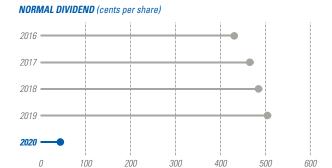


Why invest in Reunert?

Reunert is a South African industrial group with businesses grouped under its Electrical Engineering, Information Communication Technologies (ICT) and Applied Electronics Segments.

Core competitive advantages

- > Reunert embraces values-driven leadership supported by its Group Values and Code of Ethics
- > The Group operates in diverse electronic/electrical and information communication technology markets, and in each it is focused on **enabling customers' success**
- > Reunert has a federal business model. Head Office provides strategic oversight and the common core competencies required by the business units in the Group such as secretarial and tax. This allows business units to retain their individual entrepreneurial drive, thereby increasing their agility
- > The Group has well-known and respected brands, including:
 - o CBI-Electric
 - o Reutech
 - o Nashua
 - o ECN (Electronic Communications Network)
- > Major business units are either first or second in their markets
- > Reunert has well-managed operations, strong cash flows and business units that collectively show resilience through macro-economic cycles
- > The Group's largely **ungeared balance sheet** creates the capacity to both execute capital projects and mergers and acquisitions opportunities
- > Reunert has a strong focus on **long-term shareholder value creation** its key metrics reflect a shareholder focus, such as total shareholder return, profit, growth and return on capital employed over the economic cycle





2020 was unusually challenging, as illustrated throughout this report and in the graphs above.

Contents

Reunert at a glance	2
Reunert's strategy, business drivers and material matters	10
Leadership reflections on 2020	25
How the segments performed in 2020	34
Reunert's integrated approach to sustainability	49
Building trust and accountability: How Reunert is governed	67
Incentivising value creation through fair and responsible remuneration	93
Summarised consolidated financial statements	106
Appendices	132

Refer to the 10-year performance review on page 129.

Navigating the report

These icons reflect Reunert's strategic pillars:



¶ The number in the icon refers to the relevant governance principle of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV) (refer to page 130).

Year-on-year performance against key performance indicators are shown as:



A glossary of key abbreviations and acronyms is included on page 135, and definitions and formulae on page 136.

Visit Reunert's website www.Reunert.co.za for more information on the Group and its segments

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Reunert Limited (Reunert or the Group 1) is pleased to present its Integrated Report (report) for the year 1 October 2019 to 30 September 2020².

This report explains how the Group creates sustainable value for providers of financial capital and other stakeholders. It presents the Group's performance holistically and does not distinguish between the activities of the Group and its legal entities.

Among other things, this report discusses Reunert's three operating segments: Electrical Engineering, ICT and Applied Electronics. It refers to companies or entities within segments as business units.

Reunert has ensured the reliability of the Integrated Report

The following contribute to the reliability of information in this report:

- > Reunert has transparent and sound business processes, underpinned by an ethical culture
- > The Board of directors (Board) sets the Delegation of Authority Framework and delegates responsibility to executive management to appropriately oversee the business units. Reunert's federal model ensures appropriate accountability in each business unit and that no director or executive has unfettered powers of decision-making
- > The executives of each business unit are responsible for their financial statements. All material business units' Annual Financial Statements are subject to external audit. The external audit firm, Deloitte & Touche (Deloitte), is the appointed auditor to all these business units
- > Internal audit executes an internal audit programme across all business units over a two-year cycle
- > The Board annually assesses the performance and competence of the executive directors and the Group Company Secretary via the Nomination and Governance Committee. Further, the Audit Committee assesses the performance of the Group Chief Financial Officer (CFO), Group finance function and internal and external audit
- > The Board, assisted by the Audit Committee and other Board committees, oversees the preparation of the Integrated Report and Annual Financial Statements, and it has unfettered access to the internal and external auditors

Refer to page 133 for more information on this report's preparation, including its scope and boundary, reporting suite and assurance.

Reliance on forward-looking statements

This report contains certain forward-looking statements with respect to Reunert's anticipated performance and prospects, results and operations. Although these statements represent Reunert's future expectations and judgements, the opinions are subject to known and unknown risks and uncertainties that could adversely impact the Group's businesses and their 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 were made. 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, Reunert's independent external auditors.

¹ The Group includes Reunert Limited, its subsidiaries, associate and joint ventures and their operations.

² The financial year.

The Board approved this report

The Board and Audit Committee, assisted by other Board committees, oversaw the integrity and completeness of this report. The Board applied its collective mind to its preparation and presentation and concluded that it presents a fair and balanced view of the Group's integrated value creation.

The Board approved the frameworks that guided the preparation of this report and the process followed to determine Reunert's material matters. In line with the Group's combined assurance process, the Board considered the reliability of the data and information. The Board further believes that the report complies with the International Integrated Reporting Council's Integrated Reporting Framework.

The Board, as listed below, approved the 2020 Integrated Report on 30 December 2020.

TASNEEM ABDOOL-SAMAD

Independent non-executive director

ALEX **DARKO**

Independent non-executive director

ALAN DICKSON

Group Chief Executive Officer, Segment Head: Electrical Engineering

PIERRE **FOURIE**

Independent non-executive director

JOHN HULLEY

Independent non-executive director

SEAN JAGOE

Independent non-executive director, lead independent director













SARITA MARTIN

Independent non-executive director

Muhamed Husain

Independent non-executive director

TUMEKA MATSHOBA-RAMUEDZISI

Independent non-executive director

MOHINI MOODLEY

Group Human Resources and Transformation **Executive Director**

TREVOR **MUNDAY**

Chair, independent non-executive director

ADV THANDI ORLEYN

Non-executive director

NICK THOMSON

Group Chief Financial Officer

















A snapshot of Reunert in 2020 99

Reunert's purpose is: "We are driven to enable our customers' success." The Group's offerings are tailored to this end.

Reunert creates value through partnerships and collaboration by:

- > Partnering with suppliers, franchises, agents and distributors to advance the Group's footprint
- > Collaborating with customers to develop new technologies and improve service delivery
- > Building long-term partnerships with partners, customers and employees

Reunert employs 5 747 people

The Group pays at least **25**%

above the industry minimum wage.

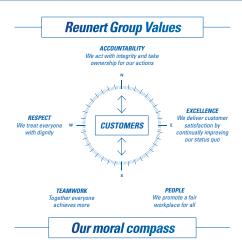
The Group paid R455 million in taxes.

Reunert invests in its communities.

Reunert's segments service South Africa's infrastructure.

Reunert has created a values-driven organisation by:

- > Placing customers in the centre of its engagement model
- > Creating technology solutions that enable our customers' purpose
- > Promoting strong ethics and cultivating a highperformance culture



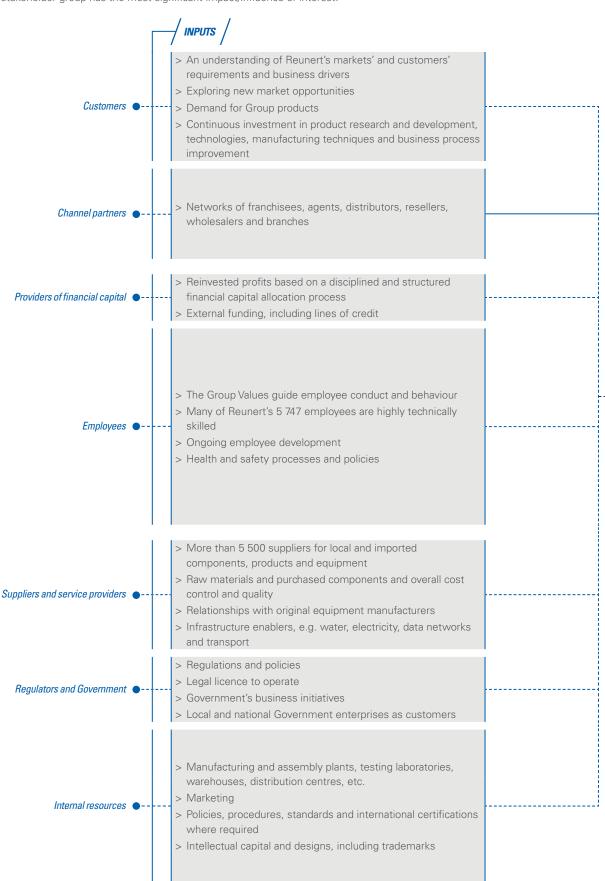
Reunert primarily operates in South Africa and has a permanent presence in Australia, Lesotho, South Asia, the USA and Zambia. Reunert exports to Europe and other countries in Asia through distributor partners. The Group's Head Office is in Johannesburg, South Africa.

The salient features of Reunert's performance in 2020

FY20 results negatively impacted Good cost management and Group's resilience reflected in the by three distinct issues working capital control resulting strong fourth quarter performance in strong free cash flow in FY20 > COVID-19 pandemic > Free cash flow generation in > Reflection of underlying strength line with historic norms despite of companies o Loss of sales due to hard lockdown the challenging year and COVID-19 > Operations fully embraced the in Ω 2 and Ω 3 > At 84% of EBITDA before financial reality of operating under COVID-19 o Impairments of PPE1 and goodwill impairments conditions and increased ECL due to forward looking requirements of IFRS > All segments delivered a profitable performance in Q4 o Cash consumption while supporting > Group generated 90% of the core our employees and businesses operating profit of the comparable during lockdown period in the prior year > Cable factories underperformance impacted Electrical Engineering Seament o 7-week strike at African Cables o Weak cable infrastructure investment o Forex losses at Zamefa > Quince abnormal credit write-off o External fraud perpetrated against Quince by a non-connected, independent third party

A summary of the Group's business model

Reunert is involved in many industries and multiple sectors of the economy. Therefore, this business model is designed in terms of the Group's three segments and their operations. Inputs and outcomes are categorised according to which stakeholder group has the most significant impact/influence or interest.



Summarised consolidated financial statements

The Group has considered the six capitals as defined in the International Integrated Reporting Council's Integrated Reporting Framework, and concluded that it appropriately addresses all six capitals in this report, based on materiality.

		PRODUCTS AND SERVICES /	MARKETS /	GROWTH AREAS /
Electrical Engineering (page 35)	>	 Manufactures and supplies low-voltage distribution, protection and control equipment (circuit breakers) Designs, manufactures, installs and maintains a complete range of power cables Manufactures and supplies copper and optical fibre telecommunications cables 	 > Municipalities > Utilities > Mining industry > State-owned entities (SOEs) > Building industry 	Gross domestic fixed investment is a key indicator of growth for Electrical Engineering. As Sub-Saharan Africa's population and economies grow, so does its investment into infrastructure. Smart metering is in its infancy, and is becoming more relevant with the internet of things. 5G, electric vehicles and renewable energy are accelerating growth areas.
ICT (page 39)	>	> Total Workspace Provider that distributes business systems with products focused on Total Workspace Provider and business communications > Vertically integrated communications offering includes data and voice communication and network services and solutions > Offers last mile broadband connectivity > Provides rental-based finance solutions ¹ > Provides comprehensive digital and cloud services, including data security services	 Corporates Retailers SOEs Small and medium-sized enterprises 	Business confidence is a key indicator of growth for ICT. Broadband connectivity, particularly last mile connectivity, is a significant growth opportunity. The pandemic caused by the novel coronavirus SARS-CoV-2 (COVID-19) has accelerated demand for high-speed connections and cloud-based products. Digitisation creates a market for unified communications.
Applied Electronics (page 44)	>	> Manufactures tactical secure communication systems > Designs and manufactures fuzes and related defence products > Develops and manufactures ground and naval search and tracking radar systems, as well as mining radar sensor systems used in underground and open-cast mining > Manufactures electronic components and printed circuit boards > Provides and owns renewable energy engineering solutions including long-life battery storage suited to African temperatures > Provides solutions to meet cybersecurity requirements > Supplies system engineering and logistic support services in telecommunications, radar, estellite and mining.	 Corporates Municipalities Governments SOEs Local and international defence forces Mining houses 	Global defence spend and gross domestic product are key indicators of growth for Applied Electronics Renewable energy generation and storage is a growing market with significant opportunities. The sector is incentivised by policies and regulations in many countries. Secure communications and encryption hold promising prospects, specifically in fintech. Reunert's target export markets are increasing their defence spend in aggregate. The smart mining market is growing, and Reunert's radar equipment is well positioned to leverage these opportunities.

¹ Includes references to loan book in this report.

satellite and mining

OUTCOMES

- > Brand awareness and market share
- > Ongoing customer relationships with substantial repeat business
- > R172 million (2019: R152 million) invested in research and development, and new products and services released
- > Increased footprint and distribution channels, including strategic partnerships in Applied Electronics and electrical distributors
- > ICT has 40 Nashua franchises and over 350 dealers, wholesalers and service providers
- > R8 billion revenue including R2,3 billion non-ZAR revenue
- > R307 million operating profit with a 3,8% operating profit margin
- > R170 million capital expenditure
- > Net dividends including non-controlling interests of R727 million, amounting to 448 cents per share
- > Five-year compound annual growth rate for total shareholder return of (3,7%)
- > R1 575 billion paid as employee remuneration
- > 67% black¹ employees (South African permanent employees)
- > 41% female employees (total employees)
- > 0 fatalities
- > 285 learners on learnerships, apprenticeships and internships
- > R47 million invested in employee development
- > R5 501 billion paid to suppliers
- > R39 million invested in enterprise and supplier development
- > R455 million in taxes paid
- > Legal and statutory compliance
- > No significant or recurring fines received
- > No contributions made to any political party
- > 5 404 Scope 1 metric tonnes CO₂e emissions
- > 47 329 Scope 2 metric tonnes CO₂e emissions

Customers

Channel partners

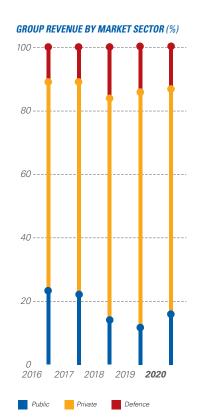
Providers of financial capital

· Employees

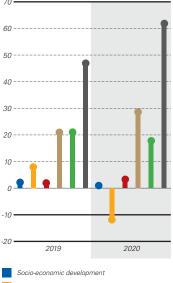
Suppliers and service providers

Regulators and Government

Other outcomes







Socio-economic developmen

Retained for future growth

Providers of debt

Providers of capital

Employees

¹ As defined by the B-BBEE Act

Reunert's business units are defined by their core competencies, technology, products and services, markets and customer segmentation. Business units are grouped into clusters within segments if they are vertically integrated or if they operate in similar markets. For a more comprehensive overview of the business units and their products and services, distribution channels, market sectors and intellectual property, refer to the fact sheet at www.reunert.co.za/group-overview.php.

An overview of Reunert's business units





Contribution to Group revenue (2019: 50%)



Contribution to Group operating profit (2019: 23%)



Core operating profit margin¹ (2019: 6%)

Power cables



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



Zamefa designs and manufactures a comprehensive range of low-voltage electrical energy cables and insulated wires and cables up to 800 mm². It also designs and manufactures overhead aluminium conductors and solid sector aluminium low-voltage energy cables and oxygen-free copper rod according to ASTM-49.

Telecom cables



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

Low voltage



Low Voltage supplies low-voltage electrical distribution, protection and control equipment and customer-specific solutions. Around 60% of its manufactured products are exported, mainly to the USA, Europe, Australia and Asia.

ICT



Contribution to Group revenue (2019: 29%)



Contribution to Group operating profit (2019: 56%)



Core operating profit margin (2019: 24%)

Business communication



ECN's next generation networks offer a range of voice, data and cloud services.



SkyWire is an established carrier grade, next-generation network telecommunications service provider offering leading-edge, customer-focused telecommunications and last mile broadband connectivity to small, medium and large corporate business.



Nashua Communications provides converged enterprise network and communications solutions.

Total Workspace Provider



Nashua is a Total Workspace Provider that offers a range of solutions and services that facilitate and enable its customers' business outcomes.

Rental-based finance



Quince Capital provides rental-based finance solutions to the ICT business units.

Solutions and Systems Integration Cluster (established in 2020)



+One^x will provide digital consulting, cloud, data and security services as well as managed services.

APPLIED ELECTRONICS



31%



Contribution to Group revenue (2019: 21%)

Contribution to Group operating profit (2019: 26%)

Core operating profit margin (2019: 15%)

Secure communications



Reutech Communications specialises in secure communication systems for tactical airborne, land and naval-based platforms; and secure network-centric solutions for command and control, forward observation link and messaging services.



Omnigo is a contract manufacturer focusing on the electronics industry. It has a specialised production facility for the population and assembly of highly complex military-grade printed circuit board assemblies including those needed by Reutech Communications and Nanoteq.



Nanoteq specialises in designing, developing and industrialising cryptographic products and solutions to meet cybersecurity and cyberdefence requirements.

Fuzes



Fuchs Electronics provides advanced electronic fuze technology. Capabilities include precision electronic and mechanical design and high-volume production of electro-mechanical assemblies used in artillery and mortar shells.



DoppTech is a specialist developer and manufacturer of small fuzes, containing sophisticated miniaturised mechanical and electronic systems.

Radars



Reutech Radar Systems develops and manufactures search and tracking radar systems, subsystems, safety radars, mining surveillance radars used to detect movement in open pit mine slopes and sub-surface profilers.

Renewable energy



Terra Firma Solutions is a turnkey energy engineering solutions and training provider delivering start-to-end solutions, encompassing strategy development, project implementation, support and maintenance, as well as the building and ownership of renewable energy assets. The business unit's focus includes commercial scale rooftop, parking and ground mount solar PV systems between 200 kW and 10 MW, i.e. distributed generation.

BLUE NOWA

Blue Nova specialises in developing and manufacturing energy storage solutions, with a specific focus on Lithium Iron Phosphate (LiFePo4) chemistry.

Clear roles and effectively exercised authority and responsibilities

Reunert's Head Office facilitates the development of the Group strategy, reviews financial year plans, and formulates and monitors Group policies. The Board approves all these items as well as compliance and capital allocation, while business units implement them.

The Board approves the Group's strategic direction. The Group Executive Committee (Exco) formulates and monitors the long-term strategic implementation plans, associated risks and mitigation plans and performance criteria

The Board approves significant matters including major acquisitions and disposals. The Exco manages the financial capital allocation process, and the Group Transformation Committee guides and monitors the Group's transformation.

The Group Chief Executive Officer (CEO), Group CFO and segment heads use various measures including defined key performance indicators to assess the performance of segments and business units.

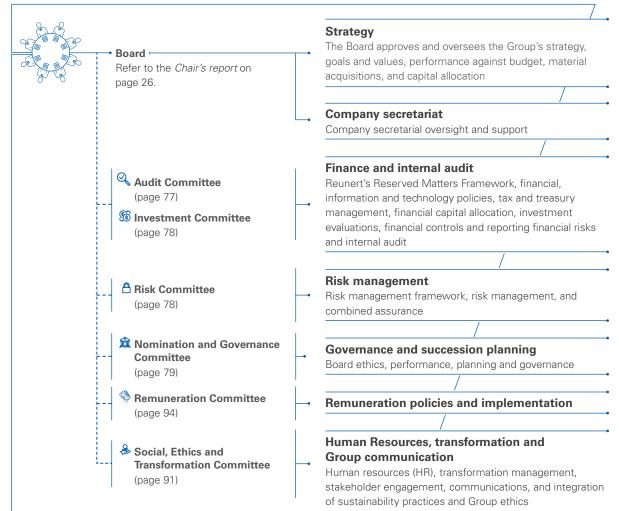
The Board-approved Delegation of Authority Framework reserves certain decisions for the Board and its various committees, while delegating the day-to-day operations to members of the executive through the Group CEO, or to the Exco as a whole. The Board is satisfied that the Delegation <-of Authority Framework contributes to role clarity and the effective exercise of authority and responsibilities.

The Board and its committees oversee the Group integrators as shown below.

The business units make operational decisions and execute their respective strategies. Each business unit drives its own sales and marketing strategy, customer programmes, supply chain management, efficiency improvements and product and service innovations, among others.

BOARD AND BOARD COMMITTEE OVERSIGHT

GROUP INTEGRATORS







Transformation

Reunert's strategic direction

Reunert's strategy focuses on sustainable growth and reducing its revenue concentration in South Africa. Employees are aligned on Group strategy with clear understanding of their expected performance and the related objectives.

Reunert's systematic approach to developing strategy

Analysis	Development	Annual review
Head Office and business units analyse the operating environment to evaluate their strengths, weaknesses, opportunities, threats, resources and capabilities, and the Risk Committee provides input.	The Exco and business unit management collaboratively develop the Group strategy for Board approval. Each segment and business unit cascades its strategy aligned to the Group's strategy.	Business unit executives review and validate strategies annually. They identify any changes or additional initiatives required to drive the business strategy. Three-year financial forecasts are updated with new plans and initiatives. The annual budget process includes strategic key performance indicators (KPIs) which are incorporated in remuneration incentive targets.

Board oversight

Reviewed the strategy's implementation

Approved the strategy (base year 2014)

2015

2017

2018

2019

2019

2019

Approved modifications to the strategy and interrogated the strategy's implementation

Reunert's 2020 strategy review

The strategy addresses Reunert's material matters and comprises six pillars: diversification, efficiency, innovation, our customers, our people and transformation. Targeted acquisitions are a key part of these strategic objectives.

The 2020 strategy review revisited previous reviews to assess overall progress since 2015. It considered strategy execution and financial performance in the 2019 financial year and 2020's key focus areas. These included:

- > Investing in renewable energy, including in build-ownoperate (BOO) projects
- > Establishing the Solutions and Systems Integration Cluster in ICT (page 15)
- > Reducing capital allocated to Quince due to the low-interest rate environment

The strategy review took place well before COVID-19 became a material consideration. The data needed to understand the pandemic's full implications for the Group strategy became available after the strategy review was complete. This new understanding will be incorporated into the Group's next strategy review, commencing in October 2020, drawing on six months of operational data. In the interim, individual business units made short-term adaptations to their plans based on known information.

The Group continues to execute the Sustainability Strategy adopted in 2018 (page 50).

INVESTOR REQUEST: DESCRIBE REUNERT'S PROGRESS SINCE 2015

The 2015 strategy aimed to progressively address Reunert's revenue concentration risk in South Africa, as well as slow top-line growth.

ICT Total Workspace Provider offerings include data and last mile broadband connectivity.

These two offerings achieved double-digit annual growth rates. In 2020, the segment expanded into systems integration services, among other things, by launching the Solutions and Systems Integration Cluster.

Applied Electronics focused on expanding its export revenues and its product portfolio entered the renewable energy, cybersecurity and high-specification electronic subsystems markets.

Electrical Engineering entered Zambia to spearhead African expansion. Unfortunately, subsequent liquidity restrictions in the country have impacted this. CBi-Electric: Low Voltage (Low Voltage) has had a very successful export drive.



REUNERT LIMITED INTEGRATED REPORT 2020

Reunert's strategic direction continued

Group strategic pillars, objectives and performance



Reunert's key strategic initiatives centre on the following:

- > Accelerate growth by building scale businesses to service rapidly developing markets
- > Leverage the strength of the ICT Segment
- > Diversify Reunert's revenue streams by increasing penetration into targeted export geographies where it has a competitive advantage

Progress indicator

Progress against the Group strategy since 2015 is indicated as follows:







Moderate

erate Go

Significant

Description

> **Geography:** Through acquisitive and organic growth, the Group is expanding existing value offerings into carefully selected geographies. International developments determine Reunert's choice of markets and the speed of geographical diversification

Significant activities and outcomes in 2020

Geography:

- > Electrical Engineering increased distribution partnerships in Europe and China and improved market access in both geographies. Reunert continued to grow its distribution businesses in the United States and Australia
- > Applied Electronics expanded its geographical footprint. It continued increasing engineering, procurement and construction business for renewable energy in Africa. It also entered new joint venture partnerships in Southern Asia. These provide a platform from which to manufacture and distribute products more cost-effectively and from which to grow revenue and increase market share
- New products and services: Reunert leverages its strong brands to offer additional products and services to customers in Southern Africa. Cross-selling opportunities provide organic growth opportunities

New products and services:

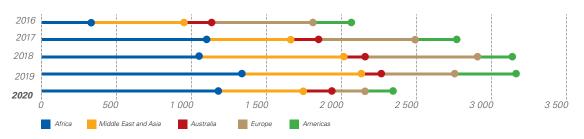
- > Electrical Engineering continued developing products aligned to original equipment manufacturers' requirements in rail, renewable energy and telecommunications markets. The telecommunications businesses invested into high-speed data cable capacity, and Low Voltage launched the Astute Range of energy monitoring, scheduling and control devices with load management capability (page 38)
- > ICT's last mile broadband connectivity and cloud-based solutions have grown robustly. The segment rolled out a digital signature solution, further enabling the remote working economy
- > Applied Electronics further diversified its revenue streams in renewables by increasing ownership and investment in BOO projects
- > Improved solutions offering: The Group continuously introduces solutions that improve our margins and help retain customers. It moves up the value chain through continually evolving its value offerings to meet customer requirements

Improved solutions offering:

> ICT's product and service diversification offering continued accelerating, and it added more solutions to the Total Workspace Provider offering. Complementary service revenues continued to grow as the strategy was implemented

Progress (improving)	1	ı				
KPIs	2020 performance	2020	2019	2018	2017	2016
Non-ZAR revenues (Rbn)	•	2,3	3,2	3,1	2,8	2,1
Inorganic growth: operating profit contribution from acquisitions (Rm)	•	(63)	17	19	150¹	44
Five-year compound annual growth rate for total shareholder return (%)	•	(3,7)	9,2	6,1	5,1	6,5

NON-ZAR REVENUE BY REGION (Rm)



¹ Reflects Zamefa's and Omnigo's performance

Develop new products and services and reduce costs through innovation, research and development. This includes leveraging existing brands and distribution channels to introduce new products and services.

Description

Through a Group-wide focus on innovation, Reunert drives the new and enhanced products, services and solutions pipeline that supports sustainable growth. By harnessing technology, the Group becomes more efficient in delivering products and services, thereby growing revenue through improved competitiveness.

Significant activities and outcomes in 2020

Electrical Engineering launched the CBi Astute Range.

The ICT Segment's Solutions and Systems Integration Cluster serves customers' evolving needs in the rapidly changing information communication technology landscape (page 15).

The ICT Segment began collaborating with Applied Electronics to supply ICT's customers with energy storage solutions as part of its Total Workspace Provider offering. It developed services to enable customers' employees to work remotely; and it developed and commercialised cloud security value added services.

Reunert continued investing in renewable energy through first-in-South Africa offerings that combine generation, storage and switching capabilities. The Group increased its shareholding in Terra Firma Solutions, the renewable energy business, from 62% to 90%. Blue Nova, the battery business, entered the grid-tied storage market.

KPI

Increasing research and development funding targeted at international markets for new products includes:

- > Radars (Esprit)
- > Circuit breakers (5G, Astute Range, solar energy and rail)
- > Secure communications (new airborne platform, new high frequency radios)
- > Fintech encryptions

Progress





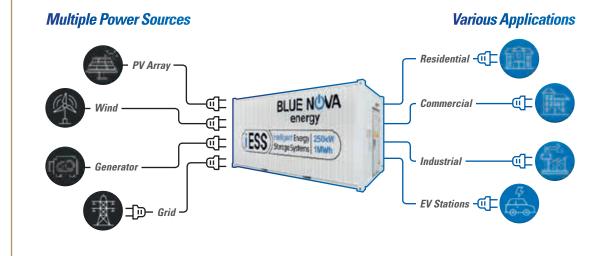






Reunert entered the grid-tied energy storage market during the year through Blue Nova's new intelligent energy storage system, 'Mega Boy'. The Mega Boy was developed in South Africa. It is capable of delivering up to 1 MW/h (approximately the equivalent of 650 average homes' hourly consumption). The battery offers customers in manufacturing, agriculture and commercial sectors affordable, reliable, scalable, efficient and safe electricity storage that reduces their dependence on the national grid.

The Mega Boy can be configured to store and discharge power to maximise the efficiency of grid-power use, and customers can use it to shift their maximum usage to the most cost effective times. This offering allows Reunert's energy storage capabilities to maintain pace with evolving technologies.





