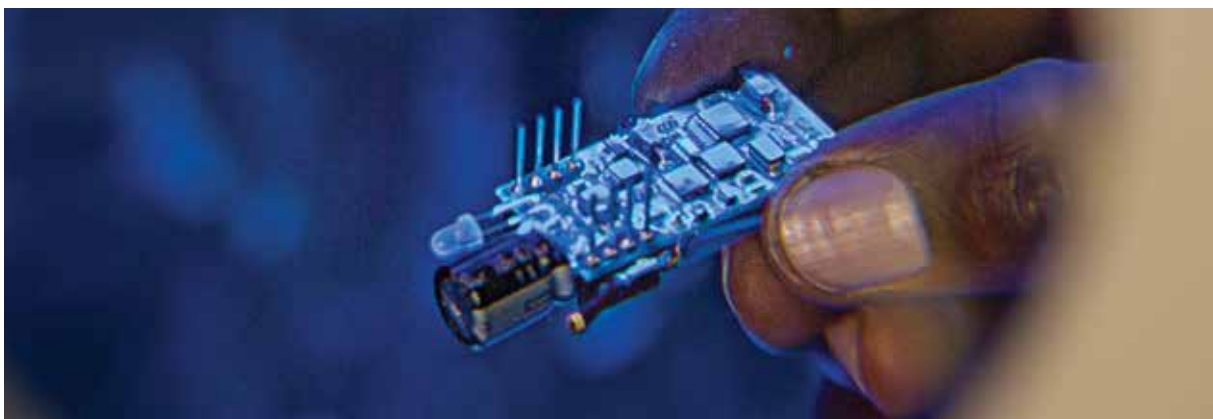
Market sectors

Government, defence and finance markets.

Intellectual property

Crypto Development Stations and Nanoteq Hardware Crypto Module (QCM™).

 www.nanoteq.com





REUTECH SOLUTIONS

Reutech Solutions supplies turnkey solutions in the telecommunications and sensor industry. It designs, engineers and manufactures remote controlled stabilised weapons platforms.

Products and services

Remote controlled stabilised weapons platform and engineering through-life-support of telecommunications networks and sensors.

Distribution channels

Reutech Solutions' sales team and dual distribution channels.

Market sectors

South African National Defence Force (SANDF), South African Police Service (SAPS), SOEs and export market (shipyards and vehicle OEMs).

Intellectual property

Owns intellectual property developed through internal, shared and customer funding.

 www.reutechsolutions.com



FUCHS ELECTRONICS

Provides advanced electronic fuze technology. Capabilities include electronic and precision mechanical design and the high-volume production of electro-mechanical assemblies.

Products and services

Electronic fuzes.

Distribution channels

Partnerships with international OEMs, defence ministries and other organisations.

Market sectors

Majority of products are exported to international defence OEMs and defence ministries.

Intellectual property

Owns the intellectual property in all Fuchs Electronics products.

 www.fuchs.co.za



TERRA FIRMA SOLUTIONS

TERRA FIRMA SOLUTIONS

Terra Firma is a turnkey energy engineering solutions and specialist training provider delivering start-to-end solutions, starting with strategy development, leading to project implementation, support and maintenance. The business unit's focus includes commercial scale rooftop solar photovoltaic (PV) systems between 200 kW and 30 MW. Terra Firma completed over 30 MW of solar installations to date.

Products and services

Turnkey energy efficiency engineering solutions, PV engineering and procurement contractors (EPC) solutions, SMART energy and water monitoring and management software, carbon management, environmental policy and strategy development and specialised green career training (Terra Firma Academy).

Distribution channels

Direct marketing.

Market sectors

Commercial property, industrial and manufacturing with a need to address any energy, carbon and environmental sustainability needs.

Intellectual property

COPPER and AQUA – energy and water monitoring and management software solutions.

The content and training material offered in the Terra Firma Academy.

 www.terrafirma-solutions.com



RYONIC ROBOTICS

Ryonic Robotics is a robotic design and development company at the forefront of robotics systems for various industries and applications. A team of professional engineers develops and designs all hardware and software in-house.

Products and services

- > Ryonic Modular Inspection System (RMIS), an inspection crawler system for use in underground mines, pipelines and other confined and dangerous spaces.
- > Ryonic Armadillo exploration systems is designed for underground and mining operations and rough outdoor terrain.
- > PTZ (pan, tilt and zoom) heavy duty security mine cameras.

Distribution channels

Direct sales through distribution partners in the USA, UK and Australia and intragroup distribution through Reutech Solutions and Reutech Radar Systems.

Market sectors

Mining, oil and gas, water and sanitation, energy, shipping, and security and surveillance.

Intellectual property

Ryonic Inspection Suite.

Ryonic Remote Server.

Ryonic Inspection Screencast.

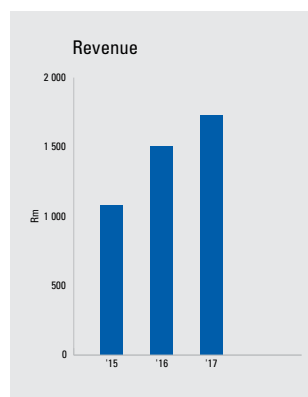
Ryonic Remote Desktop.

Ryonic Virtual Inspection.

 www.ryonic.io

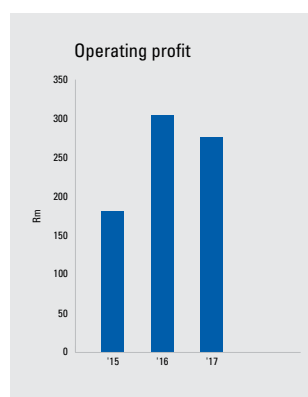


APPLIED ELECTRONICS AT A GLANCE



KEY EXTERNAL DRIVERS

- > Security and defence demand
- > Mining safety
- > Data encryption
- > Infrastructure development
 - Renewable energy
 - Telecommunications infrastructure maintenance



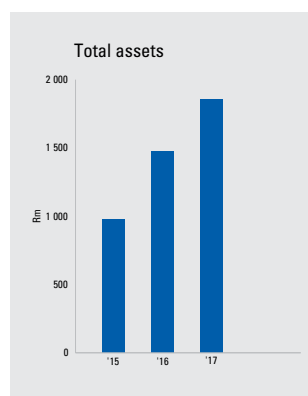
ACHIEVEMENTS

- > Acquisitions contributing 25% of revenue
- > Increased our commercial portfolio through the acquisitions of Terra Firma and Ryonic Robotics
- > Fuchs Electronics securing significant long-term export orders
- > Omnigo securing new export contracts
- > A record year for mining and commercial radars
- > First Ryonic pipeline inspection robot sales to the North American market
- > New products launched included a coastal surveillance radar, a range of digital tactical communication products and the new Rogue Lite platform



CHALLENGES

- > Reduction in defence budgets and the negative impact on timing and placement of orders
- > External funding constraints for research and development
- > Increased mining radar competition



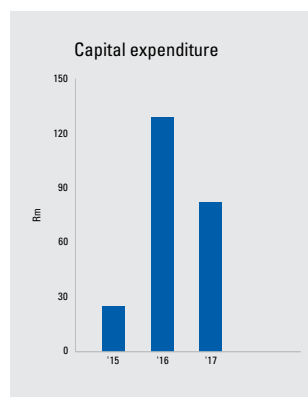
IMPROVEMENTS

- > Reutech Radar Systems' implementation of an efficiency programme
- > Production efficiencies and optimisation of the supply chain in Reutech Communications
- > Increased production capacity for exports at Omnigo and Ryonic Robotics
- > Improved BBBEE ratings



DISAPPOINTMENTS

- > Slow placement of local and international contracts
- > Slower than expected ramp-up of Radiate radio manufacturing due to technical delays
- > Phase two of Radiate tactical radio order not yet secured.
- > Longer time needed to develop baseline for Ryonic Robotics than anticipated.



OUTLOOK AND FOCUS AREAS

Following the expansion of production facilities, Applied Electronics will focus on increasing efficiency, including supply chain, and enhancing export volumes. The segment has to be agile to adapt to the changing environment and increase its share of the markets, including next generation products.

The focus areas are aligned with our strategy [12](#):

- > Create sufficient capacity to execute export orders for Fuchs Electronics
- > Integrate new acquisitions and increase their scale
- > Improve Reunert Communications' and Fuchs Electronics' production line efficiency
- > Innovative product releases and sales into our global networks
- > Diversify by increasing market share in selected geographies

		2017	2016	2015
Natural capital ⁸⁴				
Electricity consumption	MWh	6 257	5 439	5 023
Water consumption	MI	64	83	51
CO ₂ e ¹	Kt	7	6	6
Human capital ⁷¹				
Employees at year-end	Number	1 873	1 472	1 461
Work-related fatalities	Number	–	–	–
Training spend	Rm	14	18	15
Social and relationship capital ⁶⁸				
Community investments	Rm	2	3	2
Enterprise and supplier development spend	Rm	5	22	11
Intellectual capital				
Research and development as a percentage of revenue	%	9	8	8

OPERATIONAL PERFORMANCE REVIEW

Delays in the start of the key export order for Fuchs Electronics and the stronger Rand reduced the segment's operating margin performance to 16% (2016: 20%). Revenue increased by 14% to R1,7 billion (2016: R1,5 billion), mainly driven by acquisitive growth and the production output of the new generation tactical radios. Operating profit declined by 10% to R276 million (2016: R305 million).

The lower operating profit belies an otherwise promising picture of the performance of the other business units which included the penetration of new markets, securing long-term contracts and the success of mining and commercial radars.

The strategy to diversify revenue streams is gaining traction, and new businesses contributed 25% of revenue.

Production line and supply chain efficiencies were key focus areas in the segment, which reduced costs and dependency on single-source suppliers. We made a number of improvements and investments at our manufacturing operations to ensure we maintain technological capabilities and quality assurance.

Acquisitions

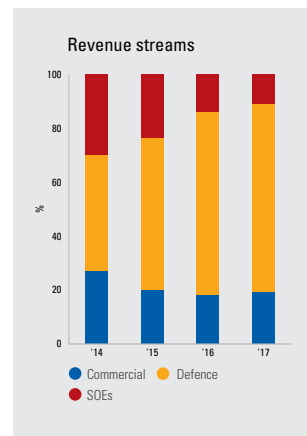
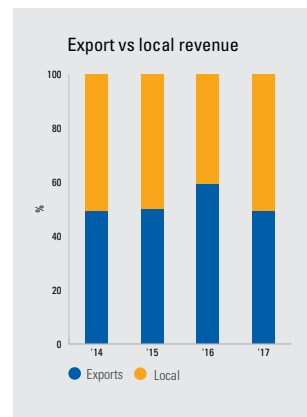
We concluded the acquisitions of two early life cycle businesses which integrate well with the group's strategy of innovation and access to new markets. Both acquisitions were effective 1 March 2017.

- > Acquired a 51% stake in Terra Firma. Since its acquisition Terra Firma expanded its business model to incorporate provision for joint venture PV projects. This places the business in an advantageous position to compete for market share on the African continent where renewable energy demand is growing.
- > Acquired 74,9% of Ryonic Robotics, with top management retaining 25,1%. The group's customer base will benefit from Ryonic Robotics' product suite which is complementary to the group's existing products.

Nanoteq was acquired effective 1 October 2016 and is performing in line with initial projections.

Omnigo, acquired in December 2015, exceeded our investment expectations. The business was recapitalised, and revenue increased by a cumulative 14% since being integrated into Applied Electronics.

Omnigo and Nanoteq continue to support Reutech Communications to create a vertically integrated provider of next generation tactical communication products. This secure communications offering is well positioned to supply into existing long-term contracts and complementary offshore geographies. Together, they provide a complete suite of products of military specification tactical communications for land, sea and air, including encryption technology.



¹ Excludes Scope 3 emissions.

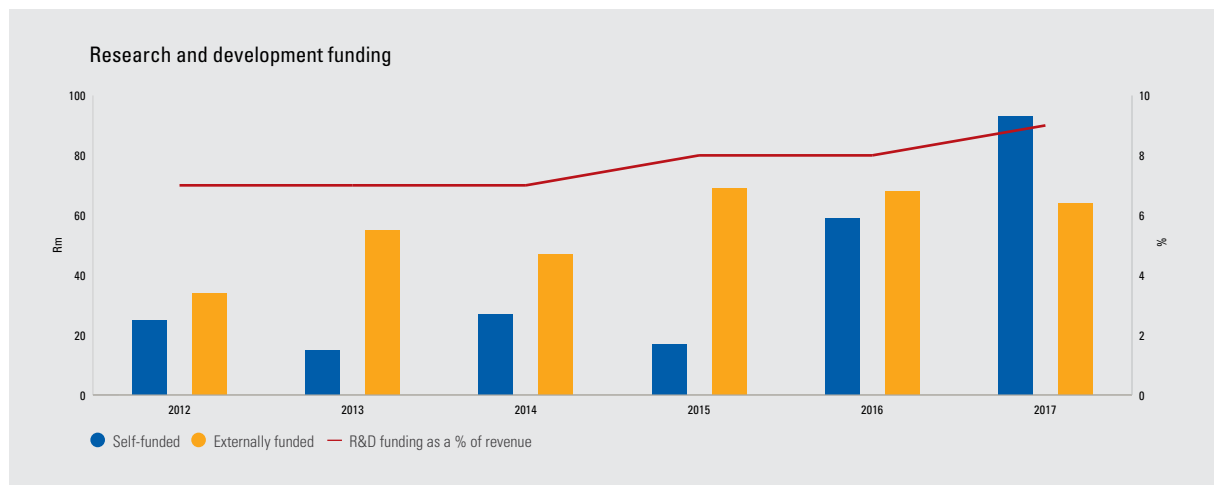


Research and development (R&D) spend

Applied Electronics spent R157 million (2016: R127 million) on research and development activities. These activities focus on enhancing existing mining and defence products, and on new mining product developments. It is critical that the segment retains key skilled and experienced employees and secure external funding in order to invest in innovation.

External funding declined due to the slow application of development funds by South Africa's Department of Defence in defence budgets. Reunert's contribution to R&D funding increased by 37% to R93 million.

We secured external funding to develop a product for coastal surveillance from export sources.



Arms control legislation

A variety of treaties, legislation and regulations apply to the defence industry in South Africa, including the exports of defence weapons and systems. As a role player, Reunert adheres to these requirements.

National Conventional Arms Control Committee (NCACC)

The following legislation is applicable to arms control:

- > The National Conventional Arms Control Act, No 41 of 2002 as amended, and its supporting notices and regulations
- > The Regulation of Foreign Military Assistance Act, No 15 of 1998
- > The Anti-Personnel Mines Prohibition Act, No 36 of 2003

The NCACC, a statutory body reporting to parliament, is responsible for the control over trade in conventional arms and rendering of foreign military assistance.

No person may trade in conventional arms or render foreign military assistance unless registered with the Chief Directorate Conventional Arms Control and in possession of a permit authorised by the committee and issued by the Directorate Conventional Arms Control. Permits are required for armaments development and manufacturing, marketing, contracting, exporting, importing or transferring (conveyance) of conventional arms, which includes weapons, munitions, vessels (land, sea and air) designed for war, articles of war, and related systems, components, technologies, dual-use goods or services.

The South African Council for the Non-Proliferation of Weapons of Mass Destruction (NPC)¹

South Africa's policy on non-proliferation of weapons of mass destruction is reflected in legislation and is regularly reviewed in accordance with national and international developments. The Minister of Trade and Industry publishes, by notices in the government gazette, lists of goods and dual-use goods that are controlled. Activities related to these goods, for example transfers, require a permit issued by the NPC. Permits authorise specified activities by persons registered with the NPC.

Any person who is involved in any activity with regard to controlled goods has to:

- > register with the NPC in the prescribed manner;
- > comply with legislation controlling the handling of dangerous goods; and
- > have current and duly authorised permit(s) and authorisations from the NPC and other relevant authorities for the specified activity.

¹ Extracted from the Department of Trade and Industry's non-proliferation policy and permits.



Reutech Radar Systems

Reutech Radar Systems' revenue increased by 30% mainly due to the execution of a foreign radar development order and increased slope stability radar sales. The mining sector, especially in Africa, experienced growth with increased demand for commodities. This contributed to a record year for the mining business. MSR volumes increased by 25% and were distributed to 15 countries across the globe.

While the local defence sector remained subdued due to budget reductions and the cancellation of a contract to procure offshore patrol vessels, the foreign defence sector gained traction as regional tensions escalated.

The implementation of an efficiency project was instrumental in a 7% saving on production costs this year with further savings expected in the coming year. Radar Systems also focused on improving employee engagement ratings and the working environment.

Continuous investment in innovation

Research and development was dedicated to new underground mining products and improving the MSR's performance through software enhancement. There was a continuous focus on the development of niche security and defence products. However, Reutech Radar Systems experienced delays in the US Federal Communication Commission approval process which impacted the qualification and market launch of the products into Australia and the USA.



Collaboration to reduce the number of poaching incidents

The Postcode Meerkat wide area surveillance system was launched in the Kruger National Park in December 2016. The system comprises radar, cameras and information analysis software able to detect, track and classify people entering protected areas within a game park in support of anti-rhino poaching operations. Two weeks after its introduction in the Kruger National Park, the Meerkat managed to stop five out of nine detected rhino poaching incidents.

The system is a partnership between multiple entities including the UK People's Postcode Lottery, the South African Department of Environmental Affairs, Peace Parks Foundation, SANParks, the CSIR and Reutech Radar Systems.

A major part of the system is provided by Reutech's RSR 904 ground surveillance radar that provides the system with its wide area surveillance capability. Information provided by the radar allows an operator to observe activity within its coverage area prior to further analysis within the system.

The RSR 904 radar has a greater role to play not only in the environmental domain, but also in protecting a country's borders. In this sense, there is little difference between intruders entering an environmental protected area and those illegally crossing a country's border. In both cases, the task relates to detection, classification and tracking of people across remote open areas. This capability serves to enhance border protection agencies'



ability to stem the illegal movement of people and vehicles across borders.

Due to its compact design, low emitted power levels, low power consumption and ease of deployment and operation, the RSR 904 is ideally suited for fixed or mobile installations in multiple ground surveillance applications.

Secure communications cluster

Reutech Communications

Reutech Communications' expansion project was completed and it contributed to an improved revenue. Despite not reaching the initial target, operating profit increased materially year-on-year. The three production lines were increased to eight to meet the production requirements of the new generation tactical radio family for the SANDF. Technical delays and supply chain production problems negatively influenced the ramp-up to full production. The supply chain issues were partially resolved by year-end and industrialisation was achieved.

The SANDF confirmed the long-term strategic demand for the upgraded communications services and products, and the order for the second phase is expected in the short term.

Two new export markets were penetrated, and there is a steady growth in the international market sales as interest in the next generation suite of radios gathers traction.



Research and development

Typically, research and development in this business requires long design cycles. The current research and development programme for the new generation combat net radios commenced in 2009 and was completed this year. Some of the features of the new radios, ensuring ease of operation, support, upgrade and data integration are:

- > common human machine interfaces;
- > common battery packs;
- > common maintenance philosophy;
- > built-in data link functionality; and
- > customisable cryptographic module which is tamper resistant.

Omnigo

Omnigo had an excellent year with robust double-digit growth in revenue and operating profit. The business unit derived approximately 80% of revenue from export markets. The performance was driven by the focus on low volumes with a high mixture of different assemblies and complexity which is suitable for the aerospace and defence sectors. Procurement advances led to significant savings and contributed to higher margins.


Omnigo's order book is secured for the first half of the new financial year and negotiations for more orders are in the pipeline.

Investment in new technology will increase the throughput speed on selective soldering by up to 25%. This will strengthen Omnigo's ability to capitalise on new customer opportunities.

Nanoteq

Nanoteq is the sole custodian of sovereign intellectual property for the SANDF in the cryptographic product environment, and the business unit secured long-term contracts during the year. It has a diverse customer base and is exposed to long sale cycles and variations in export business. Exports make up 55% of Nanoteq's revenue. The lower international oil price impacted on business expansion initiatives in the target oil-producing regions.



Nanoteq implemented new generation testing methodologies in its product development cycle which will enhance its efficiency and quality. The H10 mobile communications cybersecurity application was introduced to the market and is being rolled out in the corporate space. 

Reutech Solutions

Despite challenges in the local defence industry, revenue improved marginally, but was offset by inflationary cost increases which negatively impacted the business unit's profitability. Securing the through life support contract renewals and other long-term contracts will be instrumental in the next financial year.



As a result, Reutech Solutions is restructuring and redefining its approach to new business. The business unit expanded its business development team with the aim of increasing the global market share of its Rogue stabilised platforms. The business unit made good progress in developing the Rogue Lite – a high-quality, lower-cost remote controlled stabilised platform, and demonstrated trials to potential clients in August 2017.

Fuchs Electronics

After a strong performance in 2016, Fuchs Electronics' revenue and operating profit decreased due to the delay of a top-up fuze order, which limited production in the first half of the year. The exchange rate was also less favourable than the previous contract period, which lowered comparative performance. An early production start-up and advance material purchases are enabling the execution of the contract under its condensed delivery deadlines.

The stronger Rand negatively impacted profitability, as 80% (2016: 94%) of revenue is generated from direct and indirect export sales denominated in USD. The average sales in 2016 were hedged using zero-cost collars with rates in excess of R15:USD1. Orders for 2017 were largely covered forward at rates of about R13:USD1.

In addition to the top-up order, Fuchs Electronics secured two large export contracts that will provide high-volume production output over the next 18 months. Battery production facilities were upgraded and almost doubled capacity to handle large-scale production orders.

The development of new fuze technologies, continued supply chain management, obsolescence management and product re-engineering to drive efficiencies in design and manufacturing, are key elements of the business unit's sustainability plans.

Terra Firma

Terra Firma continues to increase its order book through existing clients and expansion into new markets, focusing on commercial scale business between 250 kW and 30 MW. The business is growing rapidly, and performing according to our projected business case.

Growth in the demand for turnkey energy solutions positions Terra Firma to be a strong player in the African industry for the next decade. The business unit developed an African business expansion plan to capture these opportunities, with an initial emphasis on West Africa.

Research and development into demand management and demand-shaping technologies will be a focus area next year. Offering solar PV financing solutions in the future will enable Terra Firma to develop a solar asset portfolio.



Secure mobile product – Qmunicate H10

Business enabler for enterprise use of mobile devices.

Smartphones have become part of the daily business environment, and their inherent vulnerabilities, including vulnerable operating systems and hardware, put businesses at risk of electronic eavesdropping. The Qmunicate H10 product suite offers a secure communications environment that is software and hardware agnostic. The product addresses cybersecurity and its associated risks such as the leakage of sensitive business information.

The core design principles are:

- > Protection of communication sessions and information stored on the mobile device through military grade end-to-end encryption
- > Proper segmentation of business and private-related applications and information
- > Private application store under the control of the enterprise, ensuring control and management
- > Secure communication between mobile and fixed office infrastructure
- > Unauthorised access to information
- > Contributing to ensure legal compliance related to a multitude of industries and businesses

Ryonic Robotics

The business unit is two years old and still in start-up phase with positive contribution only expected in the 2019 financial year. Initial cash flow is negative as the business completes the base line development of its range of crawlers and will improve as production ramps up at the end of 2018.

The robotics and automation markets are projected to have positive growth trajectories globally. Ryonic Robotics' intellectual property and engineering capability will provide a strong competitive advantage against global competitors. Ryonic Robotics has distribution agreements with technical equipment supplier Nexxis (Australia) and Ridgid (South Africa).

The first export orders were secured for three unmanned pipe inspection robots to the USA and one to Australia. Further improvements on the RMIS crawler are under way and the inspection software suite offers unique value to customers.

Ryonic Robotics relocated to Reunert Park in Midrand, enabling the integration of support with Reutech Solutions. This should increase internal efficiencies and lead to cost reductions and increased production output.



Research and development

A market need for quality safety and security products that can operate in tough and tight environments is driving the design of affordable solutions using new technologies.

The **Ryonic Armadillo** is designed for underground and mining operations as well as rough outdoor terrain. Boasting 8x8 drive, fully independent suspension with airless

and deformable tires, it can efficiently tread over any obstacle. It is fitted with a full high-definition pan, tilt and zoom video camera, ensuring unmatched visuals when inspecting hazardous and difficult to reach areas. The remote-controlled robots are designed to go where no other crawlers can go. The standard range of 1 500 meters can be increased using signal repeater technology in hard to reach places.



PEOPLE

We promote a fair workplace for all.

TRANSFORMATION STRATEGY REVIEW

Social, Ethics and Transformation Committee report	64
Transformation overview	66
Pillar one: BBBEE review	67
Pillar two: Human resources review	71
Pillar three: Sustainability review	76

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

This report highlights important information about how the Social, Ethics and Transformation Committee has discharged its statutory duties as prescribed in section 72 of the Companies Act, read with Regulation 43, and its additional transformation mandate from the Board.


THE COMMITTEE'S OVERSIGHT ROLE

The committee has a formal work plan, reviewed annually, to ensure that it provides guidance and direction on all matters that fall within its mandate.


The committee's key focus areas for the year were:

- > exercising its statutory oversight role;
- > the Reunert group values process; and
- > the execution of Reunert's transformation strategy.

The committee's terms of reference is available at

 www.reunert.co.za/corporate-governance.php


REUNERT GROUP VALUES PROCESS

The committee provided extensive input on the development of the Reunert group values. The open, transparent and inclusive process followed to develop the values pleased the committee. The committee endorsed the set of group values  as a reflection of a sound ethical foundation.

EXECUTION OF THE TRANSFORMATION STRATEGY

The transformation strategy is built on three key pillars, which emphasise the aspects described below and which form part of the group's governance of social, ethical, environmental and transformational performance.

Pillar 1: Broad-Based Black Economic Empowerment (BBBEE)

BBBEE is a business imperative, and the committee is mandated to oversee the group's compliance, and its progress with respect to the Department of Trade and Industry's Generic BBBEE Codes of Good Practice (New Codes) and the new ICT Sector Codes. An overview of the BBBEE legislation and a progress report on compliance with the respective codes are presented at every meeting. Business units are committed to BBBEE, and have done extensive work towards compliance, and acceptable BBBEE scorecards and levels . The committee is satisfied that all business units are sufficiently geared to comply with the BBBEE Codes.