(December 2015) (December 2015

Ensure best-in-class operational efficiency and enhanced capital efficiency. This includes optimising existing businesses and delivering strong cash flows.

Description

Reunert focuses on managing and optimising existing assets. These assets are expected to deliver organic growth, in line with either gross domestic product (GDP) or gross domestic fixed investment (GDFI) depending on the markets and generate the free cash flows needed to implement the Group's diversification and innovation strategies. Cost control, with a focus on reducing raw material costs, and the continued drive for business efficiencies are key contributors to good financial returns.

Reunert manages working capital and optimises capital expenditure to maximise cash generation from existing businesses. It also focuses on supply chain efficiency to reduce costs.

Significant activities and outcomes in 2020

The Electrical Engineering Segment improved raw material costs. It also enhanced operational efficiency by utilising new original equipment manufacturer partnerships to extract shop floor efficiencies in fibre optic and power cables.

The Group optimised its portfolio of assets by selling PanSolutions, which no longer met the Group's strategic requirements.

The Applied Electronics Segment continued leveraging partnerships abroad to more efficiently manufacture or deliver its products into foreign markets. This lowered costs while improving capacity.

Progress since 2016



KPIs	2020 performance	2020	2019	2018	2017	2016
Total shareholder return (TSR)	•	(55)	(2)	20	19	7
Normalised headline earnings per share (NHEPS) growth (% change)	•	(80)	(16)	(1)	5	14
Return on equity	•	3	13	15	16	16
Return on capital employed (ROCE)	•	5	18	20	20	18
Operating profit margins	•	4	13	15	15	16
Free cash flow as a percentage of profit after tax	•	1 126	163	56	101	80

Closing share price - opening share price + total dividend for the year Opening share price

Operating profit

Total assets - current liabilities



Our customers

Provide customer-centred products, services and solutions, aligned with Reunert's purpose, to enable customers' success.

Description

Significant activities and outcomes in 2020

Customer centricity focuses on enhancing customer value propositions. The key objective is to establish strong customer relationships. In turn, this maximises Reunert's share of a customers' overall spend.

The key activities and outcomes under the innovation pillar are a significant part of enhancing the Group's customer value proposition.

Electrical Engineering's strong customer relationships is evidenced by the fact that no customers were lost - despite all the challenges related to COVID-19.

ICT's Total Workspace Provider offering continued to expand and provided the Group with higher complementary revenues. It continued servicing customers with minimal disruptions during COVID-19 lockdowns.

Applied Electronics continued to collaborate with key customers to develop customised products. The segment conducted detailed research to improve its understanding of its markets and customer loyalties.

A variety of customer related KPIs at business unit level measure:

- > Customer loyalty
- > Customer service levels
- > Customer retention
- > Market share

Refer to the segment performance reviews starting on page 34.

Progress since 2016





A SOLUTIONS AND SYSTEMS INTEGRATION CLUSTER







Reunert's Solutions and Systems Integration Cluster will service its customers' changing digital needs. The cluster will focus on digital transformation solutions, and consulting advisory services, targeted at medium-sized enterprises. It will grow organically and through bolt-on acquisitions.

The cluster will be an end-to-end systems integrator that can:

- > Offer cloud as a technology, rather than as part of a business model, as well as artificial intelligence and data intelligence
- > Collaborate with customers to create their digital strategy
- > Create an entire spectrum of bespoke systems products in line with the customer's strategy
- > Service all the products it supplies customers

+Onex

- +Onex is the first business unit in this new cluster. It is a 50,1% Reunert subsidiary. +Onex has the agility of a start-up, but has access to Nashua's significant customer base, and the ability to deliver ECN (Electronic Communications Network) and SkyWire products to the medium-sized and enterprise market segments. Nashua Communications will be absorbed into the business unit as +Onex Communications to streamline its offerings and include unified communications capabilities.
- +Onex will service customers' IT needs through modern product offerings which it can then manage for them via managed services solutions. These include the following:
- > Digital consulting services which assist customers to formulate and execute bespoke strategies to achieve their digital aspirations
- > Cloud migration, app cloudification and cloud managed services. These services ensure compliance with relevant standards and regulations, good governance practices, and they lift the burden of administration from customers, so they can focus on their business
- > Data services which include data monetisation, advanced data analytics that incorporate machine learning and data operations
- > Managed services which support customers' existing infrastructure as well as +Onex's products to remove the administrative burden and allow them to focus on their business
- > Security services which protect customers in the cloud, on their networks and at the endpoint, such as when employees work off-site
- > Unified communication which it will provide by integrating Nashua Communications

The ICT Segment going forward



+Onex

End-to-end ICT partner delivering digital services

- Enabling customers' purpose through their digital journey utilising the latest technologies
- > Cloud and unified communications systems integrator
- Customer-led solutions
- > Everything as a service organisation (XaaS)

Nashua – Total Workspace Provider

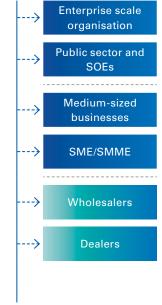
- Drive complementary solutions and services revenues to enhance the total workspace offering
- > Drive cross-selling opportunities for new and existing customers
- Complete the update legacy systems and processes to cater for a single methodology for sales and service

Communication cluster

- Continue to drive voice sales to acquire customers
- Drive cross-selling through identified partners to add value to the channel and stickiness in their customer relationships resulting in additional margin and growth
- Build broadband connectivity capacity in focused geographies around South Africa
- Build on direct and indirect sales capability for targeted customers

Quince

Provides capital as more companies lease their total workspace from the cross-sell opportunities



REUNERT LIMITED INTEGRATED REPORT 2020



Develop a high-performance culture focusing on effective employee engagement.

Description

Reunert promotes a values-driven culture in a high-performance environment to support its growth strategy. The Group engages with employees in a meaningful manner, and it motivates and recognises excellence. Reunert invests in its people, and employees are responsible for ensuring they embrace the high-performance culture.

Innovation is an important skill for many business units. Retaining employees and people with scarce and critical skills is vital.

Significant activities and outcomes in 2020

The Group implemented Building Better Teams training to empower employees to become more effective and collaborative team members. The training gave them the opportunity to comment on the Reunert Code of Ethics. These comments will be considered when refreshing the Code of Ethics - which was postponed due to the pandemic.

Refer to page 55 for more detail on these measures.

Progress since 2016



KPIs	2020 performance	2020	2019	2018	2017	2016
Succession plans: identified successors on development plans (%)	•	43	56 ¹	36¹	36¹	842
Retention of critical skills: succession plans for critical roles (%)	•	76	77	29	39	26
Health and safety: fatalities (number)	•	0	0	0	0	1



Transformation

Transform Group businesses to effectively participate in the markets they serve.

Description

Reunert's transformation focuses primarily on human resources.

- > By assisting equitable transformation in the economy and in Reunert's people, the Group capitalises on the opportunity to participate in South African revenue streams
- > The Group delivers value-added services and solutions to strengthen its position in the value chain and to adapt to the evolving competitive environment and customer requirements. This links to the diversification, efficiency and innovation strategic pillars

Significant activities and outcomes in 2020

In 2020 training interventions were aligned with Government requirements and specifically Broad-based Black Economic Empowerment (B-BBEE) regulations. Learnerships and trainees are focused on employees' tertiary development and external candidates in occupations that will benefit the diverse skills need of the Group. Reunert maintained its Level 4 B-BBEE contributor status, and it achieved its employment equity targets (refer to page 61). The Group spent R5,4 million (2019: R6,1 million) on educating youth at the Reunert College. Currently, Reunert employs 36 (2019: 42) former graduates.

Reunert invested in skills development, IT systems and technologies and research and development. This aimed to grow sales for its diverse products and services and, ultimately, drive business growth. Refer to the diversification, innovation and people strategic pillars.

Progress since 2016



KPIs	2020 performance	2020	2019	2018	2017	2016
Improvement in employment equity representation at top and senior management (%)	•	6	1	5	11	18
Reunert Limited B-BBEE Codes level	•	4	4	4	4	N/A

¹ Includes top, senior and middle management.

² Top and senior management only.

Reunert is ready for the future

Reunert targets its actions to optimise opportunities:

- > We maintain strong export capabilities in fuzes, tactical communication, systems radars and circuit breakers specifically in the rail and telecommunications sectors
- > We will continue investing in renewable energy. The aim is to expand the proportion of BOO solutions, and drive down costs to customers in integrated solar and storage solutions
- > The Total Workspace Provider and Solutions and Systems Integration offerings have significant growth opportunities
- > We will continue to focus on last mile broadband connectivity and vertically integrated communications solutions
- > The Group retains capacity to invest in strategy execution and mergers and acquisitions, should opportunities arise
- > The South African Government has indicated that infrastructure investment will underpin the economic recovery plan and an uptick in the economy will result from this investment. Reunert is well-positioned to leverage any related opportunities

Disciplined allocation of financial capital

The Group allocates financial capital in a disciplined and structured manner. It focuses on driving future growth and rates of return in excess of the weighted average cost of capital to derive shareholder value. The Group considers organic growth opportunities within the segments.

Sources of financial capital						
Cash flow from operations	Cash on hand	Future capital raising				
Reunert aims to manage working capital	The Group keeps sufficient cash	Reunert has sufficient short, medium				
in line with the increase in the Group's	resources on hand to meet dividend	and long-term bank funding to be able				
revenue and to maintain cash generated	payments when due and to cover any	to continue exploiting opportunities as				
from operations above 85% of profit	short-term (<three months)<="" td=""><td>they arise.</td></three>	they arise.				
after tax.	requirements.					
		•				

Financial capital allocation

Dividend philosophy

In approving the interim and final dividend to shareholders, the Board considers, among other things:

- > Available cash resources beyond the Group's business needs
- > Free cash generated in the period to which the dividend relates
- > Expected future economic prospects in the major markets in which the Group trades
- > The forecast for the next financial year and performance against budget
- > The anticipated future capital expenditure
- > Any other committed cash demands

Share Buyback Programme

Reunert did not pursue a share repurchase program during 2020.

Investments

Acquisitions are made within the three segments. The aim is to target capital-light complementary bolt-on acquisitions. These acquisitions increase geographic and product diversification and add early life cycle businesses into the portfolio.

Research and development funding is committed to products and services in growth areas such as mining safety, circuit breakers, tactical communications and renewable energy. Customer-funded research and development are strategically important.

Internal strategic projects¹ which form part of investing into the future business requirements of existing businesses.

Organic growth is funded where it promises an appropriate ROCE or is strategically imperative.

Financial capital allocation (Rm)	2020	2019	2018
Net dividends paid including non-controlling interests	727	817	781
Share buyback	0	0	115
Acquisitions	132 ²	62	233
Capital expenditure	138	102	106
Capital replacement	32	56	56
Research and development	172	152	166
Investment in Quince Capital Ioan book	172	252	375

¹ Due to their strategic and competitive nature, Reunert does not disclose these projects.

² Includes the acquisition of minority interests.

Reunert's strategic direction continued

Strategic acquisitions since 2015

Reunert only acquires businesses if they align with its strategy and core competencies, and if it has a good understanding of their operating context, risks and opportunities.

Since 2015, the Group has invested a cumulative R878 million into strategic acquisitions. These acquisitions contributed R1 753 million in revenue in 2020¹ (2019: R2 064 million). Reunert increased its shareholding in Terra Firma Solutions in 2020.

Cluster	/ Entity and effective date	Investment and shareholding ²	Strategic rationale
Electrical Engine	ering	,	
Cables	August 2016	R153 million 75%	 > Regional diversification > Vertical integration (copper rod) > New customers and markets > Access to COMESA³
ICT			
Business communication	March 2018 SkyWire	R221 million 100%	 Early life cycle business with strong growth rates Adding last mile and broadband connectivity New customers Broadening the suite of ICT-channel products Scalability
	June 2019	R30 million 100%	> Adding last mile and broadband connectivity> Regional diversification
Applied Electron	ics		
	December 2015	R56 million 100%	 Integral part of the cluster Critical intellectual property Vertical integration New customers and export markets Manufacturing capability of military-grade, highly complex printed circuit boards
Secure communications	October 2016	R95 million 100%	 Integral part of the cluster Vertical integration, providing cryptographic solutions needed for secure communications New customers and markets New technology Early life cycle business
Fuzes	March 2018 • • • shappifazarb	R23 million 100%	 Augments fuze and power cell product range New technology Additional markets Provides scale
Ronowahla anazav	Acquired 62,5% in March 2017, increased to 90% in August 2020	R268 million 90%	Entering the rapidly growing renewable energy market Early life cycle business Annuity revenue streams
Renewable energy	August 2019 BLUE NOVA energy	R32 million 51%	> Expanding in the rapidly growing renewable energy market > New technology

> Additional markets

¹ Actual 2020 revenue contributed by strategic acquisitions made under the strategy since 2015.

² Excludes working capital and other shareholder loans.

³ Common Market for Eastern and Southern Africa.

⁴ OculusIP was absorbed into SkyWire.

How Reunert responded to COVID-19

Reunert set the dual objectives of protecting its business while prioritising employees' well-being and safety. The Group proved its resilience, responsiveness and responsibility, and it has ensured it will remain relevant in a post-pandemic economy.



COVID-19 was an unprecedented event with direct and indirect impacts on Reunert's businesses.



THF 2019 NOVFL **CORONAVIRUS**



THE FOLLOWING ARE KEY DATES:

31 December 2019 The Wuhan Municipal Health Commission reported a cluster of cases of pneumonia in Wuhan, China. A novel coronavirus was eventually identified and classified as COVID-19

30 January 2020 The World Health Organization declared COVID-19 as a public health emergency of international concern

5 March 2020 The first infection was confirmed in South Africa

15 March 2020 South Africa announced a state of disaster

26 March 2020 South Africa entered a hard 'level 5' lockdown. It included a moratorium on inter-provincial and international travel. During this time the economy froze, and only essential businesses could operate. For Reunert, these included:

- > in Electrical Engineering, CBi-Electric: African Cables and Low Voltage, to the extent they supported the continuation of power supply
- > in ICT, the Total Workspace Provider and business communication clusters, as they supported last mile connectivity and broadband connectivity to hospitals and other healthcare facilities
- > Reutech Solutions, as it offered support to the defence industry

1 May 2020 The level 4 lockdown allowed more Reunert businesses to resume operations in strict compliance with Government regulations

1 June 2020 The country entered level 3 lockdown, which allowed more sectors of the economy to open up

18 August 2020: South Africa entered level 2 lockdown. Economic activity increased and there were fewer restrictions on people's movement

21 September 2020: Level 1 lockdown became effective, with the partial reopening of borders

Employees' well-being and safety

The Group drafted COVID-19 protocols and updated workplace policies as well as processes and procedures, where required, in accordance with Government regulations. Crisis management teams at Group and business unit level managed workplace arrangements and communications to employees (including weekly updates on COVID-19 developments). Business units established new lines of communication, including using instant messaging services and small interactive sessions with management. These kept employees abreast of developments, informed them of safety precautions and their importance and allowed them to raise any concerns.

Reunert took all the necessary precautions to maintain employees' safety in relation to COVID-19 and distributed personal protective equipment. This included reorganising the manner in which factories are run, for example through site established rotational shifts. Employees adhered to all requirements, and any positive cases were adequately dealt with, without needing to shut down entire operations, only the affected business units. This demonstrated the manufacturing business units' responsiveness. The Chair's Report provides coverage of the Board's comprehensive oversight work completed during the pandemic months. Further, the CEO and the Chair combined to regularly update the Board on progress and events during that period.

REUNERT LIMITED INTEGRATED REPORT 2020

How Reunert responded to COVID-19 continued

Business units also considered other necessary adjustments, including around information technology and remote working and training. Each business unit reviewed pay principles to ensure business sustainability. Salaries of white-collar workers, including the executive directors, were reduced to ensure payment of salaries in full for those unable to work. Non-executive directors sacrificed 30% of their fees between April and June to contribute to the Solidarity Fund.

Reunert applied for relief from the Unemployment Insurance Fund to support employees working short-time due to the pandemic. The Group paid employees in advance of receiving the benefit from the fund to avoid the risk of delayed payments.

In total, the Group had 126 positive COVID-19 cases with 121 recoveries and five still in recovery.

Protecting the business

The Group pro-actively strengthened its resilience for the post-COVID-19 economy by increasing its committed debt facilities to R1,0 billion, and its total debt capacity is R2,1 billion. This was coupled with a comprehensive Group-wide review of operations and cost structures to ensure that its response to these uncertain market conditions was sustainable. Business units proactively assessed their strategy and managed budgets. The Group froze new hires and halted expansionary capital expenditure.

Reunert improved its cash flow management, with an increased focus on short-term projections and the cash generation of each business unit.

Transformation impact

Due to the prevailing economic climate, B-BBEE projects could neither be accelerated nor be more aggressively implemented during 2020. COVID-19 specifically impacted performance in terms of the skills development pillar as the lockdowns necessitated that some learning and development initiatives needed to be postponed or cancelled. The pandemic has also limited the funds available for socio-economic development and enterprise and supplier development.

Going forward

It is not yet possible to predict the impact of the pandemic or the various countries' in which we trade responses thereto. Based on current information and global trends, Reunert anticipates the following:

Certain business units will recover slowly

- > The cables businesses are unlikely to fully recover in the short term, as GDFI is expected to remain subdued
- > A lower interest rate environment and economic pressure on Nashua's customer base are likely to impact the profit in the rental-based finance business

Most business units will continue as normal with marginal impact or short-term recovery

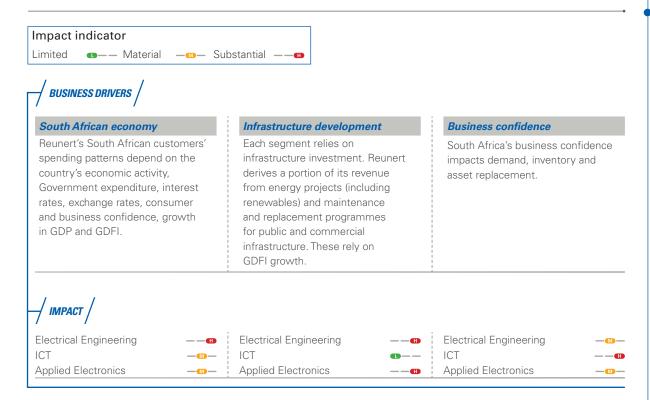
- > In general, ICT businesses are impacted by business confidence, and they should recover as the economy recovers
- > Traditional print and voice businesses are expected to have reduced orders from the shift to remote working and from voice to data. The impact is mitigated as the relevant business units have evolved to reduce their dependency on these incomes through the total workspace offering and by providing data services and solutions

Some business units' markets still grow rapidly, or the pandemic has accelerated their growth

- > The pandemic has rapidly shifted societies' and businesses' uptake of digital services, remote working solutions and, by extension, connectivity. Reunert operates in this space through, among others, its last mile broadband connectivity offerings and its new Solutions and Systems Integration Cluster
- > Renewable energy's growth has been accelerated. During the pandemic, global regulations became stricter on fossil fuels, and governments intensified incentives for renewable energy. Reunert is an early entrant in this market in Africa and continues increasing its investments and partnerships
- > Certain business units retain their strong fundamentals. The markets they operate in, as well as their presence in those markets, continue growing:
 - o The exports of Low Voltage's circuit breakers and Applied Electronics' defence products are growing
 - o The Total Workspace Provider offerings continue improving their complementary service revenues

Reunert's key business drivers

Reunert's business units operate across a broad range of market sectors, each with its own dynamics. The Group's strategy seeks to leverage their opportunities and address their risks.



ASSOCIATED OPPORTUNITIES

Due to its diversification strategy, Reunert derived 71% of its revenue from South Africa in 2020, compared to 88% in 2014. Exporting business units are well-positioned for further growth; the key opportunities are to expand into niche export markets for circuit breakers, radars, fuzes and radios.

There is a significant backlog in infrastructure development and infrastructure maintenance projects in South Africa. Reunert's focus on efficiency over the past few years has positioned it to effectively capitalise on such projects once business confidence starts recovering and the state recommences expenditure in this area.

Renewable energy is a key growth area for Reunert as it gains traction globally. Significant investment is earmarked for distributed renewable energy generation and energy efficiency projects in Africa. In South Africa the appetite for privately owned and distributed energy solutions is also increasing.

ASSOCIATED RISKS

South Africa's GDP growth, GDFI growth and business confidence have waned in recent years. Excessive Government debt has reduced the state's capacity to maintain infrastructure and invest in new projects which has been exacerbated as Government redirected resources to combat the effects of COVID-19.

As at the end of September 2020, the South African economy had contracted by 16,4% year-on-year. The Organisation for Economic Co-operation and Development forecasts negative economic growth for South Africa in 2020 and 2,5% growth in 2021. This will have the largest impact on the cable businesses.

REUNERT LIMITED INTEGRATED REPORT 2020

BUSINESS DRIVERS

Security demand

The export of Reunert's security and defence products depend on the export countries' defence budgets and appetite, which are influenced by geopolitical tensions.

Exchange rates

Volatile exchange rates influence demand and pricing for imported materials, export revenues, margins and competitor pricing. The major currencies for imports are euros and US dollars, and exports are in US dollars.

Competitive markets

Local and international competition impacts volumes, pricing and margins. Some geographies' growth rates are under pressure, and global trade tensions are rising.

/ IMPACT /

Electrical Engineering ICT
Applied Electronics



Electrical Engineering ICT
Applied Electronics



Electrical Engineering ICT

ICT Applied Electronics

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ASSOCIATED OPPORTUNITIES

The United States is reducing its support of the North Atlantic Treaty Organization. Consequently, Europe's demand for defence and security-related products has increased.

Rising geopolitical tensions have led to trade sanctions or restrictions between certain countries in the Middle East and Asia. South Africa, and by extension Reunert, is not subject to these restrictions.

Internationally, Reunert is well placed to capitalise on the interest in its radars and secure communications offerings, and the growing demand for circuit breakers in renewable energy and telecommunications products.

The rand is unlikely to strengthen materially in the short term. This improves Reunert's exporting businesses' value propositions to customers.

ASSOCIATED RISKS

Recent exchange rate volatility increased imported inventory costs and reduced margins as not all increased input costs could be recovered. In 2020, the rand lost 11% of its value against the US dollar. The Kwacha's 53% devaluation against the US dollar over the financial year led to significant foreign exchange losses for Zamefa.

Slowing infrastructure spend is increasing competition for a shrinking power cables market, while also leading to industry-wide right-sizing. Global fibre-optic cable suppliers are increasing their focus on South Africa. Competition is also increasing in the Total Workspace Provider environment.

Some export destination countries have redirected their spend from defence to COVID-19-related projects. Competition is also increasing in these regions.

Certain countries are intensifying their indigenisation policies. COVID-19 has added to the drive as countries seek to shorten production cycles and secure more reliable supply chains. Reunert will have to increase its use of local supply chains in those countries.

BUSINESS DRIVER

South African Government policy

Uncertainty and/or changing Government policy can impact how Reunert does business and has possible cost implications. The various Broad-based Black Economic Empowerment (B-BBEE) codes that are applicable to the Group's South African business units, are significant examples in this regard.

IMPACT /

Electrical Engineering





ASSOCIATED OPPORTUNITIES

Government has intensified its focus on transformation because COVID-19 is disproportionally affecting vulnerable groups. Reunert can drive localisation efforts and assist small, medium and micro-sized enterprises as part of inclusive growth initiatives.

Government's 2019 Integrated Resource Plan presents opportunities for Reunert's renewable energy businesses as it embraces a flexible, diversified energy mix and alternative energy sources.

ASSOCIATED RISKS

Policy uncertainty is undermining business confidence. The pandemic has increased uncertainties around policies, including expropriation of land without compensation and a possible social compact to return to growth after the pandemic.

Intensifying B-BBEE regulations increase compliance costs and can present challenges in finding adequately skilled and resourced suppliers and subcontractors. If Reunert does not meet local procurement requirements, it might not secure contracts, or orders received may be lower.

BUSINESS DRIVER

Technology and innovation

Technology convergence, product-agnostic platforms and disruptive technologies and shorter system life cycles are increasingly becoming the norm, creating various opportunities and risks for Reunert.

ASSOCIATED OPPORTUNITIES

The most significant opportunities include:

- > Renewable energy generation and storage > Solutions and Systems Integration
- > Secure communications
- > Total Workspace Provider offerings

Applied Electronics

- > Broadband connectivity
- > Mining safety

Further internal efficiency improvements through technology and streamlined processes, including workspace digitalisation, are also an opportunity.

COVID-19 accelerated the adoption of cloud-based technology and distributed workforces have greater need for high-quality network access and security. Reunert's ICT businesses are ideally positioned to supply the hardware, software and services to cater to these needs as a Total Workspace Provider.

Reunert's research and development expertise allows it to continuously innovate new products and adapt existing ones. For example, highly sophisticated defence technologies can be adapted for commercial application.

ASSOCIATED RISKS

Traditional technologies are under pressure as new technologies become more cost-effective. For example:

- > The market for fixed line voice services is shrinking as consumers move towards data-based services
- > Traditional print business is in decline. This trend is accelerating as businesses work remotely and employees embrace digital work methods
- > Older modes of electrical generation and transmission are losing ground as demand for renewable energy and localised generation increases

Acquiring and developing the necessary skills to deliver the future business models in an age of disruptive technology remains a challenge.

Cybercriminals constantly develop more sophisticated software. These attacks could severely harm an unprepared business, especially considering potential vulnerabilities in working remotely.

Material matters addressed in this report

The Group's material matters are the matters that most affect its ability to create value. It considers material matters those that directly or indirectly impact its ability to preserve financial, economic, environmental or social value for the Group and its stakeholders.

Reunert determined materiality and its material matters by considering stakeholders' interests, its various operating environments and the inputs and outputs of its risk management processes. The four consequent material matters are consistent with prior years and are a key consideration in the Group's strategy. They are referenced throughout this report.

KEY CONSIDERATIONS IN DETERMINING MATERIAL MATTERS

Stakeholder engagement (page 53)	Key external business drivers (page 21)	Risk management (page 83)
Effective stakeholder engagement is	Various external elements could	Risk management is a vital business
ssential to the Group's strategy,	influence the business' performance.	tool that assists Reunert to balance
overnance principles and sustainable	Their impact varies depending on	risk and reward, and it protects the
usiness practices. Reunert identifies	each business unit's circumstances,	Group against risks and uncertainties
nd responds to stakeholders' interests	and Reunert cannot always control	that could negatively impact strategic
nd the related risks and opportunities.	the impact.	and operational objectives.

MATERIAL MATTERS 🗧

Political and regulatory environment	Economy and markets	Technology	People
Reunert has limited influence over this matter.	Reunert has limited influence over this matter.	Reunert has medium influence over this matter.	Reunert has high influence over this matter.
The South African business environment faces increasing uncertainty in the political, policy, regulatory, labour and societal spheres. Reunert recognises the external developments in its current and target markets and considers various scenarios in its mitigation strategies. COVID-19 impact The pandemic shifted Government priorities and spend, and uncertainty in key policy and regulatory areas remain. Socio-economic risk is likely to intensify.	Reunert's target export and local markets present growth opportunities for its products and services. The Group's local macroeconomic and market trends are inextricably linked to the South African environment, with infrastructure and state institutions facing a variety of headwinds. COVID-19 impact COVID-19 further depressed local economic activity, increased uncertainty and led to in-country lockdowns, all of which made the business environment more difficult. Its impacts on specific business units were varied and included new opportunities (page 21).	Technological advances provide new opportunities and disrupt existing business. Technology influences Reunert's customers' business processes and the products and service offerings they require. Competitors' innovation can disrupt business. The Group's focus on innovation and investments in relevant technologies is a strong driver of growth, which leverages the Group's existing intellectual property. COVID-19 impact The pandemic accelerated adoption of certain technologies, such as digital business and cloud solutions. By extension, demand for related products and infrastructure, such as broadband connectivity, increased.	Employees' skills, experience and commitment to the Group Values underpin Reunert's high-performance, diverse and innovative culture. Equitable representation, especially at management levels, is a business imperative. COVID-19 impact Reunert implemented remote working where required and ensured employees' safety through appropriate policies and procedures.



REUNERT LIMITED INTEGRATED REPORT 2020



Trevor Munday (Chair)

Unprecedented times

In the first quarter of the financial year our business units overall performed admirably in a weak economy although our cables business units continued to face significant challenges. Then, towards the end of the second quarter, COVID-19 and its related lockdowns happened. For weeks from end-March under the initial lockdown regulations most business units, other than seven that were designated as essential under the regulations, were closed.

Reunert immediately complied with the required COVID-19 regulations and protocols. Gradually, as the lockdowns eased in the months that followed our other business units were reopened under the prescribed strict conditions.

The severe impact on our trading performance in those extraordinary months, including the material non-cash provisions that had to be raised to recognise the longer-term impact of the pandemic on asset impairments and estimated credit losses as a consequence of reduced trading caused by the damaged economy, has been covered in our interim results announcement. It is summarised in the Leadership report on page 29.

Suffice to say that our management and the Board applied our minds regularly to the impact, consequences, and continuing risk of these strange circumstances on the Group and our stakeholders.

As a Board, we cannot speak highly enough of the exemplary manner in which our Group CEO, Alan Dickson, and his team responded to the many challenges that arose, and for which there was no reference available from which to take guidance. Their approach was structured, sensible, considered, and caring, and all our stakeholders are assured that Reunert was competently led through those dreadful few months.

Our employees throughout the Group responded positively. In the new work-from-home arrangements for many of them, which notwithstanding the initial hype around this new concept was not without its complications, their team work ethic, diligence, and the vibrant communications between them, were upheld.

Testimony to the way Alan and his team skilfully managed the many challenges that arose is the extent to which our trading performance and cash flow recovered in the fourth quarter when lockdown conditions eased. To be back to about 90% of normal trading levels on a consolidated basis after the devastating impact of the peak months of the pandemic was admirable and pleasing. Further detail of this is provided in the Leadership Report.

While there was consistent oversight throughout the year, during this challenging time the Board scrutinised and monitored a wide-ranging number of pandemic-related issues to ensure that the Group was effectively responding to and managing new and previously unknown circumstances, so that it would emerge from the impact of the pandemic in good shape.

The Board conducted a dedicated review of Reunert's response to COVID-19, and the Board's role and governance structures. We recognised that conditions are dynamic and will require continuing review going forward.

We asked ourselves:

> If our Group strategy, that was reviewed and approved in March just prior to the lockdown, was still relevant or if there were pressing reasons to revise and amend it. We concluded that the competitive landscape would become clearer in due course and that changes to the strategy at that stage would be based on insufficient evidence and untested assumptions, and therefore premature.

We decided that we should await greater clarity to emerge in our markets both domestically and internationally and that the annual strategy review process scheduled early in 2021, when the impact of COVID-19 would be better known, would be retained.

However, tactical changes to ensure competitiveness and efficiency in our businesses would obviously be promptly implemented, if required.

Summarised consolidate financial statements

If there was a need to revisit our committee structures and roles. After due discussion, we concluded no compelling issue or challenge had arisen requiring material changes and that the Terms of Reference of each of our committees remained instructive and informative and would be reviewed in September. This was done.

- If there was a need to review the Group's top risks beyond what had already been considered at the Risk Committee meeting held in May, when the status of COVID-19 and pandemic risk was discussed at length. We agreed that our top risks were valid and should remain as listed and that the effects of the pandemic had been appropriately addressed through our risk management processes.
- If there was a need to make changes to our Delegation of Authority. We concluded that there were no compelling reasons to do so. In this discussion, we deliberated whether the Group's governance policies and procedures were still practical, applicable and in order especially in circumstances in which virtual engagement and communications were dominant.

We agreed that any changes to our policies and procedures should be integrated into our standard review processes and notably into the new CEO and CFO sign-off process required by the JSE Listing Requirements.

If there was a need for changes to our remuneration structures and processes. We considered specific concerns about the current retention value in our long-term incentive schemes because inter alia of a lower share price. We debated the implications of short-term incentives not being payable in the financial year because of the impact of COVID-19, and the ongoing alignment of management and shareholder rewards and expectations.

We concluded that deviations, if required and not material, could be handled within our current shareholder-approved Remuneration Policy. More information on the remuneration policy and the approach followed is contained in the remuneration report on page 94.

- If there was a need to review and revise our Information Technology (IT) infrastructure and governance processes, including our cybersecurity standards. We agreed that the CEO and CFO sign-off process had brought our IT infrastructure and governance into heightened focus, specifically in the role it plays in ensuring the integrity of our financial reporting, and the obligation for Alan and Nick to provide the required positive assurance. It was agreed that the level of focus on IT in the Group remained appropriate.
- If there were pressing and material customer or other stakeholder matters that required Board deliberation. We concluded that Alan and our management team were managing them with their usual sensitivity and effectiveness.

- If there were any notable impacts of the pandemic that might necessitate a review of Reunert's transformation objectives. We agreed there were not. The objectives set by the Social, Ethics and Transformation Committee for the year and the medium term remained applicable and would continue to be pursued with determination by Alan and his team.
- If there were any cash management, business performance, or related matters such as Reunert's Going Concern status, that were not receiving continuing and close attention. We satisfied ourselves that the work being done by Nick and our financial teams, with capable oversight provided by the audit and risk committees, was rigorous. Cash flow management visibility had by necessity improved significantly during the lockdown months with each business in the Group regularly updating their weekly cash flow requirements and their rolling monthly forecasts.

Inevitably, some of our people were sadly not spared from COVID-19, and about 126 were unfortunately infected. Thankfully, almost all have recovered. During their required quarantine periods we reached out to their families to provide support.

Pleasingly, whilst executives, senior managers and various employees magnanimously agreed to short-term salary sacrifices as a contribution to conserving cash, about four thousand employees and unionised employees were fully paid through the pandemic months even when not working, after having exhausted their leave pay. We thank the Unemployment Insurance Fund for the assistance it provided through the Temporary Employer-Employee Relief Scheme.

At the interim stage we advised stakeholders of the material external third-party fraud experienced by Quince. The Board and the audit committee have conducted in-depth reviews of the fraud and a team of directors. has been supporting management through the various independent reviews of both the fraud committed and Quince's response to it. Further details are provided in the executive review.

Country challenges

Last year, I wrote that South Africa needed new direction and hope. Obviously, the past year has been dominated by the pandemic and the damage it has done to an economy that was already in the doldrums. Sadly, the new direction and hope required have not shone brightly enough.

Much has been written and said about the 'nine wasted years' of the Zuma administration and the rampant and destructive effects of the corruption that took place under it. Whilst the private sector must answer for the part it has played in this corruption scourge, with the debacle at Steinhoff rightly quoted as an embarrassing example, the ruling African National Congress (ANC) and Government at various levels (national, provincial, and municipal) have sadly allowed the corruption to continue and has much to answer for. The ANC has overseen the decline of our country with apparent disdain and impunity.

It is startling to recall that only 10 years ago, in 2010, the country's national debt as a percentage of gross domestic product (GDP) was 35%. Now, the Minister of Finance is predicting that by 2025 it will stabilise at 95%. If it reaches 100% it will trigger a sovereign debt crisis with serious consequences for South Africa.

REUNERT LIMITED INTEGRATED REPORT 2020

It is bewildering to contemplate that in the ten years (1999 to 2008) prior to the global financial crisis our economy grew at an average of 4% per annum. Excluding 2009 when the impact of the crisis showed, in the ten years since from 2010 to 2019 our GDP has grown by 1.7% per annum on average or less than half the previous rate. In the past five years it has averaged only 0.8% per annum. That is shockingly low growth by any standard and it precedes the material adverse impact of COVID-19 in 2020.

These statistics present a stark picture of the political and economic mismanagement of South Africa.

One reflects on the decline of our state-owned entities and notably Eskom and the threat they individually and collectively pose to our country's fiscal stability.

One considers the debilitating impact of cadre deployment by the ANC and how damaging it has been to repeatedly appoint people because of their political and personal affiliations to roles for which they are neither trained nor qualified.

One is reminded of the extent to which during those nine wasted years state institutions such as the National Prosecuting Authority were hollowed out in a deliberate process to weaken the law-enforcement capability of our country so that scoundrels could plunder our coffers with impunity.

" How could the few do so much damage to the many?"

Nevertheless, we applaud President Ramaphosa's persistent and gallant efforts to put our country onto a recovery path as well as his strategy to achieve inclusion among our disparate constituencies. His and our country's problem, however, is implementation capability. It is sorely missing and sadly cynicism abounds that his good intentions and well-considered plans will flounder at the heels of ANC factionalism and an endemic years-long failure to 'get things done'.

Reunert continues to watch for suitable investment opportunities in these challenging times. Whilst we remain concerned about South African concentration risk and continue to seek sensible options to mitigate it, we remain proudly South African and earnestly want to contribute to the rebuild of our economy. Please, Mr President, assist us to do so by appointing a cabinet with committed, competent people who will inspire South Africans, rich and poor, urban and rural, young and old, to work together to lead our country out of its malaise and move it forward with renewed confidence.

Board matters and governance

In addition to my feedback provided earlier in this report, I am pleased to report that the Board steadfastly focused throughout the year on its duties. Many of our engagements were managed through videoconferencing especially during the peak COVID-19 months.

I am again satisfied that the Board and all our committees performed effectively and satisfactorily discharged the mandates of their respective Terms of Reference.

The outcomes of our peer review process were informative and, where required, counselling was provided to members to ensure that our high standards and esprit de corps are upheld.

Welcome

In October, the appointment of Mohamed Husain to the Board of Reunert and as Chair-elect was announced. His appointment concluded a lengthy and rigorous process, and I am delighted that Mohamed will succeed me by no later than our 2022 Annual General Meeting. This will give him the opportunity, which he welcomes, to experience a Board strategy review exercise, an annual budget process, and a financial year-end, before assuming responsibility for the Board

" We whole-heartedly welcome him. "

Appreciation

I thank the non-executive members of the Board for their valued commitment and contributions during a particularly challenging year. Their individual and collective oversight in such unusual conditions is admirable.

I thank our committee chairs for their much-appreciated support and leadership. I also thank our lead independent director, Sean Jagoe, who has been an unwavering source of good advice.

On the Board's behalf, I thank Alan for his steady hand and inspiring leadership. He is a credit to Reunert. Personally, I also thank him for our continuing candid and constructive relationship. He is a pleasure to work with. We all thank Nick and Mohini Moodley for their fine work and support for the Board and our committees. Our executive directors are a committed and competent team.

On behalf of the Board, I also thank our Company Secretary, Karen Louw, who is emigrating with her family to New Zealand, for her exemplary service to Reunert and the Board over the past eight years. Karen epitomises professionalism, competence and dedication and her departure is a big loss to both Reunert and South Africa. We wish her all the very best going forward.

We thank the people of Reunert for their commitment, fortitude, and belief in Reunert, during an incredibly difficult year. As I say each year, they represent the true value of Reunert

We thank our suppliers, empowerment partners. technology associates, trade unions, and other business partners for their relationships with us.

Finally, we thank our customers for their ongoing support. We understand that this past year has also been exceedingly difficult for them and we trust that our attitude and service made matters easier for them and that we met or preferably exceeded their expectations.



Trevor Munday

Chair

Appendi

Leadership report



Alan Dickson (Group CEO) and Nick Thomson (Group CFO)

Overview

Reunert's 2020 financial performance was negatively impacted by three distinct issues:

- > COVID-19 disrupted the Group's operations during the national hard lockdown. This, together with the predicted future impact of COVID-19 on the Group's businesses, gave rise to the need to raise impairments and expected credit losses in terms of the forwardlooking requirements encapsulated in the International Financial Reporting Standards (IFRS)
- > Underperformance of the Electrical Engineering Segment
- > A once-off abnormal credit write-off at Quince Capital (Pty) Ltd (Quince), the Group's in-house rental finance provider

These three issues were the drivers of the Group's lower financial performance when compared to the prior year. This Leadership Report and shareholders' communication pay specific attention to clarifying the impact of these three issues and distilling them from the underlying strength of our businesses.

Importantly, the operational and financial performance of the Group, subsequent to recommencing operations, under COVID-19 regulations after the national lockdown levels 5 and 4, have been more positive than originally anticipated. In the fourth quarter of the 2020 financial year the Group achieved 90% of the core operating profit¹ earned in the comparative quarter of the 2019 financial year. Free cash flow (FCF)² generation, measured as a percentage of earnings before interest, tax, depreciation and amortisation (EBITDA), has also returned to pre-COVID levels.

To evidence the return of the underlying performance of the Group, extracts from the fourth quarter of the 2020 financial year's Statements of Profit and Loss and Cash Flows have been included in this report. Whilst recognising that there remains much economic uncertainty ahead, management is of the view the fourth quarter's performance represents the strength of Reunert's underlying businesses in the predicted economic conditions our key markets are likely to face.

Fourth quarter financial performance

Reunert commenced actions to return to work on 4 May 2020. Initially only 50% of employees were able to return to work and the Group was only able to return to full operations once the country returned to lockdown Level 3 on 1 June 2020.

Reunert's businesses have fully embraced the realities of operating effectively under the constraints of COVID-19. All the Group's businesses have implemented South African Government regulations and guidelines. In accordance with these regulations, the recommended health monitoring, screening procedures and social distancing practices have been implemented. To create a safe working environment all employees have been provided with hand sanitisers and the required personal protective equipment to perform their job functions. Dissemination of information and the education of our employees was a core part of our COVID-19 Planning and Containment Strategy. Our goal was to ensure that employees understood the key aspects of COVID-19 and the importance of adhering to the preventative measures. This was done through regular employee engagement using various methods of verbal and written communication and the implementation of COVID-19 training courses. Up to year-end, Reunert had 126 employees who tested positive for COVID-19. Very fortunately, there had also been a full recovery of 96% of the employees affected and no fatalities. The Group's businesses have adapted quickly and increased their resilience as they met their customer and market demands whilst ensuring employees were managed with empathy in safe and healthy working environments. The Group's Business Continuity Plans are comprehensive, and Reunert believes them to be adequate in the event of a second wave of COVID-19 infections

All three of the Group's segments performed well during the fourth quarter and were profitable. Electrical Engineering and Applied Electronics delivered strong quarterly results while ICT continued to improve steadily

- ¹ Core operating profit = operating profit as reported, adjusted for the impact of items such as profit and loss on disposal of assets, credit write-offs and ECLs recognised. See table on the following page.
- ² Free cash flow = Cash generated from operations less (cash interest paid plus cash tax paid) plus cash interest and dividends received less replacement property, plant and equipment and intangible assets.

as more segments of the economy return to normality as lockdown levels lifted. A more detailed analysis of the performance of each segment in the fourth quarter is covered in the Segmental reviews.

The Group delivered a fourth quarter core operating profit of R463 million (2019: R515 million) which is 90% of the comparable quarter in the prior year. This performance reflects the strength of the Group's businesses and resilience and responsiveness as the lockdown restrictions have been lifted

The Group's cash flow recovered strongly in the fourth quarter resulting in FCF of R837 million (2019: R798 million) due to strict cash and cost management since COVID-19 lockdowns were declared.

COVID-19 impact

The COVID-19 pandemic impacted Reunert through:

- > A material loss of revenue during the third quarter of the 2020 financial year when the national state of disaster lockdown levels 5 and 4 were in place
- > Depletion of cash resources in order to support the Group's operations and employees when normal operations were suspended
- > Mark-to-market losses on our export hedge instruments as the rand weakened rapidly
- > The impact of the IFRS forward-looking requirements resulted in the impairment of goodwill and property, plant and equipment at the cable factories and increased expected credit losses (ECL) recognised at Quince

To provide shareholders with the insight on the financial impact of COVID-19 through additional disclosure, the Group's actual operating profit in the third quarter of the 2020 financial year was R9,5 million (2019: R238,9 million) down 96% on the comparative period. The financial impact of COVID-19 on the Reunert FY20 results occurred primarily in the second and third quarters of the 2020 financial year.

Abnormal credit write-off

An abnormal credit write-off resulted from an external fraud perpetrated by a non-connected, independent third party dealer against Quince Capital. A comprehensive external forensic investigation has been completed by Bowmans and has resulted in a credit write-off of R298 million, which was reported as part of the interim financial results for the six months ended 31 March 2020.

In the period since the interim reporting the following actions have been completed:

- > An independent forensic investigation conducted by Bowmans, determined that no Quince employee had a non-disclosed conflict of interest or that any criminal or deliberate misconduct facilitated the external fraud
- > The Group commissioned an independent review of the Enterprise Risk Management Framework at Quince to ensure the risk governance and control framework is appropriate. The outcome from this investigation identified various areas where reviews, functions and processes within Quince's Credit Management could be strengthened to improve monitoring and oversight. These recommendations are in the process of being implemented

> Finally, a detailed review of Quince's lease book is being undertaken. At the date of this report R1 660 million (61% of the Quince lease book as at 30 September 2020), has been assessed and the review of the remainder is scheduled to be completed by 30 April 2021. No material incorrect information has been found. An immaterial number of administrative omissions were identified, which have subsequently been corrected

The in-depth assessment of the Quince lease book has validated the performance thereof and the risk governance and control framework improvements will strengthen Quince's resilience within their operating environment.

Cable businesses

The cable businesses in the Electrical Engineering Segment suffered a material underperformance in the 2020 financial year, primarily due to a seven-week labour disruption at African Cables in the first quarter, significant foreign exchange losses at Zamefa in Zambia, and weak infrastructure investment demand across the businesses' key Southern African markets. During the second half of the financial year, the financial performance of the cable businesses was negatively impacted due to the inability to manufacture during lockdown Levels 5 and 4.

Pleasingly, post-lockdown all power cable businesses have recovered well and the efficiencies achieved in the factories have enabled profitable performances despite moderate volumes.

Group results

Reunert's 2020 financial performance was adversely affected by the three issues described above and the Group's revenue decreased by 24,9% to R8 046 million (2019: R10 714 million). The Group's operating profit decreased by 77,4% to R307 million (2019: 1 361 million) with headline earnings per share (HEPS) of 115 cents (2019: 573 cents) with earnings per share (EPS) of 29 cents (2019: 490 cents).

The Group's efforts to manage costs and conserve cash were successful and FCF recovered strongly after COVID-19 lockdown Levels 5 and 4 were lifted. The full year cash conversion of the Group remained in line with its historical norms and R946 million of FCF (2019: R1 313 million) was achieved, converting 83,5% (2019: 84,8%) of EBITDA before impairments of financial assets into FCF.

Key earnings metrics

	Measure-			
	ment			%
	criteria	2020	2019	change
Revenue	Rm	8 046	10 714	(25)
Operating profit	Rm	307	1 361	(77)
Profit for the year	Rm	7	804	(99)
Earnings per share	cents	29	490	(94)
Headline earnings				
per share	cents	115	573	(80)
Total cash dividend				
per share for the year	cents	257	513	(50)

Disposal of a subsidiary

In July 2020, the Group disposed of its shareholding in PanSolutions. The legacy consumer electronic business was no longer aligned to the Group's ICT Segment Strategy and had made an immaterial contribution to the segment's financial results for several years.

Capital expenditure

During the year under review, the Group invested R32 million (2019: R56 million) in the replacement of property, plant and equipment and a further R138 million (2019: R102 million) to expand operations. All expenditure was financed out of internal cash generation and represented 17,3% (2019: 12%) of FCF before replacement capital expenditure.

Cash resources and cash liquidity

Considerable effort was put into managing the statement of financial position, and in particular working capital, to mitigate the impact of COVID-19 on the cashflow of the businesses. R21 million in cash was released from working capital despite having to restart the working capital cycle after the hard national lockdown. This enabled the Group to generate R946 million (2019: R1 313 million) in FCF despite the significant operational and other challenges as outlined

At the financial year-end, the Group's net cash resources amounted to R323 million (2019: R616 million) which, together with the significant lines of credit, ensures that the Group is well-positioned to take advantage of opportunities and has the financial strength to weather any further softening in economic conditions that may arise.

Strategy execution

Capital allocation

The lower South African interest rates will result in a reduction in the returns on Quince lease book and accordingly Reunert's equity investment therein. The Group has decided to reallocate capital from Quince to improve shareholder returns. To achieve this Quince is expected to conclude the raising of funding loans from external debt providers, with no recourse to Reunert. Quince will then be in a position to repay an equivalent portion of the Group's loan to it. These proceeds are earmarked for, amongst other opportunities, acquisitions to grow the ICT segment and investment into our build-own-operate (BOO) assets in the renewable energy businesses.

These capital allocation programmes are expected to deliver enhanced value to shareholders through exceeding the returns predicted to be achieved at Quince under a low interest rate environment.

Renewable energy

During the 2020 financial year Reunert acquired a further 27,4% of the issued shares in Terra Firma Solutions (TFS), our solar energy company, resulting in 89,9% now being owned by Reunert. This shareholding, coupled with our investment in the renewable energy storage company Blue Nova, positions Reunert strongly to participate in the rapidly growing distributed generation market.

The market for distributed generation continues to grow in South Africa and the recent actions by the South African Government to further deregulate distributed generation will continue to accelerate growth in the market addressed by TFS and Blue Nova. TFS continues their strategy to invest in, build, operate and own assets and this investment accelerated materially during the 2020 financial year.

Blue Nova continued its expansion into the renewable energy storage market. While the threat of load shedding in South Africa may diminish in the years ahead, the economic return on storage solutions continues to improve and the market fundamentals of renewable storage create an increasingly attractive market. Blue Nova launched its locally manufactured grid-tied storage solution and has had a positive market uptake during the latter part of the year.

CBi-Electric: Low Voltage released their new range of remote switching devices, the Astute Range, which, together with TFS and Blue Nova, are key enablers in the integration of the components of the distributed generation market and Reunert's ability to participate meaningfully in this opportunity.

Cable businesses

Reunert has commenced a process to reduce the investment in its African cable operations.

ICT Segment

The Group completed the streamlining of assets in the ICT Segment during the 2020 financial year by disposing of PanSolutions. The segment launched the "Solutions and Systems Integration Cluster" in November 2020. The ICT Segment now consists of the four clusters required for its long-term strategy, namely Total Workspace Provider, Communications, Finance and Solutions and Systems Integration.

The new cluster of Solutions and Systems Integration has been created with a key focus on digital consulting, cloud and data services, security, and managed services. These lines of business are expected to grow more rapidly than our traditional clusters and provide the long-term impetus to the continued growth of the segment.

Segmental review

Electrical Engineering (EE)

The segment faced significant challenges during the reporting period as cable infrastructure demand remained weak across the region, the liquidity challenges in Zambia continued, and our South African power cable company experienced a seven-week labour disruption in the first half of the 2020 financial year. This resulted in the segment's revenue decreasing by 30,9% to R3 767 million (2019: R5 457 million) with a core operating profit of R28 million (2019: R320 million).

In Zambia, the liquidity position remained constrained. The Government removed input value-added tax (VAT) on copper cathode with effect from 1 January 2020, resulting in Government receivables no longer increasing, due to the VAT refunds on copper cathode purchases.

The repayment of the outstanding Zambian Government receivables (primarily VAT refunds) to Zamefa commenced slowly, resulting in the company's external, hard currency, borrowings remaining at inflated levels throughout the year and the company suffered material foreign exchange losses as the exchange rate weakened from ZMW13,10:1US\$ to ZMW20,05:1US\$, over the reporting period. These foreign exchange losses reduced the segment's operating results by R101 million.

During the financial year Reunert's shareholder loan to Zamefa was restructured with the result that the risk of significant foreign exchange losses, should the kwacha depreciate further against the dollar, has been reduced. Post-half year the receipt of Government receivables accelerated and a total of ZMW154 million was received. The total outstanding Government debt by year-end accordingly decreased to ZMW96 million (2019: ZMW250 million) which provides Zamefa with an opportunity to slowly increase throughput as working capital improves.

The telecoms factory continues to face challenges due to low volumes and therefore continues to focus on operational efficiencies, cost reduction and cash protection.

Low Voltage had a solid year. Local sales continued to be under pressure, but the export performance has been excellent, more than replacing the decrease in local sales. Our subsidiaries in both Australia and the USA performed materially better than in the prior year and exports into Europe and China also continued to grow significantly. The businesses' telecommunication solutions division, specifically, had a strong year as the pandemic led to a significant investment in this market.

Low Voltage continues to focus their R&D efforts on switching devices that enable distributed generation. This year Low Voltage launched their Astute Range of residential products that enable energy efficiency and remote switching. This remains a key area of development and opportunity for the company.

The segment's performance in the fourth quarter of the 2020 financial year was pleasing. At African Cables, this quarter was the only uninterrupted production period of the financial year and the efficiency benefits resulting from the prior year's restructure were evident, despite modest production volumes. The company delivered a profitable performance for every month post the lifting of the lockdown Level 5. Low Voltage continued their good performance with a strong performance in this last quarter. Export volumes were excellent and production output was robust despite the supply chain challenges resulting from Covd-19. In the fourth quarter the segment delivered a core operating profit of R82 million (2019: R67 million) an increase of 22%.

Information Communication Technology Segment (ICT)

The COVID-19 hard lockdown had a material impact on the segment's performance and the ICT segment's strong operational performance in the first half of the financial year weakened in line with the reduced activity in the second half of the 2020 financial year. The segment's revenue decreased by 22,0% to R2 524 million (2019: R3 236 million) while core operating profit fell by 21,6% to R604 million (2019: R770 million).

The Total Workspace Provider Cluster secured pleasing hardware sales and continued to improve market share. The Total Workspace Provider strategy accelerated with the addition of Energy Solutions' and PC-as-a-Service revenues for the first time, which augmented existing revenue streams and resulted in an increase of 19% in complementary revenues through the channel over the prior year.

The Communications Cluster delivered a positive performance despite interruptions from the COVID-19 lockdown. New fixed-line voice deals continued to grow strongly with record new sales concluded in the 2020 financial year. ECN successfully implemented the new best-in-class operational system and the benefits of the operational efficiencies were realised in the 2020 financial year. ECN's diversified revenue streams of the cloud-based Virtual PBX (VBX) and last mile broadband connectivity sales both continued to accelerate and augment the company's core fixed-line voice income. SkyWire expanded its operational network and entered 19 new regions during the financial year. It continues to operate in line with its investment case and growth is expected to accelerate in the 2021 financial year.

The Finance Cluster's gross lease and loan book at the financial year-end was R2 783 million (2019: R3 016 million). The book initially grew on the back of the improved hardware and complementary product sales in the Total Workspace Provider channel but was impacted by the credit write-off of R298 million. Post-lockdown the book has performed well and the deep dive into the book has verified the quality.

The segment decided to sell PanSolutions, our legacy consumer electronics business. As this business no longer met the strategic requirements of the segment and had made an immaterial financial contribution to the segment for several years. A final loss on disposal of R20 million resulted from this decision. In the fourth quarter of 2020, the segment's core operating profit performance decreased to R129 million, materially lower than the prior year's excellent performance (2019: R223 million).

The Total Workspace Provider Cluster business continued its recovery and performed well. The cluster still services market segments that have still not returned to full operation and as such is only likely to recover to its pre-COVID-19 financial performance once the economy is fully opened. The Communications Cluster performed well despite being impacted by the same economic challenges as in some market verticals. Excluding the fraud and the associated credit write-off of R298 million, the Finance Cluster performed well, although the book decreased in the final quarter as new sales did not exceed settlements and collections. This trend is expected to continue into the 2021 financial year.

Applied Electronics Segment (AE)

Although the AE Segment rebounded strongly after the COVID-19 lockdown, revenue for the year decreased by 16,8% to R1 951 million (2019: R2 346 million) while core operating profit for the year decreased by 25,3% to R268 million (2019: R359 million).

Reutech Communications and Reutech Radar Systems both delivered an excellent year-on-year improvement in their financial performances as they continue to deliver against their strong export order books. Reutech Communications delivered another record year as operational efficiencies and good export volumes continue to support local demand.

Fuchs' performance reduced, as expected, due to the large export order that did not repeat in the period under review. Despite this, the company delivered a profit as sales into new geographies lifted its performance despite the lack of orders from our traditional customers.

Both Nanoteq and Omnigo delivered strongly into their export orders which resulted in them each contributing a positive financial performance. Good export orders have been received for the ensuing financial year and these good performances are expected to continue.