Pillar 2: Human resources

The human resources pillar is formulated around the effective development and management of talent within the group.

The strategy is built on an integrated talent framework.

The committee monitors each pillar against a set of metrics including equity appointments and resignations. The Group Transformation Committee presents a detailed report and discussion paper to the committee at every meeting. The report highlights achievements and problem areas to enable the committee to assess the group's progress.

The committee is satisfied with the group's progress in 2017, and has endorsed the key deliverables for 2018.


Labour relations

Labour relations are a focal point of the committee, who guides management to ensure a productive and stable working environment. There was minimal labour disruption in 2017 and the three-year wage negotiations were concluded satisfactorily with no strike action. Maintaining and building effective relationships between management, employees and unions is an imperative, and the committee encourages management to continue exploring mechanisms to strengthen labour relations.


Pillar 3: Sustainability

The committee oversees the processes and policies that ensure the group acts as a responsible corporate citizen and follows a precautionary approach that safeguards the environment in which it operates.


We exercised our oversight of Reunert's obligations under Regulation 43 of the Companies Act. We satisfied ourselves that we are compliant. No material issues or concerns arose during the year.

Reunert subscribes to the 10 principles of the United Nations Global Compact . The group's standing in respect of these principles was presented to the committee during the year.

Environment and climate change

Reunert's direct impact on the environment is limited, and environmental practices are focused on compliance, risk mitigation and improved efficiencies. The committee is pleased to note that our businesses are actively promoting energy efficiency and are providing products to a growing renewable energy sector .

Social responsibility

In line with its statutory duties, Reunert's socio-economic initiatives are reported to the committee. The activities and strategy of the Reunert College, specifically, are reviewed periodically, given its prominence as a social economic initiative .

Consumer protection

The group's compliance with consumer protection regulations was carefully evaluated and confirmed during the year.

CONCLUSION

In addition to the responsibilities carried by the committee, key elements of the transformation strategy are also relevant to the mandates of other committees, such as the Nomination and Governance Committee, the Remuneration Committee and the Risk Committee.

The different focus areas of these committees are aligned to ensure effective management and to prevent duplication of matters. The committee is satisfied that the group has

appropriate policies, procedures, processes, plans and programmes in place to promote and sustain workplace transformation, socio-economic development (SED), good corporate citizenship, environmental responsibility, regulatory compliance, fair labour practices and effective customer relationships. The level of scrutiny and oversight continues to increase due to the introduction of the Group Transformation Committee.

The committee will continue reviewing all elements to oversee compliance and to encourage continuous improvement.



Thandi Orleyn

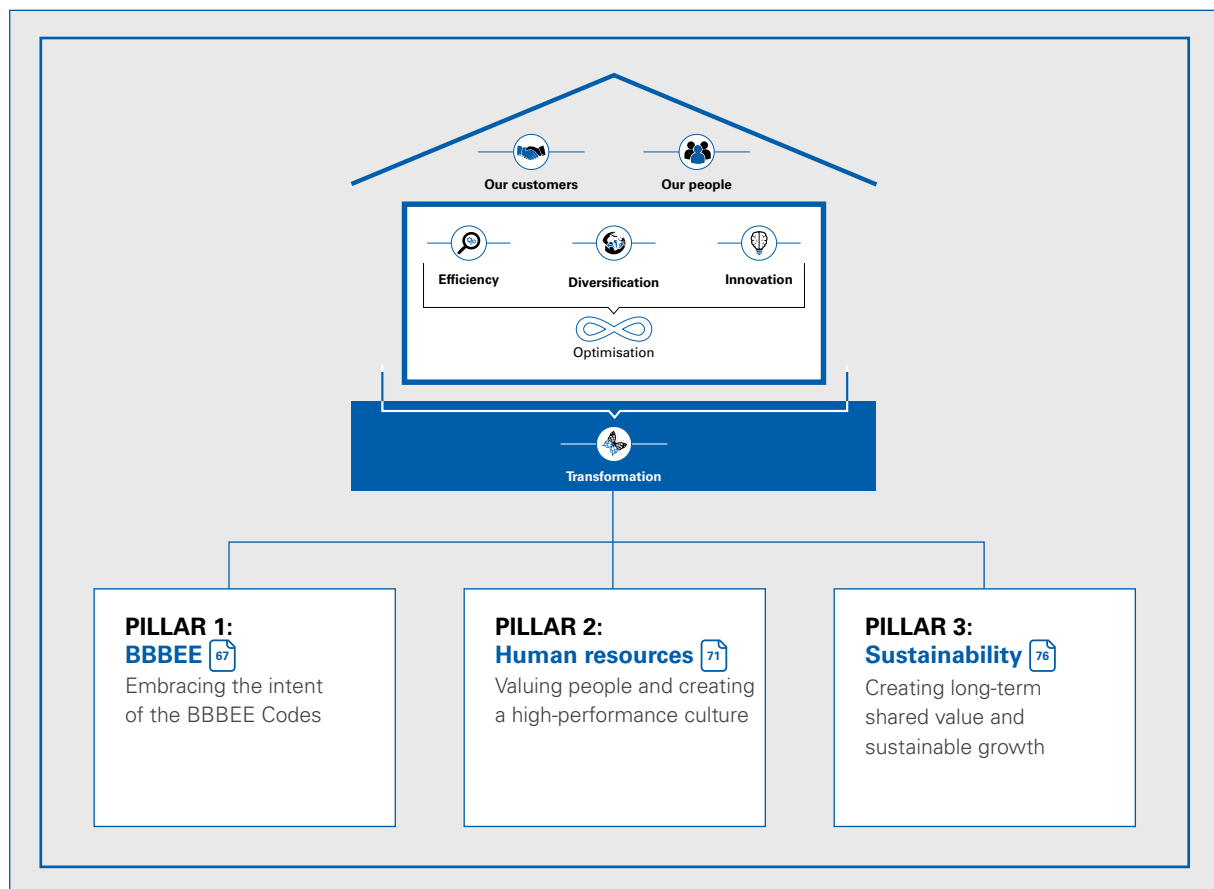
Chairman: Social, Ethics and Transformation Committee
20 November 2017

TRANSFORMATION OVERVIEW

Our transformation strategy supports a high-performance culture, the investment in our people and the transformation objectives of the group.

Reunert's approach to transformation is multi-faceted, embraces business and people and is a vital component of the group's strategy ¹²¹. We believe sustainable business is built on its leadership's ability to lead employees in the effective use of resources for the creation of sustainable value. The detailed transformation strategy guides our efforts and has been in place since January 2015. The strategic implementation of transformation is integrated into Reunert's support systems, specifically remuneration where BBBEE levels, employment equity targets and external appointments impact incentive pay-outs ¹¹⁸.

Reunert's transformation strategy: Working together to create a sustainable future



GROUP TRANSFORMATION COMMITTEE

The Group Transformation Committee comprises members of the Group Executive Committee who manage and monitor the transformation strategy. The mandate of the committee (within the overarching mandate provided by the Board) is to:

- > define the transformation policy and objectives for the group;
- > identify risks and impediments to meaningful transformation, and develop and implement mitigation plans; and
- > ensure that all transformation initiatives are implemented.

The committee meets every two months to consider reports provided on the transformation metrics and discuss impediments to transformation. The Group Transformation Committee monitors the relevant codes and applicable legislation. Interpretation and training are provided to the business units to ensure that there is an understanding of any changes and its potential impact.

¹²¹ Refer to www.reunert.co.za/corporate-governance.php for the Group Transformation Committee charter.

PILLAR ONE: BBBEE REVIEW

Reunert embraces inclusive growth in South Africa and prioritises compliance with the BBBEE Codes.

The rating level achieved under the new BBBEE codes impact Reunert's business units' business opportunities in South Africa ¹⁰⁷. The relevant BBBEE Codes are continuously assessed and monitored (through a BBBEE measurement tool) within all business units to understand their impact and to ensure that mechanisms are in place to mitigate the identified risks. Various initiatives were implemented to address the risks and to ensure that all business units comply with the codes.

NEW REGULATIONS

The changing regulatory environment remains challenging.

BBBEE regulations

The BBBEE regulations came into effect on 6 June 2016 and the new ICT Sector Codes on 7 November 2016. The new ICT codes enforce recognition levels that require additional points to be scored. The skills development pillar makes reference to expenditure relating to core ICT skills only, with two priority elements included. It is a requirement that all SED spend must be on information communication technology sector-specific initiatives. This requirement influenced how social development spend towards the Reunert College and the Nashua Children's Charity Foundation (NCCF) were internally allocated between business units in the Electrical Engineering and ICT segments.

The draft Defence Sector Codes of Good Practice (SADI Charter) was issued on 4 August 2017 for 60-day public commentary which ended on 4 October 2017. The draft contains more onerous provisions to comply with than current BBBEE legislation. Some of our business units currently classified under the ICT and generic sectors might be impacted and have provided input on the charter.

Preferential Procurement Policy Framework Act





The Preferential Procurement Policy Framework Act came into effect on 1 April 2017, and the key amendments relate to the following:

- > The BBBEE preference, applied to all state contracts above R1 million but under R50 million, was increased from 10% to 20%.
- > Organs of state may apply certain prequalification criteria as part of the tender requirements and may require a minimum percentage of local content.
- > The preference point system was changed.
- > Subcontracting of a minimum of 30% is mandatory for contracts valued above R30 million.

Reunert generates approximately R2,2 billion of revenue from SOEs which will be subject to the new subcontracting provisions. Refer to enterprise and supplier development ⁶⁸.

OVERVIEW OF BBBEE ELEMENTS

The table below provides a quick overview of the different BBBEE elements, with detail provided in other sections of this report, where relevant.

ELEMENT	2017 OVERVIEW
Ownership	<p>Reunert is committed to an ownership and control structure that is consistent with the vision and objectives expressed in the BBBEE Codes. It requires additional black ownership, and SOEs preferentially deal with companies that are compliant.</p> <p>In partnership with the SANDF Education Trust, a BBBEE ownership transaction was concluded by the Applied Electronics segment for a second 10% share in Reutech Proprietary Limited at a R20 million IFRS 2: Share-based Payment non-cash cost. This is in addition to the first phase of the Reutech BEE equity ownership transaction, concluded in 2016, bringing the total black empowerment ownership to 20%.</p>
Management control  Refers to management at all levels including top, senior, middle and junior management.	<p>The objective is to ensure diverse, transformed representation at all occupational levels particularly management. The HR strategy guides equity appointments and promotions within the group. Employment equity representation levels are monitored through specific HR metrics and have improved at all management levels .</p>
Enterprise and supplier development (ESD)	<p>The group implemented programmes that will assist suppliers in achieving sustainable, financial and operational independence. The shortage of black-owned SMME suppliers within the industries and sectors in which we operate, is a challenge in the preferential procurement element of the ESD pillar. We are focusing on developing SMMEs and suppliers to comply with preferential procurement requirements, and the implementation of a SMME subcontracting programme.</p> <p>Reunert's contribution towards ESD was R36 million (2016: R53 million).</p>
Skills development 	<p>Employee development is an important mechanism which aids the transformation process and creates a high-performance culture. Reunert aims to build and retain a team of highly skilled employees and to develop the skills of the broader community. The group spent R52 million (2016: R42 million) on internal and external skills development. Several business units have created learning centres which offer accredited learning courses.</p>
Socio-economic development (SED) 	<p>Reunert's corporate social responsibility programmes primarily address child development, through the NCCF; education through the Reunert College; and other initiatives with local communities such as the Philangethamba Trust. Reunert spent R14 million (2016: R14 million) on SED and corporate social investment (CSI) programmes.</p>



Enterprise development: Reutech Solutions

Reutech Solutions is collaborating on an enterprise development initiative with a supplier that manufactures high-precision metal parts for the military, rail and mining sectors. It will help the group and its customers to manufacture sub-components required during development and production phases.

Reutech Solutions' enterprise development relates to Indumeni Engineering. The business unit introduced two black individuals to an existing supplier (TurnOn Engineering) in order to transform a level 4 exempted micro-enterprise white-owned company to a BBBEE level 1 company (51% black owned, 30% black woman owned).

Investing and transforming such an entity will ensure Reutech Solutions receives preference in manufacturing high-precision metal parts. Indumeni will focus on markets such as rail and mining to ensure sustainability and growth.

The focus will be on a five-year exit plan for the current owners with the transfer of skills and assets to the two new shareholders, should the application to the dti for funding be successful.

BBBEE RATING PER BUSINESS UNIT

Business units verified under the New Generic Codes improved their points and maintained market-leading BBBEE levels. Business units verified under the new ICT Sector Codes improved their points, but dropped rating levels due to the new rating scale.

BUSINESS UNIT	APPLICABLE CODE	NEW OR CURRENT CODE FOR THE 2017 RATING	2017 RATING	2016 RATING
CBI-electric: African Cables	Generic	New	1	1
CBI-electric: Low Voltage	Generic	New	4	4
CBI-electric: Telecom Cables	Generic	New	– ¹	4
Nashua	ICT Sector	New	4	2
Nashua Communications	ICT Sector	New	3	2
Quince Capital	Generic	New	– ¹	5
ECN	ICT Sector	New	6	3
Reutech Radar Systems	Generic	New	6	2
Reutech Communications	ICT Sector	New	2	1
Omnigo	ICT Sector	New	4	2
Nanoteq	ICT Sector	New	5	5
Reutech Solutions	ICT Sector	New	2	2
Fuchs Electronics	Generic	New	8	8
Terra Firma	Generic	New	4	6

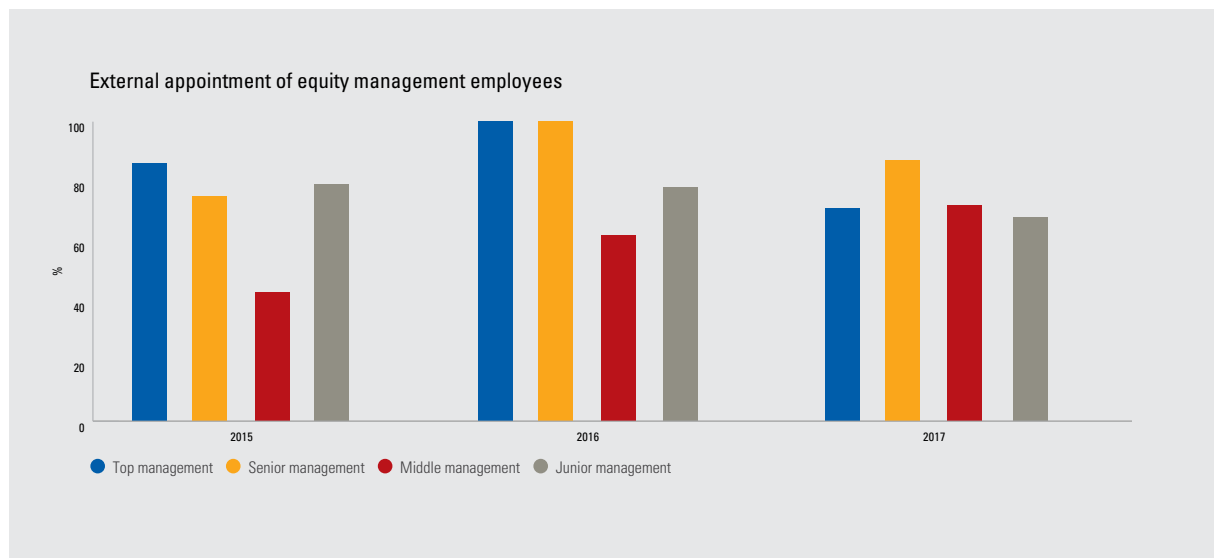
¹ 2017 rating to be completed February/March 2018.

MANAGEMENT REPRESENTATION

There has been continuous improvement in the equity profile of top and senior management since the inception of the transformation and HR strategy in 2015. A total of 18 equity appointments were made at top and senior management level. Equity appointments across all occupational levels comprised 82% of total internal placements within the group (2016: 82%).

Percentage black management in South Africa¹

%	Black male			White male			Black female			White female		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Top management	23	21	17	64	64	66	11	10	13	2	5	4
Senior management	30	27	23	47	50	58	17	17	9	6	6	9
Middle management	26	25	19	55	58	63	10	8	7	9	9	11
Junior management	41	40	39	27	27	29	19	19	17	13	14	14



¹ The percentage calculation excludes foreign nationalities working in South Africa.

PILLAR TWO: HUMAN RESOURCES REVIEW

The people strategic pillar encapsulates the promotion of a high-performance culture to support the group's growth strategy, the active and meaningful engagement of employees, and the motivation and recognition of execution excellence.

HUMAN RESOURCES

Reunert's value proposition for employees

We value our employees. We ensure that employees have meaningful jobs and appropriate development opportunities to grow and improve performance.



EMPLOYEES

<p>5 598¹ permanent employees (2016: 5 689)</p>	<p>1 011¹ non-permanent employees (2016: 803)</p>	<p>Employee TURNOVER: 3% Average LENGTH OF SERVICE: 10 years ABSENTEEISM: 1,8%²</p>
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PRIORITIES

- > Develop **key skills** and create a talent pipeline
- > **Identify and develop successors** for critical and senior management roles
- > Implement **talent retention** mechanisms and sustainable **job security**
- > Attract **skilled employees** through a sourcing strategy
- > Manage **talent** holistically at a group level



CHALLENGES

- > **Retaining** skilled and experienced technical employees
- > **Technical skills** shortages
- > **Replacing** scarce and critical skills



ACHIEVEMENTS

- > Increased equity representation at all management levels
- > Individual development plans within a formal framework is in place for successors, including cognitive development profiling assessments
- > The first talent forum for critical skills was held to address the talent gap at top management level due to natural attrition within the group
- > Wage negotiations concluded without any industrial action



OUTLOOK AND FOCUS AREAS

- > Building a high-performance culture
- > Continued emphasis on people transformation and the employment of equity candidates at top and senior management levels
- > Implement career pathways for technical positions

¹ Includes 50% of joint venture employees.

² First year of reliable data. Only includes South African operations, excluding Terra Firma and Nashua franchises.

WHAT GUIDES US

We have policies that ensure employees are treated fairly, and that their rights are respected in terms of the Labour Relations Act, the Basic Conditions of Employment Act and all other employee legislation. Through the Code of Ethics and policies, employees' rights are entrenched, ensuring that all employees are treated fairly, equally and without discrimination.

Over the years, we followed the guiding principles outlined in the group's Code of Ethics. In 2015, we introduced a two-phase diversity management programme. Phase one, 'winning work behaviours', was completed in 2016. It focused on establishing a common understanding of work behaviour in all the business units. It emphasised the importance of working together within the group, with colleagues, customers, and other stakeholders. Employees believe that they benefited in a personal and professional capacity.

Phase two was driven by the Reunert executive team and commenced in February 2017. Our goal was to create an inclusive approach in determining a common set of values for the group. A reiterative process provided all employees the opportunity to participate. The focus going forward is to entrench these values within the group.

TALENT MANAGEMENT

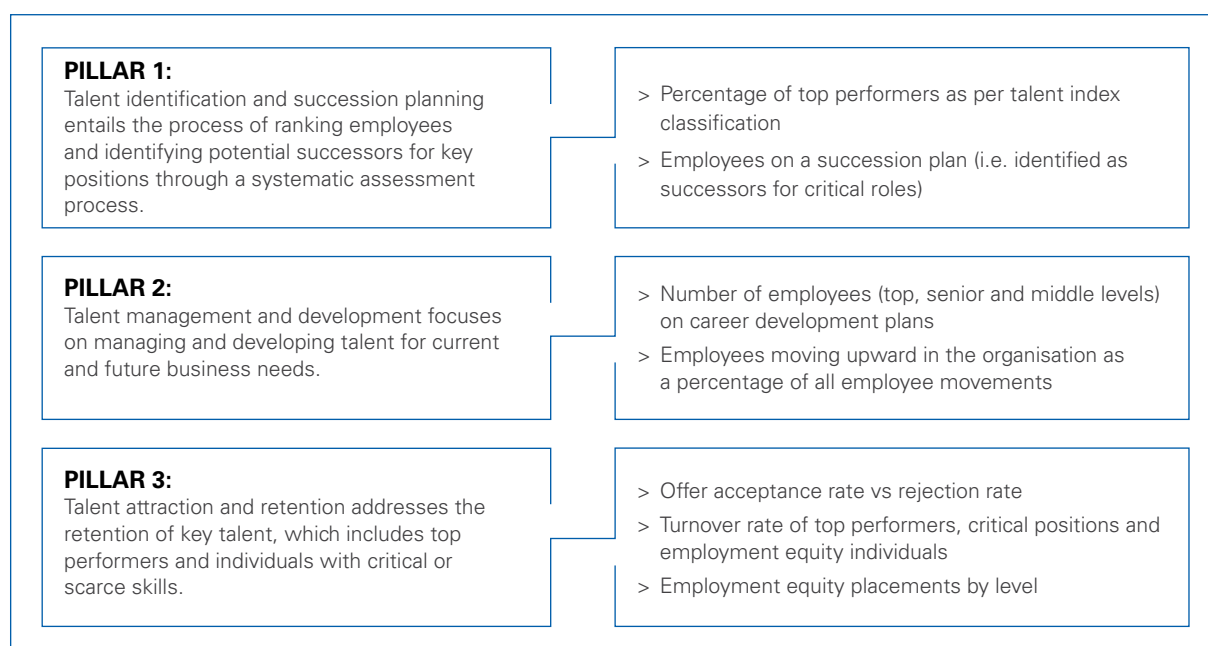
The external environment is becoming more competitive, and innovative strategies are critical to maintain our competitive edge. Managing talent within Reunert includes succession planning and the appropriate HR policies,

procedures and practices that contribute to attracting, developing and retaining talent.

The HR strategy was introduced in January 2015 and was successfully implemented within the group. It aligns business units to the Reunert strategy, builds organisational capability and provides targeted and meaningful development for our employees. The strategy is built around an integrated talent management framework with three key talent pillars as described below. The Reunert College provides a talent pipeline for entry-level positions which is managed through the HR strategy. Defined metrics monitor progress to ensure that the HR strategy is effectively implemented and managed.

All business units report monthly on the HR metrics. The consolidated HR report is presented to the Group Transformation Committee and the relevant Board committees. The report highlights trends and achievements, and flags potential problem areas and any strategic risks to transformation. Where required, action plans are put in place to address issues.

Integrated talent management framework and metrics



Talent identification and succession planning

A talent identification process ranks the talent of management level employees. Reunert has a talent map illustrating the range of talent within the group. It is updated bi-annually at business unit level and annually at group level. Talent gaps are identified and addressed through internal development, succession planning processes and external sourcing.

Succession planning is a key initiative to address risks with an ageing workforce. 36% (2016: 84%) of identified successors are on development plans. The reduction from 84% to 36% is due to broadening the talent identification and succession planning process to include middle management level. 39% of critical roles identified has individual development plans in place.

Talent management and development

Reunert has learning and development initiatives to address employee skills and an effective employee recruitment function. 95 talented managers were included in career development plans (2016: 87), while 72 employees were promoted during the past year (2016: 96).

Developing our employees

R52 million (2016: R42 million) was directed towards advancing the performance, skill sets and competence of all employees. More than 4 916 employees attended training sessions (2016: 6 000).

Learnerships and trainees

Most business units in the group offer learnerships, apprenticeships and internships to employees and unemployed individuals. Such learnerships benefit Reunert, the individual and the community as a whole. These training courses cover electrical engineering and IT. In total, we provided 327 learnerships (2016: 330¹), of which 185 are employees (2016: 139). We offered training to 256 unemployed trainees (2016:191) and employed 56 trainees (2016: 87).

Learning management system

A learning management system (LMS) was rolled out to meet the learning needs of our employees. The e-learning system is designed to manage the whole learning experience from inception to completion, and provides flexibility and functionalities needed to align learning with the HR strategy. An LMS metric assesses the effectiveness and value-add of the system.

The LMS has proven to be an innovative learning tool, offering business units the ability to create training plans, manage training activities and track employee development from start to finish with its comprehensive reporting solutions. 13 business units, consisting of 2 223 registered employees, make use of the 342 courses within the LMS.

Talent attraction and retention

Attracting and retaining talent, especially technically skilled employees, is imperative to our strategic objectives. Retaining senior executives with key business knowledge, and skilled and experienced technical employees remains a priority due to the shortage of specific technical skills. Reunert is an attractive employer as demonstrated through the 96% offer acceptance rate achieved for 2017 (2016: 94%).

There was a decrease in resignations at senior management level. Employee turnover at top, senior, middle and junior management level was 5% (2016: 5%) of total South African employees². Employee retention and attraction is monitored by management who also assess employment equity placements.

¹ Excludes learners from the joint venture.

² Excludes owned franchises.

Pillar two: Human resources review continued

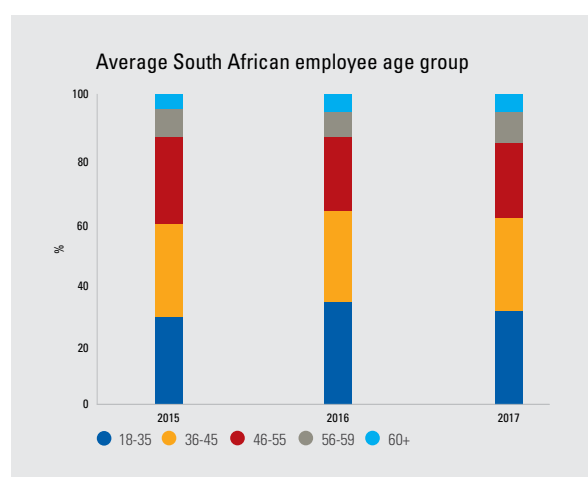
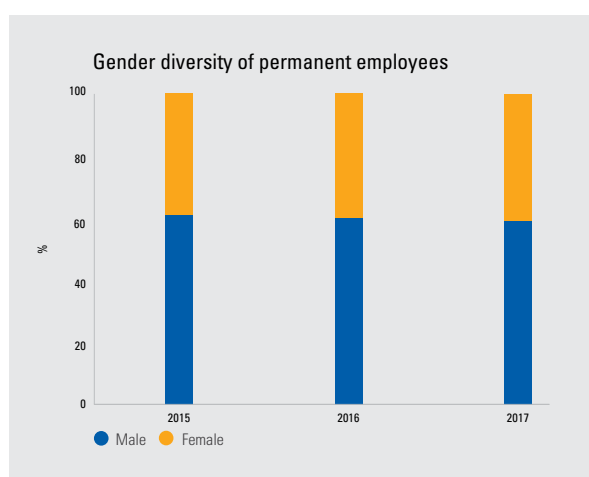
WORKFORCE PROFILE¹

At 30 September 2017, we employed 6 609 people (2016: 6 492) across the regions and countries we operate in.

Non-permanent employees represented 15% of the total (2016: 12%). The group's total payroll cost is R2 112 million (2016: R1 899 million), which represents 22% (2016: 22%) of total revenue.

Equity profile including international operations as at 30 September 2017

	Total number of employees	SOUTH AFRICAN						NON-SOUTH AFRICAN		
		Total male	Black males	White males	Total females	Black females	White females	Total	Total Male	Total Female
Top and senior management	336	235	74	161	68	39	29	33	28	5
Professionally qualified, specialists, and middle management	640	489	158	331	125	59	66	26	16	10
Skilled technical and academically qualified junior management	1 964	1 262	738	524	592	342	250	110	66	44
Semi-skilled and unskilled	2 658	993	939	54	587	484	103	1 078	318	760
Total permanent	5 598	2 979	1 909	1 070	1 372	924	448	1 247	428	819
Contractors	68	49	20	29	19	10	9	0	0	0
Temporary employees	811	353	294	59	457	416	41	1	1	0
Trainees	132	69	62	7	45	43	2	18	15	3
Total non-permanent	1 011	471	376	95	521	469	52	19	16	3
Total employees	6 609	3 450	2 285	1 165	1 893	1 393	500	1 266	444	822



Employees by country

Country	2017	2016	2015	2014
South Africa	5 360	5 212	4 913	5 325
Lesotho	791	815	783	796
Sweden	88	91	111	117
Australia	34	39	40	45
USA	6	6	6	5
Zambia	330	329	0	0
Total	6 609	6 492	5 853	6 288

¹ Includes 50% of joint venture's employees.

LABOUR RELATIONS

All business units within Reunert adhere to applicable labour legislation and are legally and procedurally compliant.

Reunert employs sound employee (industrial) relations practices, and employees have freedom of association. There are six recognised unions within the group (South Africa, Lesotho and Zambia), with different representation levels. No industrial action took place, and, consequently, the group experienced no strike days and incurred no financial expenses relating to industrial actions. HR departments within the respective business units manage internal employee relations.

Our manufacturing plants employ the majority of our unionised workforce. Unionised membership reduced to 29% (2016: 30%) of our total permanent workforce. NUMSA remains the largest union, representing 16% of Reunert's total permanent employees.

Electrical Engineering actively participates in the Steel and Engineering Industries Federation of Southern Africa (SEIFSA) industry policy forum. Another three-year agreement, effective from 1 July 2017 to 30 June 2020, was reached. The wage increases on actual rates of pay, across the board, are 7% in 2017, 6,75% in 2018 and 6,5% in 2019.

The Metal and Engineering Industries Bargaining Council (MEIBC) governs engagements between companies and unions related to this sector. Wages and terms of employment for scheduled employees are negotiated at bargaining council level. Any other labour matters are managed at an operational level and involve the business unit HR executive and/or the group HR and transformation executive director.

Wages

Industry minimum wages are regulated by the MEIBC main agreement. All employees, regardless of race or gender, receive the same wage rate. Wage rates are publicised and communicated to all employees whenever there are changes.

The MEIBC conduct audits from time to time to ensure compliance. The business unit ensures that all positions are correctly graded and that the correct rate is paid for each position. Reunert business units pay rates which are substantially more than the prescribed industry minimum. At African Cables wage earners receive an additional housing allowance, increasing earnings to well above the industry minimum wages.

Union membership¹

Union	2017		2016		2015	
	Number	%	Number	%	Number	%
NUMSA	883	16	928	16	811	15
MEWUSA	60	1	21	1	32	1
Solidarity	77	1	102	2	112	2
SACWU	23	0	5	0	87	2
FAWU	328	6	370	7	315	5
NUBEGW	182	3	140	2	0	0
Other	90	2	119	2	38	1
Total	1 642	29	1 685	30	1 395	26

Abbreviations and acronyms are on [146](#)

Bargaining councils

The Labour Relations Act (LRA) provides for the self-regulation of industries through the medium of centralised bargaining within bargaining councils. National Bargaining Council for the Electrical Industry of South Africa (NBCEI) is a bargaining council as envisaged in the LRA whose mission is to create and maintain industrial peace and stability in the electrical industry. It provides the following services:

- > forum and facilities for collective bargaining;
- > settlement of labour disputes; and
- > provision of social benefits for the upliftment of all persons falling within the industry, i.e. pension, provident, leave pay fund and sick pay fund.

NBCEI consists of representatives from both employers' and employees' organisations and has equal representation from both groups. The agreements negotiated are, where necessary, extended by the State to include the entire electrical industry once satisfied that the parties to the council are in the majority. It is for this reason that all employers and employees falling within the electrical industry report under the jurisdiction of NBCEI.

Bargaining councils are not funded by the state and all employers and their employees pay a council levy towards the funding of the council.

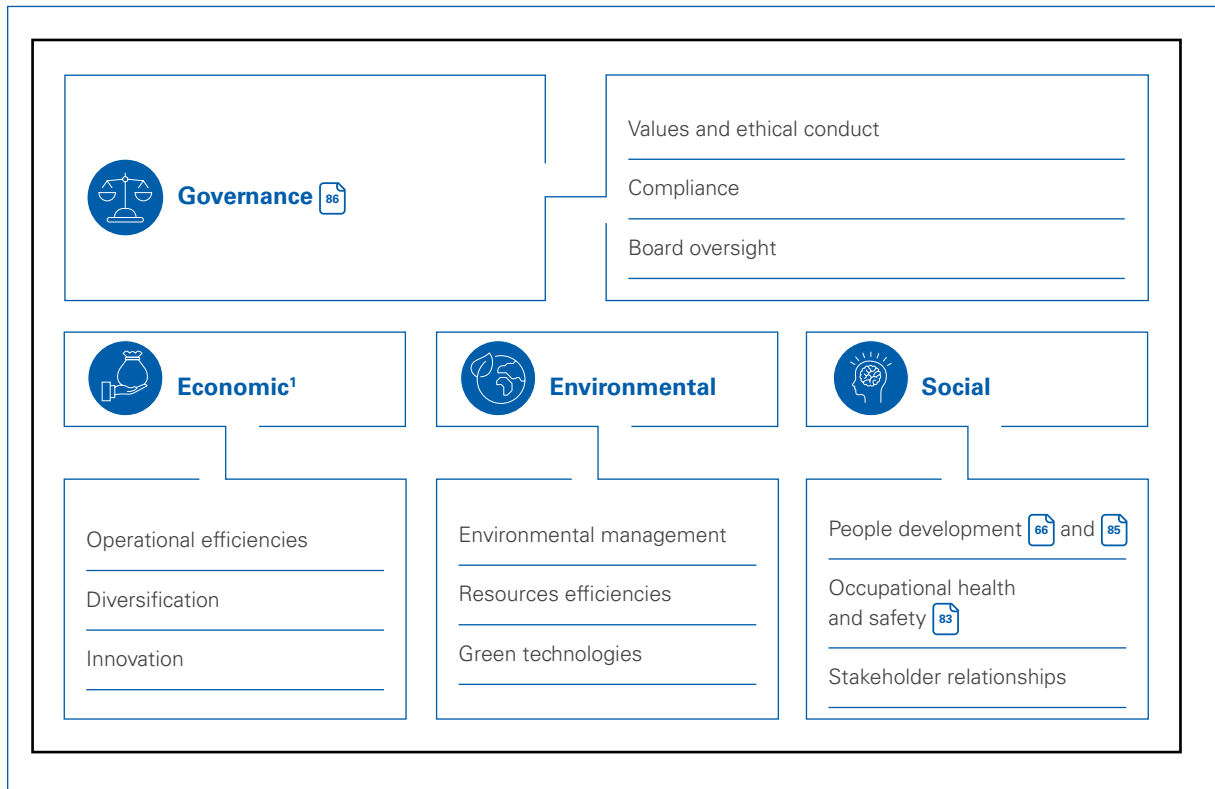
¹ Includes 50% of union members from the joint venture and workers in Lesotho.

PILLAR THREE: SUSTAINABILITY REVIEW

For Reunert, sustainability is the creation of long-term shared value and sustainable growth.

SUSTAINABILITY GOVERNANCE FRAMEWORK

The Social, Ethics and Transformation Committee oversees the group’s sustainability framework in accordance with its terms of reference. Reunert’s sustainability approach involves the four internationally recognised performance areas: governance, economic, environmental and social. These areas align with the Reunert strategy, and economic, environmental, social and governance factors are integrated into our day-to-day operations.













¹ Discussed in the three segmental performance reviews (Page 37).

United Nations Global Compact overview


Although Reunert is not a signatory to the UNGC, we support the UNGC's 10 Principles. Our policies, procedures and processes are informed by the 10 Principles. The Social, Ethics and Transformation Committee receives progress reports on our levels of compliance with these principles.

The table below indicates where content regarding each principle can be found.

	REFERENCE
Human rights	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	 82
Principle 2: Make sure that they are not complicit in human rights abuses	 84
Labour	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	 75
Principle 4: The elimination of all forms of forced and compulsory labour	 82
Principle 5: The effective abolition of child labour	 82
Principle 6: The elimination of discrimination in respect of employment and occupation	 82
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges	 84
Principle 8: Undertake initiatives to promote greater environmental responsibility	 84
Principle 9: Encourage the development and diffusion of environmentally friendly technologies	 85
Anti-corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	 96

Assurance

Non-financial information was not externally assured. The internal audit function assessed the completeness and accuracy of a sample of the non-financial information presented in the integrated report. The Board is satisfied that this internal review is sufficient, and it periodically considers the need to obtain appropriate external assurance on non-financial data.

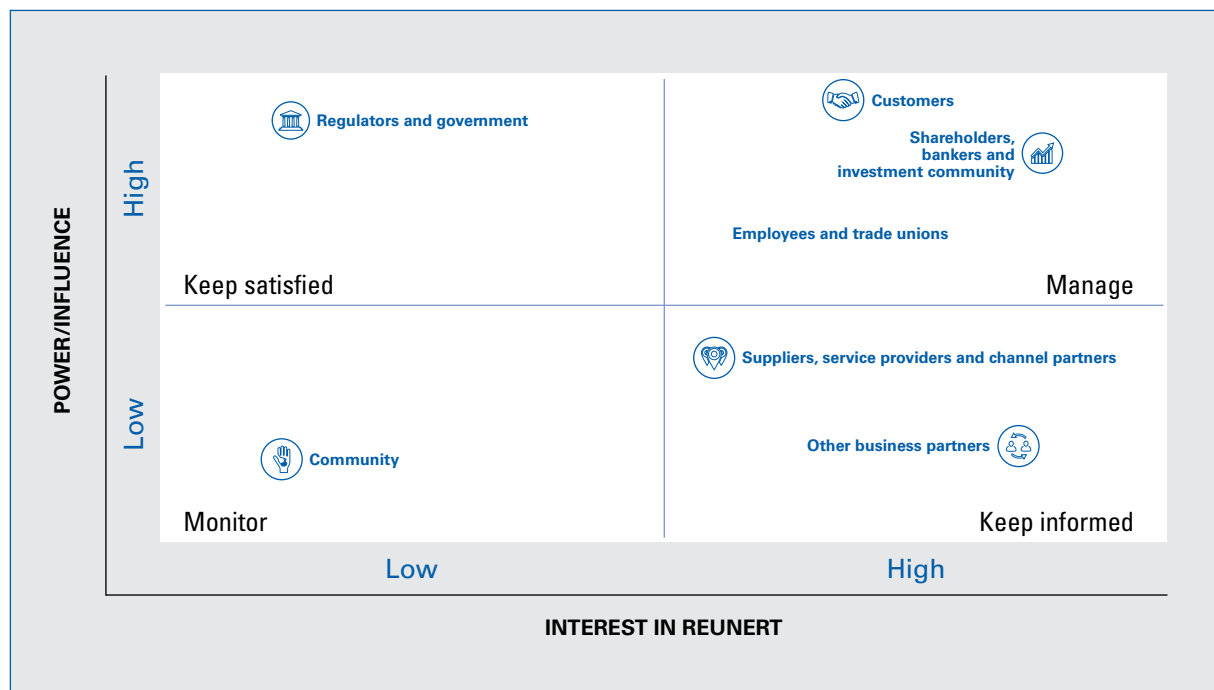
An external service provider reviews the compliance of operational sites against risk metrics which include risk control, fire defence, security, emergency planning, health and safety, and fleet management. These audits  83 evaluate whether work environments are safe, suitable and sanitary, that employees are provided with protective clothing and receive the necessary safety training.

STAKEHOLDER RELATIONSHIPS

Our stakeholders are integral to our business: we strive to follow a customer-centric approach to retain and grow our customer base; our employees play a vital role in achieving our desired performance; we rely on effective relationships with our supply chain to deliver our products and services.

The matrix below lists our primary stakeholder groups and illustrates the level of power/influence of the stakeholder versus their interest. This assessment is based on input from executive management, strategy development sessions and feedback from employees. There were no significant changes since the prior year.

Our governance processes and the effectiveness of stakeholder management, including our approach to stakeholder inclusivity, are being reviewed to ensure alignment with King IV recommendations.



We adapt our various engagement methods to each individual stakeholder group's needs. This includes our interim and annual reporting suites, meetings and forums, presentations, site visits, surveys, etc.

Significant matters identified through stakeholder engagements at business unit level are escalated to group level where applicable. If necessary, these are addressed by the Board.

Key stakeholders' expectations and concerns

Responding to our stakeholders' expectations and concerns helps us to create sustainable value. The Reunert strategy ¹² is a key enabler in addressing stakeholder expectations. It is our priority to build and maintain relationships while addressing the unique needs of our different stakeholder groups.



Customers

We have a diverse customer base, and business units directly service their customers' unique demands

Stakeholder expectations and concerns

- > Service excellence and delivering products and services as agreed
- > Innovation in technology and business models
- > Quality products at competitive prices
- > Timely and effective response to customer complaints
- > Contribution to inclusivity and transformation in the South African context, including BBBEE ratings
- > Safeguarding of personal data

Group response

- > Customer-centricity and improved solution offerings are two of the core focus areas of our strategy
- > Collaborating with customers on product innovation and improved service delivery
- > Various customer loyalty and satisfaction programmes measure responsiveness, on-time-delivery and progress made to improve customer service
- > Leveraging the Reunert brands to offer additional products and services
- > Alignment with national transformation objectives

Customer and industry exposure

The table below demonstrates group and segmental revenue exposure to our key industries.

Sector	Industry	Electrical Engineering	ICT	Applied Electronics	Group
Private	Indirect selling (including franchises)	■	■	■	■
	Commercial	■	■	■	■
	Financial and information technology	■	■	■	■
	Industrial	■	■	■	■
	Mining	■	■	■	■
	Telecommunications	■	■	■	■
Public	SOEs, including utilities and government	■	■	■	■
Defence	Defence (local and international)	■	■	■	■

Legend

■ Material ■ Substantial ■ Limited ■ Currently insignificant



Shareholders, bankers and the investment community

Providers and influencers of financial capital

Stakeholder expectations and concerns

- > Sustainable growth and acceptable returns on investments
- > Appropriate use of surplus cash, including investment in new businesses and capacity in existing businesses
- > Alignment of remuneration with performance
- > Timely response to market changes

Group response

- > Executing the Reunert strategy which includes investment in existing businesses to ensure organic growth and targeting selected acquisitions
- > Return of excess cash through share buybacks
- > Engagement on the remuneration policy structure [114](#)

Key statistics

185 direct investor interactions

Beneficial shareholders holding of 5% or more:

Government Employee's Pension Fund

13%

Bargenel Investments Proprietary Limited¹

10%

Major holdings through fund managers in excess of 5%:

Public Investment Corporation Limited

11%

Allan Gray Proprietary Limited

6%

Share ownership analysis [137](#)



Partners

Suppliers, service providers, channel partners (including franchisees) and other business partners are integral to the supply chain and in delivering our products and services

Stakeholder expectations and concerns

- > Partnerships that provide growth opportunities
- > Long-term security of supply
- > Volumes, price and the related impact on business performance and sustainability
- > Transformation requirements, including BBBEE ratings

Group response

- > Long-term supplier agreements
- > Strive for good relationships with OEMs
- > Implementation of new business models and/or new empowerment structures
- > Implementation of the transformation strategy

Key statistics


More than
5 500 suppliers


37 Nashua franchises

320 ECN distributors

R5,7 billion in goods and services purchased



¹ Empowerment shares.

 Employees 71 <i>People are the foundation of our business, enabling the achievement of our desired performance</i>	
Stakeholder expectations and concerns <ul style="list-style-type: none"> > Treated with respect and dignity > Fair and consistent remuneration practices > A safe, stimulating and rewarding work environment with appropriate development > Recognition for exceptional and value-adding performance > Job security > Freedom of association and collective bargaining > Leadership guidance and inspiration > Safeguarding of personal employee information data 	Group response <ul style="list-style-type: none"> > Market-related remuneration in line with industry best practice > An integrated talent management framework > A work behaviour programme, including defining group-wide values > Active monitoring of health and safety policies and procedures > Development of successors for key individuals and positions within the group > Freedom of association and the right to collective bargaining for all employees > Promoting employment equity through recruitment and development strategies
Key statistics	
<ul style="list-style-type: none"> > 6 609 employees <ul style="list-style-type: none"> – 65% black¹ – 39% female² – 96 disabled > 59 employees retrenched 	<p>Zero fatalities</p> <p>LTIFR 0,76%</p>
	<p>four engagement sessions attended by</p> <p>80 value champions on values 5</p>

 Trade unions 75 <i>Unions represent a portion of our workforce</i>	
Stakeholder expectations and concerns <ul style="list-style-type: none"> > Job creation and retention > Right to collective bargaining > Fair and consistent remuneration practices and negotiated wage increases > Safe working environment and health and safety performance 	Group response <ul style="list-style-type: none"> > Freedom of association and the right to collective bargaining for all employees > Active participation in the industry policy forum, SEIFSA > Three-year wage negotiated settlement reached in August 2017 through SEIFSA
Key statistics	
<p>29% of workforce is unionised</p>	<p>> No wage-related industrial action</p>

¹ Of total permanent SA employees.

² Of total permanent employees.

 Regulators and government <i>Regulate and sanction the group's legal licence to operate</i>	
Stakeholder expectations and concerns <ul style="list-style-type: none"> > Proactive compliance with relevant laws and regulations > Inclusive economic growth and development > Retention of core applied electronic research and development skills in South Africa > Transformation and SMME development, including inclusive subcontracting applicable to all SOEs 	Group response <ul style="list-style-type: none"> > Legal compliance as a minimum requirement > Business units adhere to business-specific regulatory licence agreements, directives, standards or product certifications  > Implementation of the transformation strategy
Key statistics	
<p>No significant or recurring fines or penalties paid</p>	

HUMAN RIGHTS

We respect the human rights principles prescribed by the countries in which we operate. The protection and advancement of human rights is integrated into our business processes and procedures.

The provisions of the United Nations Universal Declaration of Human Rights and the International Labour Organization's core labour standards guide our business conduct. We adhere to legislation in Australia, Lesotho, South Africa, Sweden, the USA and Zambia that covers health and safety, hours worked, wages paid and leave granted. In the past year, no incidents of human rights violations, child labour, or forced and compulsory labour were reported.

 Reunert's human rights policy is available at www.reunert.co.za/sustainability.php.

Reunert protects human rights by:

- > providing safe and healthy working conditions;
- > guaranteeing freedom of association;
- > ensuring non-discrimination in employee practices;
- > ensuring that no direct or indirect forced labour or child labour is used;
- > fostering opportunities for a broader and more skilled pool of workers;
- > producing decent work;
- > producing quality goods or services; and
- > respecting the privacy of customers and workers.

Discrimination

The group maintains a zero-tolerance policy for any form of discrimination, based on religious or other beliefs, nationality, gender, race, age, sexual orientation or disabilities. We immediately deal with harassment in any form towards fellow employees, customers or suppliers.

OCCUPATIONAL HEALTH AND SAFETY


We aim to avoid injuries and occupational illnesses and to ensure zero work-related fatalities by creating a safe working environment.

The group chief executive officer appoints the business unit managing directors at the various business units as representatives in terms of section 16(2) of the South African Occupational Health and Safety Act (OHSA), which sets out their statutory health and safety responsibilities. Senior management members are required to confirm their acceptance of this responsibility in writing.

New employees and contract workers undergo induction programmes, including health and safety. Regular OHSA committee meetings are held at the business units, and training, such as firefighting and first aid, are conducted as required. Internal audit reviews all recorded incidents. Where applicable, formal agreements with trade unions and formal joint worker-management health and safety committees are in place.

African Cables, Zamefa, Low Voltage, Lesotho, and Telecom Cables have full-time clinics at their manufacturing plants. Our facility in Parow offers services twice a week. These clinics offer employees basic health assistance and are managed by the resident sister or visiting doctor. A range of medical support is available including screening tests for blood pressure, cholesterol, vision and diabetes.

Business units are audited each year against OHSA, and management receives feedback on required improvements. Any serious transgressions are escalated to the Risk Committee.

 The Reunert health and safety policy is available online at www.reunert.co.za/sustainability.php. Business units that have OHSAS 18001:2007 certification are listed on page [99](#).

Health and safety audit scorecard ¹	2017 (%)	2016 (%)
Electrical Engineering	96	95
ICT	94	91
Applied Electronics	90	90

Health and safety records ²	2017	2016	2015
Fatalities	–	1	–
First aid cases	443	348	273
Medical treatment cases	43	36	40
Occupational diseases reported	–	2	–
Work-related injuries	52	53	63
Lost days recorded due to injuries	375	392	108
Lost-time injury frequency rate (%) (LTIFR)	0,76	0,65	0,55

None of the South African business units' employees are exposed to or involved in occupational activities that have a high incidence or high risk of communicable or specific diseases such as malaria.

Zambia has a high incidence of malaria. Between three to five employees are receiving treatment per week at Zamefa. The business unit has a protection programme which includes the annual spraying of insecticide at Zamefa's facilities and employees' houses to contain mosquitoes. Each employee receives two mosquito nets per year. Free anti-malaria medicine is provided to employees and their direct dependants. The clinic has a lab technician available that analyses blood samples daily.

The prevalence and impact of HIV/Aids is low in the group. All HIV/Aids information is handled on a strictly confidential basis.



¹ Extracted from Marsh's risk control audit results.

² Data includes 50% of the joint venture's health and safety records.

SUPPLY CHAIN

The group supports inclusive growth in the South African economy and improved the integration of SMMEs into our supplier base. Reunert is dedicated to creating shared value within our supply chain and continues to work with SMMEs to create win-win opportunities. Refer to the case study [69](#).

Reunert follows stringent supplier vetting processes which are annually evaluated by internal audit to ensure adherence to our policies. Suppliers and subcontractors are required to comply with human rights, labour standards, and environmental policies – this is non-negotiable. We continuously work with suppliers to ensure the delivery of high-quality products. We are aware of the adverse impact that quality, capability and sourcing issues from any supplier or subcontractor can have on our operations and reputation.

We recognise that bribery and corruption are increasingly prevalent. We hold agreements that contain specific clauses to prevent fraud and corruption by our sales agents. Commissions paid for services rendered are limited per guidelines.

This year, we introduced more measures, including third-party scanning tools, to assist in the assessment and ongoing qualification of suppliers. The top 90 suppliers, representing 71% of the total average supplier spend in the group, were screened for hidden risks related to money laundering, sanctions, regulatory and law enforcement, politically exposed persons and their relationships and networks. One anomaly was identified, but was an isolated incident. The business relationship was terminated.


Applied Electronics makes use of a limited number of sales agents. Internal audit has reviewed all 44 agents in a similar way as the suppliers. No areas of concern were found.

ENVIRONMENTAL REVIEW

Environmental responsibility is an important element of sustainability and is linked to our efficiency and innovation strategic pillars [21](#).

Operations are expected to receive International Organization for Standardization (ISO) 14001 verification, or undergo an external assessment which is aligned with ISO 14001. The focus for 2017 was on resource management and improving efficiencies. Nashua received their ISO 14001 verification during the year.

We participate in the Carbon Disclosure Project (CDP) climate change and CDP water projects annually.

 Our group environmental policy and additional environmental data, including CDP responses are available at www.reunert.co.za/sustainability.

Energy

Our largest environmental footprint is through our manufacturing operations in the Electrical Engineering and Applied Electronics segments. We primarily purchase electricity from Eskom. Purchased electricity (Scope 2 emissions) decreased by 10% to 40 715 tCO₂e (2016: 45 427 tCO₂e), due to the focus on improved efficiencies. The Zamefa plant has increased our electricity use, but due to a lower power factor used for Zambia Scope 2, emissions did not increase. Energy usage is regularly monitored, and opportunities to reduce energy consumption are implemented where possible.

Greenhouse gas emissions by scope	Metric tonnes CO ₂ e			% Change from 2016
	2017	2016	2015	
Scope 1	7 085	6 161	6 099	15
Scope 2 ¹	40 715	45 426	44 015	(10)

Intensity metrics ²	Metric tonnes CO ₂ e			% Change from 2016
	2017	2016	2015	
Scope 1 and 2 emissions per full-time equivalent employee	8,46	9,07	9,52	(7%)
Scope 1 and 2 emissions per Rm revenue	4,61	5,75	5,79	(20%)


¹ Location based.

² Based on gross global combined Scope 1 and 2 emissions per CO₂e tonne.

Water

We do not use significant amounts of water in our production processes. The majority of our business units have initiatives in place to promote responsible water use. Water usage is monitored to identify potential issues and opportunities to reduce consumption. CBI-electric: Low Voltage reduced its effluent by 49% after upgrading the effluent plant and implementing changes to the inter-process re-use of water in the plating process. Fuchs reduced water usage at its plating plant with improved processes.