Terra Firma was materially impacted by the COVID-19 pandemic as a lack of site access delayed project recommencement well into June 2020. The market fundamentals and associated demand for distributed generation are exciting and the company is expected to continue to grow strongly.

The segment had an excellent fourth quarter of the financial year, generating a core operating profit of R209 million (2019: R238 million) as all companies performed well as they returned to full operation and were able to complete their local and export commitments. The segment's export order books remain positive and the renewable energy order book is at a record high so a continued strong performance of the segment is expected in the new financial year.

Appreciation

We owe our performance to the dedication and driven teams at each of our business units. These attributes were particularly evident this year where our employees faced multiple challenges and we thank our employees for their efforts and commitment. To all our customers, we value your continued support and commit to continue to create value in the years ahead. To our suppliers and other stakeholders, we value your continued support. To the Board, thank you for your wise counsel and support in a year where we faced new and unique challenges whilst ensuring our governance standards remained high.

Prospects

Reunert has recovered well from the business interruption of COVID-19. The fourth quarter financial and operational performance compares favourably against similar performance in the comparable period of last year and reflects the strength of the underlying businesses. The statement of financial position remains strong and cash flow generation supports the execution of the Group's strategic and operational objectives.

Whilst recognising that there remains much economic uncertainty ahead, the Group's businesses have robust business models and are likely to recover to pre-COVID-19 financial performances as the economy recovers and the Government's infrastructure expenditure improves. In addition, the Group is serving markets that are anticipated to offer good structural growth and opportunities, including:

- > Renewable energy
- > Strong exports markets for the Applied Electronics segment and at CBi-Electric: Low Voltage
- > The Communications Cluster, the Total Workspace Provider offerings, and our newly launched Solutions and Systems Integration Cluster, all of which focus on the provision of business-to-business solutions that support the future of work in our country

Navigation Radar Intercept System. A receiver used to detect the presence and location of vessels at sea using navigation radar. It is used for coastal monitoring and shipborne constabulary operations in the protection of marine resources.

ELECTRICAL ENGINEERING



The segment continued to face significant challenges, especially in the cables business units. However, Low Voltage's performance continued on its positive trajectory. Alan Dickson



- > Sub-Saharan Africa's population growth and trends in urbanisation
- > Infrastructure development
 - Demand for electricity in Africa (new generation capacity, electrification for domestic, commercial and industrial users, and increase in off-grid solutions)

Growth drivers



- o Utility scale renewable energy
- o South African Government's commitment to an infrastructure-led economic recovery
- > Broadband connectivity
- > Key market verticals for circuit breakers in China, Australia, USA and Europe in telecommunications, rail and solar applications
- > Low cost provider underpinned by long-term supply contracts

Competitive advantages



- > The largest power cable market share in sub-equatorial Africa
- > Strong Broad-based Black Economic Empowerment credentials
- > Good geographic spread and a diverse production base
- > A leading Southern African electrical infrastructure supplier
 - o Manufacture a complete range of underground and overhead cable products

Value offerings



- o Provide turnkey high-voltage power systems
- o Manufacture a comprehensive range of telecommunications cables (optical fibre, copper and industrial)
- > Manufacture and supply low-voltage electrical distribution, protection and control equipment
- > Utilities (transmission, generation and distribution)
- > Renewable energy
- > Mining and industrial

Customer segments



- > Telecommunications network operators
- > Original equipment manufacturers
- > Residential and commercial circuit breakers
- > Rail

Achievements

- > Excellent export performance in circuit breakers
- > All plants operated at manned capacity by year-end
- > Majority of Zambian Government debt settled
- > Restructured Zamefa balance sheet to reduce the impact of depreciating kwacha

Challenges

- > Weak cable infrastructure investment in key southern African markets
- > Labour disruption at CBi-Electric: African Cables (African Cables) in the first quarter
- > COVID-19's impact on operations, employees and supply chain, including related impairments raised in the cable business units

Key priorities acted upon

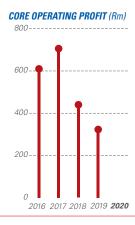
- > Raised factory efficiencies, improved cost controls and leveraged the right sizing and efficiency drives of prior years to improve financial results
- > Maintained volumes at cable factories to match right sized cost structures
- > Built additional scale in circuit breaker exports
- > Continued to engage with the Zambian Government around the impact of duty regime in order to return Zamefa¹ to full production
- > Maintained a safe work environment during COVID-19 to protect employees and minimise disruption

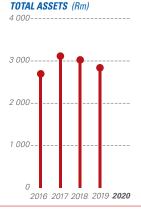
Outlook and focus areas

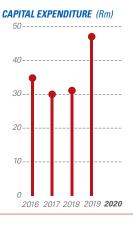
- > Maintain cash flow and operating profit at positive levels in the cables businesses
- > Maintain good performance in CBi Electric: Low Voltage (Low Voltage) and make further investments in its export drive
- > Reduce holdings in cables factories outside of South Africa

¹ Metal Fabricators of Zambia Plc.

REVENUE (Rm)







Good export performance and a sustained difficult cables environment

Electrical Engineering's revenue decreased by 31% to R3 767 million (2019: R5 457 million), and its core operating profit decreased by 91% to R28 million (2019: R320 million). 36% of revenue is derived from outside South Africa (2019: 34%).

The years leading up to 2020 were already challenging for Electrical Engineering's cables businesses. Prolonged low gross domestic fixed investment has resulted in reduced infrastructure projects. This subdued the domestic cables business. Historical liquidity constraints rendered the Zambian Government unable to timeously settle its debts to Zamefa, which required that the business unit maintain reduced production volumes to protect cash flow despite the significant backlog in the provision and maintenance of infrastructure.

In the first quarter of 2020, a seven-week labour disruption at African Cables contributed to reducing its year-on-year revenue while weak infrastructure demand persisted across the cables businesses. The weak domestic infrastructure cable demand led to the power and telecommunications cable plants' production levels being below the levels required to fully recover fixed costs in the first half of the year. The kwacha materially depreciated against the dollar and, because Zamefa needed to cover outstanding Government receivables with borrowings, this currency shift resulted in significant foreign exchange losses.

COVID-19 and the lockdown in 2020 extended these difficulties with significant impacts on power cables and telecom cables. Due to the persistent weak infrastructure demand and the potential impact of COVID-19 on the future performance, impairments were required as follows:

> The joint venture telecommunications business impaired the full value of its property, plant and equipment (R56 million before tax; R42 million after tax) > The power cable business impaired R61 million of goodwill

The challenges faced by the segment were mitigated by:

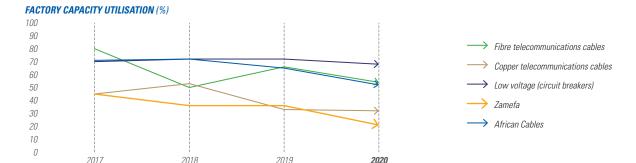
- Matching available capacity to demand. Factory capacity utilisation increased by 126% compared to April and May 2020. This was assisted by previous right sizing exercises, plants to operate at manned (operator controlled) and enabled (functional) capacity after employees returned from lockdown level 5
- > Restructuring the loan in Zamefa to protect against further foreign exchange losses
- > Continuing Low Voltage's successful export drive

Employee morale, including at African Cables, remained positive as was evidenced in the collaboration they exercised to return to full operation in these challenging times. The segment retained its strong customer relationships despite the challenges related to COVID-19 – no customers were lost.

Once national lockdowns began easing, power cables saw modest recovery in Zamefa and a good recovery in African Cables, while demand for Telecom Cables products remained below break-even levels. Low Voltage had a good year outside of the loss of production due to the lockdowns, and it recovered due to a robust export order book. It continued offsetting weak local demand for circuit breakers by increasing its exports, particularly to the United States and Australia.

Based on the improved performance in the last four months of the year – the 57% average in capacity utilisation compared to the 25% during the hard lockdown – there are reasonable prospects of a return to moderate levels of profitability.

36 BEUNERT LIMITED INTEGRATED REPORT 2020



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		Performance	2020	2019	2018
Factory capacity utilisation					
Power cables (African cables)	%	•	52	65	72
Power cables (Zamefa)	%	•	21	36	36
Circuit breakers (Low voltage)	%	•	68	72	72
Copper cables (Telecom cables)	%	•	32	33	53
Fibre cables (Telecom cables)	%	•	54	66	50
Natural capital ² (page 65)					
Electricity consumption	MWh	•	41 557	49 138	51 837
Water consumption ³	MI	•	183	244	211
$\mathrm{CO_2}\mathrm{e^4}$	Kt	•	38	45	45
Human capital (page 55)					
Employees at year-end	Number	•	2 453	2 763	2 863
Work-related fatalities	Number	•	0	0	0
Training spend ⁵	Rm	•	22	22	24
Social and relationship capital (page 61)					
Community investments	Rm	•	2	4	6
Enterprise and supplier development spend	Rm	•	12	16	16

Power cables

The restructure that was completed in 2019 led to a seven-week protected strike in the first guarter of 2020. This largely eliminated any production and led to a large under recovery in fixed costs in the first half of the year. This under recovery was amplified by the lockdown during April and May and resulted in the business making a loss for the year. This loss, coupled to the projections made for the impact of COVID-19 on the expected future profitability of African Cables, led to an impairment of R61 million goodwill in the business unit. Pleasingly, since the return from lockdown the efficiencies gained from the restructure became evident, and African Cables achieved profit in all four months to year-end. While order books remain tight, African Cables is operating at the profitability levels required to deliver to the 2021 budget.

As committed, the Zambian Government removed input VAT on copper cathode effective 1 January 2020. This resulted in the Zambian Government receivables no longer increasing. However, their slow payment resulted in additional dollar denominated debt being required to fund the business, which then resulted in R202,9 million in foreign exchange losses when the kwacha devalued materially against the dollar. The Group restructured its shareholders' loan to Zamefa, which allowed it to partially mitigate any new kwacha depreciation losses.

Telecom cables

The copper telecommunications cables volumes remained depressed as the weak infrastructure investment continued. Alongside a lack of improvement in fibre optic cable volumes, this resulted in an under recovery of fixed costs, and the business delivered a loss for the year. This loss, coupled with the projections made for the impact of COVID-19 on the future profitability of Telecom Cables, led to the impairment for the full value of the property, plant and equipment of the business unit.

Telecom Cables invested in a new plant that manufactures CAT 6A copper cable for high-speed data transmission through ethernet cables. This investment was funded by the Department of Trade and Industry and should further reduce the business unit's historical dependence on Telkom. The business unit restructured its cost base in the fourth quarter and is positioned to deliver a profit in 2021.

Low Voltage

Low Voltage was impacted by the weak infrastructure demand in South Africa. Nevertheless, it maintained production volumes due to a significant increase in export volumes into Africa and other continents. Performance in both the United States and Australia continued to improve as COVID-19 accelerated international telecommunications expansion which significantly increased demand in this market vertical. The performance in both geographies exceeded that of the prior year.

Low Voltage continued its research and development activities in key market verticals and released the Astute Range which enables switching of loads and improves Low Voltage's access into the energy efficiency market.

¹ Four month average to depict asset use once businesses began returning to normal.

² Includes 50% contribution from joint venture.

³ Includes municipal and borehole water.

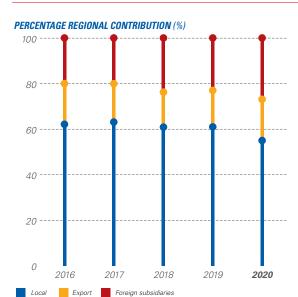
⁴ Excludes Scope 3 emissions.

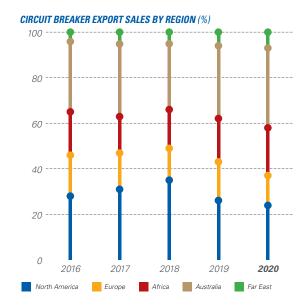
⁵ Total spend in accordance with current year's performance.

The CBi Astute Range is a new range of energy monitoring, scheduling and control devices with load management capability. This range of products can remotely control pool pumps, lights, geysers, air conditioners, etc. The CBi home app enables the user to configure these devices to react to current, voltage, time, power and many other variables or a combination thereof. The app allows for remote switching of multiple devices and allows energy consumption monitoring.

CIRCUIT BREAKERS MARKET SEGMENTATION BY REVENUE (%)







REUNERT LIMITED INTEGRATED REPORT 2020

INFORMATION COMMUNICATION **TECHNOLOGIES**

ICT continued growing and executing its strategy despite a challenging year.

Mark Taylor







- > Southern Africa's economic growth
- > Geographic expansion within South Africa
- > Technology and innovation
 - o Digitisation
- o Product diversification
- o Growth in enterprise connectivity needs
- o Broadband
- o Cloud and other evolving technologies
- o Remote working and low-touch economy
- > Leading and trusted brands including a national wireless connectivity service provider
- > Diverse and large (more than 50 000) customer base with significant cross-selling opportunities and low customer churn
- > Extensive network of channel partners including 40 Nashua Total Workspace Provider (Nashua) franchises and more than 350 independent dealers - supporting a broad and comprehensive national geographic footprint

Competitive advantages



- > Scalability of value offering, customer base and distribution channels provide growth potential
- > R2,8 billion rental-based finance book largely, internally funded
- > A strong service culture based on putting the customer first, supported by highly trained and experienced technicians who have an average of 16 years' service experience. The majority of service engineers are being certified to service at least two lines of business
- > Structured to align with the low-touch economy by creating the digital infrastructure to provide first line of service for products and solutions to work remotely
- > Provides vertically integrated information and communication business solutions
- > Total Workspace Provider is a Total Workspace Provider of managed print; communications; connectivity; personal computers (PCs) and associated products; smart workspace solutions; and access and surveillance solutions supported by energy management solutions in energy back-up and generation services

Value offerings



- Communication provides owned and leased last mile broadband connectivity; internet services; fixed-line internet protocol (IP) voice; enterprise cloud solutions; virtual branch exchange (VBX); and other value-added services such as cloud security, hosting, storage, call recording and conference call options
- > Rental-based finance on equipment

Customer segments



> Business-to-business with a strong focus on small, medium and micro-sized enterprises

Achievements

- > Began providing alternative energy solutions as part of the Total Workspace Provider offering
- > SkyWire expanded into 19 new geographies and deployed 28 new high-site towers within South Africa, with 955 new customer installations
- > Sold PanSolutions

Challenges

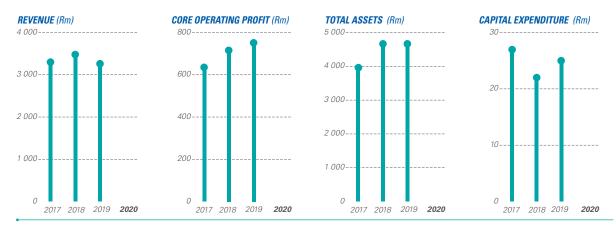
- > Customers were hesitant to commit to large projects due to the prevailing economic uncertainty, even before
- > COVID-19 and its lockdowns impacted on customers and annuity revenue, network expansion and supply chain

Key priorities acted upon

- > Continued to acquire new customers and cross-sell total workspace solutions into the customer base
- > Remained focused on the core business and increased Total Workspace Provider market share
- > Invested in network expansion to accelerate last mile broadband connectivity to support rapid growth of cloud-based solutions
- > Diversified through new products and services and ensured product offerings remained relevant in a rapidly changing information communication technology landscape, including to enable businesses to work remotely
- > Sustained low-cost structures, ensured optimal efficiencies and managed cash flows
- > Positioned +Onex to operationalise in 2021

Outlook and focus areas

- > Acquire new customers and build scale with, and cross-sell, total workspace solutions, and increase Office Automation's market share
- > Diversify through new relevant products and services, including developing and expanding value-added cloud services
- > Continue growing and expanding the SkyWire network and geographic presence
- > Targeted acquisitions in digital and software development, applications and security to bolster the new Solutions and Systems Integration Cluster
- > Sustain and improve on low-cost structures and efficiencies
- > Minimise credit losses in the loan book



Good performance and increased scale in ICT

For the first six months, the segment continued on its six-year trend of double-digit compound annual growth in operating profit. For the full year, ICT's revenue decreased by 22% to R2 524 million (2019: R3 236 million) and core operating profit decreased by 22% to R604 million (2019: R770 million).

Impact of COVID-19 and the related lockdowns:

- > Depressed customer trading activity, leaving some customers distressed which impacted annuity revenue
- > Made certain customers hesitant to commit to large contracts
- > Delayed business from downstream vendors and service providers
- > Impacted network expansion for SkyWire

Total Workspace Provider, which had increased its market share through good hardware sales in the first six months, was severely impacted by the lockdowns. Volumes sold during the lockdowns reduced by 91% before returning to 75% of average monthly volumes by year-end. Business communications, which had been gearing up for an excellent performance, was negatively impacted by the depressed business activity and positively impacted by increased remote working.

The segment pro-actively responded to supply chain challenges by increasing stock volumes. It was able to continue servicing customers with minimal disruptions.

Total Workspace Provider and the rental business focused on sales and collections, and all business units continued their drives to minimise operational costs, maximise cash flows and focus on diversification and efficiencies.

Quince Capital (Quince) had an unexpectedly difficult year. The pandemic impacted customers' ability to service their rental commitments, and an instance of external fraud resulted in a credit loss of R298 million before taxation (R215 million after taxation). The forecast for COVID-19 related economic conditions resulted in expected credit loss impairments increasing by R219 million, due to the predicted weakness in the economic activity of Quince's customer base as a result of the pandemic.

The segment sold PanSolutions, its legacy consumer electronics business as this business no longer met strategic requirements and had made an immaterial financial contribution for several years. A remeasurement loss of R20 million resulted from this decision. This also impacted Quince, firstly as it will no longer finance the PanSolutions dealer network and secondly due to the changed revenue expectations resulting from the recession in the first half of the year, compounded by the adverse impact of COVID-19 in the second half. Going forward, in line with the Group strategy, Quince will only fund assets that are sold by the Group.

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Operational measures		Performance	2020	2019	2018
Performance indicators					
Total document volume (TDV) (Nashua)	Million clicks	•	3 112	4 104	4 331
Total voice minutes (ECN)	Million minutes	•	1 044	1 241	1 272
Voice minutes sold by franchise channel	% ¹	•	12	12	11
Gross Ioan book (Quince Capital)	Rm	•	2 810	3 054	2 817
Natural capital (page 65)					
Electricity consumption	MWh	•	6 642	4 784	4 626
Water consumption	MI	•	32	25	23
CO_2e^2	Kt	•	4	1	1
Human capital (page 55)					
Employees at year-end	Number	•	1 444	1 602	1 704
Work-related fatalities	Number	•	0	0	0
Training spend ³	Rm	•	11	12	13
Social and relationship capital ³ (page 61)					
Community investments	Rm	•	4	5	5
Enterprise and supplier development spend	Rm	•	11	16	19

Total Workspace Provider

Due to the pandemic and its effects, Nashua's customer base did not grow in line with expectations. However, its share of customers' spend continued to grow. Due to strong customer relationships, it was able to continue collecting payments with minimal disruptions during and post the COVID-19 national lockdowns. Customers had an increasing need for quality PC setups with remote monitoring and virtual connectivity capabilities as well as the associated security. This assisted the cross-selling drive.

During the initial level 5 lockdown, Nashua was only able to service essential service customers. Subsequent to the lockdown, sales have continued to recover towards pre-COVID-19 lockdown levels, ending the year at approximately 75% of normal monthly activity.

To boost its Total Workspace Provider offering, Nashua diversified its complementary product range to include alternative energy solutions. Nashua sources energy storage and generation products from Blue Nova and other providers to provide to its customers and ensure their daily business continuity. These products are generally being produced with internet protocol addresses that allow ICT businesses to support and service them remotely.

A digital signature solution was rolled out which is in high demand in the remote working economy. The solution offers document content protection from start to end using cryptographic algorithms.

Thermal cameras were in high demand as businesses adapted to operating under the strict health protocols required for the pandemic4. Nashua also saw an uptick in businesses' remote working requirements and served these requirements with basic to comprehensive packages.

¹ Percentage of ECN's total minutes.

² Excludes Scope 3 emissions.

³ Total spend in accordance with current year's performance.

⁴ Remote cameras set up at multiple locations for a business to track entrants' identities, time of entry and departure, and their temperature through a centralised network.

EFFICIENT, COST-EFFECTIVE SERVICE



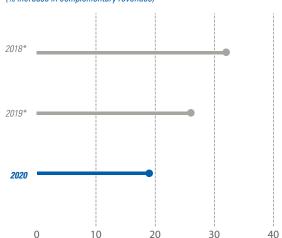




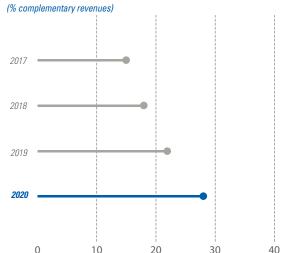
More devices are connecting to the cloud and to one another. The total workspace offering is well-positioned to service some or all of these devices for its customers with a 'low' (remote) touch.

Conversely, the segment is training its engineers to reduce call-out fees and travel times. 64% of engineers are certified to service two lines or more of business, and 34% are certified to service three lines or more.1

END-CUSTOMER ANNUITY BILLING OF COMPLEMENTARY PRODUCTS (% increase in complementary revenues)



CUSTOMERS WITH MORE THAN ONE PRODUCT



Business communications

Electronic Communications Network (ECN) secured a record number of new voice customers in the first half of the year, although minutes per customer remained under pressure. It also grew the virtual private branch exchange (VBX) customer base by 40%. These sales assisted in maintaining revenues during lockdown.

The lockdown initially reduced ECN's volumes by 70%, but with each reduction in the lockdown level, volumes returned. The business was classified as essential and could continue to service its customers during the lockdown. The trend among customers towards remote working has increased call-forwarding rates, which benefited ECN.

Load shedding presented a challenge to the business and resulted in volume declines of between 5% and 20% on a given day.

Altogether, ECN remained profitable and increased its customer base to 20 208 (2019: 17 667). Its credit losses remained relatively subdued as customers prioritised maintaining their network connection and only a marginal increase in expected credit loss provisions was required.

The business unit continued its diversification and efficiency focus:

- > Since inception, ECN has increased the scope of its services from voice minutes to VBX, business internet access, network security, monitoring and network services. In 2020, this assisted as a larger contribution of fixed recurring billing helped to offset lower call volumes and reduced sales
- > ECN has nearly completed its back-end software solution that will save significant costs and allow it to sell instances in the network to other service providers

SkvWire extended its network into 24 new geographies and established 28 new high-site towers. It had 955 new customer installations, a 132% increase from 2019. This is despite COVID-19's negative impact on network expansion, customers' delayed investment decisions, and logistics and supply chain challenges. By expanding its network, the business unit set up for annuity income that will deliver value in years to come. SkyWire developed and commercialised cloud security services that monitor businesses' cloud activities to protect against threats at any point of connection, from any type of device.

OculusIP has been fully integrated into SkyWire and tracked ahead of its original business case with approximately 125% monthly annuity revenue growth.

Nashua Communications was negatively impacted by the delay in planned projects. Revenue was down by 20% during the initial COVID-19 lockdown. This business unit will form part of the +Onex business going forward.

¹ A line of business is a group of offerings (such as security or energy generation and the related services) that requires a specific set of engineering expertise.

Innovation



INTELLIGENT CONNECTIVITY: FIXED BUSINESS LTE BY SKYWIRE

As businesses work remotely, many of them are challenged by limited connectivity and/or inadequate systems. Over-the-counter long-term evolution (LTE) products do not always address customers' critical needs. Companies need long-term and reliable platforms with rich control over connectivity, security and employee accessibility, alongside visible user devices and connections and trafficking capabilities.

SkyWire Fixed Business LTE is a full enterprise solution that guarantees capacity and security to employees in multiple locations.

Provided that an area has an LTE network (which is the case for approximately 70% of South Africa), SkyWire can install the solution, set it up and connect it in two days. Setup requires minimal social contact. Users are able to unpack the product, turn it on and start working.

SkyWire has also developed an app for users to access the LTE coverage in an area. The app includes a company portal that allows control over access and usage, user behaviour management, visibility into online behaviour and a 24/7 support centre to ensure minimal downtime.

The solution is SD-WAN integrated, secure, customisable and accessible - everything that the enterprise needs right now to ensure that it is ready for whatever the future may hold.

Rental-based finance

Quince made a significant loss mainly due to the increased impairment allowance for expected credit losses and the external fraud

Rm	2020	2019	2018	2017	2016
Gross Ioan book¹	2 810	3 054	2 817	2 516	2 304
Average monthly discounting	103	117	99	79	79

Quince increased its focus on collections. It has restructured outstanding debt for customers, where necessary, to provide them temporary relief due to COVID-19 lockdown's cash flow impact. It transitioned its employees to remote working without disrupting its business. Quince is expected to return to profitability in 2021.

For more information on the external fraud perpetrated against Quince, refer to page 30.

To enhance Reunert's overall returns from the rental book, Quince has limited its lending activities exclusively to Nashua franchises since the disposal of PanSolutions. Therefore, the rental book is expected to mirror the movement in the related Nashua products.

Risk management and funding cost

The underlying customer contracts are initiated by the franchises and are on-sold to Quince. The top 10 customers comprised 10,4% of the total loan book. Quince's rental book comprised approximately 62% prime-linked loans and 38% fixed interest rate loans. Quince's funding is linked to prime. Reunert provided 82% of Quince's funding requirement.

In November 2019, the Global Credit Ratings Agency reaffirmed Quince's credit rating as A(ZA) in the long term and A1(ZA) in the short term with the outlook accorded as stable.

Quince Capital employed interest rate swaps to mitigate the interest rate risk (variable rate funding) on the fixed portion of the loan book (fixed interest rate in the underlying rental contract). This way, it secured margins and mitigated interest rate risk on the fixed-rate loan book. There is a natural hedge on the linked portion of the loan book which comes from the variable nature of pricing on funding lines.

Interest rate swaps decreased to R100 million (2019: R475 million) due to the expiration of certain swap contracts. Quince is currently in the process of reviewing its hedging policy and the extent to which interest rate swaps are used as a hedging instrument. The fixed-rate loan book and its associated hedges are monitored on a monthly basis.

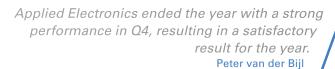
Quince manages the quality of its balance sheet through proactive credit vetting and expeditious collections management when required. The impairment allowance for expected credit losses was increased by R219 million due to the predicted weakness in the economic activity of our customer base. The pandemic initially caused a material drop-off in demand for rentals, with a gradual recovery. The pandemic significantly increased credit risk given the fall in business activity - most businesses are yet to recover.

The credit loss ratio improved to 0.39% in the 50% recourse book (2019: 0,45%). This is considered an acceptable credit loss ratio and well within internal risk tolerance parameters.

¹ Historic numbers have been revised.

APPLIED ELECTRONICS









Growth drivers



- > Security and defence demand
- > Mining safety
- > Data security
- > Renewable energy (generation and storage)
- > Localisation requirements of export markets
- > World-class products developed using proprietary intellectual property to offer customisation and local production

Competitive advantages



- > High-precision electronic design capability
- > A proven ability to integrate systems
- > Competitive cost base augmented by a qualified foreign supply chain
- > Trusted and long-term strategic partnerships
- > Secure communication systems for tactical airborne, land and naval-based platforms
 - o Military specification radios

> Defence and mining safety radars

- o Electronic subsystem manufacturer for highly specialised printed circuit boards
- o Cryptographic solutions to meet cybersecurity and defence requirements

Value offerings



- > Open-cast and underground mining surveillance radars
- > Design and high-volume production of electro-mechanical fuzes
- > Provide turnkey solar photovoltaic (PV) systems up to 10 MW with storage solutions
- > Ministries of Defence in South Africa, Europe, Middle East, South America and South East Asia

Customer segments



- > Commercial and industrial
- > State-owned entities and Government departments

Achievements



> Double-digit growth in the Reutech Group measured against budget

> Launched the intelligent energy storage system

Challenges

- > COVID-19 impacted on orders, currency fluctuations and supply chain
- > Inability to travel to export customers

Key priorities acted upon

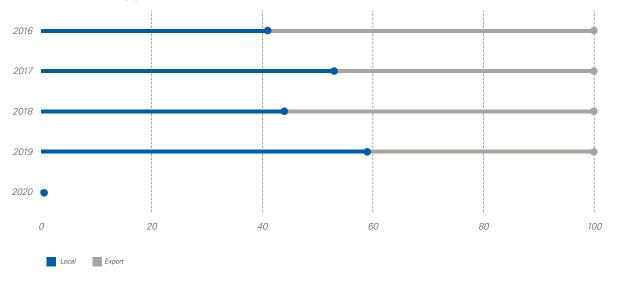
- > Increased the existing export drive to protect against uncertainty brought on by COVID-19 and secured more partnerships for imports and exports
- > Built lower-cost diversified supply chain options and localised production
- > Pre-emptively reduced fixed costs in response to COVID-19
- > Developed renewable energy assets by expanding the build-own-operate asset (BOO) build programme

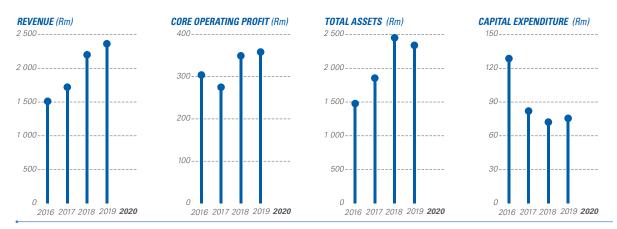
Outlook and focus areas

- > Continue growing through strategic partnerships
- > Sell superior products to customers ahead of the curve, at competitive prices
- > Continue building a superior supply chain
- > Conclude bolt-on acquisitions in line with the Group's strategy to expand product offerings and accessed markets
- > Leverage the rapid growth in the renewable energy sector









A reasonable performance in a difficult year

Applied Electronics has a large inter-connected global footprint and is sensitive to disruptions in international supply chains. COVID-19 was a significant impediment to business as countries closed their borders and re-opened at unsynchronised times. This meant that, in some cases, business units could not obtain permissions for exports, or they were unable to source materials or specialised components for production. These disruptions were more impactful than losses in productivity due to lockdowns, and they have mostly been resolved.

The pandemic also:

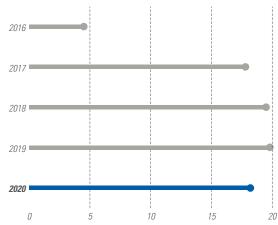
- > Generally suppressed sales and delayed some large orders until 2021
- > Disrupted certain customers' business to the extent where they were unable to process orders for the products that they needed. This required business units to find a balance between building stock to avoid delays in delivery if orders came through and preserving cash
- > Created currency volatility that exceeded the upper and lower limits of foreign exchange hedges, which required accounting adjustments

Nevertheless, all but one of Applied Electronics business units were profitable, with Reutech Communications, Omnigo and Nanoteg performing above their budgets.

This performance was mostly due to the weakening rand's impact on export income, which is tied to the US dollar, and existing commitments for fixed multi-year export contracts at Omnigo and Nanoteq.

The segment's revenue decreased by 17% to R1 951 million (2019: R2 346 million) and core operating profits decreased by 25% to R268 million (2019: R359 million).

GROUP ROCES (%)



REUNERT LIMITED INTEGRATED REPORT 2020

Employees often need to travel to customers to build relationships and/or demonstrate products, and travel restrictions created difficulties in this space. Reutech Radar Systems compensated with arrangements to have customer-side individuals demonstrate products with remote input from South African technicians. This required a significant investment but afforded a cost-saving that will be carried forward in coming years. Relationships with customers remained stable, with a general mutual understanding that the challenges in 2020 were abnormal and unlikely to repeat.

Applied Electronics established a Small, Medium and Micro-Sized Enterprises (SMME) Council to verify and approve all SMMEs before they do business with the segment. During the year, it instituted a requirement that SMMEs need to have shareholders' agreements in place with mechanisms to resolve disputes between shareholders.

Operational measures	Performance	2020	2019	2018
Intellectual capital				
Research and development as a percentage of revenue	•	8	7	6
Natural capital (page 65)				
Electricity consumption	•	6 159	8 448	7 273
Water consumption ¹	•	35	66	78
$\mathrm{CO_2}\mathrm{e}^2$	•	5	4	6
Human capital (page 55)				
Employees at year-end	•	1 791	1 796	2 027
Work-related fatalities	•	0	0	0
Training spend	•	14	14	20
Social and relationship capital ³ (page 61)				
Community investments	•	2	2	2
Enterprise and supplier development spend	•	15	10	7

Priorities and focus areas for 2020 Built partnerships and a lower-cost supply chain

In 2020, Applied Electronics explored opportunities to further its reach into existing and new markets. These will deliver benefits in the coming years, and they include:

- > A German partner who will deliver Reunert's products into Eastern Europe where it does not have strong
- > A European capital fund partner for Terra Firma Solutions that has earmarked a significant amount for green investments in Africa over the medium to long term. This will expand the business unit's reach into Africa
- > A Chinese company that manufactures mobile digital radios similar to Reunert's military solutions, though for commercial purposes. This will grow the segment's markets and provide an opportunity to manufacture these products locally in the future. Local manufacturing capability could provide a competitive advantage and potential endorsement from the Department of Trade, Industry and Competition³
- > Applied Electronics became an enterprise partner in South Africa to distribute the products of a Hong Kong manufacturer specialising in commercial and tactical drones. The offering was incorporated into the radars business and the first batch of products was sold during the year

In previous years, the segment entered partnerships in India to manufacture products in-country and satisfy indigenisation requirements. These partnerships provide access to relatively inexpensive labour and materials, and they provide Reunert with a base from which to distribute products in the region going forward.

Indigenisation is a growing trend in nearly all export markets, most notably in Asia and the Middle East. Business units are well-positioned to continue applying requirements as they have been doing for the past 20 years.



WHY PARTNER?

By building partnerships in product development, manufacture and distribution, the segment gains the benefit of established geographical footprints and product ranges, while being able to reach its markets in less time with shorter production cycles. Partnerships open avenues for business by lowering capital costs that would otherwise have been excessive, and it reduces business units' reliance on single suppliers.

An increased export drive in response to the pandemic

The South African's Government took out loans and allocated funds to combat the pandemic, while earning lower tax revenue - this will most likely impact its budget for 2021, including the defence budget. Applied Electronics increased its existing export drive to further mitigate this risk. The key geographies the segment focused on in 2020 were South East Asia, the Middle East, South America and the rest of Africa

¹ Excludes recycled water.

² Excludes Scope 3 emissions.

³ If a product is imported in large quantities, as is the case with these radios, the Department of Trade, Industry and Competition generally designates a portion for local manufacture, provided that a local business is able to fulfil the requirement.

Reduced fixed costs

In anticipation of the economic fallout of COVID-19 in 2020 and coming years, Applied Electronics shifted a portion of its fixed cost base to a variable cost base. This included changing a number of employees' contracts from permanent to temporary, meaning employees can have their hours reduced rather than being retrenched.

However, retrenchments were unavoidable; there were 32 retrenchments at Terra Firma Solutions due to the massive impact that COVID-19 had on the construction industry.

Research and development

The Group's ability to innovate depends on key skilled and experienced employees and on internal and external funding. Applied Electronics spent R157 million (2019: R152 million) on research and development, of which R26 million (2019: R49 million) was self-funded and the balance was from external sources.

Research and development is a collaborative exercise, performed alongside customers such as the South African Defence Force and Armscor. Reunert services Government-funded projects which have a strong drive for radars, remote weapon stations and cybersecurity, including Project Biro and Project Hotel¹. Once research and development is complete, these products can be repurposed as new-generation technologies for export. Other projects for the year included the following:

- > A new research and development cycle has been implemented to bring a superior high-frequency radio to South East Asia
- > Blue Nova developed the grid-scale intelligent energy storage system, 'Mega Boy' during the year (refer to page 13)

RESEARCH AND DEVELOPMENT IN FINTECH





Data security is a fast-growing market with significant competition. Business units leveraged their partnerships to access the market with state-of-the art products.

Format-preserving cryptology: In 2019 Nanoteq entered a partnership to create a format-preserving cryptology fintech solution. The solution automatically encrypts any personal information that needs to be digitally transferred from one point to another. It has wide potential for application in financial services as it ensures compliance with aspects of the Protection of Personal Information Act. The product's implementation was delayed during the year due to economic uncertainty.

Fast EFT²: Nanoteq developed an automated platform that captures and transmits consumer information in financial transactions or commitments. Typically, 20% of these transactions fail due to human error in submitting or capturing information. Fast EFT eliminates this risk by ensuring that information on both ends is accurate without compromising its security.

The product has been demonstrated and is ready to be rolled out, pending approval from the Payments Association of South Africa.

Secure communications

Despite the challenges in 2020, the cluster delivered strong profits due to good execution of export orders. The impact of the pandemic was mitigated by increased activity once businesses reopened. Risk-mitigation measures in response to COVID-19 slightly reduced efficiencies.

Fuzes

Fuchs Electronics' (Fuchs) year-on-year performance was impacted by a large South East Asian export order which did not repeat as well as a large export order that was delayed until 2021 due to customer-side business disruptions. However, the business remained profitable due to its continued drive to diversify geographically and reduce its reliance on any single customer.

Its products have a good reputation, which has allowed it to enter the European market and service customers in countries that form part of North Atlantic Treaty Organization, which is increasing its defence spend as Europe reduces its reliance on the United States.

DoppTech was acquired in March 2018. Since then it has built up a reasonable customer base and has made good progress in growing its business, especially in the Middle East. DoppTech will merge its marketing with that of Fuchs to market its products to a wider array of customers in future.

Radars

Reutech Radars had a significant year-on-year improvement in mining and defence radar performance in the first half of the year. By the end of the year results were impacted by business disruptions and logistical difficulties due to the pandemic.

Furthermore, Reutech Radars:

- > Saw good export orders and Government funding for its low-cost tracking radars. This enabled it to build a new family of radars
- > The business unit exported its new coastal surveillance radar to South East Asia where it is performing well
- > Completed components for three inshore patrol vessels (Project Biro), which are ready for installation
- > Is on-target with Project Hotel¹
- > Partnered with a large mining group to develop solutions to improve mining safety
- Project Biro aims to procure three inshore patrol vessels. Project Hotel aims to procure a hydrographic survey vessel.
- ² Electronic funds transfer.

Applied Electronics continued

Renewable energy

While Terra Firma Solutions and Blue Nova remained profitable, they performed sub-optimally during the year:

- > The first financial quarter saw abnormally subdued business potential customers were hesitant to invest in energy generation and storage as an inbound recession was already evident
- > In the second quarter, COVID-19 and country lockdowns impacted Terra Firma Solutions' build rate
- > South Africa's lack of secure electricity supply has created a new build phase in the country's renewable energy generation and storage markets. This significantly increased competition and placed pressure on margins and returns from plants in which Reunert has equity

However, the business case for renewables continues improving globally as technology progressively becomes more efficient and cost-effective. In South Africa, renewables are becoming more attractive as conventional energy continues undergoing tariff hikes and load shedding continues. A growing green generation and storage market in Africa holds promising prospects for the business units. Blue Nova delivered its first grid-scale storage batteries and interest in it grew strongly in Q4. Furthermore, large corporates have an increasing appetite for renewables to assist in reducing their carbon footprint.

BANKING ON RENEWABLE ENERGY: TERRA FIRMA SOLUTIONS /

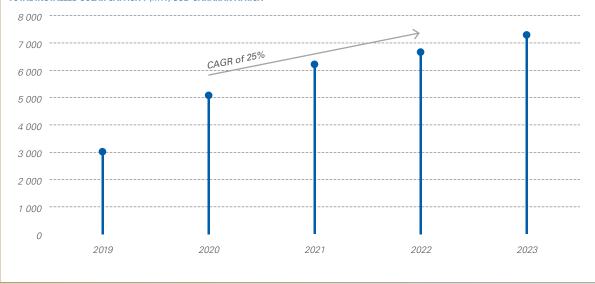




Terra Firma Solutions constructs renewable energy solutions under an engineering, procurement and contracting (EPC) model, or a Build-Own-Operate (BOO) model.

In both models the business unit designs, procures, constructs and commissions a plant. For EPC contracts, the plant is handed to an end-user. Terra Firma Solutions owns BOO plants and services the end-user. The business unit is steadily increasing BOO projects as a proportion of total business to achieve an appropriate balance between project and annuity services income.

TOTAL INSTALLED SOLAR CAPACITY (MW) SUB-SAHARAN AFRICA









REUNERT LIMITED INTEGRATED REPORT 2020

Sustainability Strategy 9

Reunert approved its Sustainability Strategy in May 2018 and refined its performance indicators in 2019. The strategy is guided by the United Nations' Global Compact. The Sustainability Strategy guides Reunert in addressing the societal risks and opportunities that influence its business units and assists in creating a safe, secure, stable and successful Group. The strategy considered sustainability's strategic relevance within the Group and its impact on the business strategy and business models.

The Sustainability Strategy is a dual framework that focuses on responsibility and offers shared value solutions. It consists of these two material objectives with five sustainability pillars. The strategy emphasises an ethical culture, stakeholder relationships and increasing awareness of how Reunert is a responsible corporate citizen.

The Social, Ethics and Transformation Committee (Setco) oversees the Group's Sustainability Strategy according to its Terms of Reference (www.reunert.co.za/corporate-governance.php).

Societal opportunities

Societal risks

- > Green¹ revenues (supported by the diversification, innovation and efficiency strategic pillars), with COVID-19 accelerating the drive to adopt renewable energy
- > Improving sustainability ratings by investors that include environmental, social and governance (ESG) metrics in investment decisions to provide access to a growing pool of ESG capital
- > Attracting high-performing employees who contribute to value creation (supported by the people strategic pillar)
- > Rolling out broadband connectivity to key sites including schools, libraries, clinics and social development facilities

> Environmental pressures including water scarcity, higher energy prices, higher temperatures, fire risk, increasingly extreme weather patterns and the impact of climate change on supply chains

> Shifts in societal expectations due to poverty and unemployment, education and training quality, growing inequality and changes in the workplace. COVID-19 has increased the need for societal transformation and increased the policies that need to be complied with

- > Higher expectations regarding regulatory compliance and responsible business practices
- > Non-compliance with carbon tax regulations leading to penalties and a negative impact on Reunert's reputation

Operate responsible businesses (current priorities)

Pillar 1: Building trust and accountability (page 67)

Focus areas	More information
Board oversight through the Setco	Page 91
Policies and procedures	Page 80
Ethical culture	Page 80
Stakeholder relationships	Page 52

Pillar 2: Nurture and grow people (page 55)

Focus areas	More information
Drive a high-performance culture	Page 57
Embed a safe and healthy work environment: zero	Page 59
harm	
Diversity, employment equity (EE) and	Page 64
transformation	
Corporate social investment (CSI) programmes	Page 62

Pillar 3: Manage our environmental impact (page 65)

Focus areas	More information
Environmental management systems	Page 65
Efficient water, energy and material usage	Page 65
Climate change risks and opportunities	Page 66

Pursue shared value solutions (medium-term priorities)

Pillar 4: Embracing inclusive growth

Reunert integrated the following focus areas into the Sustainability Strategy, having formalised them as key performance metrics during 2019 - specifically CSI and enterprise and supplier development (ESD) spend.

Focus areas	More information
Stewardship/advocacy: Reunert as a responsible	Page 91
South African corporate citizen	
Enterprise development: Actively develop supply	Page 63
chain management including second tier suppliers	

Pillar 5: Seek transformative solutions

Reunert contributes to addressing societal challenges by exploring renewable energy, clean technology and connectivity and by investing in low-carbon, climate-smart products and services. This goal was successfully integrated into the Group strategy and budgets. Developing transformative business solutions has been a continuous process that, to date, has yielded positive results.

Focus areas	More information
Last mile broadband connectivity: Rolling out	Page 51
high-speed connectivity to schools, libraries,	
clinics and social development facilities	
Renewable energy: Providing South Africans	Page 48
with green energy and energy storage solutions	
New generation end-to-end ICT solutions	Page 15
provider: Launching the Solutions and Systems	
Integration Cluster	

¹ Revenue generated from environmentally friendly products, such as renewable energy

NASHUA CONNECTS PEOPLE /



Exxaro is a large mining company with operations in remote and impoverished communities in eMakhazeni, Mpumalanga. None of these communities had reliable internet service providers which made it difficult for members, especially the youth, to explore economic, educational or job opportunities.

Nashua Mpumalanga had serviced the same need in six municipalities through a public-private partnership with Nkangala District Municipality. Exxaro Belfast Coal partnered with Nashua Mpumalanga to duplicate the project for the people in eMakhazeni, with Exxaro sponsoring the project, and Nashua providing the technical expertise. Nashua established a main Wi-Fi link powered by SkyWire's network and distribution capabilities.

This project has significantly improved the quality of life in eMakhazeni and allowed Nashua to showcase itself as a Total Workspace Provider in new markets.







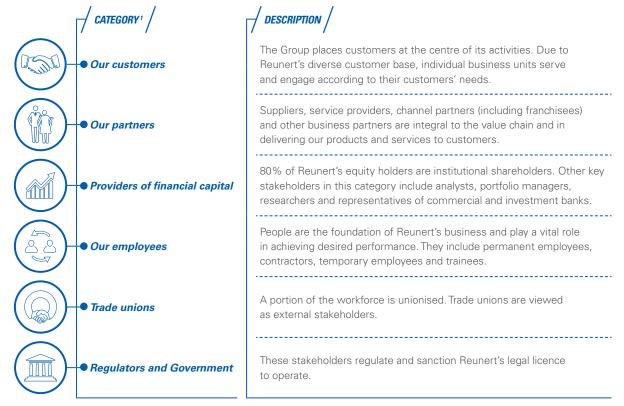


Reunert's stakeholder-inclusive approach balances the needs, interests and expectations of material stakeholders with the best interests of the Group over time. The Group's governance processes and the effectiveness of stakeholder management, including the approach to stakeholder inclusivity, aligns with King IV. Inclusivity is achieved by applying the following principles:

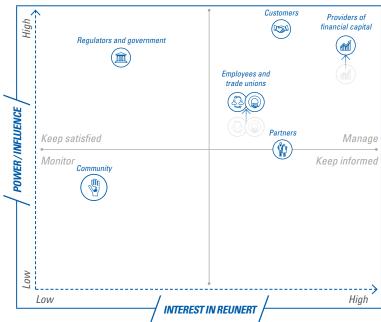
- > Materiality: Identify the areas that matter and are in the best interests of Reunert over time
- > Completeness: Engage stakeholders and understand their interests with particular focus on economic and ESG matters
- > Responsiveness: Respond adequately and address key stakeholders' concerns

The Board is responsible for stakeholder relationships. The Setco is mandated to monitor the Group's approach to these relationships. During the year, Reunert updated its Media Policy with details around crises communication.

The following stakeholder groups are material to Reunert:



The matrix illustrates the level of power/ influence of material stakeholder groups versus their interest in the businesses. This assessment is reviewed annually. It is based on input from the Board, executive management and relationship managers at business units, strategy development sessions and feedback from employees. Over the past year, engagement with employees, trade unions and providers of capital had become more frequent as COVID-19's impact required increased engagement with these stakeholders.



¹ Stakeholders are grouped together differently in the business model on page 4 to align to the Group's inputs and outputs. Communities are not included as they fall in the 'monitor' category in the stakeholder matrix.

Reunert engaged its stakeholders on important topics

Reunert continued prioritising engagement with key stakeholders.

Due to the uncertainty brought on by the pandemic, interactions with international and local **investors** increased sharply. These discussions centered around the latest published financial and segmental performance and cash flows, as well as questions on Reunert's dividend and acquisition policy, growth strategy, the impact of COVID-19, and the general state of South Africa's economy and its state-owned entities and municipalities.

Internally, the Group CEO had formal monthly engagements with all business units' Managing Directors and Financial Directors and upheld his commitment to formally communicate with all **employees** at least bi-annually. The bi-annual communication included the Group's financial performance, the Group Values roll-out, employee well-being programmes, the Group's CSI initiatives and anti-bribery and anti-corruption messages. These talks were accompanied by Reunert's printed leaflet, Let's Talk, that was distributed to all employees. Reunert respects the freedom of expression of all its employees. Engagements with **trade unions** centred mainly around retrenchments, COVID-19 initiatives and general employee issues.

Reunert engaged with **bankers and funders** to increase the Group's committed facilities and total debt capacity to cater for uncertain market activity. These engagements intensified during the lockdown and after Reunert's half-year results presentation. Through these close engagements, Reunert's credit facilities were increased substantially. The banks have also aided in interpreting and providing their prevailing economic forecasts used to assess credit losses.

Business units still prioritised business-to-business **customer** relationships and mindfully created awareness around whistle-blowing and anti-bribery activities when dealing with **suppliers**.

UNIVERSAL DECLARATION OF HUMAN RIGHTS





In support of the Universal Declaration of Human Rights, Reunert will undertake comprehensive due diligence to ensure that we do not do business with any party that:

- > Supports human trafficking
- > Intentionally exceeds greenhouse gas emissions while being fully aware of their impact on climate change
- > Uses forced labour
- > Offers degrading working conditions
- > Denies workers access to effective collective bargaining
- > Offers no grievance mechanisms and remedies
- > Promotes discrimination
- > Violates safety and security rules
- > Violates land acquisition and resettlement laws
- > Instigates bribery and corruption

Stakeholder relationships continued

2020 engagement themes

The Setco, together with the Board and other Board committees, assessed the key engagement themes during the year. These are outlined in the table below and cross-referenced to relevant information. COVID-19 added topics to these themes, or intensified focus on existing topics. There is also a strong correlation between these engagement themes and the Group's material matters (page 24).

Key themes in 2020	Stakeholder impacted	Group response
Inclusive economic growth and development	Our customers	Page 61
> Contribution to inclusivity and transformation in the South African context		Page 91
> Transformation, including Broad-based Black Economic Empowerment (B-BBEE) requirements	(Our partners	
Supporting SA Inc in addressing COVID-19's economic impact	Regulators and Government	
Reunert's growth and long-term sustainability		Page 11
> Sustainable growth and returns on investments and how COVID-19 has	Our customers	Page 26
impacted Reunert's outlook/prospects, including financial and segment performance and cash flows	Our partners	Page 29
> Appropriate capital allocation and returns and Reunert's approach	Providers of financial capital	
to acquisitions and dividends > Partnerships for sustainable shared growth	Our employees	
> rattieisiilps ioi sustailiable siiaieu giowili	(a) Trade unions	
Innovation and agility	© Our customers	Page 11
> Innovation in technology and business models		
> Timely response to market changes	Providers of financial capital	
Remuneration and rewards	(M) Providers of financial capital	Page 94
> Alignment of remuneration with performance and diversity metrics in remuneration	Our employees	
> Recognition for exceptional and value-adding performance	(a) Trade unions	
> Fair and consistent remuneration practices and COVID-19's impact on salaries and wages	Trade unions	
Employee relations	(Å) Our employees	Page 55
> Group Values and the Code of Ethics		
> Enhanced communication and new communication channels,	(a) Trade unions	
including awareness on whistle-blowing and anti-corruption activities > Employees' physical and mental health and safety amid COVID-19	Regulators and Government	
Competitive pricing and service excellence	Our customers	Page 34
> Service excellence including timely and effective response to customer complaints	our dustaments	
> Quality products at competitive prices		
> Order delivery and supply chain challenges relating to COVID-19 lockdowns		
Compliance	Our customers	Page 61
> Compliance with existing and upcoming laws and regulations in		Page 81
the jurisdictions where Reunert operates	(Our partners	
 Implementation of COVID-19 regulations Whistle-blowing and anti-bribery activities and awareness 	(a) Trade unions	
and	Regulators and Government	

Nurture and grow people: human resources review

Reunert's employee value proposition is supported by its values. The proposition is market-related and focuses on remuneration, benefits, career development through structured learning and development and a safe and productive working environment.



Reunert thanks employees for their dedication and co-operation during an abnormally challenging year. We took all necessary measures to stay safe, supported each other and worked together to ensure our business unit's and the Group's sustainability.

Mohini Moodley

Reunert's employees in numbers							
<i>5 747</i>	Employees ¹ (2019: 6 220)						
<i>3,7</i> %	Voluntary employee turnover (2019: 5,2%)						
10 years	Average length of service (2019: 11 years)						
2,6 %	Absenteeism (2019: 1,8%)						

Key priorities acted upon

- > Prioritised the safety of all employees with rigorous implementation of health and safety regimes
- > Reviewed, monitored and evaluated progress and implemented initiatives to ensure effective succession planning and successor development for critical roles
- > Created a representative and diverse workforce by achieving EE targets
- > Continuously promoted and raised awareness of Group Values through ongoing initiatives
- > Implemented Building Better Teams training to assist employees personally and professionally

Key challenges

- > Scarcity of adequate technical skills and emigration of key skills
- > Large-scale changes implemented in response to COVID-19
- > Lockdown delayed many general training and talent development initiatives

2020 achievements

- > Employee support during COVID-19 and their co-operation in COVID-19 response measures
- > Ongoing initiatives to promote the Group Values
- > Expanded the Learning Management System's (LMS) role as a training and education tool during lockdown
- > All vulnerable employees received full remuneration. The Group reduced the hours worked by less impacted employees at more senior levels, resulting in less remuneration, to ensure business continuity
- > Reunert had to carefully consider which employees could return to work and which needed to continue working remotely

Key trade-offs in an abnormal year

- > The Group allowed employees to enter negative leave in order to protect their salaries, even though it comes with business risk
- > The Group needed to invest funds into remote working technologies and COVID-19 screening procedures and processes to safeguard employees
- > Reunert needed to postpone planned training interventions and some human resources (HR) priorities in light of depressed market conditions

¹ Includes 50% of joint venture employees.

Reunert fosters a values-driven culture

REUNERT LIMITED INTEGRATED REPORT 2020

Reunert's HR Strategy... ... aligns to three Group strategic pillars ... comprises three pillars (S) Efficiency Talent planning Our people Talent development Transformation Talent attraction and retention ... focuses on

- > Retaining critical skills and growing them through meaningful employee development
- > Succession planning
- > Implementing skills transfer initiatives and development programmes to address skills gaps
- > Supporting and shaping the business model and culture of the Group
- > Partnering with business in identifying, acquiring and retaining critical roles and talent that drive the highest value

... is based on the principle of an Integrated Talent Framework

Business units submit monthly reports on HR metrics for consolidation and presentation to the Group Transformation Committee and relevant Board committees. The reports highlight trends and achievements and flag potential implementation risk areas to transformation. The Group creates action plans to address these issues.

Reunert assesses its HR management through surveys, exit interviews and performance management. It monitors key performance indicators such as employee turnover, absenteeism, disciplinary enquiries, grievances and outcomes of matters referred to the Commission for Conciliation, Mediation and Arbitration. The HR department reports on its strategy, performance and outcomes to the Setco's meetings.

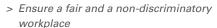
Reunert conducted a values survey to assess employees' experience of the Group Values within their business unit, within themselves and in support of a high-performance

Employees' feedback was positive. 69% of employees felt that the values had some degree or a significant impact on their business's operations, and 80% felt they were a good example of living the values in most or all situations.

The survey showed an appetite for more communication. It also informed engagement topics including performance and output management, as well as role clarity and roles' alignment to business objectives.

KEY ENGAGEMENT TOPICS FROM THE SURVEY





- > Refresh the Group Values and the supporting behaviours
- > Improve team functioning

Reunert's workforce profile

Challenges within the cables businesses (page 36), and within certain ICT (page 39) and Applied Electronic (page 44) business units, necessitated that they restructure their cost base. Consequently, 248 employees (2019: 132) were retrenched

Reunert considers retrenchments a last resort. The Group pays retrenchment packages above the legal minimum. Retrenched employees have access to counselling and financial or legal advice. Reunert assists them to compile CVs and improve their interview skills, and it circulates their CVs throughout the Group and to employment agencies. They are re-employed if opportunities arise in their business unit or elsewhere in the Group.

The Group will continuously review its organisational structure for alignment with its operating model, considering the external operating environment (page 21). Reunert is committed to sourcing employees in the local areas where it operates.