- > Terra Firma will install a 292 kW solar PV system at Reunert Park property in Midrand in early 2018. The renewable energy installation, which will be financed and owned by Terra Firma over 20 years, will generate approximately 17% of the property's energy requirements.
- > New electronic meters for application in solar industry .

Water usage (kl)	2017
Municipal water	280 928
Borehole water	13 240
	294 168
Rainwater harvested	55 361

Waste and pollution is well managed, and recycling measures are in place. The group produces minimal hazardous waste.

Climate change

Reunert has not identified any environmental or climate change risks that could materially impact on operations. Severe weather patterns are a potential threat to the delivery of products or components within the supply chain. However, dual supply strategies are in place for critical product supplies.

CBI-electric: Low Voltage is focusing research and development on adapting product ranges that can be used in greener technology environments. This year we launched solar electronic meters and alternative energy DC products .

Developments in the energy-efficient and renewable energy industries in South Africa continue to offer opportunities for Reunert to develop products and services. The contribution from these products is still less than 5% of revenue.

CORPORATE SOCIAL RESPONSIBILITY

Educating the youth is Reunert's priority. We also focused on community projects, sport, health and safety, and food security initiatives. 99% (2016: 99%) of our total investment was towards previously disadvantaged beneficiaries.

The majority of funding goes towards the Reunert College, our flagship project, and the NCCF. In addition, many business units work closely with neighbouring communities. Information on other programmes is available on request.


Reunert College

The Reunert College is celebrating 25 years of contributions to maths and science training. The college was established in 1993 to address a growing demand for educational and workplace skills for students from previously disadvantaged communities. The year-long programme aims to augment the mathematics, science and accounting capacity of learners. The college is a solutions-based system through which grade 12 students can improve their mathematics, physical science or accounting marks. The college offers ongoing mentorship to its alumni.

The college enrolls 80 students annually. It depends on contributions from the group's business units, and by external funders – the Zenex Foundation and the JSE. These contributions totalled R1,7 million (2016: R1,4 million), and Reunert business units contributed a further R5,1 million (2016: R6,1 million).

Since inception, 1 490 students have enrolled to complete their matric, and all have passed. The current ratio is 48% male and 52% female students, and the average enrolment age is 19. This year, 67 (2016: 75) black students matriculated. After successfully completing their exams, top students are eligible for a Reunert bursary. There were 57 black Reunert bursars (2016: 45) studying at universities or universities of technology in Gauteng, North West and Limpopo.

A principal's forum hosts training and developmental sessions to address educational issues for the principals of the schools. There are 21 township schools on the East Rand in Johannesburg taking part in this initiative.

 Visit Reunert College at www.reunertcollege.co.za

Reunert College KPIs	2017	2016
The Reunert College is a talent pipeline for entry level positions in the group:		
College spend to develop students (R million)	5,1	6,1
Number of bursars placed within the group and retained	34	33

¹ Includes 50% of the joint venture's contribution.

EXCELLENCE

We deliver customer satisfaction by continually improving our status quo.



HOW WE ENSURE WELL-MANAGED OPERATIONS

Governance framework and structures	87
Leadership	90
Governance policies, procedures and processes	92
Board committees	102
Risk management	104
Information technology	109
Remuneration report	110

GOVERNANCE FRAMEWORK AND STRUCTURES

The Board appreciates the importance of ethical and effective leadership. Its charter provides as follows:

“Each of the Board members recognises that their professional and personal reputation has a direct and material impact on the company. Therefore, each of the directors undertakes to conduct themselves, both professionally and personally, with integrity, in accordance with the ethics and values of Reunert and the laws of South Africa. Each of the directors will conduct themselves at all times with due regard for the reputation and interests of the company.”

GROUP GOVERNANCE FRAMEWORK

The Board ensures well-managed operations by, among other things, holding management accountable for the performance and compliance of each business unit.

The group’s governance practices, including the role played by our assurance providers, help ensure we comply with the legal and regulatory frameworks we operate under. This contributes to us achieving our strategic and performance objectives.

Reunert’s governance framework includes relevant regulatory requirements (including the Companies Act and JSE Listings Requirements), its Memorandum of Incorporation and DoA. The Group Executive Committee is subject to its Board-approved terms of reference. Reunert operates through a federal business model ⁶, but governance requirements are prescribed to which all the business units must adhere.

The governance framework for wholly owned subsidiaries includes the business units’ Memoranda of Incorporation (all of which expressly require business units to comply with

Reunert group policies and procedures) and the Reunert approvals framework. Subsidiaries with minority shareholders are governed by negotiated shareholder agreements.

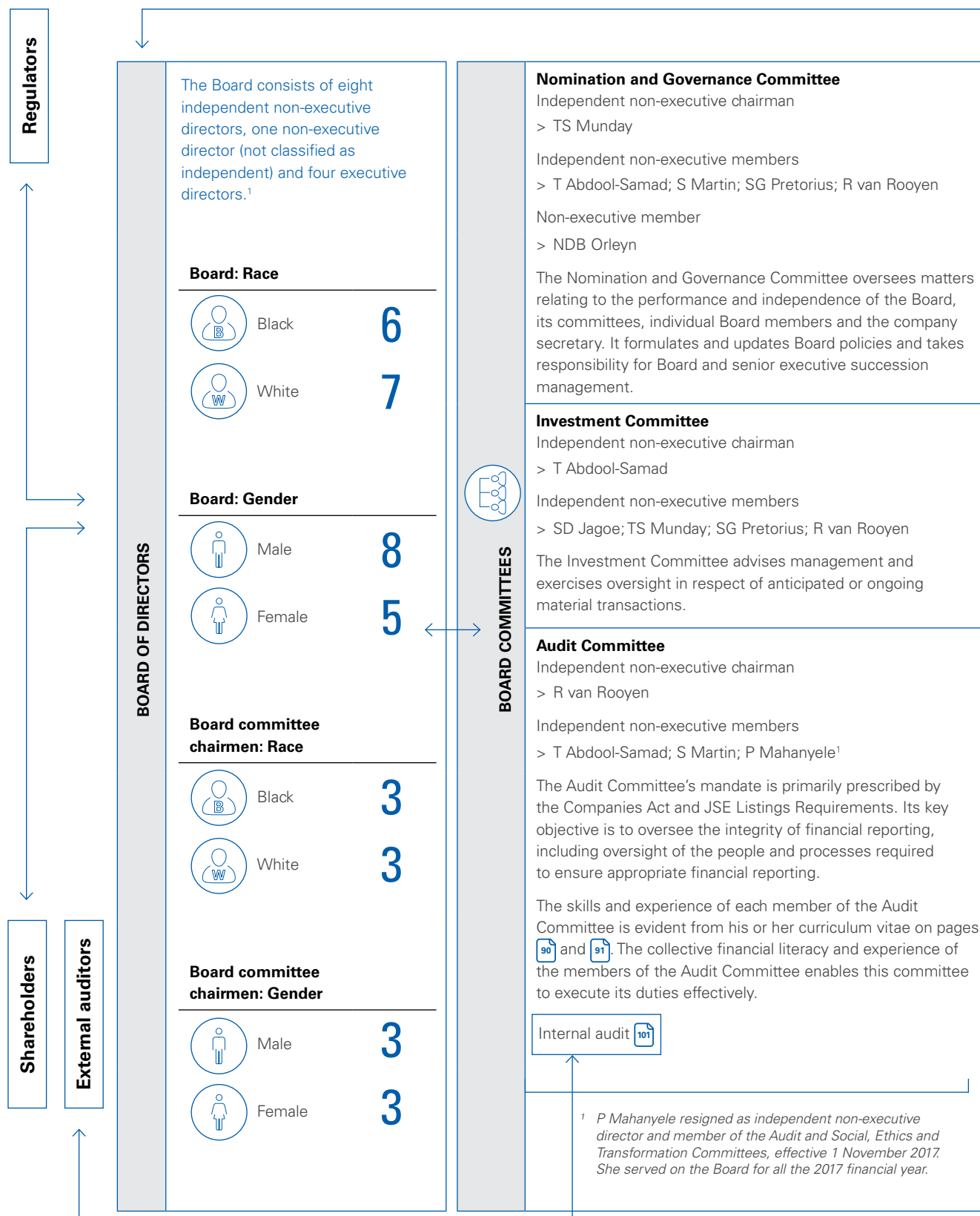
This provides detailed guidance to business units on authority levels and required notifications to and approvals required from head office.

Transparency is a key part of governance oversight. One or more Group Executive Committee members attend each business unit’s management meetings, for detailed oversight. Typically, business unit management meetings are held monthly.

Reunert has a combined assurance model ¹⁰⁰ which guides assurance activities and provides further oversight, especially over significant risks. External auditors provide assurance that the group’s financial statements are reliable, transparent and a fair representation of the financial affairs of the Reunert group, and attend Audit Committee meetings. Business units are responsible to engage with regulators specific to their business and make annual representations to the Board that they comply with the relevant regulatory framework ⁹⁸.

BOARD AND COMMITTEE STRUCTURES


Committee structure as at 30 September 2017



Meeting attendance: 

Remuneration Committee
 Independent non-executive chairman
 > S Martin
 Independent non-executive members
 > SD Jagoe; TS Munday
 Non-executive member
 > NDB Orleyn
 The Remuneration Committee is responsible for the remuneration policy, the implementation thereof and reporting thereon. This includes oversight over executive salaries and the group's short and long-term incentives.

Risk Committee
 Independent non-executive chairman
 > SG Pretorius
 Independent non-executive members
 > T Abdool-Samad; TJ Motschi²; TS Munday; R van Rooyen
 Executive members
 > AE Dickson; NA Thomson
 This committee ensures that risk disclosure is comprehensive, timely and relevant, and that effective policies and risk management plans are in place to support the group to achieve its strategic objectives.

Risk management and methodology 

Social, Ethics and Transformation Committee
 Non-executive chairman
 > NDB Orleyn
 Independent non-executive members
 > P Mahanyele¹; TJ Motschi²; TS Munday; SG Pretorius
 Executive member
 > AE Dickson
 The committee fulfils the functions as prescribed in section 72 of the Companies Act and Regulation 43 of the Companies Act Regulations, with particular oversight in respect of the group's transformation strategy .


² TJ Motschi will retire in February 2018 at the annual general meeting after reaching the prescribed retirement age of 70.

The Group Executive Committee advises and assists the group chief executive officer on various aspects of the executive management of the group. The Group Transformation Committee focuses on the implementation of the group's transformation strategy .

Exco and GTC: Race

	Black	1
	White	5

Exco and GTC: Gender

	Male	4
	Female	2

AE Dickson – group chief executive officer and chairman of the Group Executive Committee

NA Thomson – chief financial officer

K Louw – company secretary

M Moodley – group human resources and transformation executive director

MAR Taylor – executive director and segment head, ICT

DP van der Bijl – chief executive officer: Reutech and segment head, Applied Electronics

LEADERSHIP^{1, 2}

Our Board sets the tone in respect of ethical leadership, and oversees the implementation of the group’s strategy, performance and policies. The Board holds the management team accountable to provide ethical and effective leadership.

The Board measures itself in respect of its combined expertise and skills in respect of commerce, finance, governance, strategic thinking, leadership, marketing, legal, industrial, information communication technologies and risk management. The Board believes that its combined skills and experience is appropriate for the effective execution of its duties. Board succession planning focuses on maintaining an appropriate balance of skills and experience.

NON-EXECUTIVE DIRECTORS



TREVOR MUNDAY (68)

Chairman, independent non-executive director

Appointed to the Board

1 June 2008

Appointed chairman

1 June 2009

Qualification

BCom



TASNEEM ABDOOL-SAMAD (43)

Independent non-executive director

Appointed to the Board

1 July 2014

Qualification

CA(SA)



SEAN JAGOE (66)

Independent non-executive director, lead independent director

Appointed to the Board

20 April 2000

Qualifications

BSc (Eng), MBA



SARITA MARTIN (45)

Independent non-executive director

Appointed to the Board

1 December 2013

Qualifications

BProc, LLB, MBA



PHUTI MAHANYELE (46)³

Independent non-executive director

Appointed to the Board

1 October 2015

Qualifications

BA Econ, MBA, EDP



THABANG MOTSOHI (69)⁴

Independent non-executive director

Appointed to the Board

1 June 2008

Qualification

BSc Chemistry

¹ Age of directors as at 30 September 2017.

² A short curriculum vitae of each director is available at www.reunert.co.za/board-of-directors.php

³ P Mahanyele resigned as independent non-executive director and member of the Audit and Social, Ethics and Transformation Committees, effective 1 November 2017.

⁴ TJ Motsosi will retire in February 2018 at the annual general meeting after reaching the prescribed retirement age of 70.

⁵ AE Dickson represents Reunert at the CEO Initiative.



THANDI ORLEYN (61)

Non-executive director

Appointed to the Board

23 May 2007

Qualifications

BJuris, BProc, LLB



BRAND PRETORIUS (69)

Independent non-executive director

Appointed to the Board

22 February 2011

Qualification

MCom (Business Economics)



RYNHARDT VAN ROOYEN (68)

Independent non-executive director

Appointed to the Board

1 November 2009

Qualification

CA(SA)

EXECUTIVE DIRECTORS AND MEMBERS OF THE EXECUTIVE AND GROUP TRANSFORMATION COMMITTEES



ALAN DICKSON (46)⁵

Group chief executive officer

Appointed to Reunert

1 January 1997

Appointed to the Board

21 November 2013

Appointed group chief executive officer

effective 1 October 2014

Qualifications

BSc (Eng), MSc (Eng), MBA



NICK THOMSON (58)

Group chief financial officer

Appointed to the Board

15 June 2015

Appointed to Reunert

15 June 2015

Qualification

CA(SA)



MOHINI MOODLEY (42)

Group human resources and transformation executive director

Appointed to Reunert

1 September 2013

Appointed to the Board

31 March 2015

Qualifications

BA, LLB



MARK TAYLOR (54)

Executive director and head of ICT segment

Appointed to Reunert

1 October 2012

Appointed to the Board

21 November 2013

Qualifications

EDP, SEP

OTHER EXECUTIVE MEMBERS



PETER VAN DER BIJL (61)

Chief executive officer: Reutech and head of Applied Electronics segment

Appointed to Reunert

17 July 2008

Qualifications

MSc (Elec Eng),

MSc (Aerospace)



KAREN LOUW (43)

Group company secretary

Appointed to Reunert

1 June 2012

Qualifications

BCom (Law), LLB, LLM (Tax), LLM (Corporate Law), Admitted Attorney

Length of service as Board member

1 – 5 years

5 – 9 years

9 + years

- > T Abdool-Samad
- > AE Dickson
- > P Mahanyele³
- > S Martin
- > M Moodley
- > MAR Taylor
- > NA Thomson

- > SG Pretorius
- > R van Rooyen

- > SD Jagoe
- > TJ Motsohi⁴
- > TS Munday
- > NDB Orleyn

GOVERNANCE POLICIES, PROCEDURES AND PROCESSES

Governance is aimed at achieving: Ethical culture, good performance, effective control and legitimacy.

COMPOSITION, ROLES AND RESPONSIBILITIES

The principles outlined in the Companies Act and the King III and IV Codes guide the Board's oversight of Reunert's governance. The Board subscribes to all the principles of King IV. The Board retained its governance processes implemented pursuant to King III and is assessing the extent to which these should be amplified to better align with King IV's recommended practices.

The chairman of the Board is elected annually through a formal process, coordinated by lead independent director, Sean Jagoe. Trevor Munday was re-elected as the Board's chairman. He is classified as a non-executive and independent director in accordance with King III and King IV's criteria. Sean Jagoe was appointed as lead independent director to fulfil the responsibilities as recommended by King IV, effective 22 August 2017.

The Board is satisfied that it executed its responsibilities in terms of its operational oversight, regulatory duties and voluntary governance practices. The Board and each of its committees have an annual work plan to ensure that all relevant matters are dealt with.

The 2017 Board focus areas included:

- > Review of the Reunert strategy ¹²
- > Monitoring the commercial and socio-economic developments in South Africa and overseeing management's responses thereto
- > Alignment with King IV-related changes to the JSE Listings Requirements (where the group did not already comply). This includes the manner in which director independence was assessed, the functions of the Audit Committee regarding the appointment of the designated auditor, the manner in which the performance of the company secretary was assessed, formalisation of a race diversity policy and remuneration reporting

BOARD POLICIES¹

Balance of power	The policy ensures a balance of power among the members of the Board, and between the Board and management. Among other things, it requires that the Board, with the assistance of the Audit Committee, establishes and maintains a framework for the delegation of authority to executive management and reserves specified matters for the Board or any of its committees. No Board member has unfettered powers of decision-making. The chairman of the Board chairs only the Nomination and Governance Committee.
Board appointments	Board appointments follow a formal, fair and transparent process, free of bias and discrimination. The Board strives for diversity of skills, experience, gender and race, and continuously reviews the diversity of its members and likely succession requirements. The policy reflects our target of 40% black representation. For the 2018 financial year the target for female representation on the Board will increase from 25% to 40%. As at 30 September 2017, we had 38% female and 46% black representation.
Induction of new directors	Reunert has a formal induction policy for newly appointed directors. No new directors have been appointed to the Board since October 2015.
Remuneration principles and reimbursement of expenses for non-executive directors	This policy regulates various aspects of the remuneration of non-executive directors and the extent to which they are entitled to reimbursement for expenses. It includes provisions which regulate the services that directors are required to provide to Reunert in exchange for the stipulated directors' fees, which extends beyond the preparation for and participation in meetings. To the extent required, shareholders' approval is obtained for implementation of this policy.

KING III AND IV COMPLIANCE

Reunert uses the Governance Assessment Instrument, developed by the Institute of Directors in Southern Africa to review alignment with King III and King IV.

Reunert is in the process of transitioning from King III to King IV reporting. Where relevant, elements of King IV are included in this report. However, the detailed application narrative was prepared with reference to King III. ¹ It is available at www.reunert.co.za/King-III-application-register.php.

Reunert does not obtain external independent assurance of sustainability information as recommended in Principle 9.3 of King III. Assurance is provided by internal audit which appropriately assesses the completeness and accuracy of non-financial information in the integrated report. The Board is satisfied that this internal supervision, in line with the combined assurance process, is sufficient to provide the required level of assurance. The requirement for external assurance is reassessed periodically.

Reunert applies all other Principles of King III and the majority of the practices proposed therein.

¹ ¹ The Board charter and policies are available at www.reunert.co.za/corporate-governance.

King IV

Reunert subscribes to all King IV principles, excluding principle 17 which is not relevant to its business.

The committee chairmen and the Board engaged with management, to determine where additional alignment with King IV’s recommended practices would be appropriate. Key aspects of the Board’s approach to the implementation of King IV include:

- > All corporate governance practices should aim at and clearly contribute to governance outcomes (ethical culture, good performance, effective control and legitimacy).

- > The King IV principles are not prescriptive in respect of which governance structure of the Board should assume responsibility for any particular principle or recommended practice. Therefore, although certain principles will primarily involve the Board or a particular committee thereof, the combined result of the activities of the various governance structures will be assessed holistically when considering which practices support the principles.
- > The implementation of King IV is an iterative process, and Reunert’s governance approach will continue to mature and evolve.
- > All Board and committee work plans, charters and agendas were or are being updated to reflect and implement the decisions taken by each of the governance structures in respect of the application of King IV. This process will be completed by November 2018.

Key focus areas in respect of the implementation of King IV include:

Audit Committee	<ul style="list-style-type: none"> > In addition to compliance with the new King IV-related JSE Listings Requirements, the Audit Committee has a broader focus on the governance of and assurance relating to technology and information. > It also includes a re-assessment of Reunert’s combined assurance against the five lines of defence.
Nomination and Governance Committee	<ul style="list-style-type: none"> > More detailed documentation is to be prepared relating to the roles, responsibilities and terms of office of the group chairman and the lead independent director. > The Board appointment policy will be better aligned with the recommended practices in Principle 7.
Remuneration Committee	<ul style="list-style-type: none"> > In addition to compliance with the King IV-related JSE Listings Requirements, remuneration disclosures will be enhanced in accordance with the King IV recommendations.
Risk Committee	<ul style="list-style-type: none"> > The competitive environment and its associated risks are already crucial inputs into strategy development. This process will be further formalised by an annual presentation of the top group risks, as identified through risk management ¹⁰⁴ and endorsed by the Risk Committee, to the Board. > The group’s current risk appetite framework will be refined and updated to distinguish between risk appetite and risk tolerance.
Social, Ethics and Transformation Committee	<ul style="list-style-type: none"> > The group has embarked on the following initiatives that will enhance its reporting to the Social, Ethics and Transformation Committee and thereby the expanded oversight role of the Committee envisaged in King IV: <ul style="list-style-type: none"> – Reunert group values – development and implementation – Group-wide electronic learning management system to enhance the ability to provide employee training and centrally monitor such training – Sustainability reporting in accordance with the GRI Sustainability Reporting Standards
Group Executive Committee	<ul style="list-style-type: none"> > The committee will facilitate King IV training to the group’s executive teams. > Subsidiary boards will be required to consider and formally approve group governance policies. If any subsidiary board believes it cannot apply the relevant policy or process in the best interest of the company, the concerns will be dealt with through consultation. > As mentioned in respect of the Social, Ethics and Transformation Committee, a number of group-wide initiatives that enhance alignment with King IV recommended practices, including the group values process, the implementation of a group-wide electronic LMS, and the re-assessment and alignment of sustainability reporting, were undertaken.

Further training and continuing professional development

Formal continuing professional development (CDP) sessions are scheduled for the Board, at least bi-annually. Directors are encouraged to arrange additional training and development, where required, through the company secretary. This year's CPD sessions were on the political landscape, King IV and directors' duties.

Succession planning

The Nomination and Governance Committee advises the Board on succession planning.

Non-executive directors

A number of non-executive directors will retire from the Board over the next two years, when they reach the age of 70. The Board performed a skills assessment to identify the key skills that will need to be replaced when these directors retire. The assessment's outcome was included in the criteria that directs the Nomination and Governance Committee's recruitment activities. The committee is recruiting new non-executive directors with due consideration to diversity and skills, including the Board's policies on race and gender diversity. A recruitment agency was appointed to help identify potential candidates.

Group chief executive officer

The Board has not identified a permanent successor for the group chief executive officer. It anticipates that a permanent successor will only be appointed pursuant to a robust process to identify a suitable candidate. The Board, on the advice of the Nomination and Governance Committee, identified an individual who will be able to temporarily assume the role competently on short notice, in case of an unexpected vacancy.

Board evaluation

Reunert annually evaluates the performance of the Board, its committees and individual directors, through a formal process. The Nomination and Governance Committee oversees the process and directs the manner in which concerns, if any, are to be addressed. The performance of the chairman and the group chief executive officer are assessed through detailed questionnaires that seek feedback on matters that are specific to these roles.

A self-assessment process was conducted in August 2017. The average score of the Board committees was 4,3 (5 being the highest rating) and 4,2 for the Board. These scores and comments provided during the process indicate that Board members are satisfied that the Board, its committees and its

individual members are performing well. No material matters of concern were identified. The Board and its members noted the proposals provided for enhancing their performance, and continue to identify and act on opportunities to improve performance and effectiveness.

Company secretary evaluation

Reunert Management Services provides corporate governance services to the Board. The secretarial function is managed by Karen Louw.

The Board, through the Nomination and Governance Committee, followed a formal assessment process relating to Karen's competence, qualifications and experience. The 2017 assessment questionnaire contained additional questions to enhance the scope of the performance assessment. The chairman coordinated the Board's assessment and feedback. No material matters of concern were identified.

The Board is satisfied that Karen's competence, qualification and experience are appropriate for the role of company secretary. The Board assessed and satisfied itself that Reunert Management Services and Karen (as the responsible individual), are able to maintain an arm's-length relationship with the Board.

Conflict of interest

The Board appointment process involves evaluating each candidates' interests prior to appointment. To prevent conflicts of interest arising after appointment, directors have to obtain approval before accepting additional board appointments outside the group.

Declaration of conflicts of interests, if any, are conducted at all Board meetings. It is mandatory for directors to formally update their directorships and other interests that are relevant to their office as directors of Reunert, at least annually.

Where a director has an interest in particular matters discussed at Board or Board committee meetings, the director is recused from the meeting and required to leave the meeting room for the duration of the relevant discussion and/or decision.

Classification of directors as "independent"

The Nomination and Governance Committee assisted the Board to determine the capacity of directors, as indicated on pages 90 and 91. The independence of non-executive directors was determined holistically, on a substance over form basis, in accordance with the indicators provided in sections 94(4)(a) and (b) of the Companies Act and King IV. No non-executive director participates in any Reunert share incentive or share option scheme.

Specific independence consideration

The Board, assisted by the Nomination and Governance Committee, specifically, reviewed whether the independence of Sean Jagoe, Thabang Motsosi and Trevor Munday is affected by their tenure of more than nine years on the Board.

In addition to the considerations contained in King IV and the Companies Act, the following additional factors were considered:

- > A team of more recently appointed executive and non-executive directors balances the potential threat to independence resulting from familiarity.
- > There is no shareholding, control of the Board, employment, consulting or other relationship between Reunert and these directors, other than their offices as director.
- > The Board's assessment process indicated that the contributions by each of these directors are highly regarded by their peers, and no concerns were raised that indicate impairment of independent judgement.
- > Sean and Thabang are engaged in commercial endeavours, independent of Reunert.
- > Trevor is a respected member of a number of boards, other than Reunert, including the board of Barclays Africa.

On the recommendation of the Nomination and Governance Committee, the Board concluded that there are no relationships or circumstances likely to affect, or appearing to affect, the judgement of Sean, Trevor or Thabang. The Board further concluded that their independence of character and judgement is not in any way affected or impaired by their years of service. The Board is satisfied with their

independence and values the depth of commercial experience that these directors bring, and the mentoring of and guidance given to newer or less experienced Board members.