REUNERT PROTECTS HUMAN **RIGHTS**

In compliance with Reunert's Human Rights Policy, the Group has not had to address any incidents of human rights violations, child labour, reduction of excessive working hours, nor forced and compulsory labour. (2019: nil). Reunert's Human Rights Policy is available at www.reunert.co.za.



finar	Summa
icial:	rised
statements	consolidated

	2020	2019	2018	2017
Average South African employee age group (%)				
18 – 34	30	27	29	30
35 – 44	32	32	31	30
45 – 54	24	25	24	24
55 – 59	9	10	10	10
60+	5	6	6	6
Employees by country (number)				
South Africa	4 639	5 086	5 375	5 360
Lesotho	773	791	834	791
Sweden	0	0	92	88
Australia	37	36	34	34
USA	4	5	6	6
Zambia	294	302	315	330
Total	5 747	6 220	6 656	6 609
Gender diversity among permanent employees (%)				
Male	59	60	61	61
Female	41	40	39	39
Total number of disabled employees ¹				
Male	46	46	52	46
Female	58	61	60	50

Talent management

Reunert's external environment has become increasingly competitive, and skills are becoming scarcer as skilled South Africans emigrate. Retaining key talent and fostering internal succession have become especially important in an uncertain year. The Group's talent management includes effective succession planning and HR policies, procedures and practices that attract, develop and retain talent.

Reunert identifies and regularly reviews talent. It performs succession planning with a systematic assessment that ranks employees and identifies potential successors for key positions. It maintains communication with key talent to retain them wherever possible. Critical roles and succession planning are considered when making appointments, approving training and considering remuneration.

Talent planning

In 2019, Reunert undertook an extensive exercise to identify critical skills. The outcomes positioned Reunert's skills profile as a business imperative. Business units update their talent maps bi-annually, and the Group updates the consolidated talent map annually. The Group's succession planning, which includes central oversight, is key in identifying critical roles and building a pipeline of crucial talent across departments, business units and functions.

Critical roles have identified successors with career development plans. Successors are grouped in terms of their readiness to occupy roles. Where gaps exist, other measures of succession are available. These include stopgaps, former or retired employees and sourcing from within the Group or the free market. Most vacancies in 2020 were filled with successors or stop-gaps, and a number of positions were identified that could be filled by temporarily using contractors.

Reunert drafted performance plans to ensure that shortcomings of poor-performing employees were adequately addressed. Performance cases are addressed on an individual and ongoing basis.

Talent development

In 2019, business units developed strategies for key employees' learning and development. The pandemic necessitated that Reunert reassess or postpone many training plans, and training spend amounted to R47 million (2019: R49 million). The Group still conducts training-needs analyses annually to capacitate its teams to meet current and future skills requirements. Employees may apply for educational assistance to improve their functional skills.

61 employees were promoted (2019: 68) and 75 employees were included in career development plans (2019: 72). Key employees have individual development plans to strengthen their existing skills. The Group Transformation Committee received feedback on individual development plans for critical roles, and progress was monitored.

¹ Permanent and non-permanent employees.

Nurture and grow people: human resources review continued

Learnerships and trainees

Reunert's learnership and trainee programmes develop a skills pipeline for technical positions. Business units select or develop programmes that support their business and Group strategy. The Group aligned its 2020 training interventions to B-BBEE regulations, emphasising tertiary development.

Most of Reunert's manufacturing plants offer learnerships, apprenticeships and internships to employees and unemployed individuals from underprivileged groups, including those from deprived backgrounds and poor social status. These initiatives benefit the Group and local communities.

During 2020, Reunert had:

- > 285 (2019: 329) learners on learnerships, apprenticeships and internships
- > 149 (2019: 154) employees on learnerships
- > 136 (2019: 269) trainees that are not in Reunert's employ

The Reunert College (page 62) provides opportunities to students who are looking for a career in the ICT or Applied Electronics Segments.

Learning Management System

Reunert's LMS is a continuously expanding e-learning system that manages employees' learning from inception to completion. It enables Group-wide training to be distributed efficiently and cost-effectively, and it allows business units to develop bespoke training material, manage training activities and track employees' development through comprehensive reporting.

In 2020, the Group enhanced its reporting capabilities on the LMS and consolidated other training systems' material thereon. Comprehensive training on anti-corruption, including anti-bribery, is compulsory for all employees. Reunert added Building Better Teams training, training on the Protection of Personal Information Act, compliance training and an orientation programme. It added COVID-19 awareness and education courses to support employees and managers professionally and emotionally.

BUILDING BETTER TEAMS

Reunert's Building BetterTeams training programme promotes its values and develops employees. Employees used the LMS and attended in-person interactive sessions with three modules: resilience, team effectiveness and pathway to constructive engagement. As part of the training, employees were engaged on the Group's Code of Ethics and provided feedback that will be used to refresh the code.

Reunert rolled out the training in December 2019 but suspended it in March to safeguard employees' health. The training will resume it as soon as it is safe to do so.

Talent attraction and retention

The Group prioritises retaining senior employees with critical business knowledge and experienced technical employees.

Reunert is an attractive employer with a 92% (2019: 96%) acceptance rate for management-level offers and consistently low employee turnover. Voluntary turnover for all levels of South African management employees was 6% (2019: 7%). The turnover rate of top performers, critical individuals and EE individuals at top, senior and middle management levels was 3% (2019: 4%).

Reunert has two-way engagement with unions

Reunert protects employees' rights – including non-discrimination and freedom of association – through its values and supporting behaviours, the Code of Ethics and policies which are informed by all relevant employment legislation. The whole Group is subject to labour laws, and it shares them with all employees at induction. Relevant labour laws are communicated to all employees in the business language of the country where they operate.

Most of Reunert's unionised workforce is employed at its manufacturing plants. Union membership remained largely consistent at 30% (2019: 28%), and the National Union of Metal Workers South Africa (NUMSA) remained the largest union, representing 16% (2019: 16%) of Reunert's permanent employees. Working hours and disciplinary procedures comply with statutory requirements. Reunert has no excessive working hours.

The Group engages trade unions in terms of a recognition agreement. The Metal and Engineering Industries Bargaining Council¹ (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's HR executive and/or the Group's HR and Transformation Executive Director.

Reunert supports fair and living wages. Industry minimum wages are regulated by the MEIBC main agreement. Any changes to wage rates are publicised and communicated to relevant employees. Business units ensure that all positions are correctly graded and that the correct rate is paid for each position.

The three-year wage agreement ended on 30 June 2020. The 2020 wage negotiations in the MEIBC ended in an unprecedented standstill agreement between employer representatives and NUMSA. Consequently, all terms and conditions of the existing main agreement were retained, and current wage rates were frozen until 30 June 2021. Thereafter, a new agreement will be implemented.

Reunert participates in industry initiatives and Electrical Engineering business units actively collaborate with other industry participants through the Steel and Engineering Industries Federation of Southern Africa industry policy forum.

¹ The Labour Relations Act provides for the self-regulation of industries through the medium of centralised bargaining within bargaining councils. All employers and their employees pay a council levy towards the funding of the council.

Industrial action

CBi-Electric: African Cables had a seven-week labour disruption in the first quarter in response to retrenchments and changes in shift patterns legally implemented in the previous year. The action's financial impact amounted to R73 million (2019: Rnil from no strikes).

BUILDING RELATIONSHIPS

The labour disruption strained relationships between management and the representative union. A key priority was to build new productive relationships focused on joint problem solving and behavioural change for all employees, from workers to managers.

This process began in January 2020 and was instrumental in co-operatively addressing the challenges COVID-19 brought about and the recovery in operational efficiencies once the business unit returned to work in May 2020.

Occupational health and safety

Reunert maintains high health and safety standards at all operations¹. During the pandemic, it included all necessary policies, processes and procedures to comply with regulations around work procedures, including the Disaster Management Act. The Group CEO appointed the business unit managing directors, which they formally accepted, as representatives in terms of section 16(2) of the South African Occupational Health and Safety Act (OHSA). This appointment sets out the statutory health and safety responsibilities.

Independent third-party verifications validate that work environments are safe, suitable and sanitary and that employees receive the necessary protective clothing and safety training. Management receives feedback on required improvements based on the audits. There were no serious transgressions reported to the Risk Committee (2019: nil).

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

The CBi-Electric businesses - African Cables, Zamefa, Telecom Cables and Low Voltage (Elandsfontein and Lesotho) - have full-time clinics at their manufacturing plants. These offer employees basic health assistance and are managed by the resident sister or visiting doctor. Medical support includes screening tests for blood pressure, cholesterol, vision and diabetes.

Business units that have International Organization for Standardization (ISO) 18001: 2007 and ISO 45001:2018 certifications are listed in the standards and principles fact sheet available at www.reunert.co.za/sustainability.php. The ISO disclosures comply with the international assurance standards for health and safety. 60% (2019: 60%) of all manufacturing sites have ISO certification

	Performance	2020	2019	2018	2017	2016
Health and safety audit scorecard (%)						
Electrical Engineering	•	97	98	95	96	95
ICT	•	97	96	94	90	91
Applied Electronics	•	95	91	88	83	90
Health and safety records ³						
Employee fatalities	•	0	0	0	0	1
Occupational diseases recorded	•	127	0	1	0	2
Work-related injuries	•	66	59	47	52	53
Lost days recorded due to injuries	•	389	348	426	375	392

¹ The Reunert Health and Safety Policy is available online at www.reunert.co.za/sustainability.php.

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

³ COVID-19 incidents that were reported to the employer are classified as an occupation-contracted disease, and these cases are included in occupational diseases recorded.

REUNERT LIMITED INTEGRATED REPORT 2020

Nurture and grow people: human resources review continued

Other communicable or specific diseases

No South Africa-based employee was exposed to or involved in occupational activities that had a high incidence or high risk of communicable or specific diseases except COVID-19. All HIV/Aids information is strictly confidential.

COVID-19 incidents that were reported to the employer are classified as an occupation-contracted disease and contributed 99% to the 2020 number of occupational diseases recorded.

Malaria is prominent in Zambia, and Zamefa has an extensive Protection Programme. 292 (2019: 364) cases were reported at Zamefa.

Moving forward

Reunert aims to have competent, flexible and compassionate leadership who engage with employees and adapt to changes in the business environment. COVID-19 has shown valuable ways in which traditional ways of working can be changed. The Group has reviewed its ways of work to ascertain which changes are necessary or beneficial, what tools are needed to make these changes sustainably and effectively, and how it can manage the related risks and opportunities.

Reunert will continue emphasising employees' physical and mental well-being and review the channels through which it engages employees to improve communication.

The roll-out of the HR Strategy will continue. The Group will continue executing talent management and development and succession planning for critical roles. It will refresh its leadership development programme at top management level and continue with leadership development programmes at senior, middle and junior management levels. Reunert will review roles and structures around outcomes and train and equip managers and employees to deliver on expected business outcomes considering the new ways of working. Employee development will focus on crisis skills and behaviours, leadership shifts from task-based to results-based work and improving communication. The LMS will be invaluable in this and in any other training needs.

The Group's focus on developing internal EE talent, meeting EE targets and achieving market-leading B-BBEE levels will continue.

Embracing inclusive growth: Broad-Based Black Economic Empowerment (B-BBEE) report

Reunert strives for a diverse and representative workforce that reflects the demographics of South Africa and provides the variety of skills and mindsets to foster success.

Reunert's multi-faceted and holistic approach to transformation is vital to its strategy.

Business units continued their initiatives to maintain or improve their B-BBEE levels, as these impact business opportunities in South Africa. In South Africa, the focus to improve workforce diversity, provide equal opportunities and reduce discrimination is centred on gender, disabilities and race. Reunert does not discriminate against any workers on the basis of religion, age, sexual orientation and nationality.

The Group's B-BBEE measurement tool is used to continuously assess and monitor the B-BBEE Codes' impact in all business units to safeguard against identified risks. Business units' B-BBEE budgets versus verification targets are reviewed to promote best practice between business units.

Key highlights

- > The Group met its 2020 EE targets for all management levels
- > The majority of business units have maintained their targeted B-BBEE levels
- > Race and gender transformation at top management level

Key challenges

> The closure of small businesses during lockdown impacted Reunert's ability to buy from them which impacted enterprise development ratings

Regulation changes

There have been no changes to B-BBEE regulations and/or legislation during the year. Reunert's business units are well positioned to comply with the B-BBEE changes gazetted in 2019.

The Public Procurement Bill is set to replace the Preferential Procurement Policy Framework Act. The bill is still in draft format providing a framework which will be fleshed out into regulations once the framework is approved. These draft regulations will require a public commentary process.

New and updated B-BBEE regulations are expected for the information communication technology sector in 2021. The forthcoming changes are intended to align the ICT sector code to the 2019 amendments made to the DTI codes.

The Defence Sector Code was republished on 12 April 2019 and came into immediate effect. Business units that derive 50% or more revenue from the South African defence industry need to comply with this Code. Relevant business units retained their B-BBEE contributor levels in audits against the Code during 2020. Uncertainty remains around the Code's vision for an ESD (Enterprise Supplier Development) Fund.

Overview of B-BBEE elements

The table below summarises the different B-BBEE elements, and relevant detail appears in other sections of this report.

Reunert Limited obtained a consolidated Group B-BBEE Verification Certificate, reflecting a Level 4 contributor status. The Group certificate is based on its B-BBEE expenditure for the year ended 30 September 2020 and is valid until November 2021.

Group certificate is i	baseu on its i	p-ppcc exhe	inditure for the year ended 30 September 2020 and is valid until November 2021.
	November	November	
Element	2020	2019	Overview
Ownership			Reunert is committed to an ownership and control structure that is consistent with the vision
(out of 25)	25,00	25,00	and objectives expressed in the B-BBEE Codes.
Management control			Refers to all top, senior, middle and junior management levels and employees with disabilities
(out of 19)	12,10	11,34	of South African verified entities.
			Employee development aids transformation and creates a high-performance culture. Reunert
Skills development			aims to build and retain highly skilled employees, and to develop the broader community's skills.
(out of 20)	13,80	15,02	Reunert spent R47 million (2019: R49 million) on internal and external skills development.
			Reunert decreased its ESD contribution to R39 million (2019: R42 million).
			ESD beneficiaries comprise Black-owned exempted micro and qualifying small enterprises selected by the Group's business units. The support provided to these enterprises includes, for example, grants and loans, discounts, and the transfer of skills and knowledge to increase the operational capacity of these enterprises.
			Reunert's supplier development as a percentage of profit after tax is 10 out of 10 in 2020
ESD (out of 40)	33,91	32,80	(2019:10) and 5 out of 5 in 2020 (2019: 5) for enterprise development.
Socio-economic			Reunert addresses child development through the Nashua Children's Charity Foundation, and
development (SED)			education through the Reunert College, and the Group has other initiatives in local communities.
(out of 5)	5,00	5,00	Reunert spent R7 million (2019: R10 million) on SED and CSI programmes.

REUNERT LIMITED INTEGRATED REPORT 2020

Embracing inclusive growth: Broad-Based Black Economic Empowerment (B-BBEE) report continued

Corporate social responsibility

Reunert is committed to supporting children's right to dignity. Educating the youth is a Reunert priority aligned to the Group's business strategy. The Group focuses its community investment on upliftment projects and food security initiatives. 97,7% (2019: 99,7%) of Reunert's total corporate social responsibility investments benefited previously disadvantaged groups.

Most of this funding goes towards the Reunert College and the Nashua Children's Charity Foundation (NCCF). In addition, many business units work closely with neighbouring communities. Information on other programmes is available on request.

Reunert College¹

The college addresses the demand for education and workplace skills for students from previously disadvantaged communities. The year-long programme improves learners' mathematics, science and accounting marks. The college offers ongoing mentorship to its alumni. In addition, the Life Skills Programme and mentorship are important interventions to ensure readiness for entering the business world. The Reunert College is a talent pipeline for entry-level positions in the Group.

An average of 60 students enrol annually. They depend on contributions from the Group's business units. Reunert business units contributed a further R5,4 million (2019: R6,1 million) in the current year.

Since the college's inception in 1993, 1 707 students have enrolled and earned their matric qualification. The current ratio is 41% male and 59% female students, and the average enrolment age is 18. This year, 54 (2019: 52) Black students and two (2019: three) Coloured students matriculated. After passing their exams, top students are eligible for a Reunert bursary. There were 46 Black (2019: 57) and one Coloured (2019: One) Reunert bursars studying at universities or universities of technology in Gauteng, North West, Free State and the Western Cape. The college tracks the progress of its bursars and alumni.

A principal's forum hosts training and developmental sessions to address educational issues for the principals of the schools. 18 (2019: 19) township schools in the East Rand of Johannesburg take part in this initiative.

Reunert College KPIs	Performance	2020	2019	2018	2017
College spend to develop students (R million)	•	5,4	6,1	5,9	5,1
Number of bursars placed and retained within the Group	•	36	42	38	34

Nashua Children's Charity Foundation

The NCCF was formed in 2006 and supports 73 children's organisations, assisting approximately 14 000 children with 540 000 meals every month, including two meals per day and a school lunch pack per child.

The NCCF focuses on 'sustainable living' and provides the following assistance to indigent and orphaned children, as well as special needs facilities and schools:

- > Groceries, cleaning materials and toiletries
- > Education (which includes school uniforms, stationary and educational equipment)
- > Building additions, alterations and infrastructure including beds, mattresses, linen and kitchen appliances
- > Special projects including Dikgale Food Drive, annual Mandela Day and World AIDS Day commemoration
- > Sponsored outings and entertainment
- > Total Workspace Provider equipment



¹ Visit Reunert College at www.reunertcollege.co.za

Enterprise and supplier development (ESD)

Small, medium and micro-sized enterprises' (SMME) development is a key focus area in both the Reunert supply chain and in positioning Reunert to deliver solutions or products to customers. It is addressed through business unit-specific initiatives. An SMME Framework and operating model were developed to ensure that SMMEs are included and developed effectively and efficiently.

REUGROW – SUPPORTING MILITARY VETERANS

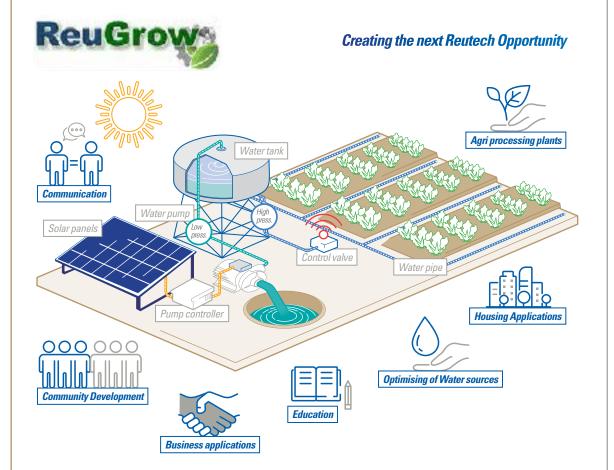


ReuGrow forms part of Reunert's ESD initiatives and supports the Military Veterans Agripreneur Programme and B-BBEE Defence Sector Code's emphasis on military veterans. It develops military veterans and their dependants, Reutech employees and communities to become self-sustaining micro-farmers. It assists the poorest of the poor in alleviating the most fundamental non-health impacts of COVID-19 - hunger and poverty.

Reutech supplies services and products to the agricultural sector, business and government. The business unit will establish 'Garden of Life' training facilities at its branches nationwide by December 2020. Every other Applied Electronics business unit will participate either by establishing or sponsoring training centres.

ReuGrow's three-tier approach involves:

- Department of Military Veterans-initiated programmes
- South African National Military Veterans Association and military veterans organisation opportunities
- Private sector-supported projects, as part of the sector's B-BBEE contribution, or as part of community development programmes



Over the next few years, organic business growth should enable beneficiation (for example canning and bottling products).

The project has already positively impacted military veterans and their families, as shown by a testimony from a navy chief's wife: "You have shown us the incredible work that you have done to change the lives of military veterans, the youth and community members. I believe that this opportunity is going to be huge for the South African Navy and the Western Cape communities, as (it) could reduce unemployment in our communities."

Embracing inclusive growth: Broad-Based Black Economic Empowerment (B-BBEE) report continued

Management control

In 2015, Reunert commenced its Transformation Strategy to progressively transform the business. As business units' top management positions tend to have low turnover, enhancing EE in these positions takes time and incremental improvements only become apparent over the longer term. EE representation for top management for traditional business units, improved from 18% in 2014 to 40% in 2020.

Reunert improved overall equity representation despite low employee turnover. Black representation at top, senior, middle and junior management levels increased to 58% (2019: 57%).

Business units track their EE progress against targets, and reports are presented to the Group Transformation Committee and to the Setco. The Setco had approved Group targets up to 2020¹, and Reunert met them.

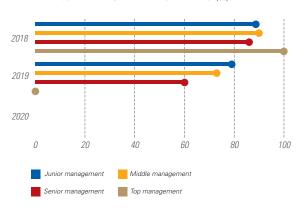
Equity profile by employee numbers, including international operations, as at 30 September 2020

		South African							Non-South	ı African
	Total	Total male	Black male	White male	Total female	Black female	White female	Total	Male	Female
Top and senior management	321	230	88	142	69	35	34	22	19	3
Professionally qualified, specialists and middle management	576	393	140	253	114	71	43	69	47	22
Skilled, technical and academically qualified junior										
management	1 886	1191	712	479	611	390	221	84	79	5
Semi-skilled and unskilled	2 206	927	864	63	1106	1032	74	173	157	16
Total permanent	4 989	2741	1804	937	1900	1528	372	348	302	46
Contractors	41	32	17	15	5	2	3	4	3	1
Fixed period project employees	565	249	160	89	312	264	48	4	3	1
Trainees	152	77	74	3	69	67	2	6	2	4
Total non-permanent	758	358	251	107	386	333	53	14	8	6
Total employees	5 747²	3099	2055	1044	2286	1861	425	362	310	52

Percentage Black management in South Africa³

	Black male (%)			White male (%)			Black female (%)			White female (%)		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Top management	24	27	25	62	62	64	9	8	9	5	3	2
Senior management	34	36	34	38	44	43	14	14	15	14	6	8
Middle management	27	27	26	51	51	53	14	13	11	8	9	10
Junior management	40	42	41	27	24	26	20	22	21	13	12	12

EXTERNAL EQUITY MANAGEMENT APPOINTMENTS (%)



¹ Traditional Reunert businesses (excludes acquisitions made post-2015).

² Includes 50% joint venture employees.

³ These numbers exclude foreign nationalities working in South Africa and acquisitions made post-2015.

Managing the Group's environmental impact

Environmental compliance is guided by business units' individual impact on the environment. Reunert is rolling-out Groupwide targets over the medium term, while transformative business solutions are integrated into the Group. Environmental responsibility is an important element of sustainability and links to the efficiency and innovation strategic pillars.

Operations are encouraged to secure ISO 14001 verification. As Reunert continues to focus on resource management and improving efficiencies, it adopted external assessments which are aligned with ISO 14001. African Cables, Zamefa, Nashua, Nashua Communications and Reutech Solutions have ISO14001 certification as listed in the standards and principles fact sheet, at www.reunert.co.za/sustainability.php.

Key priorities

Key challenges

- > Maintained environmental management systems
- > Monitored efficient water, energy and material usage
- > Raised revenues generated from green products
- > As revenues and profits declined, the costs and requirements of remaining ISO-compliant have become onerous for some plants
- > Accurately measuring waste reduction across different operations remained a challenge
- > Green revenues depended on demand and the state of the South African economy

Reunert participates in the CDP Climate Change and CDP Water projects each year. The Group Environmental Policy and additional environmental data, including CDP responses, are available at www.reunert.co.za/sustainability.php.

Waste and pollution are well-managed, and recycling measures are in place. The Group produces minimal hazardous waste. Reunert received no fines for non-compliance with environmental laws (2019: nil).

Carbon Tax

The National Environmental Air Quality Act's Carbon Tax Act came into effect on 1 June 2019. The law incentivises renewable energy and zero-emission processes to drive a sustainable future. Businesses are subject to the tax if they use stationary equipment to combust 10 MW at a facility, regardless of fuel type. Businesses that meet this criterion are taxed based on their actual usage.

In 2019, Reunert contracted external service providers and advisers to determine its carbon tax liability and to advise from a risk and control perspective on strategies to reduce operational carbon emissions. They found that none of Reunert's entities or facilities trigger the threshold for stationary combustion. Reunert will assess this annually to ensure compliance and continue to monitor changes in the requirements or thresholds. At this stage, Reunert has no obligation to submit a Greenhouse Gas Report to the Department of Environmental Affairs or to make the corresponding submissions to the National Treasury.

Energy

The Group's environmental footprint comes mostly from its Electrical Engineering's and Applied Electronics Segments' manufacturing operations. Electricity is primarily purchased from Eskom or the local municipality. Purchased electricity decreased by 9% to 59 523 MWh (2019: 65 035 MWh), due to lower production as a result of the strike and COVID-19. Energy usage is regularly monitored, and opportunities to reduce energy consumption are implemented where possible.

Reunert engaged an external service provider to assist the Group in identifying opportunities to improve the accuracy, efficiency and reliability of its carbon footprint information.

9% to 59 523 MWh
d COVID-19. Energy
option are

Reunert's cable
operations require
copper extraction which
degrades the
environment that
produces it.

Environmental trade-off:

	2020	2019	2018	2017	2016	% change from 2019	% change from 2016
Greenhouse gas emissions by scope							
Scope 1	5 404	6 362	6 912	7 085	6 161	(15)	(12)
Scope 2 ¹	47 329	52 410	46 570	40 715	45 426	(10)	4
Intensity metrics ²							
Scope 1 and 2 emissions per full-time equivalent employee	8,92	9,54	9,72	8,46	9,07	(7)	2
Scope 1 and 2 emissions per R million revenue	6,42	5,32	4,95	4,61	5,75	21	12

¹ Location based.

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

REUNERT LIMITED INTEGRATED REPORT 2020

Managing the Group's environmental impact continued

Water

Reunert's production processes do not use significant amounts of water. However, the Group uses water responsibly because South Africa is a water-constrained country. Electrical Engineering recycles and reuses water during its manufacturing process, especially in water-scarce areas such as Vereeniging (African Cables). Water usage was monitored to identify potential issues and opportunities to reduce consumption.

Water usage (kl)	Performance	2020	2019	2018	2017	% change from 2019
Municipal water	•	167 628	203 261	319 190	280 928	(20)
Borehole water	•	6 551	46 115*	5 674	13 240	(86)
Total	•	168 628	335 778	324 863	294 168	(50)
Rainwater harvested	•	34 395	27 689	48 845	55 361	24

^{*} In 2019, Zamefa ran solely on borehole water.

Climate change

As part of the Board's continuous professional development, it received a specialist presentation on climate change. This also fed into the strategic review's assessment of potential risks and opportunities related to climate change. Reunert's risk assessment processes have not identified any material exposure to climate-related risks for Reunert. Severe weather patterns threaten product delivery and components within the supply chain. However, dual supply strategies cover critical raw material supplies.

Reunert increased its investment in Terra Firma Solutions during the year. Terra Firma Solutions and Blue Nova allow the Group to capitalise on the growing demand for renewable energy generation and storage:

- > Terra Firma Solutions builds solar plants for customers and invests in its own plants to generate solar electricity
- > Blue Nova supplies battery storage energy solutions. Refer to the Mega Boy case study on page 13.

Low Voltage focuses research and development on product ranges that are used in green technology environments. Low Voltage's products are ideal for applications due to its technology and small size (refer page 38 for the new Astute Range).

Building trust and accountability: how Reunert is governed

An overview of governance	6
Reunert's leadership	7
Board structures	7
Governance processes	8
Managing the Group's risks	8
Technology and information governance	8
Social, Ethics and Transformation Committee report	9

Reunert comprises a diverse range of businesses. Well-defined governance structures are imperative to ensure an appropriate balance between respecting business units' autonomy and exercising appropriate oversight. Reunert ensures that governance structures and expectations are clear and purposeful.



REUNERT LIMITED INTEGRATED REPORT 2020

An overview of governance 9999



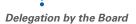
Reunert's governance approach is based on:

- > Materiality: Identify governance matters that are material to Reunert over the short, medium and long
- > Design and implementation: Design and implement governance practices to optimally address material
- > Continued improvement: Continuously assess and improve governance practices

The Board primarily derives its responsibilities and duties from:

- > The Companies Act, 71 of 2008 (as amended) (Companies Act)
- > JSE Limited Listings Requirements
- > The Company's Memorandum of Incorporation (MOI)
- > King IV Report on Corporate Governance for South Africa, 2016.
- > South African common law

The Board Charter and policies contain further guidelines on how some of these responsibilities are addressed and discharged.



The Board delegates to executive management by way of a formal Delegation of Authority (DoA) Framework which it reviews regularly. This framework deals with decision-making, including which matters are reserved for the Board, delegated to Board committees, and delegated to individual members of executive management or to the Executive Committee (Exco).

The DoA Framework aids decision-making for effective Group governance. The Board acknowledges that delegating responsibilities does not absolve it of its accountability.

Board policies

The Board Charter and policies create a common understanding of expected behaviour and procedures towards ethical and effective leadership. All directors' conditions of appointment include the requirement for compliance with the charter, which is binding and against which directors are held accountable.

The Board Charter and related policies, including the Board's approach to diversity (which is incorporated in the director appointment policy), are available at www.reunert.co.za/corporate-governance.php.

Group governance

The Exco's functions include implementing the Board-approved strategy, as well as determining and implementing policies, procedures and reserved matters, for managing business units.

The Group's Governance Framework for wholly owned subsidiaries includes:

- > MOIs, all of which expressly require business units to comply with Group policies and procedures
- > The Reunert Reserved Matters Framework

Appropriate governance practices are agreed and incorporated in formal shareholders' agreements for joint ventures or subsidiaries with minority interests. Typically, most aspects of Reunert's reserved matters, policies and procedures will apply to these companies.

Business units' and Board management meetings include one or more Exco members to ensure appropriate oversight and governance including Nick Thomson (CFO) for the bigger businesses. Three Exco members are segment heads (Alan Dickson: Electrical Engineering, Peter van der Bijl: Applied Electronics and Mark Taylor¹: ICT). Any material matters arising in management meetings are formally reported to the Exco.

Reunert Reserved Matters Framework

Reunert's DoA Framework guides its Reserved Matters Framework. This extensive and robust document adapts to the Group's changing requirements. In terms of the standard subsidiary MOIs, subsidiaries are obliged to adhere to the Reunert Reserved Matters - formal adoption by the Board is not required. Transgressions of the Reserved Matters Framework are dealt with through disciplinary processes.

Reunert recognises that its subsidiaries are separate legal entities. The Governance Framework does not allow members of the Exco to usurp or exercise subsidiary powers but allows them to exercise oversight in respect of material matters. In cases where concerns are not appropriately addressed, the relevant Reunert Exco member may veto such transaction.

¹ Mark Taylor left the Group during November 2020.

Key governance outcomes in 2020

The Board and its committees adjusted their priorities and workplans to focus on the Group's dual objectives, in response to COVID-19, of protecting its business while prioritising employees' safety.

Board focus areas and key decisions

- > COVID-19: Business resilience and employee well-being – taking account of the rapid changes and commercial sustainability
- > Reviewed the strategy implementation (page 11)
- > Oversaw the Group's response to the fraud perpetrated against Quince

Board changes¹ (page 73)

- > **Alex Darko** and **Pierre Fourie** joined the Board, and Mark Taylor resigned from the Board on 1 October 2019.
- > **Brand Pretorius** and **Rynhardt van Rooyen** retired in February 2020.

Black female representation on the Board was

42%

The Board is satisfied that, with the support of its committees, it carried out its responsibilities in accordance with its 2020 workplan and Board Charter, with appropriate adjustments to manage COVID-19 related matters.

Continuous governance improvements (page 83)

During the year, the Group began implementing an Internal Financial Reporting Controls Integration Programme in preparation for the Group CEO and Group CFO's responsibility statements around internal financial controls and Annual Financial Statements, which will be a JSE Listings Requirement for the 2021 financial year.

Board oversight of Quince (page 30)

Following detailed consideration of an independent review and related assessments, any disciplinary or counselling actions necessary will be taken.

Reunert's leadership



The Board strives to lead ethically and effectively and to conform to good governance practices. The Board oversees activities aimed at reaching Group strategic objectives. In addition, the Board aims to ensure that the business of the Group is carried out in a sustainable and responsible manner with due regard to society and the environment.

Non-executive directors as at 30 September 2020

TREVOR MUNDAY ⑦	TASNEEM ABDOOL- SAMAD	ALEX DARKO ®	PIERRE FOURIE (f)	JOHN HULLEY @	SEAN JAGOE ®	SARITA MARTIN ®	TUMEKA MATSHOBA- RAMUEDZISI ®	ADV THANDI ORLEYN
Chair, independent non-executive director Appointed to the Board: 1 June 2008 Appointed Chair: 1 June 2009 Qualification: BCom	Independent non-executive director Appointed to the Board: 1 July 2014 Qualification: CA(SA)	Independent non-executive director Appointed to the Board: 1 October 2019 Qualification: MSc, FCCA Nationality: Ghana	Independent non-executive director Appointed to the Board: 1 October 2019 Qualification: CA(SA)	Independent non-executive director Appointed to the Board: 1 July 2018 Qualifications: NDip (ME), MDP	Independent non-executive director, lead independent director Appointed to the Board: 20 April 2000 Qualifications: BSc (Eng.), MBA	Independent non-executive director Appointed to the Board: 1 December 2013 Qualifications: BProc, LLB, MBA	Independent non-executive director Appointed to the Board: 1 April 2018 Qualifications: CA(SA), Registered Auditor, MCom in Computer Auditing	Non-executive director Appointed to the Board: 23 May 2007 Qualifications. BJuris, BProc, LLB, LLM



Executive directors and members of the Group Exco and Group Transformation Committees as at 30 September 2020

Other Exco and Group **Transformation Committee** members as at 30 September 2020

ALAN DICKSON²



Group Chief Executive Officer, Segment Head: Flectrical Engineering

Appointed to the Board: 21 November 2013

Appointed Group CEO: 1 October 2014

First employed in the Group: 1 January 1997 Qualifications:

BSc (Eng), MSc (Eng), MBA

NICK THOMSON <u>61</u>)

Group Chief Financial Officer

Appointed to the Board: 15 June 2015 First employed in

the Group: 15 June 2015

Qualification: CA(SA)

MOHINI MOODLEY (45)

Group Human Resources (HR) and Transformation Executive Director

Appointed to the Board: 31 March 2015

First employed in the Group: 1 September 2013

Qualifications: BA, LLB, Admitted Attorney

PETER VAN DER BIJL

<u>64</u>)

Chief Executive Officer: Reutech, Segment Head: Applied Electronics

First employed in the Group: 17 July 2008

Qualifications: BSc (Eng), MSc (Elec Eng), MSc (Aerospace)

KAREN LOUW

46)

Group Company Secretary

First employed in the Group: 1 June 2012

Resigned effective *31 December 2020*

Qualifications: FCIS, BCom (Law), LLB, LLM (Tax), LLM (Corporate Law), Admitted Attorney

MARK TAYLOR

57)

Segment Head: ICT

First employed in the Group: 1 October 2012

Relocated 30 September 2020, and will leave the Group in November 2020

Qualifications: EDP, SEP



Leadership diversity as at 30 September 2020

Gender and race diversity

Reunert is satisfied with its Board gender and race representation and, after detailed research in 2019, the Nomination and Governance Committee concluded the targets in this regard remain appropriate. Three Board committees are chaired by a female director and three by a Black¹ director. Other than Alex Darko, all directors are South African.

Board: Race	2018	2019	2020
Black ¹	5	5	5
White	8	8	6
Non-South African	0	0	1
Black ¹ South African representation	38%	38%	42 %

Target at least

40% black (SA)

Board: Gender	2018	2019	2020
Women	5	5	5
Men	8	8	7
Female representation	38%	38%	42 %

Target at least

40% female

000

Exco: Race	2018	2019	2020	
Black ¹	1	1	1	
White	5	5	5	
Black representation	17%	17%	17 %	

Exco: Gender	2018	2019	2020
Women	2	2	2
Men	4	4	4
Female representation	33%	33%	33%

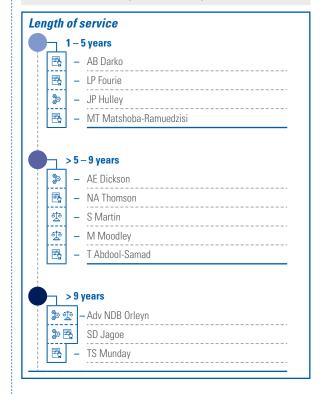
Knowledge skills and experience

The Board's mix of knowledge, skills and experience is appropriate. The maintenance of an appropriate balance remained a key consideration in The Board's succession planning, which focused on a successor for the Board Chair.

The Board's skills can broadly be summarised as follows:

-333 -33- -33- -35-	Financial and accounting skills
\$(E)	Engineering, technical and operational skills
<u> </u>	Legal and corporate governance skills

Directors' relevant skills sets are indicated below with their length of service. Their skills are complemented by the extensive business experience held by various members.



^{1 &}quot;Black" as defined by the South African B-BBEE Act.

Leadership changes in 2020

Alex Darko

Appointed to the Board and to the Audit and Remuneration Committees and Social, Ethics and Transformation Committee (Setco) with effect from 1 October 2019. The Nomination and Governance Committee believes that his wide commercial experience on the African continent and his information technology background, contribute significantly to the diversity of skills on the Board.

Pierre Fourie

Appointed to the Board with effect from 1 October 2019. He chairs the Audit Committee and serves on the Risk and Investment Committees. The Nomination and Governance Committee believes that his deep financial expertise, combined with the breadth of his leadership experience, makes him an ideal Audit Committee Chair.

Mark Taylor

Resigned from the Board on 1 October 2019 and left the Group in November 2020. He served on the Exco and as Segment Head: ICT for the 2020 financial year.

Brand Pretorius

and Rynhardt

van Rooyen

Both directors retired at the Group's AGM on 10 February 2020, having reached the retirement age set out in the Board Charter, and after their tenure was extended as explained in the 2018 and 2019

The Board believes that the remaining three executive directors constitute sufficient executive

representation and does not currently propose to appoint another executive director.

Board changes after year-end

Appointed as an independent non-executive director with effect from 1 November 2020. He will also serve as a member of the Investment Committee, Nomination and Governance Committee, and Remuneration Committee.

Mohamed Husain

He is appointed as the Chair-elect of the Board and will assume this role by no later than the AGM in February 2022, as agreed with him, the Nomination and Governance Committee and the current Chair. The interim period, until he takes on the role of Chair of the Board, will provide him with the opportunity to familiarise himself with the Board and the Group.

Board meeting attendance and rotation

annual reports.

Board member	Last elected/re-elected	Up for re-election at 2021 AGM	Meeting a	attendance
TS Munday (chair)	11 February 2019	✓	5/5	100%
T Abdool-Samad	10 February 2020		5/5	100%
AB Darko	10 February 2020		5/5	100%
AE Dickson	10 February 2020		5/5	100%
LP Fourie	10 February 2020		5/5	100%
JP Hulley	11 February 2019	✓	5/5	100%
SD Jagoe	11 February 2019	✓	5/5	100%
S Martin	11 February 2019	✓	5/5	100%
MT Matshoba-Ramuedzisi	11 February 2019	✓	5/5	100%
M Moodley	10 February 2020	✓	5/5	100%
Adv NDB Orleyn	10 February 2020		5/5	100%
NA Thomson	10 February 2020		5/5	100%
SG Pretorius ¹			1/1	100%
R van Rooyen¹			1/1	100%

Appointing and inducting directors

The Nomination and Governance Committee manages non-executive directors' succession on behalf of the Board.

Reunert's formal Induction Programme for new directors is set out in the Induction Policy, which the Nomination and Governance Committee reviews and updates for Board approval regularly. New directors are informed about the Group and selected Group operations. Long-serving directors mentor new directors individually, as appropriate. They are the primary points of contact for new directors to integrate into the Board and into their roles as non-executive directors.

Alex Darko and Pierre Fourie had one-on-one meetings with the Board Chair, Group CEO, Group CFO and the other members of the Exco. Some planned site visits were postponed due to COVID-19 and will be rescheduled in due course.

¹ Retired at the Group's AGM on 10 February 2020.

Reunert's leadership continued

Succession planning 9

Reunert's directors resign at the AGM following their 70th birthday. However, the Board Charter provides the Board with discretion to request such directors (on advice from the Nomination and Governance Committee) to remain on the Board under specific circumstances and for a specified period, if it is in the best interest of Reunert.

The Nomination and Governance Committee continued to focus on succession planning for directors and executive management.

NON-EXECUTIVE DIRECTOR SUCCESSION PLANNING

The committee is confident that the newly appointed directors' skills and experience ensure that the overall competence of the Board remains balanced and appropriate.

The Nomination and Governance Committee identified candidates for the position of Board Chair and considered the need for an effective and well-balanced Board, as well as the Board's policy on race and gender diversity.

The Board requested Trevor Munday to remain on the Board as Chair for a further year to ensure consistent leadership throughout the pandemic. Although the lockdown delayed the interview process to find a suitable replacement, Mohamed Husain's appointment as Chair-elect was announced in October 2020.

EXECUTIVE SUCCESSION PLANNING

The Exco reports regularly on the executive management succession plan to the Nomination and Governance Committee; a process that is actively managed. For the Group CEO and all the key executive positions, Reunert has either identified a successor or, failing this, identified an emergency successor who can take over urgently, though temporarily.

It is Group policy that individuals identified as successors have individual development plans. HR executives monitor this process and confirm that the individual development plans are implemented. Identified successors are monitored and may be removed from the list of successors if necessary.

The Group focused on identifying and developing successors who are ready to take on key roles permanently.

Directors' balance of power and independence

The Board Charter and Balance of Power Policy detail Board members' roles and safeguard an appropriate balance of power on the Board. These are available at www.reunert.co.za/corporate-governance.php.

Independent Chair The Chair (who must be an independent non-executive director) leads the Board in executing its roles and responsibilities and provides overall leadership to the Board. At Reunert, the roles of the non-executive Chair and the CEO are completely separate.

Lead independent director The lead independent director (an independent non-executive director) is responsible for the functions detailed in King IV. These include leading in the Chair's absence, serving as a sounding board for the Chair and mediating between the Chair and other Board members, if necessary. The lead independent director contributes to the balance of power on the Board.

Individual independence consideration

Directors are formally required to declare their other directorships. An opportunity is given at every Board meeting for directors to declare their interests.

The Nomination and Governance Committee conducts a formal annual assessment of the classification of directors as executive or non-executive, and as independent or not. All of the factors recommended in King IV are considered, and a conservative substance-over-form approach is followed. The conclusions of this year's assessment are indicated on page 74. Adv Thandi Orleyn is not classified as independent, as she represents Reunert's Black economic empowerment partners.

For Board members whose tenure exceed nine years, particular care is taken to consider whether there is any indication in the conduct of these directors that they are no longer able to exercise their judgement independently, in the interest of the Group. The Board considered, in addition to King IV independence indicators, whether these directors continue to exercise independent, objective judgement in respect of the affairs of Reunert, their engagement with management and engagement with other members of the Board. The Board concluded that, based on the observed conduct of these directors, they are independent.

Training and continuing professional development

The Board has a minimum of two prescheduled continuing professional development sessions per year. For its first session, the Board engaged a climatologist for a specialist presentation on climate change and considered the potential risks and opportunities of climate change. Refer to page 66.

The second session related to the amendments to the JSE Listings Requirements dealing with the Group CEO and Group CFO signing off on financial reporting controls.

There is an open invitation to Board members to request the Group Company Secretary to arrange additional training or development to help them fulfil their duties to Reunert.



Reunert's Board committee structure supports the Board to exercise comprehensive supervision and governance.

Committee workplans are aligned to individual Terms of Reference and allow committees to assess their progress and fulfil their mandates. The Investment Committee's responsibilities are transaction-related and ad hoc, and it does not have a formal workplan. The Terms of Reference for each committee are available at www.reunert.co.za/corporate- governance.php.

The Terms of Reference were reviewed during the year and no material amendments were made. The Audit Committee's Terms of Reference were reviewed at the committee's meeting in August, but the amendments have not been finalised. The finalisation was delayed, among other reasons, to provide an opportunity to determine whether anything that arises from the Group's Internal Financial Reporting Controls Integration Programme (page 83) affects the manner in which the Audit Committee carries out its mandate.

Due to COVID-19 and the lockdowns, the Board and its committees adjusted their workplans and priorities where necessary. Although all committees continued to comply with their mandates, their workplans and agendas were revised to ensure appropriate focus on pandemic-related matters. All committees focused on the dual objectives of protecting Reunert's business while prioritising employee well-being and their contributions to these objectives depended on their mandates.

Reference is made to the Chair's report in which comprehensive coverage of the COVID-19 deliberations is given. (See page 26).

The Nomination and Governance Committee ensures that committees' members comply with regulatory requirements on the committees' composition. The Nomination and Governance Committee re-considered the membership of the various committees and adjusted the membership of committees on 1 October 2019 and again on 10 February 2020. This was done in light of the appointments and retirements of Board members during the year and to ensure (i) an appropriate mix of skills, knowledge and experience on each committee, (ii) an even distribution of workload and (iii) an appropriate balance of power

Each committee is satisfied that it appropriately addressed its areas of responsibility.

The outcome of the individual and committee evaluations indicated that the committees, and members of the Board, have carried out their mandates effectively and identified no particular areas of concern.

Confirmation of compliance with Companies Act

The Board confirms that Reunert Limited is:

- (a) in compliance with the provisions of the Companies Act and the relevant laws applicable to its establishment, specifically relating to its incorporation; and
- (b) operating in conformity with its memorandum of incorporation.

BOARD COMMITTEES

Oversees financial risks

Audit Q Committee

8

盒

- > Oversees the integrity of financial reporting including the supervision of the people and processes required to ensure appropriate financial reporting
- > Oversees the DoA Framework and the Group Governance Framework
- Oversees information technology (IT) governance

Investment Committee

> Oversees anticipated or ongoing material transactions on behalf of the Board

Nomination and Governance Committee

- > Responsible for Board governance and related matters including Board ethics, performance, independence, diversity and succession planning
- > Oversees the performance evaluation and succession planning of senior executives and the Group Company Secretary

Remuneration Committee (page 94)

- > Oversees the Remuneration Policy, the implementation thereof and reporting thereon
- > Oversees executive and top management salaries and the Group's short and long-term



- > Ensures that an effective risk management framework and plans are in place to support the Group to achieve its strategic objectives
- > Oversees the risk management processes in the Group¹
- > Reviews identified risks for completeness and appropriate mitigation
- > Ensures that risk disclosure is comprehensive, timely and relevant

Social, ethics and Transformation committee (page 91)

Group Executive

Committee

- > Executes its statutory duties, including overseeing Group Values, ethics, HR, corporate citizenship and stakeholder relationships
- Oversees and monitors matters relating to the Transformation Strategy
- Integrates sustainability practices

GROUP COMMITTEES



- > Considers and recommends Group Values, mergers, acquisitions and disposals, budgets and the strategy to the Board
- > Implements the Board-approved Group Values, transactions, budgets and strategy
- Oversees operational aspects of Group-related matters, on a segmental basis
- > Determines and implements policies, procedures and reserved matters in terms of which business units are governed
- > Provides a communication forum for executive management
- Group *Transformation* Committee
- > Defines the Group's Transformation Policy and objectives
 - > Identifies risks and impediments to meaningful transformation
 - Develops and implement mitigation plans
 - > Ensures that all transformation initiatives are implemented
 - > Monitors legislative developments relevant to equity and empowerment
- Group IT Steering Committee (page 89)
- > Develops and implements Group's IT Strategy
- > Reports to the Exco

¹ Financial risks fall under the auspices of the Audit Committee.

Audit Committee

Members and meeting attendance	
LP Fourie* (Chair)	3/3
AB Darko*	3/3
R van Rooyen** (previous chair)	1/1
T Abdool-Samad	3/3
S Martin	3/3
MT Matshoba-Ramuedzisi	3/3
	100%

* Joined 1 October 2019 ** Retired 10 February 2020

Permanent invitees

- > Chair of the Board
- > Group CEO
- > Group CFO
- > Group Finance Executive
- > Head of Internal Audit¹
- > Designated External Audit Partner

AUDIT FIRM ROTATION

The Audit Committee considers the independence of the audit firm and lead audit partner on an annual basis. Although Deloitte has been the Group's auditor for 34 years, the Audit Committee considered that the Group CEO and Group CFO have only held their roles since 2014 and 2015, respectively. This mitigates the familiarity risk implicit in the extended tenure of Deloitte. In line with the JSE Listing Requirements, the Audit Committee ensured that the reappointment of the auditor will be presented and included as a resolution at the Annual General Meeting in 2021, pursuant to section 61 of the Companies Act. In accordance with the mandatory audit firm rotation requirements of the Independent Regulatory Board for Auditors, Reunert will appoint a new audit firm no later than the 2023/2024 financial year. However, the Audit Committee may choose to appoint a new audit firm prior to this period.

Composition

as at 30 September 2020

All members are independent and non-executive.

Tenure

Three members:	1 – 5 years
Two members:	5 – 9 years

Expertise

Financial literacy	3 CAs(SA)
Computer Literacy and accounting	1 MSc and FCCA
Law and commercial	1 LLB and MBA

Refer to the full Audit Committee report in the Annual Financial Statements, available at www.reunert.co.za/results-reports-and-presentations.php

2020 focus areas

- > Appropriate accounting treatment of abnormal items, impairment testing, cash flow and going concern analyses and evaluated the expected credit losses necessitated by COVID-19 and its economic impact, as well as the fraud committed against Quince
- > Monitoring of the second phase of the Group IT review continued, although it received less attention than was initially planned, due to COVID-19
- > The Internal Financial Reporting Controls Integration Programme (page 83)

2021 focus areas

- > Continued oversight of the Internal Financial Reporting Controls Integration Programme which will be effective for the Group in the 2021 financial year
- > Progress on the adoption of improvement recommendations arising out of the independent review of the effectiveness of internal audit
- > Assessment of the adequacy of the Quince management processes and controls

Investment Committee

Members and meeting attendance	
T Abdool-Samad (chair)	3/3
LP Fourie*	3/3
SD Jagoe	3/3
TS Munday	3/3
SG Pretorius**	0/0
R van Rooyen**	0/0
	100%

* Joined 1 October 2019 ** Retired 10 February 2020

Permanent invitee

Group CEO

Composition

as at 30 September 2020

All members are independent and non-executive.

Tenure

Two members:	1 – 5 years
Two members:	>9 years

Expertise

Financial literacy (two CAs(SA)), corporate finance and business acumen.

2020 and 2021 focus areas

Continue overseeing material acquisitions and disposals proposed by management.

Board structures continuedRisk Committee

Members and meeting attendance	
JP Hulley (chair)	2/2
T Abdool-Samad	2/2
LP Fourie*	2/2
SG Pretorius** (previous chair)	0/0
MT Matshoba-Ramuedzisi*	2/2
AE Dickson	2/2
TS Munday	2/2
NA Thomson	2/2
R van Rooyen**	0/0
	100%

Permanent invitees

- > Head of Internal Audit¹
- > Group Legal Counsel

2020 focus areas

- > The risks COVID-19 posed to employees and business sustainability became the committee's priority
- > COVID-19 considerations took priority over planned improvements arising from the independent assessment of Reunert's risk management. These efforts have been incorporated into the Internal Financial Reporting Controls Integration Programme

Composition

as at 30 September 2020

Five members (the majority) are independent non-executive. Two members are executive.

Tenure

Three members:	1 – 5 years
Three members:	5 – 9 years
One member:	>9 years

Expertise

CA(SA), commercial, governance, engineering, manufacturing and risk management qualifications and experience.

2021 focus areas

- > Continued oversight of the phased and systematic implementation of potential areas of improvement as a result of the independent assessment of the Group's risk management
- > Monitor the improvement of the fraud risk management process
- > Continue monitoring the Group's risk appetite and risk tolerance measures
- > Align the Risk Committee's mandate to support the CEO and CFO sign-off process for providing positive assurance on Reunert's financial controls relating to the preparation of the Annual Financial Statements

Nomination and Governance Committee

Members and meeting attendance	
TS Munday (chair)	4/4
JP Hulley*	4/4
T Abdool-Samad	4/4
SD Jagoe	4/4
Adv NDB Orleyn	4/4
SG Pretorius**	1/1
R van Rooyen**	1/1
	100%

In addition, a meeting was held on 23 September 2020 to interview Mohamed Husain.

Permanent invitee

> Group CEO

2020 focus areas

- > Continued Board succession planning and searched for a successor for the Board Chair
- > Continued oversight of executive management succession planning
- > Ensured that new Board members are integrating successfully and performing in accordance with the Board's expectations
- > Continued focusing on Board and committee governance and the Board's evaluation processes

Composition

as at 30 September 2020

Four members are independent. All members are non-executive.

Tenure

One member:	1 – 5 years
One member:	5 – 9 years
Three members:	>9 years

Expertise

Commercial, governance, legal and management qualifications and experience.

2021 focus areas

- > Continued focus on Board Chair succession and integration and transfer of knowledge to the Chair-elect
- > Continued induction and support to the newer members of the Board
- > Formal implementation of the new JSE Listings Requirements relating to broader Board diversity considerations

^{*} Joined 1 October 2019 ** Retired 10 February 2020

^{*} Joined 10 February 2020 *** Retired 10 February 2020

¹ The Head of Internal Audit is Reunert' Chief Audit Executive.

Social, Ethics and Transformation Committee

Members and meeting attendance	
Adv NDB Orleyn (chair)	3/3
AB Darko*	2/3
AE Dickson	3/3
S Martin*	3/3
TS Munday	3/3
SG Pretorius**	1/1
MT Matshoba-Ramuedzisi	3/3
	95%

Permanent invitee

> Group HR and Transformation Executive Director

Progress on 2020 focus areas

- > Entrenched a values-driven culture by maintaining and re-emphasising the Group Values
- > Executed the HR Strategy, especially talent management, talent development and succession planning for critical roles
- > People transformation
- > Improved sustainability disclosures to stakeholders by making further environmental, social and governance data publicly available
- > Systematised reporting of sustainability information and recorded periodic data on the Group consolidation system
- > Introduced green strategies and budgets to support inclusive growth and transformative business solutions

Composition

as at 30 September 2020

Five members are non-executive directors of whom four are independent. One member is an executive director.

Tenure

Two members:	1 – 5 years
Two members	5 – 9 years
Two members	>9 years

Expertise

Commercial, governance, financial, legal and non-profit organisation qualifications and experience

2021 focus areas

- > Further entrench a values-driven culture, revise Reunert's Code of Ethics and continue to roll-out Building Better Teams training
- > Execute the HR Strategy including improving Reunert's high-performance culture and employment equity (EE)
- > Maintain the Morgan Stanley Capital International rating. Gradually improve the Group's score on the FTSE Russel4Good Index by improving disclosures for health, safety and labour
- > Maintain the Group's low risk International Shareholder Solutions (ISS) scores and proactively engage the ISS on amendments prior to their reports being issued

Remuneration Committee 9

Members and meeting attendance	•
S Martin (Chair)	3/3
AB Darko*	3/3
JP Hulley	3/3
SD Jagoe	3/3
TS Munday**	1/1
Adv NDB Orleyn	3/3
	100%

Permanent invitees

- > Group CEO
- > Group Human Resources (HR) and Transformation Executive Director
- * Joined 1 October 2019
- Stepped down from committee on 10 February 2020, and remains an attendee

Composition

as at 30 September 2020

All five members are non-executive directors, of whom four are independent

Tenure

Two members:	1 – 5 years
One member:	5 – 9 years
Two members:	>9 years

Expertise

HR, remuneration, commercial, compliance, governance, risk management, legal, corporate affairs, business, finance, engineering, manufacturing and management qualifications and experience

^{*} Joined 1 October 2019 ** Retired 10 February 2020

Governance processes

Applying King IV

Reunert applies a high level of formalised corporate governance which it continues to review and adjust as appropriate for the Group. The Group subscribes to all applicable King IV principles¹. Material governance practices appear throughout this report and in other public information, and a King IV disclosure matrix is available at www.reunert.co.za/sustainability.php.