Trading in Reunert shares Board

In addition to the regulatory requirements to which directors are subject, the Board charter:

- > sets out the approval process relating to directors' dealing in Reunert's securities;
- > requires notification of share transactions in terms of the JSE Listings Requirements; and
- > prohibits dealings in Reunert securities when aware of unpublished price sensitive information.

Board members are required to provide an annual formal declaration relating to their trading in Reunert's shares and their compliance with the relevant requirements. There were no breaches to the Board-approved process or regulatory requirements.

Employees

Bi-annually, executive employees are advised that trading in Reunert shares is not allowed when they possess unpublished price sensitive information.

Employees who participate in the group's share-based long-term incentive plans are obliged to obtain clearance from the group chief executive officer and the company secretary before trading Reunert shares acquired through these plans. It is Reunert's policy that clearance to trade will not be given to participants during a closed period.

ETHICS AND REGULATORY COMPLIANCE

Each business unit is responsible for its compliance with relevant legislation, and the managing directors are held accountable therefor. During the 2017 financial year, awareness of the importance of ethical behaviour was enhanced by the group's values process ⁵. There are a number of group-wide policies and procedures that provide guidance to employees on ethical conduct.

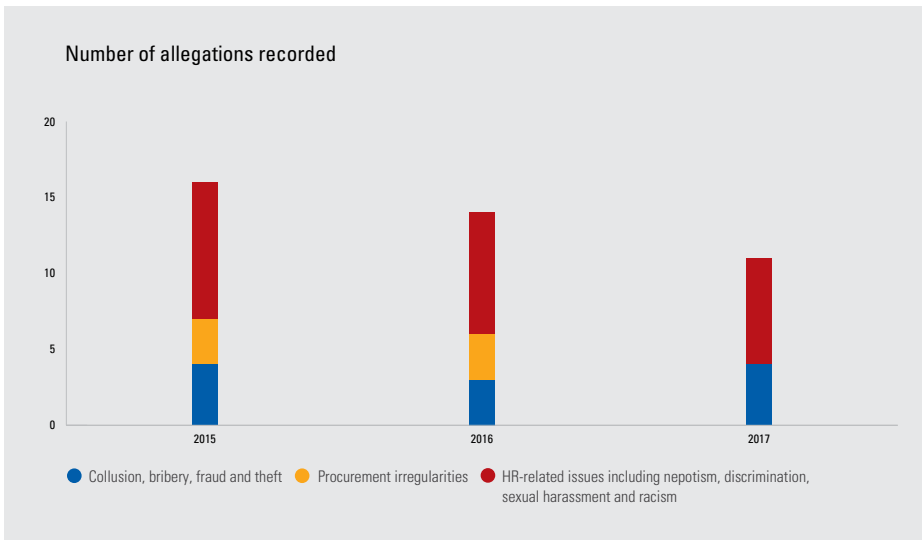
Any alleged or actual breaches of ethical behaviour standards are investigated by either management or internal audit, or both.

Other than as specifically indicated:

- > no material incidences of unethical behaviour or criminal conduct of which dishonesty is an element, came to the Board's attention;
- > no regulators imposed fines or non-monetary sanctions against the group; and
- > there were no legal actions for anti-competitive behaviour, anti-trust, or monopoly practices in the financial year.

Addressing the risk of non-compliance with legislation and unethical business conduct is discussed in the risk review ¹⁰⁷.

<p>Whistle-blowing facility</p>	<p>This facility provides customers, employees, suppliers and other stakeholders with the opportunity to anonymously report alleged unethical practices. The programme is managed through Deloitte's independently managed fraud tip-off line, which operates 24-hours a day, 365 days a year.</p> <p>The Protected Disclosures Act, 2000 and section 159 of the Companies Act guide the whistle-blowing policy, which is available at www.reunert.co.za/corporate-governance.php.</p> <p>Reunert ensures the protection of whistle-blowers who submit disclosures in good faith. All disclosure reports are treated in confidence to the extent that it is reasonably possible to do so.</p> <p>Tip-off reports are channelled through the head of internal audit to the relevant group executive to investigate and provide feedback. Where possible, the outcome of the investigation is provided to the reporter of the tip-off and to employees in general. A tip-off register is maintained and is presented at each Audit Committee meeting.</p> <p>Appropriate action was taken in each instance, depending on the outcome of the investigation of each report. None of the investigations exposed matters of material concern.</p>
<p>Fraud and corruption</p>	<p>Business processes are continuously evaluated to identify the risk of potential corruption and fraud. All business units monitor fraud risk closely, and processes are continually improved to curtail and eliminate opportunities for fraud.</p> <p>All business units are required to submit monthly defalcation reports listing cases of corruption, fraud or theft. Material defalcation breaches are reported to the Audit Committee.</p>



Fraud and corruption <i>continued</i>	Number of employees that received anti-corruption training in 2017¹	
	Employee level	2017
	Top and senior management	135
	Professionally qualified, specialists, and middle management	287
	Skilled technical and academically qualified junior management	409
	Semi-skilled	417
	Total permanent	1 248
	Contractors	1
	Temporary employees	1
	Trainees	4
	Total non-permanent	6
	Total employees	1 254
Compliance training	Reunert continued its online compliance training modules that were initiated in 2013. This includes training on competition law, the Consumer Protection Act, the National Credit Act and the Protection of Personal Information (POPI) Act.	
Annual declarations	Business units' managing directors are annually required to formally certify the relevant business' compliance with the Competition Act, 1998, the Prevention and Combating of Corrupt Activities Act, 2004 and other laws and regulations that apply to the relevant business.	
Consumer protection and customer privacy	<p>Most of Reunert's businesses have no direct interaction with consumers. Where consumer legislation, such as the National Credit Act, 2005 and the Consumer Protection Act, 2008, are relevant for a particular business unit, the business unit's management is responsible for the processes and procedures to ensure compliance therewith. Professional advice is obtained by the business units, when required, to ensure continued alignment with consumer protection legislation.</p> <p>There were no substantiated complaints regarding consumer protection and customer privacy in the financial year. There were no identified leaks, thefts, or losses of customer data. Refer to the risk relating to the escalation in large-scale cyberattacks and data fraud 108.</p> <p>None of our products or services are banned in any country or market. We have not had any non-compliance concerning product and service information and labelling in the financial year.</p>	
Contributions to business institutions and professional bodies	With the support of the Board, Reunert participates in and/or contributes to business institutions and professional bodies that engage on policy issues affecting group business. Approval processes depend on a business unit's DoA. No contributions were made to political parties.	
Gifts and entertainment	Each business unit is responsible for its own policies and registers in this regard. Approval processes depend on the business unit's DoA.	
Charitable donations	The majority of charitable donations are made in terms of Reunert's corporate social responsibility initiatives 85 .	


Investigation in progress

The Zimbabwe Competition and Tariff Commission is investigating a complaint lodged against Cafca Limited, a non-consolidated subsidiary incorporated in Zimbabwe. Cafca management is confident that it is not in breach of Zimbabwe's anti-trust legislation and is cooperating with the Commission.

¹ Excludes acquisitions, wholly owned franchises and operations outside of South Africa.


INTERNAL AND EXTERNAL STANDARDS AND PRINCIPLES

Reunert subscribes to various external standards to improve the quality of our operations, and legislative compliance is a minimum requirement. A comprehensive set of internal standards, policies and principles are in place to support how we conduct business. The table below sets out some of these key internal and external standards and principles that are applied by the business units, where relevant.

Listings requirements and governance guidelines	Internal standards and principles	Sustainability, management system and other standards	Business ethics and compliance
<ul style="list-style-type: none"> > The Companies Act > JSE Listings Requirements > Lusaka Stock Exchange Listings Requirements (CBI-electric: Zamefa) > Memoranda of Incorporation > King III (and in the process of aligning with King IV) > Board charter, committee terms of reference and various Board policies¹ 	<ul style="list-style-type: none"> > Reunert DoA > Reunert approvals framework > Risk management methodologies, based on the ISO 31000 framework > Various human resource policies (including occupational health and safety), information technology (IT) and environmental policies > Procurement policies and procedures > Credit, pricing and contract risk policies 	<ul style="list-style-type: none"> > United Nations Global Compact (UNGC) 10 Principles  > ISO 14001:2008 and ISO 14001:2015 environmental management accreditation² > OHSAS³ 18001:2007 and other occupational health and safety policies > ISO 9001:2008 and ISO 9001:2015 quality management accreditation > Independent risk control and environmental management audits are conducted at selected operations > Conflict minerals policy > Various local and international standards authorities certification and approvals such as the South African Bureau of Standards (SABS) and Restriction of Hazardous Substances (RoHS)⁴ directives, where applicable > Reutech complies with various military and North Atlantic Treaty Organization (NATO) standards > European Union (EU) Directive 2014/34/EU, commonly called ATEX, covers electrical and non-electrical equipment used in potentially explosive atmospheres⁵ > ICASA licence conditions > IPC class 3 standards which addresses the acceptability of electronic assemblies 	<ul style="list-style-type: none"> > Group values > Reunert Code of Ethics and business unit-specific codes of ethics and conduct > Competition law compliance policy > Anti-corruption and whistle-blowing policies¹ > Arms control compliance, including the Wassenaar Agreement⁶, Directorate of Conventional Arms Control and National Conventional Arms Control Act of 2004 > Further compliance-related policies prescribed from time to time, such as policies to prevent insider trading, and protecting the confidentiality of unpublished price sensitive information

Building on a foundation of ethics and a high-performance culture

¹  Available at www.reunert.co.za/sustainability.php

² The detailed list of business units and the standards they comply with is on page  99.

³ Occupational Health and Safety Standard.

⁴ Restriction of Hazardous Substances (RoHS) directives, as documented by the European Union Directives.

⁵ It relates to all equipment, protective systems, safety devices, controlling devices, regulating devices, and components – defined as any item that is essential to ensuring that equipment functions safely. Compliance with the ATEX directive is mandatory. Proof of the compliance is the Ex-mark.

⁶ The Wassenaar Agreement was established in order to contribute to regional and international security and stability, by promoting transparency and greater responsibility in transfers of conventional arms and dual-use goods and technologies, thus preventing destabilising accumulations. The aim is to prevent the acquisition of these items by terrorists.

INTERNATIONAL QUALITY, ENVIRONMENTAL AND OTHER RELATED STANDARDS

The table below details the various business units' compliance with certain key international quality, environmental and other related standards.

	ISO 9001:2008 QUALITY MANAGEMENT ACCREDITATION	ISO 9001:2015 QUALITY MANAGEMENT ACCREDITATION	ISO 14001:2008 ENVIRON- MENTAL MANAGEMENT ACCREDITATION	ISO 14001:2015 ENVIRON- MENTAL MANAGEMENT ACCREDITATION	ROHS	OHSAS 18001:2007
CBI-electric: African Cables	■		■			■
CBI-electric: Zamefa		■		■		■
CBI-electric: Low Voltage	■				■	
CBI-electric: Telecom Cables	■		■			
Nashua	■		■			
Prodoc			■			
Nashua Communications	■		■			
Quince Capital	■					
ECN	■					
Reutech Radar Systems	■		■			
Reutech Communications	■					
Omnigo	■					
Reutech Solutions	■		■			■
Fuchs Electronics	■					
Ryonic Robotics	■		■			

Legend ■ ISO Accredited ■ In process ■ Directive

Ryonic Robotics began implementing ISO 14001:2008 with accreditation expected in the 2019 financial year. Their ISO 9001:2008 accreditation is in progress with completion expected at the end of 2017. Nanoteq and Terra Firma currently hold none of the listed verifications.

CBI-ELECTRIC: LOW VOLTAGE

Low Voltage's products are mark-bearing, and approvals are audited periodically by local and international standards authorities, such as:

Australia	> Australian certification bodies	Japan	> Technical Inspection Association (TüV)
China	> China Railways Test and Certification Center (CRCC) > China Quality Certification Center (CQC)	Russia	> Eurasian Conformity (EAC)
Canada	> Canadian Standards Association (CSA)	South Africa	> South African Bureau of Standards (SABS)
Germany	> Verband der Elektrotechnik, Elektronik und Informationstechnik (VDE) Testing and certification Institute	Ukraine	> Ukraine testing (UKR-testing)
		USA	> Underwriters Laboratories (UL)

COMBINED ASSURANCE MODEL


The Audit and Risk Committees apply a combined assurance model to identify and address Reunert's significant risks.

The Reunert risk management policy and framework are evaluated annually to ensure that risks are identified, assessed for materiality and managed, to help Reunert achieve its objectives. The combined assurance model consists of five lines of defence. It provides wide coverage; combining and coordinating the activities of various assurance providers.

1. First line: internal control and governance
Management designs and implements appropriate policies, practices and processes. We have controls to ensure our objectives are met, our assets are safeguarded and that we comply with regulatory requirements.
Business governance structures include functional forums. Guidance and opportunity for collaboration is provided on finance, information technology (IT), HR, environmental, and legal and company secretarial matters.

2. Second line: management oversight
Management oversees strategy implementation, performance measurement, internal control and other control and governance processes. A key aspect includes monthly operational meetings between business unit management and members of the Group Executive Committee, where financial results, strategic projects and emerging trends are discussed.


The Group Executive Committee assesses the group's performance and monitors progress relative to our key metrics, the overall implementation of plans, the annual budget approval process and the DoA.

3. Third line: risk management 
A formal risk management framework and process are used to assess the risk profile and the detailed risk exposure of the group, segments and the individual business units. Risks are continuously managed to identify key risks, assess their potential impact and consequence, and to implement mitigating controls and action plans.

A detailed risk appetite framework has been prepared with pre-approved risk appetites per risk type established. Reporting against this framework takes place at every risk meeting, and should a risk appetite level be breached, this is immediately reported to both the Risk Committee and the Board committee under which the governance of the underlying process falls.

The chairmen of the Audit and Risk Committees provided written assessments to the Board indicating that no weakness in the risk management processes, whether from design, implementation or operation, came to the committees' attention.

4. Fourth line: independent risk assurance by internal and external audit
The fourth line of defence comprises the group's assurance functions that provide an independent and objective view of risk management, governance and the adequacy and effectiveness of internal controls across the group to the Audit and Risk Committees. This includes progress on the implementation of necessary action plans to enhance internal controls.

Internal audit performs independent evaluations of the financial reporting structures and the adequacy and effectiveness of internal controls. Deloitte are our external auditors who provide external assurance over the financial statements.  Refer to the annual financial statements for the external auditors' opinion.

Reunert seeks third-party assurance from providers specialising in insurance and risk management, BBBEE ratings and ISO certifications as appropriate from time to time. Legal and professional accounting firms assist with due diligence during acquisitions.

5. Fifth line: Board and committee oversight
Board and committee structures oversee:

- > group governance;
- > group management;
- > risk management;
- > combined assurance strategies and procedures; and
- > the effectiveness of internal and external assurance.

Internal control and risk management

The internal control and risk management systems supports successful operation on a day-to-day basis. This enables Reunert to achieve its business objectives.

Financial and internal controls focus particularly on key risk areas. The controls are designed to provide reasonable assurance that assets are safeguarded against loss and unauthorised use and that financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

The identification of risks and implementation and monitoring of the adequacy of systems of internal, financial and operating controls to manage such risks are delegated to senior executive management. Risk management policies are communicated to executive management and the appropriate levels of management in the business units.

Governance of internal audit

Internal audit functionally reports to the chairman of the Audit Committee and administratively to the Group CFO. Internal audit has free and unrestricted access to the chairmen of the Board, and the Audit and Risk Committees. The Board delegates the independent quality review of the internal audit function to the Audit Committee. Audit Committee members engage directly with internal audit and believe they are best placed to perform an effective and independent review.

Internal audit operates under a terms of reference, recommended by the Audit Committee and approved by the Board. The Audit Committee approves the appointment and dismissal of the head of internal audit and assesses the internal audit team's performance, objectivity and independence. The Audit Committee approves the annual risk-based internal audit work plan.

The internal audit function reports independently to the Board on whether risk management, controls and governance processes are adequate and functioning within the group. Based on the results of these reviews, it has confirmed to the Audit Committee, Risk Committee and the Board that nothing has been identified that indicates material weakness in the internal control processes; whether from design, implementation or operation.

Where internal audit identifies system, process or control deficiencies, such deficiencies are reported to the Audit Committee. Corrective action for all reported internal audit findings are implemented within an acceptable timescale. No issues were identified that would point to any concern regarding the group's ability to present financial statements that are free from material error.

POLICY ON NON-AUDIT SERVICES PROVIDED BY THE EXTERNAL AUDITORS

The Audit Committee reviewed its policy on the approval of non-audit services provided by the external auditors at its meeting on 18 September 2017.

Non-audit services are not allowed that:

- > will disqualify the external auditors from conducting the statutory audit;
- > will result in the auditors 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 likely to have a negative impact on the perception of the external auditors' independence.

Generally, non-audit services to be provided by the auditors will be limited to an aggregate of 20% of the sum of the estimated statutory audit and statutory independent review fee per annum. However, no single assignment or project may exceed 10% of the sum of the estimated statutory audit and statutory independent review fee per annum.

The Audit Committee reviews the nature and extent of the non-audit services provided in terms of the policy, at every scheduled meeting of the committee.

BOARD COMMITTEES

All Board committees (other than the Investment Committee), meet at least bi-annually, in accordance with a predetermined schedule. When appropriate, further committee meetings are arranged to deal with matters within the committees' mandate. The meetings of the Investment Committee are arranged on an ad hoc basis, to deal with the matters that fall within its mandate.

The following applies to the Board committees:

- > The chairman attends all Board committee meetings, either as a member or an invitee. The group chief executive officer has a standing invitation to attend all committee meetings; other group executives attend meetings where appropriate and on invitation.
- > At the discretion of the committee chairmen, in-committee discussions are occasionally conducted without invitees.
- > All members of Board committees are directors of Reunert, and Karen Louw serves as the secretary for all Board committees.

- > Where membership of committees is prescribed by the Companies Act or JSE Listings Requirements, or is recommended by King IV, Reunert's committees are constituted in accordance with such requirements or recommendations. All Board committees have at least three non-executive directors as members.
- > Committee chairmen report on proceedings of committee meetings to the Board. Minutes of all Board and Group Executive Committee meetings are included in Board papers.
- > All Board committees are governed by a Board-approved terms of reference which is periodically reviewed.
- >  The committees' terms of reference are available at www.reunert.co.za/corporate-governance.php.

Each of the committees has fulfilled its responsibilities in accordance with its regulatory mandate (where relevant) and terms of reference.

MEETING ATTENDANCE

The table below summarises the meeting attendances of members of the Board and its committees for pre-scheduled meetings. There were no changes in committee membership during the 2017 financial year.

	BOARD	AUDIT COMMITTEE	NOMINATION AND GOVERNANCE COMMITTEE	REMUNERATION COMMITTEE	RISK COMMITTEE	SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	TOTAL ATTENDANCE %	DIRECTOR TO BE ELECTED OR RE-ELECTED AT AGM
Number of Board/ committee members	13	4	6	4	7	6		
Chairman	TS Munday	R van Rooyen	TS Munday	S Martin	SG Pretorius	NDB Orleyn		
TS Munday	5/5		3/3	3/3	2/2	3/3	100	
T Abdool-Samad	5/5	3/3	3/3		2/2		100	
AE Dickson	5/5				2/2		100	
SD Jagoe	5/5			3/3			100	
P Mahanyele ¹	5/5	3/3				3/3	100	
S Martin	5/5	3/3	3/3	3/3			100	
M Moodley	5/5						100	Re-election
TJ Motsohi	5/5				2/2	3/3	100	Will retire at the February 2018 AGM
NDB Orleyn	5/5		3/3			3/3	100	Re-election
SG Pretorius	5/5		3/3		2/2	3/3	100	Re-election
MAR Taylor	5/5						100	
NA Thomson	5/5				2/2		100	Re-election
R Van Rooyen	5/5	3/3	3/3		2/2		100	

Investment Committee²

The Investment Committee met three times during the year. The meetings are not pre-scheduled and are often arranged at short notice. Mr Jagoe and Mr Van Rooyen each could not attend one of the three meetings, due to prior commitments, but provided feedback prior to the meeting.

¹ P Mahanyele resigned as independent non-executive director and member of the Audit and Social, Ethics and Transformation Committees, effective 1 November 2017.

² Membership on page  88.

Board committees

<p>Audit Committee</p>	<p>A full report on the Audit Committee, in compliance with section 94(7)(f) of the Companies Act, is contained in Reunert's annual financial statements for the year ended 30 September 2017 7.</p> <p>The committee executed its duties in terms of paragraph 3.84(g) of the Listings Requirements, as reported in the Audit Committee's report referred to above.</p> <p>The committee's focus, in addition to overseeing the integrity of financial statements and making recommendations to the Board on finance-related matters, included:</p> <ul style="list-style-type: none"> > mandatory audit firm rotation and understanding the expectations of shareholders regarding external auditor appointments, including rotation of the audit partner and the fees for audit and other services; > consideration of the implications of King IV's recommended practices relating to the five lines of defence of combined assurance; and > consideration of the JSE's pro-active monitoring report and supervision of improved disclosures in the following areas: <ul style="list-style-type: none"> - Decluttering of financial statements - Judgements relating to business combinations and what constitutes a business - Judgements with regard to investment properties - Impairments - Pre-tax discount rates and cash flows - The effect of new or changed IFRS standards - The impact of amendments in local legislation - The impact of uncertain events, locally and globally, in the context of IFRS.
<p>Investment Committee</p>	<p>The committee evaluated a number of transactions and the BBBEE equity ownership transaction in Applied Electronics.</p>
<p>Nomination and Governance Committee</p>	<p>The committee focused, among other things, on succession planning relating to directors who will be retiring over the next few years.</p> <p>The committee considered the policy of race and gender diversity and has updated the Board appointment policy to ensure that these matters receive specific attention in respect of new appointments. More information on Board policies is set out on page 92.</p>
<p>Risk Committee</p>	<p>The chairman of the Audit Committee is an ex officio member of the Risk Committee, and the head of internal audit is a permanent invitee to its meetings. The committee's key focus for the year was the risk posed to the execution of the Reunert strategy by the current economic and socio-political environment. It is envisaged that this risk will continue to be the key focus area in 2018. Risk management 104</p>
<p>Remuneration Committee</p>	<p>The activities of the Remuneration Committee are dealt with in the remuneration report 110.</p>
<p>Social, Ethics and Transformation Committee</p>	<p>The committee's key focus areas for the year were:</p> <ul style="list-style-type: none"> > Compliance with Regulation 43, Section 72 of the Companies Act > Oversight of the Reunert group values process > The execution of Reunert's transformation strategy <p>The Social, Ethics and Transformation Committee report is included 64.</p>

Group executive committees

<p>Group Executive Committee</p>	<p>The purpose of the committee is to advise and assist the group chief executive officer on various aspects of the executive management of the group. The committee activities included the following:</p> <ul style="list-style-type: none"> > Facilitating the group values process > Re-assessing and, once approved by the Board, implementing the Reunert strategy > Assessing potential acquisition targets and, once approved in terms of the prescribed process, execution of acquisitions, in line with the group's strategy > Integration of acquired businesses
<p>Group Transformation Committee</p>	<p>The Group Transformation Committee is an executive management committee, concerned exclusively with the implementation of the group's transformation strategy 63.</p>

RISK MANAGEMENT

Risk management is designed to mitigate risks and uncertainties which could hinder the group from achieving its strategic and operational objectives.

Risk management and methodology

The Board oversees the group's risk management processes. Management is accountable to the Board for designing, implementing and monitoring risk management and for integrating it into day-to-day business activities. This includes implementing the appropriate mitigation and/or remedial actions.

All business units conduct formal risk assessments, and operational risk management meetings are held at least bi-annually. Either the group CEO, CFO or group finance executive, and senior segment management, attend all operational risk management meetings. Risk assessment procedures form an integral part of management's key objectives. Internal audit attends all business unit risk meetings and assists in facilitating the process.

The Reunert risk appetite framework was formalised during 2016. Risk appetite measures were developed for each major risk category and approved by the Risk Committee. The risk appetite measures were reported to the Risk Committee in May and September 2017. No material breaches, undue, unexpected or unusual risks outside of risk appetite levels, were recorded.

The effectiveness of risk management is assessed by the Risk Committee and Audit Committee with specific reference to financial and IT risks at each risk meeting. Nothing came to the Risk and Audit committees' attention that indicated a weakness in the risk management processes, whether from design, implementation or operation.

Key risks

The major strategic risks are determined through a top-down and bottom-up review process. The current key risks and our risk mitigation strategies are set out on page 106 to 108. We indicate how our combined assurance processes 100 was applied to these risks.

We decreased the number of risks disclosed from seven in 2016 to five. South Africa as a country risk and the South African macro-economic environment are interlinked. These two risks are now combined as our main risk, which is concentration risk. The alignment of our risks with material matters and the applicable strategic focus areas are on page 10.

The following icons are used to provide an overview of how we are approaching and managing the risks.










Legend









 The level of control Reunert has over the material matter	 Risk level compared to 2016	 Residual risk likelihood and impact
--	--	--












Risk management methodology, based on the ISO 31000 framework



RISK 1: CONCENTRATION RISK		RISK 2: SLOW TOP-LINE GROWTH				
72% of our revenue is generated in South Africa of which 30% is derived from government and SOEs. Our ability to generate organic growth is inevitably linked to the country's growth potential.						
Country risk	Macro-economic environment					
Risk level increased	Risk level increased	Risk level decreased				
Low level of control	Low level of control	Medium level of control				
<p>South Africa's country risk remains the most pervasive risk impacting Reunert.</p> <p>The current socio-political environment is likely to result in ongoing uncertainty and impacts the country's economic prospects. Key political events, continued policy uncertainty and ongoing revelations of corruption, weigh heavily on investment confidence.</p> <p>Inconsistent application of procurement policies by SOEs has the potential to significantly influence Reunert's market share.</p>	<p>The South African economy continues to underperform. Limited growth is expected in the parts of our business that service local demand.</p> <p>Exchange rates have been volatile against all currencies in which Reunert either sells or buys. Reunert (on an overall basis) benefits from a weakening exchange rate, and the strengthening of the Rand had a negative impact on our 2017 revenue and margins.</p> <p>The risk of low or no volume growth is further exacerbated by certain businesses within the Reunert portfolio being in the mature stage of their product life cycles. As a consequence, meaningful organic growth is difficult.</p>	<p>Reunert's traditional assets exposed to the South African market are facing greater challenges than two years ago. The competitive environment is intensifying and this increased competition and commoditisation is leading to lower margins and slow top-line growth.</p> <p>This risk has been partly offset by acquisitions and improved export orders in the Applied Electronics segment.</p> <p>Some of the major contributors to slow top-line growth are described in the key external business drivers section 16.</p>				
<p>Risk mitigation of our top risks</p> <p>Reunert is accelerating diversification to mitigate our concentration risk, and is addressing slow top-line growth in some of our traditional businesses. Our ability to remain competitive depends on our pricing strategy, the quality of our customer service and innovation. The Reunert strategy and its six pillars 12 contain appropriate actions to strengthen our position in chosen markets and to mitigate the top two risks.</p>						
<p>Related strategic pillars</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> Our customers</div> <div style="text-align: center;"> Our people</div> <div style="text-align: center;"> Efficiency</div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> Diversification</div> <div style="text-align: center;"> Innovation</div> <div style="text-align: center;"> Transformation</div> </div>			<p>Primary Board committee Board</p>			
Combined assurance		1 st	2 nd	3 rd	4 th	5 th
		Line of defence				

RISK 3: NOT ACHIEVING APPROPRIATE DIVERSITY AND TRANSFORMATION					
<p>Progressive transformation, including a diverse workforce, is a key imperative to retain our social licence to operate and to attract and retain skills. Reunert's significant exposure to South African government-related business necessitates transformation in our businesses to be aligned with the government's inclusive growth targets and objectives.</p> <p>The changing BBBEE regulatory environment remains challenging, and has a significant impact on our business units 67.</p>					
 Risk level decreased			 Medium level of control		
<p>Risk mitigation The GTC 102 monitors and reviews outcomes of the transformation strategy 63.</p>					
<p>Related strategic pillars</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  Our people </div> <div style="text-align: center;">  Transformation </div> </div>			<p>Primary Board committee Social, Ethics and Transformation Committee</p>		
Combined assurance	1 st	2 nd	3 rd	4 th	5 th
	Line of defence				
					

RISK 4: NON-COMPLIANCE TO LEGISLATION AND UNETHICAL BUSINESS CONDUCT					
<p>Competition law: In South Africa, a fine of up to 10% of revenue may be imposed in the event of non-compliance with competition law. Non-compliance could further result in reputational damage and civil litigation against the group.</p> <p>Anti-fraud and corruption legislation: Non-compliance with these laws and regulations in South Africa, the USA, European Union and United Kingdom could result in prosecution, significant fines and reputational damage. In addition, the group could be subject to civil litigation and blacklisting in relevant jurisdictions.</p>					
 Risk level unchanged			 High level of control		
<p>Risk mitigation Reunert has a Code of Ethics and DoA in place. Our new values 5 will further strengthen the way in which we conduct business. Various policies, monitoring tools and training processes are in place to address ethics and regulatory compliance in the group 96 and in the supply chain 84.</p> <p>We have an independently managed whistle-blowing function, and business units complete monthly defalcation reports.</p>					
<p>Related strategic pillars</p> <div style="text-align: center;">  Our people </div>			<p>Primary Board committee Audit Committee</p>		
Combined assurance	1 st	2 nd	3 rd	4 th	5 th
	Line of defence				
					

RISK 5: ESCALATION IN LARGE-SCALE CYBERATTACKS AND DATA FRAUD						
<p>Cybercriminals are increasingly targeting internet infrastructure and breaching and stealing sensitive data through cyberattacks. Disruptive cyberattacks are becoming more effective at breaching security defences and causing major disruption. Although Reunert has not had any large-scale attacks or breaches, we remain cognisant of this key risk.</p>						
						
 Risk level unchanged			 Medium level of control			
<p>Risk mitigation</p> <p>Reunert has up-to-date firewalls, virtual private network solutions, anti-hacking software, anti-virus, anti-spyware, intrusion prevention, data encryption in place throughout the group. Web content filtering is configured to address safety, security and productivity concerns by providing the controls to enforce internet use policies and block access to harmful and unproductive web content.</p> <p>We continuously perform security assessments identifying vulnerabilities with remediation plans, and implement targeted threat protection that protects business units in real-time from spear-phishing and advanced threats via email. Information on information technology is on page 109.</p>						
<p>Related strategic pillars</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  Our people </div> <div style="text-align: center;">  Transformation </div> </div> <div style="margin-top: 20px; text-align: center;">  Innovation </div>			<p>Primary Board committee Audit Committee</p>			
Combined assurance		1 st	2 nd	3 rd	4 th	5 th
		Line of defence				
						

INFORMATION TECHNOLOGY

Reunert's IT strategy is aligned to the group's strategic and business processes.

IT GOVERNANCE

IT governance is our ability to direct, measure and evaluate our IT resources in support of Reunert's strategic goals. Our IT governance framework establishes accountability and has three main objectives:

1. Obtain the most value from IT while moving towards Reunert's strategic goals
2. Ensure that stakeholders, management and the Board understand the key IT risks and manage them accordingly
3. Establish the conditions that allow IT management to operate effectively

The group's federal business model resulted in each segment having disparate IT requirements. The individual business units' IT departments align their IT environment according to guidance from the chief information officer. The chief information officer directs and manages computing and information technology strategic plans, policies,

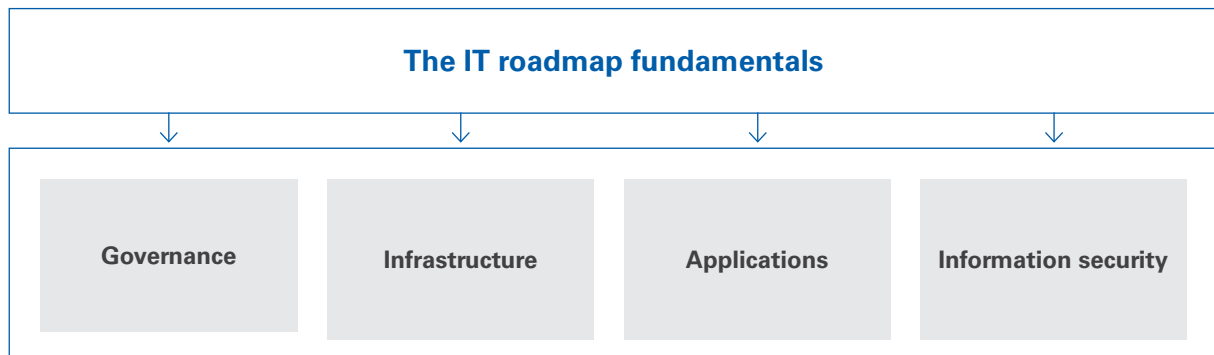
programmes, and schedules for business and finance data processing, cyberrisk management, computer services, network communications, and management information services, to accomplish Reunert' goals and objectives.

IT POLICY FRAMEWORK

The IT policy framework stipulates the minimum IT policies, standards and procedures that all business units are required to adhere to. These are directly aligned with the IT governance framework. The IT policy framework is monitored to ensure alignment with international standards, focusing on information security controls (ISO/IEC 27002).

IT ROADMAP AND ASSURANCE

Reunert's IT roadmap was developed to outline the group's journey on enhancing our IT platforms to achieve our strategic goals. The roadmap is reviewed annually.



The COBIT 5¹ framework provides guidance to management regarding the use of technology in support of organisational objectives. An in-house dashboard, which also provides feedback for the external audit process, is used to monitor the group's progress in aligning to COBIT 5. This self-assessment is completed annually. Overall assurance on the IT control and risk environment is provided through: self-assessment, internal audit, peer-reviews, and external audit. The Board and Audit Committee receive feedback bi-annually.

IT forums are held twice a year with all business unit IT departments. These forums focus on feedback on the assurance processes and status of IT projects, sharing knowledge and providing assessments on the IT landscape and emerging trends, etc.

FOCUS AREAS

The focus for 2018 will be similar to 2017's focus areas, namely:

- > IT governance;
- > data centre and network operations;

- > user access control;
- > security management;
- > physical and environment control;
- > change management; and
- > IT service continuity.

In addition, the following will be key areas of focus going forward:

- > Capitalising on the progress toward centralised technology supply chain management to further enhance our bargaining power and increase the reach of the centralised function.
- > Cybersecurity and data privacy management will remain a key focus, especially around promoting information security awareness and training for employees. We will place more emphasis on data classification and data disposal procedures to ensure that the group is ready to align to any upcoming legislation, such as the POPI Act. We will also investigate centralised security options.
- > Implementing a new group consolidation, reporting and planning solution.

¹ Control Objectives for Information and Related Technologies (COBIT) is a good practice framework for governing and managing IT.

REMUNERATION REPORT

REMUNERATION POLICY: BACKGROUND STATEMENT

Reunert's remuneration policy details the principles that govern the group's remuneration practices. The policy ensures that remuneration incentivises performance, is market competitive, and is driven by sound governance principles.

The remuneration policy aims to ensure that the remuneration of executive directors and top management¹ support the achievement of the financial and strategic objectives of the group, attracts and retains scarce skills and rewards high levels of performance. The remuneration policy is designed to align Reunert's business performance through the actions of executive directors and top management with the interests of shareholders. The policy is regularly reviewed to ensure it is appropriate and relevant.

The Remuneration Committee's purpose is to ensure that the remuneration policy is fair and reasonable, while remaining compliant with regulatory and governance requirements, and good business practice. It plays an important role in supporting the transformation strategy of the group and remains cognisant of its responsibility to ensure that remuneration practices in the group deliver shareholder value.

The mandate of the committee includes the matters contemplated in the updated JSE Listings Requirements, alignment to the provisions of King IV, and such related practices as the Board, on recommendation by the committee, which it deems appropriate to adopt. The Board approved the information contained in this report on the recommendation of the Remuneration Committee.

The structure of the committee and its members are covered on [87](#).

The committee has taken cognisance of the performance of the group, including the creation of value for its shareholders, and updated the remuneration policy to reflect alignment with group strategy and shareholder expectations.

This report provides information on:

- > the role of the Remuneration Committee;
- > an overview of the remuneration policy, which includes the remuneration structures;
- > key decisions made during the 2017 financial year;
- > implementation report and remuneration disclosures for the 2017 financial year; and
- > outlook and focus areas for the 2018 financial year.

ROLE OF THE REMUNERATION COMMITTEE

The roles and responsibilities of the committee are set out in the terms of reference, which are reviewed by the committee and approved by the Board annually. In carrying out the responsibilities listed below, the committee has regard to all relevant legal and regulatory requirements.

The Remuneration Committee:

1. develops, reviews and amends the Reunert remuneration policy;
2. determines and approves the remuneration of the group chief executive officer, executive directors and top management;
3. reviews the compensation base and proposed average annual increases for the group's employees;
4. reviews remuneration matters for top management promotions, transfers and termination of employment;
5. considers other special benefits or arrangements of a substantial financial nature and oversees any major changes in employee benefit structures throughout the group;
6. approves the design of, and determines targets for, the short-term incentive (STI) scheme;
7. approves the annual STI payments for executive directors and top management;
8. determines and approves the performance measures and annual allocations for executive directors, top management, and selected employees made under the long-term incentive (LTI) scheme, being the conditional share plan (CSP);
9. sets the participation principles for the deferred bonus plan (DBP); and
10. reviews and recommends fees for non-executive directors.

¹ Top management refers to business unit managing directors and executives employed within Reunert's trading entities referred to as business units in this report.

Key decisions

Key decisions taken during the 2017 financial year:

1. reviewed the remuneration policy;
2. PwC's Remchannel, an independent remuneration advisor, was contracted to conduct job evaluations for executive director and top management positions, and to benchmark Reunert's guaranteed and variable pay against other companies within related industries;
3. approved annual increases for executive directors, top management and salaried employees within the group;
4. approved promotional adjustments for top management;
5. reviewed the structure of the variable pay schemes, being the STI and the LTI schemes. Following the benchmarking exercise, there were adjustments made to the payout scales and operation of the STI scheme. The payout scales were reduced at executive director and top management levels for implementation in the 2018 financial year. A financial modifier was linked to the achievement of strategic KPIs. These changes are set out under the remuneration structures and focus areas for the 2018 financial year;
6. approved STI payouts for the 2017 financial year for executive directors and top management;
7. approved the CSP allocations for the 2017 financial year for executive directors, top management and selected employees;
8. set the performance conditions for the STI and the LTI schemes for the 2018 financial year;
9. set the terms of participation for the deferred bonus plan linked to the STI payouts for the 2017 financial year; and
10. reviewed and recommended to the Board the fees for non-executive directors for 2018. The recommendation was as a result of external benchmarking information received from the Deloitte NED survey.

REMUNERATION POLICY

OVERVIEW OF REMUNERATION POLICY

The remuneration policy is designed to:

- > attract, retain and motivate exceptional and effective individuals;
- > be flexible enough to adjust to changing economic conditions and to the group's needs; and
- > foster individual performance and teamwork.

Remuneration is structured to recognise individual contributions and collective results. There is a clear differentiation between executive directors, top management and employees, based on line-of-sight responsibility, accountability, competencies, work performance and scarcity of skills. To drive a pay-for-performance methodology, there is an increasing element of variable pay at executive director and top management levels.

For executive directors and top management, the targeted pay mix over a business cycle is as follows: GP: 50%, STI: 25% and LTI: 25%. This targeted pay mix is intended to create a significant degree of alignment with shareholder interests, with the aim of driving sustainable value creation over a longer term.

REMUNERATION STRUCTURES

Guaranteed package (GP) and variable pay incentives are aligned to assist the achievement of Reunert's strategic objectives. Executive directors, top management, and selected executive employees are considered for STIs and LTIs which are based on defined performance criteria and strategic execution that relate to the group's performance.

Remuneration comprises three core elements as presented in the table below. The remuneration of executive directors is based on the same principles.

CORE ELEMENTS	PURPOSE AND COMPOSITION	KEY MATTERS	PARTICIPANTS AND PAYMENT
Guaranteed package (GP) <i>Base remuneration plus benefits.</i>	<ul style="list-style-type: none"> > To attract and retain talent. > GP consists of base salary and company contributions toward retirement funding and health benefits. It is a fixed cost and is targeted at the median of relevant market data, i.e. up to the 50th percentile. 	<p>The committee reviews salaries annually, considering factors such as:</p> <ul style="list-style-type: none"> > benchmarks – market data is reviewed to ensure external competitiveness; > prevailing economic conditions; > group or business unit financial performance; > the performance of employees; and > internal parity. 	<ul style="list-style-type: none"> > All employees. > Annual increases are implemented on 1 October each year.

Remuneration policy continued

CORE ELEMENTS	PURPOSE AND COMPOSITION	KEY MATTERS	PARTICIPANTS AND PAYMENT
<p>Short-term incentive (STI) <i>Designed to instil a high-performance culture and to motivate and reward the attainment of short-term objectives.</i></p>	<ul style="list-style-type: none"> > To drive a high-performance culture, STIs are discretionary and structured to reward the delivery of annual financial performance, and the achievement of strategic objectives. > To ensure that the achievement of short-term financial performance is not at the expense of future growth opportunities or sustainability. > The financial KPI for executive directors is an earnings-per-share measure and for all other top management it is based on achieving business unit-specific operating profit targets. > Strategic KPIs are linked to the group strategic pillars and the business unit strategies and are structured to grow the business and increase profitability. Information on strategic objectives is available in the strategy overview. 12 	<ul style="list-style-type: none"> > STIs are based on performance against the financial targets and strategic KPIs. > Financial targets constitute 70% and strategic KPIs constitute 30% of the STIs. > EE targets and external EE appointments are used as modifiers. > A financial modifier to drive the execution of strategy is linked to the achievement of the strategic KPIs. > Failure to achieve the required targets of the EE modifiers results in a downward modification of the incentive payout. > Failure to meet financial targets will reduce or completely deplete the percentage available for the strategic KPI pool. > Incentives are not guaranteed – the full incentive payment depends on performance against predetermined financial targets and strategic objectives and measures. 	<ul style="list-style-type: none"> > Executive directors' and top managers' performances are evaluated annually against set objectives, and this determines the annual payout. > The maximum bonuses for the Group CEO, executive directors, business unit managing directors, and business unit executives are respectively 140%, 130%, 120% and 100% of GP. > Incentives are self-funded (profit target only achieved after providing for the bonus) from central and business unit pools (for group employees and business unit employees respectively). > Senior level management and below are paid incentives at lower percentages of GP.
<p>Long-term incentive performance scheme</p>	<p>The LTI performance scheme drives sustainable long-term performance. LTIs are an integral part of the group's approach to competitive performance-based pay, and are aligned with shareholder returns.</p>	<ul style="list-style-type: none"> > Allocations are made annually, based on defined criteria (seniority of position, size of business unit and contribution to group performance). > There are two performance conditions: <ul style="list-style-type: none"> – normalised headline earnings per share – relative total shareholder return (TSR). > Each performance criterion carries a 50% weighting, and is evaluated against set measures that are determined annually by the Remuneration Committee. 	<ul style="list-style-type: none"> > Participants are executive directors, top management and selected senior management employees that are able to directly impact the financial performance of businesses in the group through the development and implementation of operational strategy. > Performance is evaluated annually, but vesting takes place over a four-year measurement period. > Annual allocations may not exceed two times annual GP.

CORE ELEMENTS	PURPOSE AND COMPOSITION	KEY MATTERS	PARTICIPANTS AND PAYMENT
Long-term incentive retention scheme	Retention of key skills critical for business continuity.	Allocations are made annually and may not exceed 20% of annual GP. Vesting occurs after four years (50%) and five years (50%), with remaining in the employment of the group being the only criteria.	Participants in the LTI retention scheme are those employees who are key to the success of the group, such as technical specialists, high-potential EE candidates and key succession candidates.
Deferred bonus plan (DBP) <i>To retain employees and ensure that long-term behaviour and performance are aligned to shareholder interest.</i>	The DBP was introduced in 2016 to: <ul style="list-style-type: none"> > increase shareholder alignment by encouraging executive directors and top management to invest their STIs in Reunert shares; > enhance the incentivisation, motivation and retention of executive directors, top management and key individuals as approved by the Remuneration Committee; and > the DBP is reviewed annually by the Remuneration Committee and will diminish or be discontinued as the LTI performs. 	<ul style="list-style-type: none"> > Executive directors and top management who qualify for STIs may be offered the opportunity to participate in the DBP. > Individuals who participate in the DBP will receive their elected portion in the form of restricted shares in the company. > The Remuneration Committee annually determines: <ul style="list-style-type: none"> – who can participate; – the percentage of the STI that can be received in deferred restricted shares; – the period for which the restricted shares must be retained by participants with the minimum period being three years, up to a maximum of four years; and – the quantum of the deferred bonus for which participants will qualify at the end of this period. This percentage may not exceed 100%. 	<ul style="list-style-type: none"> > At the end of the stipulated period, participants will be entitled to receive a cash award. > Participants will be entitled to receive share dividend payments on their restricted shares during this period.

The Remuneration Committee, as a result of feedback from shareholders, reviewed the performance measure for the growth in NHEPS performance condition of the CSP. Following the review, GDP was included as an element metric in the performance measure. The review also concluded that the requirement for a NHEPS calculation in LTI schemes, relating to “continuing operations” is no longer required due to the cash proceeds from the Nashua Mobile disposal being substantially invested. In future, the growth in NHEPS will be calculated as defined in the annual financial statements.

The vesting scales for the TSR measure were adjusted to reflect the reduced number of companies currently within the chosen index. This scale may vary depending on constituency in the Index. As a result of the reduction in the number of companies within the chosen index, the peer group for the TSR measure may be reviewed in 2018.

Remuneration policy continued

The CSP's performance conditions for the 2017 allocations are set out in the tables below.

Performance condition 1: Growth in NHEPS		POSITION	% VESTING
NHEPS less or equal to consumer price index [NHEPS <= CPI]	0% vesting	1	100
CPI < NHEPS <= (CPI + GDP + 3%)	Up to 100% vesting on linear basis	2	70
		3	45
		4	25
Performance condition 2: Relative total shareholder return		5	10
(Will be determined by Reunert's position in the chosen index ¹)		6	2,5

Life of scheme

The scheme will terminate after eight years from date of inception (2012).

Maximum participants and allocations for CSP		
Maximum number of participants	Performance vesting	80
	Retention vesting	100
Number of units to be issued	Maximum annual allocations	1 250 000 units
	Scheme maximum allocations (over eight years)	10 000 000 units
% units allocated (to date)		52%

Note: The CSP units allocated at the Remuneration Committee meeting in November 2012 have not vested and the CSP units allocated in November 2013 are not likely to vest.

While regulating and approving any incentives, the committee's actions are always directed towards ensuring fairness and alignment between management and shareholders. For example, in the event of a corporate action that may be in the interest of shareholders but prejudicial to management under the CSP (for example, the payment of a special dividend), the Remuneration Committee will exercise this discretion to ensure continued alignment. Any such change may be motivated by the Remuneration Committee and reported to shareholders in the next remuneration report. The consistent application of the remuneration policy will ensure that the original intent of the policy is met.

The remuneration policy received a favourable vote of 72,5% from shareholders at the 2017 annual general meeting.

NON-BINDING ADVISORY VOTES

During the committee's policy review, it considers input from Reunert's largest institutional shareholders, which they provide during engagement sessions. In the event that the remuneration policy or the implementation report receives a vote against of more than 25%, the company will implement shareholder engagement to address concerns raised. This engagement may be done in person or in writing and will be implemented at a time after the release of the voting results.

¹ JSE Electrical and Electronics sector.

IMPLEMENTATION REPORT AND REMUNERATION DISCLOSURES

2017 annual increases

The average increase for salaried employees in 2017 was 6%. All executive directors received an annual increase of 6%.

2017 performance rewards

Notwithstanding the tough trading and economic conditions, the group delivered a strong financial performance and achieved many of its strategic objectives and KPIs. The committee believes that the STIs awarded to the executive directors and top management within the group for the 2017 financial year appropriately reflect this performance.

Executive directors

STRATEGIC PILLARS	KEY OBJECTIVES FOR 2017	PERFORMANCE AGAINST KEY OBJECTIVES
Diversification	Execution of strategy, with the main metric being on acquisitions, in accordance with group strategic rationale and objectives.	The execution of strategy is ongoing. The acquisition target for this objective was partially achieved, but no STI was earned under this criterion.
People	Development of Reunert group values to embed a values driven culture.	Reunert group values were developed through an inclusive employee process. This objective was achieved.
Transformation	Driving group transformation with a specific focus on EE and increasing EE representation at management levels through external appointments.	Transformation is a priority within the group and is driven by achieving EE targets and EE external appointments. For the transformation pillar of the group strategy, refer to 63 . The targets linked to this objective were exceeded.

2017 short-term incentive awards

Executive directors and business units within each segment qualified for incentive payments by meeting financial targets and strategic KPIs for the 2017 financial year. The committee is satisfied that STI awards are linked and aligned to Reunert's performance throughout the year, which was the result of management's control and operational effectiveness.

The progress on the key objectives for business units for 2017 is disclosed in the strategy overview [12](#), in the segmental performance reviews starting on [37](#) and the transformation strategy review [63](#).

STIs EARNED	2017 R million	2016 R million
Electrical Engineering	22,2	18,6
ICT	19,1	6,8
Applied Electronics	8,5	9,7
Executive directors at head office	13,9	12,9
Total STIs earned	63,7	48,0

The 2017 STIs can be settled in cash or restricted shares, in accordance with the rules of the DBP.

2017 deferred bonus plan

DBP

Deferred bonus percentage	100%
Restriction period	3 years

Information on the 2017 DBP will be disclosed in the 2018 remuneration report, 2016 DBP information¹ is set out in the footnote below.

¹ 2016 DBP has four executive directors and 20 top management participants, with 317 150 restricted shares being issued.

Implementation report and remuneration disclosures continued

2017 LTI awards in terms of the CSP

The Remuneration Committee allocated the following awards. These awards are linked and aligned to the group's solid performance in the 2017 financial year.

CSP	PERFORMANCE VESTING (CSP)	RETENTION VESTING (CSP)
Participants	64	76
Number of units to be issued	1 080 575	125 350

DBP and CSP information for executive directors are included in the remuneration disclosures.

2017 SUMMARY

The committee is confident that the remuneration policy achieved its stated objectives in the 2017 financial year and will continue to generate real long-term value for our shareholders.

SERVICE CONTRACTS AND EARNINGS

Executive directors

Remuneration policies affecting executive directors

All executive directors are compensated according to the group's remuneration policy. Employment contracts of executive directors are in accordance with the group's standard terms and conditions of employment and include a notice period of six months.

Executive directors do not receive extended employment contracts or special termination benefits. Executive directors do not receive additional remuneration for their attendance at Board or committee meetings.

Remuneration and interests

The remuneration of executive directors for the past two financial years is reflected in the tables below. These are payable to the directors of the company by the company and its subsidiaries for services as directors:

R'000	Bonus and performance-related payments		Travel allowances	Retirement contributions	Medical contributions	Subtotal	Deferred shares and other ¹	Total	Fair value of CSP at grant date ²
	Salary								
Executive directors 2017									
AE Dickson	4 909	4 630	132	253	48	9 972	1 544	11 516	3 651
M Moodley	2 290	1 565	–	221	49	4 125	1 565	5 689	1 072
MAR Taylor	3 432	2 227	–	176	65	5 900	2 227	8 126	1 538
NA Thomson	3 944	2 309	–	193	103	6 549	2 309	8 857	1 937
	14 575	10 731	132	843	265	26 546	7 643	34 189	8 198
2016									
AE Dickson	4 517	–	132	344	47	5 040	6 585	11 625	3 932
M Moodley	2 159	814	–	209	48	3 230	1 898	5 128	1 238
MAR Taylor	3 130	–	–	225	110	3 465	1 622	5 087	1 802
NA Thomson	3 636	674	–	250	114	4 674	3 818	8 492	2 237
	13 442	1 488	132	1 028	319	16 409	13 923	30 332	9 209

¹ This represents the short-term incentive that was invested into the deferred bonus plan (DBP). At their election, those directors who are entitled to a short-term incentive in 2017 can elect to receive up to 50% (2016: 100%) of their incentive in deferred shares. Should the directors elect to take deferred shares, then the shares are acquired by the company from the market for the participating directors. These shares are restricted in nature and cannot be sold, pledged or alienated in any way for a period of three years from date of their acquisition. The value of the shares that vest after the three year period will be matched in cash. In 2016, other includes a once-off relocation allowance paid to AE Dickson.

² Conditional Share Plan (CSP). This has been determined using the fair value per unit and the expected vesting probability of the non-market conditions at grant date. The expected vesting probability assumes that 30,27% of the four year options will vest from the NHEPS performance (non-market condition). For further details relating to the valuation methodologies and assumptions used refer to note 19 in the annual financial statements.

Remuneration policies affecting non-executive directors

Appointments and contracts	<p>The appointment of non-executive directors requires approval by the Board, based on proposals received from the Nomination and Governance Committee.</p> <p>Non-executive directors do not have service contracts with the company.</p> <p>The term of office for non-executive directors is governed by the company's Memorandum of Incorporation, which requires that directors must resign every three years, but may make themselves available for re-election by shareholders.</p> <p>The tenure of non-executive directors ends at the annual general meeting following their 70th birthday.</p>
Fees	<p>Non-executive directors receive a standard fee for their services on the Board and Board committees.</p> <p>The Remuneration Committee reviews the fees annually and makes recommendations to the Board for consideration.</p> <p>The review by the Remuneration Committee includes benchmarking information to validate the recommendations submitted to the Board.</p> <p>Fees are submitted for approval annually at the company's annual general meeting, and changes are effective from 1 March each year.</p>
Benefits	<p>Non-executive directors are not eligible for any company incentives, such as participation in long-term share-based incentive schemes.</p> <p>The company covers travel and expense costs incurred in the normal course of business, for example, attending Board and committee meetings.</p>

Payments to non-executive directors made in 2017

Amounts paid to non-executive directors as fees for the year are reflected below. Travel and accommodation expenses of R145 336 were reimbursed to non-executive directors and are not included in the fees shown below.

R'000	COMPANY	
	2017	2016
Non-executive directors		
<i>Total paid for the year (all directors' and committee fees)</i>		
TS Munday	1 423	1 367
T Abdool-Samad	583	577
SD Jagoe	356	356
P Mahanyele	448	404
S Martin	608	576
TJ Motsosi	403	382
NDB Orleyn	585	554
SG Pretorius	595	575
R van Rooyen	652	636
	5 653	5 427

OUTLOOK FOR 2018

Linking remuneration to key objectives

Remuneration is directly linked to financial performance and to the KPIs that drive the execution of the group strategy. Financial targets³ and KPIs determine the extent of the incentives paid to executive directors and top management.

The strategic KPIs for the business units' are contained in the focus areas and outlook in the segment performance reviews starting on [37](#). Different operating profit targets apply to each business unit participating in the STI.

2018 STI for top management

Number of participants	102
	Maximum incentive
Business units' managing directors	Up to 120% (90% financial and 30% strategic KPIs)
Business unit's executives	Up to 100% (70% financial and 30% strategic KPIs)

Strategic pillars and key objectives for 2018

The strategic KPIs for executive directors for 2018 are as follows:

Diversification	Execution of strategy, with the main metric being acquisitions, in accordance with the group's strategic rationale and objectives.
Transformation	Driving group transformation with specific focus on EE and increasing EE representation at management levels.
People	Implementation of Reunert group values to embed a values-based culture.

Number of participants	4
	Maximum incentive
Group CEO	140% (100% financial and 40% strategic KPIs)
Executive directors	130% (100% financial and 30% strategic KPIs)

Financial targets for executive directors for 2018

The NHEPS targets shown in the table below are the financial targets for the executive directors. The percentages shown are calculated in relation to the 2018 budget numbers, which is in accordance with the Reunert growth plan. The maximum payout for the achievement of financial targets is 100% of GP which can only be earned at level 4 (stretch target). The on-target payout for the group CEO and executive directors is 50% and 40% respectively.

NHEPS targets

LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4
5%	8%	11,5%	15%

This is the full Reunert remuneration report. The online version can be accessed through <https://reunert.co.za/remuneration-report>.

APPRECIATION

Thank you to our shareholders for your support and engagement in 2017, we look forward to further interaction on the Reunert remuneration policy. Thank you to the Remuneration Committee members for their support, healthy debate and for always being available.



Sarita Martin

Chairman: Remuneration Committee

³ Should Reunert, in aggregate, not meet the targeted growth rates, those business units that achieve their specific targets may still earn short-term incentives (bonuses).



SUMMARISED FINANCIAL STATEMENTS AND OTHER INFORMATION

Currency conversion table	120
Audited summarised consolidated financial statements	121
Additional information	135
Share ownership analysis	136
Financial value-added statement	137
Ten-year review	138

CURRENCY CONVERSION TABLE

To assist investors, the table below gives the value in Rand of a unit of the selected foreign currencies at 30 September:

Currency	2017	2016
US Dollar	13,4940	13,7700
Pound Sterling	18,0988	17,8632
Euro	15,9547	15,4493
Australian Dollar	10,5820	10,5485
Japanese Yen	8,3419	7,3563
Swedish Krone	1,6529	1,6051
Swiss Franc	13,9470	14,1643
Zambian Kwacha	1,3947	1,3736

AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

AT 30 SEPTEMBER 2017

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARISED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF REUNERT LIMITED

Opinion

The summarised consolidated financial statements of Reunert Limited, which comprise the summarised consolidated statement of financial position as at 30 September 2017, the summarised consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Reunert Limited for the year ended 30 September 2017.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Reunert Limited, in accordance with the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Reunert Limited and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 29 November 2017. The report also includes the communication of other key audit matters as reported on the auditor's report of the audited financial statements.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summarised Financial Statements.



Deloitte & Touche
Registered Auditors
Per: James Welch
Partner
29 November 2017

Audited summarised consolidated financial statements continued

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

R million	Notes	Audited 2017	Audited 2016	% change
Revenue		9 773	8 511	15
EBITDA*		1 635	1 433	14
Depreciation and amortisation		(138)	(118)	17
Operating profit before net interest income and dividends, and empowerment transactions	2	1 497	1 315	14
Net interest income and dividends	3	65	137	(53)
Profit before empowerment transactions		1 562	1 452	8
Empowerment transactions	4	(20)	(113)	
Profit before taxation		1 542	1 339	15
Taxation		(437)	(404)	8
Profit after taxation		1 105	935	18
Share of joint ventures' and associate's profit		37	28	32
Profit for the year		1 142	963	19
Profit attributable to:				
Non-controlling interests		30	9	233
Equity holders of Reunert		1 112	954	17
Cents				
Basic earnings per share	5, 6	680	577	18
Diluted earnings per share	5, 6	670	572	17

* Earnings before net interest income and dividends; taxation; depreciation and amortisation; and empowerment transactions.

Other measures of earnings per share

Cents	Notes	Audited 2017	Audited 2016	% change
Headline earnings per share	5, 6	679	570	19
Diluted headline earnings per share	5, 6	670	565	19
Normalised headline earnings per share	5, 6	697	662	5
Diluted normalised headline earnings per share	5, 6	687	656	5
Total cash dividend per share for the year		474	439	8

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2017

R million	Audited 2017	Audited 2016
Profit for the year	1 142	963
Other comprehensive income, net of taxation:		
Items that may be reclassified subsequently to profit or loss		
Gains/(losses) arising from translating the financial results of foreign subsidiaries	8	(19)
Total comprehensive income	1 150	944
Total comprehensive income attributable to:		
Non-controlling interests	34	3
Share of comprehensive income	30	9
Share of translation gains/(losses)	4	(6)
Equity holders of Reunert	1 116	941

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2017

R million	Notes	Audited 2017	Audited 2016
Non-current assets			
Property, plant and equipment, investment properties and intangible assets		1 095	1 019
Goodwill	7	921	737
Investments and loans		55	53
Investment in joint ventures and associate		159	152
Rental and finance lease receivables		1 682	1 449
Deferred taxation		105	104
		4 017	3 514
Current assets			
Inventory		1 439	1 295
Rental and finance lease receivables		747	695
Accounts receivable and taxation		2 222	2 008
Derivative assets		12	15
Money market instruments		130	670
Cash and cash equivalents		1 522	1 712
		6 072	6 395
Total assets			
		10 089	9 909
Equity attributable to equity holders of Reunert		7 138	7 011
Non-controlling interests		105	81
Total equity			
		7 243	7 092
Non-current liabilities			
Deferred taxation		112	102
Put option liability	8	121	–
Long-term borrowings	9	73	43
		306	145
Current liabilities			
Accounts payable, provisions and taxation		2 304	2 037
Derivative liabilities		28	6
Bank overdrafts and short-term loans		197	400
Current portion of long-term borrowings	9	11	229
		2 540	2 672
Total equity and liabilities			
		10 089	9 909

SUMMARISED CONSOLIDATED STATEMENT IN CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

R million	Audited 2017	Audited 2016
Share capital	359	343
Balance at the beginning of the year	343	318
Issue of shares	16	25
Share-based payment reserves	176	136
Balance at the beginning of the year	136	16
Equity-settled share-based payments	40	120
Equity transactions/put option with empowerment partners and non-controlling shareholders	(116)	–
Balance at the beginning of the year	–	–
Put option	(116)	–
Net changes in non-controlling interests	–	(40)
Transferred from retained earnings	–	40
Empowerment shares*	(276)	(276)
Treasury shares**	(227)	(28)
Balance at the beginning of the year	(28)	–
Shares bought back during the year	(203)	(28)
Shares used for incentive scheme	4	–
Foreign currency translation reserves	(3)	(7)
Balance at the beginning of the year	(7)	6
Other comprehensive income	4	(13)
Retained earnings	7 225	6 843
Balance at the beginning of the year	6 843	6 615
Total comprehensive income attributable to equity holders of Reunert	1 112	954
Cash dividends declared and paid	(730)	(687)
Other	–	1
Transfer to equity transactions	–	(40)
Equity attributable to equity holders of Reunert	7 138	7 011
Non-controlling interests	105	81
Balance at the beginning of the year	81	46
Share of total comprehensive income	34	3
Dividends declared and paid	(15)	(3)
Net changes in non-controlling interests	5	35
Total equity at the end of the year	7 243	7 092

* These are Reunert Limited shares held by Bargenel Investments Proprietary Limited (Bargenel), a company sold by Reunert to its empowerment partner in 2007.

Until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is consolidated by the group as the significant risks and rewards of ownership of the equity have not passed to the empowerment partner.

** Reunert shares bought back and held by a subsidiary: 3 392 422 (2016: 443 331).

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

R million	Notes	Audited 2017	Audited 2016
EBITDA		1 635	1 433
Increase in net working capital		(225)	(396)
Other net non-cash movements		60	50
Cash generated from operations		1 470	1 087
Net interest income and dividends		70	137
Taxation paid		(375)	(431)
Dividends paid (including to non-controlling interests)		(745)	(690)
Net inflow from operating activities		420	103
Net outflow from investing activities		(21)	(1 205)
Capital expenditure		(143)	(222)
Net inflow arising from disposal of businesses		15	–
Gross cashflows on acquisition of businesses*	10	(241)	(462)
(Increase)/decrease in total rental and finance lease receivables		(231)	14
Net other investments and loans (granted)/repaid		(2)	43
Proceeds from investment in insurance cell captive		–	48
Dividends received from joint venture		30	35
Investments net of other capital proceeds**		551	(638)
Other		–	(23)
Net outflow from financing activities		(386)	(222)
Shares issued		16	25
Investment in treasury shares		(203)	(28)
Net long-term borrowings repaid		(199)	(181)
Equity transactions with non-controlling interests		–	(40)
Other		–	2
Increase/(decrease) in net cash resources		13	(1 324)
Net cash resources at the beginning of the year		1 312	2 636
Net cash resources at the end of the year		1 325	1 312
Cash and cash equivalents		1 522	1 712
Bank overdrafts		(138)	(327)
Short-term borrowings		(59)	(73)
Net cash resources at the end of the year		1 325	1 312

* Including debt assumed of R23 million (2016: R282 million).

** This includes R540 million withdrawal from investments in long-dated money market instruments (2016: Investments made R670 million).

SUMMARISED SEGMENTAL ANALYSIS

AT 30 SEPTEMBER 2017

R million	Audited 2017	% of total	Audited 2016	% of total	% change
Revenue¹					
Electrical Engineering	5 247	51	4 106	46	28
ICT	3 307	32	3 332	37	(1)
Applied Electronics	1 720	17	1 505	17	14
Other	14	–	21	–	(33)
Total segment revenue	10 288	100	8 964	100	15
Revenue from equity-accounted joint venture – Electrical Engineering	(489)		(453)		
Revenue from equity-accounted associate – ICT	(26)		–		
Revenue as reported	9 773		8 511		15
Operating profit					
Electrical Engineering	696	45	610	45	14
ICT ²	635	41	549	41	16
Applied Electronics	276	18	305	23	(10)
Other	(59)	(4)	(111)	(9)	47
Total segment operating profit	1 548	100	1 353	100	14
Operating profit from equity-accounted joint venture – Electrical Engineering	(48)		(38)		
Operating profit from equity-accounted associate – ICT	(3)		–		
Operating profit as reported	1 497		1 315		14

¹ Inter-segment revenue is immaterial and has not been separately disclosed.

² Net interest charged on group funding provided to Quince has been eliminated in line with the consolidation principles of IFRS. This elimination amounted to R125 million (2016: R95 million).

R million	Audited 2017	% of total	Audited 2016	% of total
Total assets				
Electrical Engineering	3 115	31	2 699	27
ICT	3 952	39	4 084	41
Applied Electronics	1 854	18	1 477	15
Other ³	1 168	12	1 649	17
Total assets as reported	10 089	100	9 909	100

³ Other consists mainly of group treasury cash balances.

NOTES

1 Basis of preparation

These summarised consolidated financial statements have been prepared in compliance with the framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in effect for the group at 30 September 2017, and further comply with the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committees and the Financial Reporting pronouncements as issued by the Financial Reporting Standards Council. These summarised consolidated financial statements contain the minimum information as required by IAS 34 – Interim Financial Reporting, and complies with the requirements of the Companies Act, 71 of 2008, of South Africa. The summarised consolidated financial statements have been derived from the group's consolidated financial statements for the year ended 30 September 2017, which was compiled under the supervision of NA Thomson CA(SA) (chief financial officer). The complete set of consolidated financial statements was approved by the Board of directors on 20 November 2017, and is available on the company's website.

The group's accounting policies applied for the year ended 30 September 2017 were consistent with those applied in the prior year's audited consolidated annual financial statements. These accounting policies comply with IFRS.

R million	Audited 2017	Audited 2016
2 Operating profit		
Operating profit includes:		
– Cost of sales	6 366	5 402
– Other expenses excluding depreciation and amortisation	1 759	1 710
– Other income	30	45
– Realised (loss)/gain on foreign exchange and derivative instruments	(20)	26
– Unrealised gain/(loss) on foreign exchange and derivative instruments	1	(16)
– Auditors' remuneration	24	21
3 Net interest income and dividends		
Interest income and dividends	113	164
Interest expense	(48)	(27)
Total	65	137
4 Empowerment transactions		
IFRS 2 share based payment cost of BBBEE transaction*	20	113
Taxation thereon	–	–
Net empowerment transactions after taxation	20	113

* Included in the current year charge is a donation to create an empowerment structure for R1 million.

R million/millions of shares		Audited 2017	Audited 2016
5	Number of shares and earnings used to calculate earnings per share		
	Weighted average number of shares in issue used to determine basic earnings, headline earnings and normalised headline earnings per share (millions of shares)	164	165
	Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	2	2
	Weighted average number of shares used to determine diluted basic, headline and normalised headline earnings per share (millions of shares)	166	167
	Profit attributable to equity holders of Reunert	1 112	954
6	Headline earnings		
6.1	Profit attributable to equity holders of Reunert	1 112	954
	<i>Headline earnings are determined by eliminating the effect of the following items from attributable earnings:</i>		
	Net gain on disposal of assets (after a tax charge of Rnil and non-controlling interest (NCI) portion of Rnil) (2016: tax charge of R2 million, NCI of Rnil)	(1)	(20)
	Impairment of intangible asset (tax and NCI of Rnil) (2016: tax credit of R3 million and NCI of R2 million)	–	8
	Headline earnings	1 111	942

Notes continued

R million	Audited 2017	Audited 2016
6		
Headline earnings continued		
6.2 Normalised headline earnings*		
Headline earnings	1 111	942
<i>Normalised headline earnings are determined by eliminating the effect of the following items from headline earnings:</i>		
Empowerment transactions	20	113
Once off IFRS 2 share-based payment cost of BBBEE transactions (tax and NCI of Rnil) (2016: tax and NCI of Rnil)	19	113
Once off donation to create empowerment structure (tax and NCI of Rnil)	1	–
Recurring merger and acquisition costs (tax and NCI of Rnil) (2016: tax and NCI of Rnil)	9	39
Normalised headline earnings	1 140	1 094
<p>* The pro forma financial information above has been prepared for illustrative purposes only to provide information on how the normalised earnings adjustments might have impacted on the financial results of the group. Because of its nature, the pro forma financial information may not be a fair reflection of the group's results of operation, financial position, changes in equity or cash flows. The summarised pro forma financial effects have been prepared in a manner consistent in all respects with IFRS, the accounting policies adopted by Reunert Limited as at 30 September 2017, the revised SAICA guide on pro forma financial information, and the Listings Requirements of the JSE Limited.</p> <p>There are no post-balance sheet events which require adjustment to the pro forma financial information.</p> <p>The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.</p> <p>The pro forma financial information should be read in conjunction with the unmodified Deloitte & Touche independent reporting accountants' reasonable assurance report thereon, which is available for inspection at the company's registered office.</p>		
7		
Goodwill		
Carrying value at the beginning of the year	737	653
Acquisition of businesses ¹	171	90
Adjustment to goodwill on finalisation of acquisition made in prior year	33	–
Disposal of a controlling interest in a subsidiary	(12)	–
Disposal of businesses	(9)	–
Exchange differences on consolidation of foreign subsidiaries	1	(6)
Carrying value at the end of the year	921	737

¹ At 30 September 2017, the purchase price allocation of the acquisitions made in 2017 have not been finalised and therefore the amounts reported are provisional and subject to change.

R million	Audited 2017	Audited 2016
8 Put option liability		
As part of the Terra Firma and Ryonix acquisitions, the group has granted put options in favour of the non-controlling shareholders for 25% of the issued share capital, in both cases.		
<i>A reconciliation of the closing balance is as below:</i>		
Balance at the beginning of the year	–	–
Raised at acquisition at fair value	116	–
Fair value remeasurements	–	–
Unwinding of interest expense	5	–
Balance at the end of the year	121	–
The obligations were classified as level 3 instruments in the fair value hierarchy. For Terra Firma, the fair value of the put option liability has been determined using a discounted cash flow valuation technique and is based on multiples stipulated in the sales and purchase agreement.		
Significant unobservable inputs include:		
– The 2020 forecast revenue and net profit after tax (NPAT) have been used. This forecast is based on management’s best estimate of the revenue and NPAT likely to be achieved in 2020.		
– The multiples stipulated in the sales and purchase agreement.		
– The discount rate of 8%, being the average cost of borrowing.		
The put option for Ryonix is immaterial.		
If the key unobservable inputs to the valuation model being estimated were 1% higher/lower while all the other variables were held constant, the carrying amount of the put option liabilities would decrease/increase by R3 million respectively.		
9 Long-term borrowings		
Total long-term borrowings (including finance leases) ²	84	272
Less: short-term portion (including finance leases)	(11)	(229)
	73	43

² In 2016, these borrowings included R200 million in respect of the Quince rental book, which was repaid in May 2017.

R million	Audited 2017
10 Acquisition of businesses	
During the current year, the group obtained control over the following entities through the acquisition of a majority interest in the equity shares:	
– Nanoteq Proprietary Limited: With effect from 1 October 2016, the group acquired 100% of the share capital of Nanoteq Proprietary Limited. The acquisition and related goodwill of R69 million is attributable to the synergies from the vertical integration with the group's other businesses in the Applied Electronics segment.	95
– Terra Firma Solutions Proprietary Limited: With effect from 1 March 2017, the group accounted for its acquisition of 51% of the share capital of Terra Firma Solutions Proprietary Limited. The acquisition and related goodwill of R88 million is attributable to the expected high growth in this business and the ability for the group to diversify into new products and geographical areas. The following options exist: a call option in favour of Reunert Limited for a further 9% (exercisable in September 2018); and a put at the option of the non-controlling interests for 25% (exercisable in either September 2019 or September 2020), which if all are exercised, will increase the group's holding of Terra Firma's share capital to 85%. At the reporting date, it is estimated that the fair value of the call option is Rnil and the fair value of the put option is R112 million. A put obligation liability has been recognised in non-current liabilities with a corresponding entry to equity. Refer to note 8.	102
– Ryonic Robotics Proprietary Limited: With effect from 1 March 2017, the group accounted for its acquisition of 74,9% of the share capital of Ryonic Robotics Proprietary Limited. The acquisition and related goodwill of R14 million is attributable to the ability of the group to leverage its interest in Ryonic into new products and geographical areas in the rapidly advancing field of robotics, automation, machine learning and autonomous machine control. A put option has been granted in favour of the non-controlling interests for some or all of the non-controlling interest's equity in the company. The put option is exercisable at any time after the fifth anniversary of the effective date of the acquisition. At the reporting date, it is estimated that the fair value of the put option is R9 million. A put obligation liability has been recognised in non-current liabilities with a corresponding entry to equity. Refer to note 8.	21
Cost of investments	218
Net borrowings acquired on acquisition	23
Gross cash flows on acquisition of businesses	241
Non-controlling interest*	14
Total funding of acquisitions	255

* Non-controlling interests have been recognised using the proportionate share basis.

R million	Audited 2017
10 Acquisition of businesses continued	
<i>Gross assets acquired and liabilities taken over:</i>	
Property, plant and equipment and intangible assets	82
Non-current receivables	2
Inventory	4
Gross accounts receivable and taxation**	69
Short-term borrowings	(7)
Deferred taxation	(10)
Accounts payable, provisions and taxation	(56)
Goodwill	171
Net assets acquired	255
Revenue since acquisition	170
Profit after taxation since acquisition	19
Revenue for the 12 months ended 30 September 2017 as though the acquisition dates had been 1 October 2016	270
Profit after taxation for the 12 months ended 30 September 2017 as though the acquisition dates had been 1 October 2016	29

** The value of uncollectible debtors receivable at acquisition was negligible.

Change made to prior year acquisition accounting

Metal Fabricators of Zambia Plc (Zamefa): The goodwill arising on the 2016 acquisition of Zamefa was increased by R33 million due to the reassessment of the trade receivables at acquisition. There was no impact on the actual purchase price.

2016

Refer to 2016 published results.

11 Unconsolidated subsidiary

The financial results of Cafca Limited (Cafca), a subsidiary incorporated in Zimbabwe, have not been consolidated into the group results as the group does not exercise management control:

- Reunert has not appointed a majority of the directors to the board of directors of Cafca and therefore does not control the board; and
- the difficult economic circumstances in Zimbabwe have resulted in a major liquidity crisis which renders Reunert's access to economic benefits from Cafca (e.g. dividends) such that it does not have the ability to affect its variable returns through its powers over Cafca.

The amounts involved are not material to the group's results.

At 30 September 2017, Cafca's share capital and reserves amounted to US\$15 million.

Notes continued

12 Related-party transactions

Counterparty R million	Relationship	Sales	Purchases	Lease payments	Treasury shares
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All related-party transactions, trading account and loan balances are on the same terms and conditions as those with non-related parties.

September 2017

CBI-electric Telecom Cables Proprietary Limited	A joint venture	3	35	–	–
Oxirostax Proprietary Limited (Nashua Winelands)	An associate	2	22	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	–	276
Lexshell 661 Investment Proprietary Limited	A joint venture	–	–	1	–

September 2016

CBI-electric Telecom Cables Proprietary Limited	A joint venture	1	–	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	–	276
Lexshell 661 Investment Proprietary Limited	A joint venture	–	–	–	–

13 Litigation

There is no material litigation being undertaken against the group. The group has made adequate provision against any cases where the group considers there are reasonable prospects for the litigation to succeed. The group has adequate resources and good grounds to defend any litigation it is aware of.

14 Events after reporting date

No events have occurred after the reporting date that require additional disclosure or adjustment to the results presented.

ADDITIONAL INFORMATION

R million (unless otherwise stated)	Audited 2017	Audited 2016
Current ratio (:1)	2,4	2,4
Quick ratio (:1)	1,8	1,9
Dividend yield (%)*	7,0	7,2
Return on capital employed (%)	19,8	18,2
Net number of ordinary shares in issue (million)	162	165
Number of ordinary shares in issue (million)	185	184
Less: Empowerment shares (million)	(19)	(19)
Less: Treasury shares (million)	(4)	–
Capital expenditure	143	222
– expansion	98	174
– replacement	45	48
Capital commitments in respect of property, plant and equipment	39	60
– contracted	20	10
– authorised not yet contracted	19	50
Commitments in respect of operating leases	126	63
Contingent liabilities**	–	–

* Calculated as the total dividend declared out of the 2017 profits (interim 120 cents per share and final 354 cents per share) (2016: 113 cents and 326 cents respectively) divided by the closing Reunert share price of 6 772 cents (2016: 6 110 cents).

** The directors are confident that Reunert Limited and its subsidiaries have no exposure arising from the guarantees and sureties in issue, beyond the liabilities recognised in the summarised consolidated statement of financial position at financial year-end.

Definitions of ratios and other financial terms are incorporated in the Integrated Report.

SHARE OWNERSHIP ANALYSIS

AS AT 30 SEPTEMBER 2017

Shareholder spread	Number of shareholders	%	Number of shares (millions)	%
1 – 1 000 shares	5 867	70,4	2	0,8
1 001 – 10 000 shares	1 846	22,1	6	3,2
10 001 – 100 000 shares	443	5,3	14	7,8
100 001 – 1 000 000 shares	150	1,8	46	25,0
1 000 001 shares and over	36	0,4	116	63,2
Total	8 342	100,0	184	100,0

Public/non-public share holders

Non-public shareholders	Number of shareholders	%	Number of shares (millions)	%
Bargenel Investments Proprietary Limited ¹	1		19	10,1
Reunert Share Option Trust	2		1	0,5
Own holdings	3		4	2,1
Public shareholders	8 337	99,9	164	87,3
Total	8 343	100,0	188	100,0

Beneficial shareholders holding 5% or more

Government Employees' Pension Fund			24	13,1
Bargenel Investments Proprietary Limited ¹			19	10,0

Major holdings through fund managers in excess of 5%	2017		2016	
	Number of shares (millions)	%	Number of shares (millions)	%
Public Investment Corporation Limited	21	11,3	21	11,3
Allan Gray Proprietary Limited	11	6,2	23	12,5
Old Mutual Investment Group (South Africa) Proprietary Limited	11	6,0	12	6,6
Investec Asset Management Proprietary Limited	9	5,0	*	*

¹ Empowerment shares.

* Holdings were below 5%.

FINANCIAL VALUE-ADDED STATEMENT

R million	2017		2016		% Change 2017 over 2016
	2017	%	2016	%	
Revenue	9 773		8 511		15
Paid to suppliers for materials and services	5 677		5 024 ¹		13
Value added	4 096	97	3 487	96	17
Income from investments	114	3	164	4	(30)
Total wealth created	4 210	100	3 651	100	15
Distributed as follows:					
Employees ²	1 768	42	1 583 ¹	43	12
Providers of capital	745	18	690	19	8
Providers of debt	48	1	27	1	78
Payments to government	1 081	26	808	22	34
Socio-economic development ³	50	1	67	2	(25)
Retained in the group to develop future growth	518	12	476	13	9
Total wealth distributed	4 210	100	3 651	100	15

¹ These numbers have been recalculated for comparability purposes.

² Excludes PAYE, which has been included in 'payments to government'.

³ Includes enterprise and supplier development and corporate social investment contributions.

TEN-YEAR REVIEW

R million	2017	2016	2015
CONDENSED STATEMENTS OF FINANCIAL POSITION			
Assets			
Property, plant and equipment and investment property	890	904	674
Intangible assets	205	115	71
Goodwill	921	737	653
Investments and loans	55	53	95
Investments in joint ventures and associate	159	152	158
Non-current rental and finance lease receivables	1 682	1 449	1 463
Deferred taxation assets	105	104	92
Cash and cash equivalents	1 522	1 712	2 713
Other current assets	4 550	4 683	3 480
Total assets	10 089	9 909	9 399
Equity and liabilities			
Ordinary equity holders of Reunert	7 138	7 011	6 679
Non-controlling interests	105	81	46
Total equity	7 243	7 092	6 725
Deferred taxation liabilities	112	102	98
Non-current liabilities of discontinued operation	–	–	–
Long-term liabilities	194	43	239
Quince long-term borrowings			
Quince short-term borrowings			
Current liabilities	2 540	2 672	2 337
Total equity and liabilities	10 089	9 909	9 399
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME			
Revenue	9 773	8 511	8 300
Operating profit	1 497	1 315	1 167
Net interest and dividends income	65	137	135
Profit before empowerment transactions	1 562	1 452	1 302
Empowerment/abnormal transactions	(20)	(113)	–
Profit before taxation	1 542	1 339	1 302
Taxation	(437)	(404)	(360)
Profit after taxation	1 105	935	942
Share of joint ventures' and associate companies' profits/(losses)	37	28	17
Profit for the year of asset held for sale	–	–	42
Profit for the year	1 142	963	1 001
Profit for the year attributable to:			
Non-controlling interests	30	9	7
Equity holders of Reunert	1 112	954	994
Headline earnings attributable to equity holders of Reunert	1 111	942	968
CONDENSED CASH FLOW STATEMENTS			
EBITDA	1 635	1 433	1 329
Changes in net working capital	(225)	(396)	62
Cash generated from operations	1 410	1 037	1 391
Net interest and dividends received	70	137	133
Taxation paid	(375)	(431)	(415)
Dividends paid	(745)	(690)	(629)
Other (net)	60	50	79
Net cash flows from operating activities	420	103	559
Net cash flows from investing activities	(21)	(1 205)	1 641
Net cash flows from financing activities	(386)	(222)	21
Net cash generated/(utilised)	13	(1 324)	2 221

¹ Restated to reflect the changes in accounting standards as well accounting for Nashua Mobile as an asset held for sale.

² The 2012 cash flow statement was restated to include the movement in total rental and finance lease receivables as part of investing activities instead of operating activities as this represents the group's investment in resources intended to generate future income. The cash flow movements for the years up to and including 2011 have not been restated.

2014	2013 ¹	2012	2011	2010	2009	2008
644	631	625	612	594	559	570
78	82	82	90	42	28	22
649	792	707	655	492	460	415
92	129	64	46	838	854	865
149	170	–	–	–	–	–
1 465	1 378	1 067	966	846	994	1 275
51	55	33	32	40	29	32
697	611	697	643	1 878	1 701	877
5 757	3 525	3 313	3 062	3 223	3 072	3 620
9 582	7 373	6 588	6 106	7 953	7 697	7 676
6 269	4 878	4 443	3 881	4 433	4 034	3 675
63	59	56	55	38	27	21
6 332	4 937	4 499	3 936	4 471	4 061	3 696
121	132	127	99	122	140	208
251	–	–	–	–	–	–
425	25	25	1	711	711	713
–	–	–	–	–	–	–
–	–	–	–	–	–	–
2 453	2 279	1 937	2 070	2 649	2 785	3 059
9 582	7 373	6 588	6 106	7 953	7 697	7 676
7 774	7 247	11 662	10 923	10 675	10 271	10 921
1 017	1 102	1 524	1 391	1 263	1 210	1 594
(10)	12	42	41	59	39	40
1 007	1 114	1 566	1 432	1 322	1 249	1 634
(327)	–	–	347	(34)	299	–
680	1 114	1 566	1 779	1 288	1 548	1 634
(278)	(313)	(483)	(426)	(377)	(374)	(486)
402	800	1 083	1 353	911	1 173	1 148
(12)	10	–	–	–	–	16
1 584	162	–	–	–	–	–
1 974	972	1 083	1 353	911	1 173	1 164
3	14	16	16	12	9	7
1 971	959	1 067	1 338	899	1 164	1 157
829	952	1 067	989	903	1 163	1 160
1 315	1 439	1 661	1 513	1 376	1 307	1 681
(44)	(150)	(192) ²	48	318	757	(327)
1 271	1 289	1 469	1 561	1 694	2 064	1 354
(6)	16	42	41	60	38	127
(332)	(361)	(447)	(438)	(408)	(478)	(411)
(612)	(612)	(577)	(499)	(457)	(550)	(569)
(93)	(11)	26	(2)	26	43	17
228	321	513	(663)	915	1 117	518
(494)	(693)	(499) ²	485	(313)	(131)	(921)
439	45	42	(1 769)	(104)	3	(380)
173	(327)	56	(621)	498	989	(783)

Ten-year review continued

		2017	2016	2015
Shares				
Number of ordinary shares on which earnings per share are calculated	millions	164	165	165
Net worth per share	cents	4 396	4 237	4 047
Basic earnings per share	cents	680	577	604
Headline earnings per share	cents	679	570	588
Normalised headline earnings per share	cents	697	662	580
Dividends per share – normal	cents	474	439	407
Dividend cover	times	1,5	1,5	1,4
Cash flow per share	cents	712	481	722
Ordinary shares in issue (net of treasury shares)	millions	162	165	165
Number of transactions – JSE		143 393	151 272	173 619
Number of shares traded	millions	93	96	134
Value of shares traded	Rm	5 574	6 277	8 383
Number of shares traded as a percentage of gross issued shares	%	51	52	73
Market price per share				
– year-end	cents	6 772	6 110	6 100
– highest	cents	7 680	7 540	6 924
– lowest	cents	6 021	5 980	5 398
Earnings yield	%	10	11	10
Dividend yield	%	7	7	7
Price:Earnings ratio	times	10	9	11
Total shareholder return (TSR)	%	19	7	9
Market capitalisation (net of empowerment and treasury shares)	Rm	10 996	10 112	10 067
JSE actuaries' electronics sector index at 30 September		6 585	7 079	7 781
Profitability, asset management, liquidity and leverage				
EBITDA as a percentage of revenue	%	16,7	16,8	15,5
Operating margin (%)	%	15,3	15,5	14,1
Net asset turn	times	1,7	1,7	1,7
Normalised return on shareholders' funds (ROE)	%	16,1	16,0	14,8
Return on net operating assets	%	26,3	25,8	23,9
Return on capital employed (ROCE)	%	19,8	18,2	16,5
Taxation as a percentage of profit before taxation and empowerment/abnormal transactions	%	28,0	27,8	27,7
Total liabilities to total shareholders' funds	%	37,8	38,3	38,3
Current ratio		2,4	2,4	2,7
Quick ratio		1,8	1,9	2,2
Interest cover	times	31,0	49,0	72,9
Human capital³				
Total employees at year-end	number	6 315	6 187	5 853 ³
Permanent employees at year-end	number	5 330	5 422	5 000
Non-permanent employees at year-end	number	985	765	853
Work-related fatalities	number	0	1	0
Revenue per employee	R'000	1 548	1 376	1 418
Operating profit per employee	R'000	237	213	199
Wealth created per employee	R'000	667	590 ⁴	681
Employment cost per employee	R'000	280	256 ⁴	303
Training and development spend	Rm	52	44	40
Social and relationship capital⁵				
Community investments (Socio-economic development)	R'000	14	14	14
Enterprise and supplier development spend	R'000	36	53	37
Natural capital⁵				
Electricity consumption	MWh	68 349	45 427	43 643
Water consumption	MI	294	340	341
CO ₂ e Scope 1 and 2	tonnes	47 801	51 588	50 116
Total CO ₂ e emissions per Rm revenue	tonnes	4,6	5,8	5,8

¹ The 2012 information was recalculated.

² The information was restated to exclude Nashua Mobile as this is accounted for as a discontinued operation.

³ Excludes employees from joint venture from 2014 onwards.

⁴ This information has been recalculated for comparability purposes.

⁵ Includes 50% contribution from joint venture.

2014	2013 ²	2012	2011	2010	2009	2008
164	163	162	165	179	179	178
3 816	2 980	2 732	2 401	2 502	2 258	2 060
1 202	588	658	809	503	652	650
506	583	658	598	506	652	652
553	569	644	590	516	500	630
370	370	370	330	287	253	319
1,5	1,5	1,7	1,8	1,8	2,0	2,0
406	597	673 ¹	703	767	798	629
164	164	163	162	177	179	178
174 939	147 988	109 185	99 875	85 444	71 666	67 690
119	102	90	106	134	108	130
7 866	7 494	6 107	6 579	7 645	4 781	8 020
63	51	45	53	68	55	66
5 947	7 266	6 895	5 885	6 201	5 600	5 749
8 200	8 791	8 170	6 970	6 247	5 900	8 049
5 567	6 200	5 700	5 101	4 950	3 201	4 528
9	8	9	10	8	12	11
6	5	5	6	5	5	6
11	13	11	10	12	11	9
(13)	11	23	0	16	2	(9)
9 774	11 897	11 215	9 512	10 988	10 006	10 257
10 184	11 399	10 710	9 780	10 462	9 866	10 705
14,5	16,8	14,2	13,9	12,9	12,0	15,2
13,1	15,2	13,1	12,7	11,8	11,1	14,4
1,7	1,6	3,1	2,9	2,9	2,9	3,4
18,6	19,9	25,1	23,5	21,8	23,1	36,5
26,5	29,6	40,6	36,6	34,1	32,0	50,2
14,3	21,6	32,8	34,5	23,8	24,6	34,5
33,9	27,7	30,9	29,7	28,5	27,0	29,8
49,4	47,9	43,6	52,6	75,2	86,7	102,6
2,6	1,8	2,1	1,8	2,2	1,7	1,5
2,2	1,6	1,6	1,4	1,9	1,5	1,2
41,3	99,3	142,5	210,8	175,4	54,1	36,8
5 409	5 645	6 654	6 324	6 422	6 321	7 196
4 665	5 931	5 815	5 752	5 879	5 524	6 397
744	714	839	572	543	797	799
0	0	0	0	0	0	2
1 437 ²	1 091 ²	1 753	1 727	1 662	1 625	1 518
188 ²	166 ²	229	220	197	180	219
620 ²	582 ²	594	636	527	530	477
309 ²	235 ²	253	248	229	194	172
38	24	18	10	10		
9	12	15	10	6		
63	42	49	38			
53 195	52 443	57 167	56 565	59 748	61 579	
369	339	310	290	317	310	
58 936	61 534	67 110	63 957			
5,2	7	6				

ABOUT THIS REPORT

SCOPE AND BOUNDARY

This report covers the group's South African operations and its subsidiaries in Australia, Lesotho, Sweden, the USA, Zambia and Zimbabwe.

We disclose the inclusion or exclusion of relevant data. The following are key exclusions:





- > Given their immateriality relative to the group's results, only key non-financial information is provided for the international operations in Australia, Lesotho, Sweden, the USA and Zambia. Limited non-financial information was requested from the new acquisitions due to resource restraints.
- > PanSolutions' and Nashua Communications' contributions are not material to the ICT segment and limited information on these two business units is included.
- > Due to its immateriality, no detailed information is provided on Polybox Proprietary Limited¹.
- > The cable operation in Zimbabwe (CAFCA) is excluded from the consolidated results due to the material uncertainty created by the country's indigenisation policies (where a controlling interest must be transferred to indigent Zimbabweans over time), the low level of influence the group currently exerts over this entity¹ and the inability of Reunert to benefit from variable returns due to the liquidity crisis in Zimbabwe.

REPORTING SUITE AND FRAMEWORKS





Through following local and international guidelines and requirements, Reunert is committed to providing transparent reporting and information to our stakeholders:

- > International Integrated Reporting Council's (IIRC) International <IR> Framework
- > King Report on Governance for South Africa, 2009 (King III) and King Report on Corporate Governance for South Africa, 2016 (King IV)
- > Companies Act, 71 of 2008 (as amended) (the Companies Act)
- > JSE Limited Listings Requirements (JSE Listings Requirements)
- > International Financial Reporting Standards (IFRS)
- > GRI (formerly the Global Reporting Initiative) guidelines
- > Greenhouse Gas Protocol (GHG Protocol)

The following provides a summary of Reunert's annual reporting suite:


REPORT	OBJECTIVE OF THE REPORT	ONLINE REFERENCE
Integrated report	<p>The report was prepared on the basis of materiality, and provides an overview of how Reunert and its operations create and sustain value in the context of its operating environment.</p> <p>The report includes summarised financial statements, adopted from the audited consolidated financial statements.</p>	<p> http://www.reunert.co.za/downloads/reports/2017/reunert-integrated-annual-report-2017.pdf</p> 
Annual financial statements	<p>The audited consolidated and separate annual financial statements of Reunert for the year ended 30 September 2017, prepared in compliance with IFRS and the Companies Act.</p>	<p> http://www.reunert.co.za/downloads/reports/2017/reunert-annual-financial-statements-2017.pdf</p> 


¹ Refer to Annexure B on page  of the annual financial statements.

REPORT	OBJECTIVE OF THE REPORT	ONLINE REFERENCE
Notice of annual general meeting	The required statutory information and notice of annual general meeting which is distributed to shareholders to call the annual general meeting.	 http://www.reunert.co.za/downloads/reports/2017/reunert-notice-of-agm-2017.pdf 
Carbon footprint report	This report reflects the greenhouse gas (GHG) emissions and water usage of Reunert Limited for the year ended 30 September 2017, based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.	 www.reunert.co.za/sustainability
King III application register	Required disclosure on Reunert's compliance and application of the King III principles.	 www.reunert.co.za/King-III-application-register.php

Reunert is in the process of transitioning from King III to King IV reporting. Where relevant, elements of King IV are included in this report. However, the detailed application narrative was prepared with reference to King III.

ASSURANCE AND DATA MEASUREMENT


We are committed to be transparent in all of our disclosures and reporting. Reunert uses a combined assurance model  to provide us with assurance obtained from management and internal and external assurance providers.

The summarised consolidated financial statements contained in this report were audited by the group's external auditors, Deloitte.  Their unqualified audit opinion for the summarised consolidated financial statements is included in this integrated report. Their unqualified audit opinion on the full set of consolidated financial statements is available for inspection at the company's registered office.

External assurance was not sought for the non-financial information, except our BBBEE ratings and various ISO certifications. Internal controls are a key component of our assurance process. The Board periodically reviews the completeness and accuracy of a sample of the non-financial information presented by Reunert's internal audit function, and considers the need to obtain appropriate external assurance on non-financial data. The Board is satisfied that internal supervision sufficiently ensures the reliability of the information presented in this report.











Environmental and social data is collected in accordance to GRI guidelines using a dedicated in-house database which electronically captures data. Data is reported on a like-for-like basis and, where applicable, data is comparable for at least three years, and major restatements are indicated.

FEEDBACK

Our integrated reporting is an ongoing journey through which we continually strive to improve the quality and relevance of our stakeholder communications. We welcome feedback on the report. Please send any comments to the investor relations and communications manager at  invest@reunert.co.za.

MATERIAL MATTERS OVERVIEW

Reunert's material matters and our level of control over these matters are illustrated in the table below. There is a close correlation between the key external business drivers [16](#), the key risks [104](#) and our strategy [12](#). We cross-reference to demonstrate the connectivity between these elements. Our approach to the material matters is discussed in the related sections and throughout the performance reviews of this report.

GROUP STRATEGIC PILLARS AND OBJECTIVES						
						
■	■	■	■	■	■	 POLITICAL AND REGULATORY ENVIRONMENT Low level of control The South African business environment is increasingly being shaped by growing political, policy, regulatory, labour and societal uncertainties. Key external business drivers > South African economy > Government policy
■	■	■	■	■	■	 ECONOMY AND MARKETS Medium level of control Our export and target markets contain significant growth opportunities, and our products are in demand in niche-markets. Key external business drivers: > South African economy > Infrastructure development > Security and defence demand > Commodity cycles > Competitive environment > Exchange rates
■	■	■	■	■	■	 TECHNOLOGY Medium level of control The dynamic nature of technology is disrupting the way in which business is conducted. Key external business drivers > Competitive environment > Technology and innovation
■	■	■		■	■	 PEOPLE High level of control Talented, skilled and experienced employees foster a culture that encourages innovation, diversity and high performance. Key external business drivers > Government policy

	KEY RISKS				
	Concentration risk	Slow top-line growth	Diversity and transformation	Non-compliance to legislation and unethical business conduct	Escalation in large-scale cyberattacks and data fraud
	■	■	■	■	
	■	■			
		■			■
			■	■	

ABBREVIATIONS AND ACRONYMS

ACSR	Aluminium Conductor Steel-Reinforced
BBBEE	Broad-Based Black Economic Empowerment
BBBEE Codes	BBBEE Codes of Good Practice
BEE	Black Economic Empowerment
business unit	A company that forms part of a segment
CBiD	Cable theft prevention system
CDP	Carbon Disclosure Project
CNR	Combat net radios
COBIT	Control Objectives for Information and Related Technologies
CODESA	Convention for a Democratic South Africa
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer price index
CPS	Cents per share
CSI	Corporate social investment
CSIR	Council for Scientific and Industrial Research
CSP	Conditional Share Plan
DBP	Deferred Bonus Plan
Deloitte	Deloitte & Touche
DoA	Delegation of Authority
dti	Department of Trade and Industry
EE	Employment equity
EPC	Engineering and procurement contractor
ERP	Enterprise resource planning
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
FAWU	Food and Allied Workers Union
FTF	First-time-fix
FTTX	Fibre-to-the-x ¹
GAI	Governance Assessment Instrument of IoDSA
GDP	Gross domestic product
GHG	Greenhouse gas
GP	Guaranteed package
GPR	Ground-penetrating radar
GHG Protocol	Greenhouse Gas Protocol
GRI	Formerly the Global Reporting Initiative
GTC	Group Transformation Committee
HR	Human resources
ICASA	Independent Communications Authority of South Africa
ICT	Information Communication Technologies
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
<IR> Framework	Integrated Reporting Framework
IoDSA	Institute of Directors in Southern Africa NPC
IP	Intellectual property
ISO	International Organization for Standardization
IT	Information technology
JSE	Johannesburg Stock Exchange
JSE Listings Requirements	JSE Listings Requirements
King III	King Report on Governance for South Africa, 2009
King IV	King Report on Corporate Governance for South Africa, 2016
KPIs	Key performance indicators
LECAWU	Lesotho Clothing and Allied Workers Union
LMS	Learning Management System
LTE	Long-term evolution
LTIs	Long-term incentives

¹ Collective term for various optical fibre delivery topologies that are categorised according to where the fibre terminates.

MEIBC	The Metal and Engineering Industries Bargaining Council
MEWUSA	Metal and Electrical Workers Union of South Africa
MFP	Multi-functional printer
Mol	Memorandum of Incorporation
MPS	Managed Print Solutions
MSR	Movement and surveying radar
MTTR	Mean time to repair
NATO	North Atlantic Treaty Organization
NCCF	Nashua Children's Charity Foundation
NHEPS	Normalised headline earnings per share
NHEPS CO	Normalised headline earnings per share for continuing operations
NPS®	Net Promoter Score®
NRCS	National Regulator for Compulsory Specifications
NUMSA	National Union of Metal Workers of South Africa
NUBEGW	National Union of Building Engineering General Workers
OEMs	Original equipment manufacturers
OHSA	Occupational Health and Safety Act
OHSAS	Occupational Health and Safety Assessment Series
Omnigo	Omnigo Proprietary Limited
PCB	Printed circuit boards
PBX	Private branch exchange
PoPs	Points of presence
PPPFA	Preferential Procurement Policy Framework Act
PVC	Polyvinyl chloride
REIPP	Renewable energy independent power producers
Reunert	Reunert Limited or Reunert Limited and its subsidiaries, as indicated by the context
ROE	Return on equity/Return on shareholders' funds
RoHS	Restriction of Hazardous Substances
SABS	The South African Bureau of Standards
SACWU	South African Chemical Workers Union
SADI	South African Defence Industry
SANDF	South African National Defence Force
SANParks	South African National Parks
SAPS	South African Police Service
SED	Socio-economic development
segment	Refers to one of the three segments of Reunert – Electrical Engineering, ICT and Applied Electronics
SEIFSA	Steel and Engineering Industries Federation of Southern Africa
SENS	Stock Exchange News Service
SMEs	Small and medium-sized enterprises
SMME	Small, medium and micro-sized enterprise
SOEs	State-owned enterprises
SSP	Sub-Surface Profiler
STIs	Short-term incentives
TDV	Total document volume
the Companies Act	The Companies Act, 71 of 2008 (as amended)
the group	Reunert and its operations
TSR	Total shareholder return
UNGC	United Nations Global Compact
USA	United States of America
VPBX	Virtual PBX
XLPE	Cross-linked polyethylene
Zamefa or CBI-electric: Zamefa	Metal Fabricators of Zambia Plc
Zerotox	Cable insulation compound that does not emit noxious gases in case of an underground fire

DEFINITIONS AND FORMULAE

AVERAGE NET OPERATING ASSETS

The average of the opening and closing balance of each year.

AVERAGE ORDINARY SHAREHOLDERS' FUNDS

The average of the opening and closing balances of each year.

CASH FLOW PER SHARE (CENTS)

Cash flow from operating activities before dividends paid

Weighted average shares in issue during the year

CURRENT RATIO

Current assets

Current liabilities

DIVIDEND COVER (TIMES)

NHEPS

Dividend per share

DIVIDEND YIELD (%)

Dividend per share

Market price per share at year-end

EARNINGS YIELD (%)

NHEPS

Market price per share at year-end

EBITDA

Earnings (operating profit) before interest, taxation, depreciation and amortisation.

HEADLINE EARNINGS PER SHARE

Attributable earnings adjusted in terms of SAICA Circular 02/2015¹

Weighted average ordinary shares in issue during the year

MARKET CAPITALISATION

Market price per share x (ordinary shares in issue - treasury shares - empowerment shares)

NET ASSET TURN

Revenue

Average net operating assets

NET BORROWINGS

Total borrowings - (cash + cash equivalents + money market instruments)

NET INTEREST COVER

Operating profit

Interest paid

NET OPERATING ASSETS

Total assets - (cash + cash equivalents + money market instruments) - (current liabilities - bank overdrafts and short-term loans - short-term portion of long-term borrowings)

NET WORTH PER SHARE

Shareholders' funds

Shares in issue at year-end - (treasury shares + empowerment shares)

NHEPS

Attributable headline earnings - interest to empowerment partners + other items in profit directly associated with empowerment transactions ± other non-sustainable gains or losses in the income statement

Weighted average number of shares in issue during the year

OPERATING MARGIN (%)

Operating profit

Revenue

RETURN ON CAPITAL EMPLOYED (%)

Operating profit

Total assets - current liabilities

RETURN ON NET OPERATING ASSETS (%)

Operating profit ± capital items excluded from headline earnings

Average net operating assets

RETURN ON EQUITY (%)²

Normalised headline earnings

Average shareholders' funds

TOTAL ASSETS

Non-current assets + current assets

TOTAL BORROWINGS

Interest-bearing debt

TOTAL LIABILITIES

Total liabilities - deferred taxation

TOTAL SHAREHOLDER RETURN

Closing share price - opening share price + total dividend per share for period

Opening share price

WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE DURING THE YEAR

Opening shares in issue - (treasury shares + empowerment shares) ± time-weighted moves in shares in issue

¹ Refer to note 9 of the annual financial statements.

² Normalised return on shareholders' funds.

CORPORATE INFORMATION AND ADMINISTRATION

REUNERT LIMITED

(Incorporated in the Republic of South Africa)
ISIN: ZAE000057428
Short name: REUNERT
JSE code: RLO
Currency: ZAR
Registration number: 1913/004355/06
Founded: 1888
Listed: 1948
Sector: Electronic and electrical equipment

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Rand Merchant Bank (A division of FirstRand Bank)

PRINCIPAL BANKERS

Nedbank
Standard Bank

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