Board evaluations 99

The Board conducted its latest formal internal performance assessment in 2020. Board members assessed each other's performance, the Group Company Secretary's competence and effectiveness, individual Board committees' effectiveness and members' contributions.

The evaluation was extensive, and the Board believes that it provided adequate opportunity for members to give feedback on the various aspects that are crucial to the successful functioning of the Board. Members' scores and comments were provided anonymously so that directors could offer frank and honest feedback.

The Nomination and Governance Committee oversaw the evaluation process. The committee discussed comments and proposals and presented the key messages to the Board. The lead independent director collated and provided feedback on the Board's evaluation of the Chair.

The scores of the Chair and the individual Board members indicated a high level of performance with no significant concerns. The Board is satisfied that performance evaluations contribute to performance improvement and effectiveness. Where the process identifies areas of improvement for individual members, the Chair discusses specific actions with members.

Group Company Secretary 9



The Group Company Secretary has tendered her resignation, with effect from 31 December 2020, to emigrate in 2021. Reunert Management Services will remain Reunert's registered company secretary, and a replacement will be appointed.

Commitment to ethical leadership 99



Board ethics

The following items guide, measure and support ethical and effective leadership among Board members:

- > The Reunert Group Values
- > The Board Charter and policies (such as the Balance of Power Policy)
- > Board committees' Terms of Reference
- > Continuing professional development
- > Board and Board committee annual performance evaluations

The Board Charter includes Board members' rights and obligations in respect of leadership, ethics and corporate citizenship. The charter requires members to undertake to conduct themselves, both professionally and personally, in accordance with the Group's values and to conform with applicable legislation.

The Nomination and Governance Committee oversees Board ethics. The committee is obliged to identify and address any existing or potential breach of the Board's duty to lead effectively and ethically, and to set the ethical tone for the Board. Annual declarations of interest and an opportunity at each Board meeting to declare potential conflicts, are an important element of Board ethics.

Organisational ethics

Reunert has formal Group policies on various ethical and legislative matters. The Setco oversees the Group's organisational ethics including monitoring the Group Values process and the current initiative of refreshing the Group's Code of Ethics. The DoA Framework supports the Board in overseeing Group activities.

Reunert began updating its Code of Ethics. The process incorporates employee feedback obtained during training sessions, but has been put on hold amid the pandemic. Refer to page 58.

The Remuneration Committee oversees executive directors' key performance indicators (KPIs). These KPIs promote ethical behaviour and compliance and ensure that behaviour aligned to the Group's Values is recognised and rewarded.

The Reunert Reserved Matters Framework lists transactions that could pose significant commercial risk or are more susceptible to abuse or dishonesty. These transactions are subject to additional governance and executive oversight.

Suppliers and agents

Third-party scanning tools assess and continually qualify suppliers and the Group's top 10 customers. Internal audits screen the top suppliers for hidden risks around money laundering, sanctions, enforcing regulations and laws. as well as politically exposed persons, their relationships and networks. Internal audit reports on any uncovered risks. Procedures are in place to address corruption in operations that are assessed to be "high risk". This year's internal audits noted no significant risks.

¹ Principle 17 is not applicable to Reunert.

Applied Electronics employs a limited number of sales agents. Standard agreements with sales agents contain a clause aimed at preventing fraud and corruption. There are also standard operating procedures for subcontracting, as required by state procurement rules. Reunert's procedures regulate commissions paid for services rendered.

Supply chain

Applied Electronics has a formal and robust process to vet all small, medium and micro-sized enterprise partners before engaging and incorporating them into its supply chain. This process ensures that partners are engaged on solid business foundations and that they can sustainably trade with the segment on an arm's length basis into the future.

All suppliers and subcontractors are required to comply with human rights, labour standards and environmental policies.

Defalcation reports

Each business unit closely monitors fraud risk and continually improves processes that curtail and eliminate opportunities for fraud. They submit monthly defalcation reports listing instances of corruption, fraud, or theft, which are also reported to the Audit Committee.

Other than the fraud against Quince (page 30), there were two other instances of fraud, and offending parties have been dismissed and/or been subject to criminal prosecution. In both instances the amounts were immaterial (2019: no cases).

Whistle-blowing facility

An independent whistle-blowing facility is available to employees and third parties. The programme is managed through Deloitte & Touche's independent fraud tip-off line, which operates 24 hours a day, 365 days a year. The Whistle-blowing Policy is available at www.reunert.co.za/ corporate-governance.php.

The Head of Internal Audit channels all tip-off reports received to the relevant Group executive to investigate and provide feedback. Where possible, the outcome of the investigation is provided to the whistle-blower and relevant employees. A tip-off register is presented to both the Audit and Risk Committee at their meetings.

By year-end, all cases were appropriately investigated and closed. Each instance resulted in the appropriate action. Investigations found no material concerns, other than the fraud committed against Quince. Most reports related to HR issues and were referred to the relevant business units.

Contacts recorded	2020	2019	2018
Collusion, bribery and unethical behaviour		1	3
Fraud and theft	-	-	2
Procurement irregularities favouritism	2	-	_
HR-related issues including discrimination,			
harassment and victimisation	10	6	10

Trading in Reunert shares 99



There was no contravention of policies relating to trading in Reunert shares (2019: nil).

BOARD

The Board Charter regulates directors' responsibilities regarding confidential and price-sensitive information. It stipulates a formal process for directors who consider trading in Reunert shares. Directors need the Chair's written permission before dealing in Company securities. They must timeously notify the Group Company Secretary, in writing, on conclusion of any securities dealings.

EMPLOYEES

Confidential or price-sensitive information must be treated according to subsidiary MOIs, employment contracts and disclosure policies. All employees (other than executive directors, who are subject to the Board's processes) require executive approval for any trading in shares acquired through the Group's long-term share incentive plans.

When entering closed periods, executives and top management are reminded of their legal obligation to avoid insider trading, and they are requested to communicate this to any member of their teams (such as finance professionals) with access to pricesensitive information.

Effective compliance 9

Business units are responsible for their own legislative compliance and consult subject matter experts when required1. Executive functional supervision covers areas such as accounting practices, taxation, HR, litigation and company secretarial.

Compliance is a minimum requirement throughout the Group and is key to the Sustainability Strategy's aim to instil trust and accountability (page 50). Group executives, together with business units' executive management, embed the Combined Assurance Framework (page 85) and continue reassessing business units' compliance, processes and procedures.

Business units' managing directors annually certify their businesses' compliance with the Competition Act, 1998, the Prevention and Combating of Corrupt Activities Act, 2004 and other relevant laws and regulations. The Audit Committee oversees the content of and adherence to the annual compliance confirmation certification process.

¹ Refer to the standards and principles fact sheet that sets out some of the key internal and external standards and principles that are applied in the Group at www.reunert.co.za/ sustainability.php.

62

Governance processes continued

Compliance and the effectiveness of related policies and practices are supported by internal audit, the managing directors' annual compliance certification process, defalcation reports and the whistle-blowing line. Group-wide training is available electronically for new employees and for important pieces of legislation.

Members of the executive and business units' managing directors completed a second iteration of electronic training on competition compliance, compliance with the Prevention and Combating of Corrupt Practices Act and King IV.

Business unit executives completed this training by December 2019. General training is discussed on page 57.

The Group developed formalised training around directors' duties and rolled it out during the year. This training empowers business unit directors to make informed decisions and disclosures to the Companies and Intellectual Properties Commission in respect of the compliance checklist process it implemented in the beginning of 2020.

Completed courses	2020	2019	2018
Anti-fraud and corruption	98	106	112
Competition Law	88	75	23
Competition Law (Zambia)	0	1	24
POPI Act	62	64	80
King IV and corporate governance	15	22	_
Social media in the workplace	6	33	_
Directors' duties	3	_	_

No material fines or inspections, material incidents of spillage, or environmental infringements were reported (2019: Nil). Refer to the environmental overview on page 65.

There were also no:

- > Substantiated complaints regarding consumer protection and customer privacy (2019: nil)¹
- > Products or services banned in any country or market (2019: nil)
- > Non-compliance concerning product and service information and labelling (2019: nil)

Regulatory changes

Depending on their nature, regulatory changes are monitored by:

- > Business units (particularly where they fall within the specialist knowledge of a particular business unit)
- > Functional specialists (for example changes to tax law, International Financial Reporting Standards or corporate law)
- > Group Legal Counsel

Reunert monitored developments relating the Competition Act and the Protection of Personal Information (POPI) Act. Although the changes to the Competition Act are not material to the Group, Reunert is in the process of rolling out an updated Competition Compliance Policy. Reunert and its business units are working on implementation plans relating to the POPI Act. To date, the Group held training and awareness sessions relating to its implementation.

Reunert's HR department did extensive work to ensure compliance to COVID-19 regulations. Refer to page 19. The Internal Financial Reporting Controls Integration Programme in response to JSE requirements, is discussed on page 83.

¹ Most of Reunert's businesses do not directly interact with consumers. Individual business units' management ensure compliance with relevant consumer protection legislation, such as the National Credit Act, 2005 and the Consumer Protection Act, 2008.

The Group's clearly defined DoA, reserved matters, material matters, strategic pillars and objectives, KPIs, risk appetite statements and risk tolerance measures contribute to effective mitigation of risks and uncertainties that could hinder Reunert's value creation process.

How Reunert manages risks

Managing the Group's risks ⁹

The Board, through the Risk Committee (page 78), oversees the Group's risk management processes and delegates their design, implementation and monitoring to management. Management integrates risk management into the Group's operations and implements the appropriate mitigation and/or remedial actions.

All business units are required to comply with the Group's Risk Management Framework, which aligns with the principles set out in the ISO 31000: 2018 risk management framework. This ensures a robust process to identify and define risks; assess their probability of occurrence and potential impact; evaluate existing controls; and action further mitigating measures. It is supported by a comprehensive monitoring, reviewing and reporting process.

All business units conduct formal risk assessments. The Head of Risk and the senior segment management, supported by either the Group CEO or the Group CFO, attend all operational risk management meetings which are held at least bi-annually. Internal audit attends these meetings and assists in facilitating the process. Following the operational risk management meetings, at which reporting is done in terms of the Group's Risk Management Framework, a Group Risk Report is prepared for consideration by the Risk Committee.

The Risk Committee oversees the development of, and annually reviews, the Group's Risk and Appetite Framework. The Framework defines Reunert's risk appetite as qualitative descriptors of the Group's attitude to taking risk and risk tolerance as quantitative measures. Each major risk category has a defined risk appetite and tolerance. The Risk Committee reviews and approves these at each meeting. Other than the third-party fraud at Quince, the risk tolerance thresholds suffered no material breaches, and there were no unexpected or unusual risks outside risk appetite levels, other than COVID-19 (2019: nil).

COVID-19's impact on Reunert, including its key risks, was considered as part of the risk management process. Detail on the crisis management teams and other measures are on page 19.

As reported on page 75, the Risk Committee fulfilled its responsibilities in accordance with its Terms of Reference, making some adjustments to its workplan, as required to respond to the impact of COVID-19.

REUNERT'S INTERNAL FINANCIAL REPORTING CONTROLS INTEGRATION PROGRAMME

Reunert created a Group-wide Internal Financial Reporting Controls integration programme to comply with the new rules of the JSE Listings Requirements and to improve its internal controls in general. The JSE requires the Group CEO and Group CFO to provide positive assurance on Reunert's internal financial controls related to the preparation of its Annual Financial Statements, effective for the 2021 financial year. This project consolidated existing risk governance initiatives, including, among others, the internal audit effectiveness review and the external independent risk management review undertaken in the previous year.

The project's focus areas for the year included:

- > Implementing the systems to enable the Group CEO and Group CFO to provide positive assurance on Reunert's internal financial controls which ensure the reliability of its financial statements for the 2021 financial year
- > Formalising and documenting standard and minimum internal financial reporting controls across the Group, including assessing IT general controls
- > Embedding risk appetite and risk tolerance levels across business units, against which they report to Head Office
- > Fraud risk assessments and related training and awareness raising for employees, which will be a continued focus over the medium term



Managing the Group's risks continued

The Risk Management Framework was updated to align with the updated ISO 31000: 2018 risk management standard, and incorporates recommendations from the independent assessment of the effectiveness of risk management. Risk assessment parameters were updated and the revised parameters were accounted for when formulating individual companies' and the Group's risk registers. The Group has clearly defined risk tolerances and risk appetites; and reports against these at each Risk Committee meeting.

The risk tolerance thresholds suffered no material breaches and there were no unexpected or unusual risks outside risk appetite levels (2019: nil).

The Audit and Risk Committees assess the effectiveness of internal controls, including financial and disclosure controls, and the effectiveness of risk management at each meeting. No indications of a weakness in either the risk management or the internal control processes, whether from design, implementation or operation, came to the Audit or Risk Committees' attention.

Risk management methodology, based on the ISO 31000: 2018 standard

Reporting

Risk reporting follows risk reviews and is considered bi-annually by the Risk Committee.

Identifying, defining and categorising risks

Risks at each business unit are defined and classified as strategic, reputational, business process, financial, operational, or compliance-related risks, and, if relevant, are aggregated at a Group level.

Assessing the quantitative impact and materiality of the risks should they occur

Risks are assessed based on their potential impact on the business in accordance with Boardapproved risk quantification levels ranging from insignificant to catastrophic.

Classifying the residual risks

Based on their impact and likelihood, after considering the effectiveness of the internal controls, risk mitigation actions and residual risks are classified as high, medium or low.

Assessing the effectiveness of internal controls

Mitigating internal controls are identified and assessed for each risk. A control effectiveness rating is assigned to each risk ranging from very effective to ineffective.

Assessing the probability of the risks occurring

Risks are assessed based on their likelihood, assuming no controls are in place. Risks are scored in a range from rare to almost certain.

Developing risk mitigation strategies for all identified risks

Risk mitigation strategies and action plans are developed in line with the Board-approved risk appetite levels with appropriate accountability and allocation of responsibilities.

Monitoring and reviewing risks

Risks are continuously monitored and formally assessed bi-annually. The Audit Committee monitors financial risks, including financial reporting risks. The Risk Committee monitors all other risks.

Combined assurance 9

The Board guides the Group's assurance services and functions and oversees Reunert's Combined Assurance Framework to ensure it addresses key risks and other material matters. The Board delegates the responsibility for overseeing the combined assurance objectives to the Audit Committee.

The Group's executives are responsible for embedding the Combined Assurance Framework with the assistance of each business unit's executive management. The Audit and Risk Committees, supported by executive management and the Head of Internal Audit, bi-annually assess the effectiveness of internal controls, including financial and disclosure controls and the effectiveness of risk management.

The Combined Assurance Framework covers all business units and has the following objectives, among others:

- > Optimise assurance coverage and eliminate duplication of efforts
- > Co-ordinate the efforts of management, internal and external assurance providers
- > Identify gaps where risks are not managed
- > Align risk management to key strategic objectives and enable an effective control environment
- > Support the integrity of information used for decision-making by management, the Board and its committees, and for external reporting

Reunert's Combined Assurance Framework remained consistent with the previous year. Based on the recommendations of the independent review of internal audit, Reunert will enhance (i) its Internal Audit Plan and its linkage to risk, (ii) standardised methodology and (iii) internal policies over the next two-to-three years.

OBJECTIVES /

- ASSURANCE PROVIDERS

REPORTING LINES

First line of defence - Risk ownership

Set strategy, measure performance, establish and maintain risk management, control and governance in accordance with the DoA Framework, Reserved Matters Framework and Risk Appetite and Tolerance Framework

- > Management of line functions
- > Quality assurance functions
- > Policies and procedures
- > Internal control environment

Executive management and operational committees that provide direction, guidance and oversight

Second line of defence – Risk management oversight and compliance

Provide a formal and effective Risk Management Framework to improve decision-making, planning and prioritisation of business activities

- > Risk management
- > Group legal, HR, company secretarial and finance compliance
- > Exco and/or Group Finance
- > Audit Committee
- > Risk Committee

Third line of defence – Internal independent assurance and validation

Provide an independent and objective opinion on the effectiveness of risk management, controls and corporate governance

- > Internal audit
- > Annual Accountant and IT Manager Swap programmes
- > Business unit environmental, quality, health and safety functions
- > Internal quality assessors
- > Audit Committee
- > Risk Committee
- > Group CFO

Fourth line of defence - External independent assurance and validation

Provide assurance on the Group's Annual Financial Statements and an independent and objective opinion on the effectiveness of risk management, controls and quality management

- > Other third-party assurance providers
- > Independent whistle-blowing function

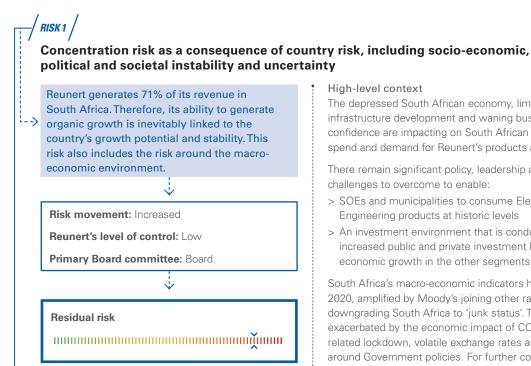
Shareholders

The Group Values underpin the Combined Assurance Framework

Managing the Group's risks continued

Key risks for 2020

Reunert's strategy appropriately considers and addresses the Group's key risks, and it is set out on page 11. The risks below are Reunert's top five risks - those with the highest inherent risk rating. Each risk is subject to all four lines of combined



High-level context

The depressed South African economy, limited infrastructure development and waning business confidence are impacting on South African customers' spend and demand for Reunert's products and services.

There remain significant policy, leadership and financial challenges to overcome to enable:

- > SOEs and municipalities to consume Electrical Engineering products at historic levels
- > An investment environment that is conducive to increased public and private investment levels to sustain economic growth in the other segments

South Africa's macro-economic indicators have worsened in 2020, amplified by Moody's joining other ratings agencies in downgrading South Africa to 'junk status'. This is exacerbated by the economic impact of COVID-19 and the related lockdown, volatile exchange rates and uncertainty around Government policies. For further context, refer to Reunert's business drivers on page 21.

Risk mitigation summary

Reunert's strategy is focused on understanding and embracing inclusive growth in South Africa and accelerating diversification to mitigate its geographic concentration risk. By diversifying, being efficient, managing costs, increasing market share, introducing new products, services and solutions and entering new markets, Reunert is maximising its participation in South African opportunities and driving revenue growth. International subsidiaries are increasing their hard currency trading results through focused strategy execution and non-ZAR revenue has increased by 71% compared to 2014.

Both local cables businesses have undertaken large-scale cost reductions to cater for the reduced infrastructure spend and to match their cost base to their expected revenue. Reunert continually reassesses its business portfolio to redeploy capital where appropriate through acquisitions and disposals.

Derivatives (hedges) are used to appropriately manage exchange rate risks.



RISK2 /

Slow top-line growth

Reunert's investment case is affected by slow top line growth impeding the growth in attributable earnings and the Group's ability to generate sufficient free-cash flow. It is amplified by the impact of COVID-19.

Risk movement: Increased

Reunert's level of control: Medium

Primary Board committee: Board

Residual risk

High-level context

The challenging South African operating environment, increasing competition and a reduction in the South Africa's defence budget, all place pressure on the Group's revenue and free cash flow. Furthermore, Electrical Engineering's production volumes are low due to constrained infrastructure investment and delivering products and marketing/demonstrating products internationally are challenging as borders remained closed for international travel due to COVID-19. For further context, refer to Reunert's business drivers on page 21.

Risk mitigation summary

The strategy contains appropriate actions, including strategic acquisitions, to maintain margins and top-line growth. This includes rationalising the cost base and driving efficiencies, managing working capital and focusing on growth areas such as solar renewable energy generation and storage as well as ICT's Total Workspace Provider and Solutions and Systems Integration offerings.

Related strategic pillars



Diversification

Our customers



Efficiency



Innovation



Transformation



Quince credit risk impacted by external fraud

An external whistle-blower alleged fraudulent activity against Quince by an external, independent customer, unrelated to the Group.

Risk movement: New

Reunert's level of control: Medium

Primary Board committee: Audit Committee

Residual risk

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Related strategic pillars



Our customers



High-level context

The fraud was perpetrated by substituting end users and using fictitious agreements where the goods and services were never delivered. An incurred credit loss impairment of R298 million before taxation (R215 million after taxation) has been raised in the financial year.

Risk mitigation summary

Reunert initiated internal and external investigations into the circumstances and prospects for financial recovery. It also commissioned an external process review of Quince's systems and controls. The investigations found no wrongdoing on the part of any Reunert employee and no other fraud instances in the rest of the Quince book. Certain procedural breaches and shortcomings identified in this detailed review process have been addressed. As a result, Quince enhanced its processes and controls to decrease the risk, including:

- > No new transactions outside of the ICT Segment
- > Additional requirements for deals exceeding a specified financial limit and proof of installation
- > Comprehensive franchise reviews and due diligence on a continuing basis
- > Additional cybersecurity measures and awareness training

A crisis management strategy was developed in response to the fraud, and Reunert supported the Quince management team and gave guidance on how to manage engagements with key customers and employees, while close media monitoring was also undertaken. The media coverage around this isolated incident did not escalate to cause any further reputational damage.



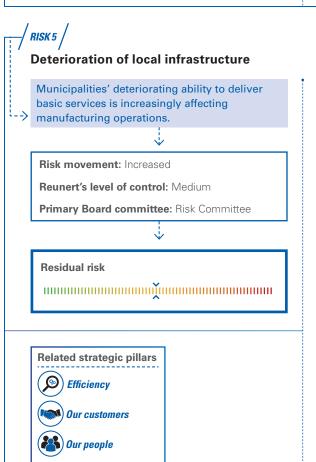
High-level context

The Zambian Government's continued liquidity constraints prevented it from timeously repaying money owed to Zamefa, including VAT input claims, duty drawback claims, and the overdue Zambian Electricity Supply Commission (ZESCO) receivables. This risk was exacerbated by the volatile US dollar and Zambian kwacha exchange rate. The liquidity constraints and profit margins were worsened when implied duties as part of the duty drawback claims were removed. This affects Zamefa's competitiveness and has negative repercussions for copper rod exports.

Risk mitigation summary

Manufacturing at Zamefa was curtailed to conserve cash, reduce working capital and prevent further funding being needed. Zamefa is directly engaging officials from the Zambian Government and ZESCO to negotiate normalising these accounts and reducing overdue balances. The ZESCO account has been placed on hold while limiting new sales to them, and outstanding balances are decreasing. Zamefa restructured its long-term loan in August 2020, and it is now reflected as equity and no longer subject to exchange rate fluctuations.

Zambia has withdrawn its planned implementation of general sales tax to replace VAT, and copper cathode was zero-rated on 1 January 2020. This should improve Zamefa's liquidity challenges going forward.



High-level context

A lack of maintenance and new investment into key municipal infrastructure resulted in load shedding and potential future water supply shortages. Eskom is also involved in disputes with municipalities around non-payment. This interrupts business, reduces output and consequently, reduces profits. It also potentially puts the employees and other assets at risk by undermining safety protection measures.

Risk mitigation summary

The manufacturing business units continuously engage with Eskom and their local municipalities to shift demand where required to prevent load shedding. Where appropriate, Reunert is part of local forums to further engage with relevant stakeholders. Early warning systems are being established to switch off critical machinery systematically to prevent damage. Where practical, back-up generators are in place at a number of business units to ensure power outages do not disrupt normal day-to-day business operations.

Where possible, energy efficiency programmes are being implemented to reduce overall energy demand. Alternative water storage options are being implemented to ensure water pressure is sufficient to operate Reunert's fire suppression equipment.

Technology and information governance

Reunert's Information and Technology Governance Framework and the clarity it provides around guidelines and policies ensure that IT governance is effectively managed and monitored.

Audit Committee Risk Committee Oversees IT governance, including a key focus on the Focuses on IT to the extent that it forms part of the efficacy of financial controls supporting the integrity of normal risk management process. financial reporting.

The Board

Group IT Steering Committee

The Group IT Steering Committee is a sub-committee of the Exco. The committee develops and monitors implementation of the Group's IT Strategy, aligned with the Group's strategic objectives as approved by the Exco. It reviews and updates Group IT policies, guidelines and frameworks, monitors business units' compliance to Group policies and standards and approves IT governance reports to the Audit Committee.

IT forum

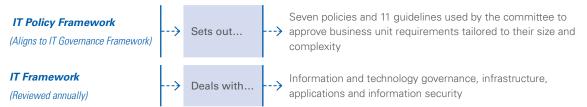
All IT department managers in the Group attend the IT forum which is normally held at least twice a year. In 2020 these events were cancelled in light of the pandemic. The forum comprises feedback on assurance processes, status updates of IT projects, knowledge sharing and insights of the IT landscape and emerging trends. Insight gained from the forum meetings is incorporated into IT improvements implemented across the Group.

Each business unit has an IT Strategy, to ensure the operational effectiveness of IT. Business unit management is responsible for adopting or complying with the Group IT policies, guidelines and frameworks.

Reunert applies Group-wide IT governance

As Reunert's business units have distinctly different IT capabilities and needs, the Group does not prescribe a uniform list of IT policies, practices and procedures to each business unit. Instead, it applies the IT Policy Framework, which bases Group-wide mandatory minimum IT policies requirements and recommended guidelines incorporating standards, controls and procedures on governance and legislative requirements.

Reunert's IT Framework improves its IT landscape and, consequently, its IT governance. Reunert will continue revising and reviewing policies and guidelines to align with relevant standards.



Assurance around the IT control and risk environment is facilitated via internal and external audit, annual self-assessments and peer reviews. External audit's findings for remediation were incorporated in the Internal Financial Reporting Controls Integration Programme (page 83).

Technology and information governance continued

The Group IT Steering Committee was reconfigured in October 2019. The committee is chaired by the Group CFO and regularly engages with Reunert's key IT managers.

This establishes a link between Reunert's IT specialists and the executive, which opens up possibilities for Group-wide solutions for business units' IT needs. It also communicates governance changes, emerging risks and opportunities in technology to the business units and the IT community.

Reunert's five IT governance focus areas in 2020:

- > IT risk management
- > Information security
- > IT change control
- > Operations management with specific focus on backup and recovery
- > IT monitoring and evaluation

Performance

Reunert revised Group IT policies to improve cybersecurity and support the Internal Financial Reporting Controls Integration Programme. As a result, there was an increased focus in implementing IT general controls, including revising the policies around change control, logical access, data backup and recovery, operational controls such as incident management and information security.

The Group IT Steering Committee approved the revised policies and distributed them for implementation. The rollout was completed during the year.

The number of cyberattacks did not significantly increase during the year, though there was an increase in the amount of phishing attempts and email-based attacks. The Group maintained regular communications with employees to ensure they were aware of cyber risks and necessary precautions. Reunert is deploying cybersecurity training throughout the Group. Cybersecurity will remain a continued focus.

Focus areas in 2021

Focus areas for IT governance will be the Internal Financial Reporting Controls Integration Programme, control self-assessments, holistic cybersecurity and data protection in line with the POPI Act.

Social, ethics and transformation committee report 9999

This report highlights how the Setco discharged its statutory duties as prescribed in section 72 of the Companies Act, read with Regulation 43, its additional transformation mandate from the Board and ensuring that Reunert is a responsible corporate citizen.

Reunert's approach and performance on the various elements contained in the committee's mandate, are detailed throughout the Integrated Report. References to further reading are provided where relevant.

Social, Ethics and Transformation Committee

Members and meeting attendance	
Adv NDB Orleyn (chair)	3/3
AB Darko*	2/3
AE Dickson	3/3
S Martin*	3/3
TS Munday	3/3
SG Pretorius**	1/1
MT Matshoba-Ramuedzisi	3/3
	95%

Permanent invitee

> Group HR and Transformation Executive Director

Progress on 2020 focus areas

- > Entrenched a values-driven culture by maintaining and re-emphasising the Group Values
- > Executed the HR Strategy, especially talent management, talent development and succession planning for critical roles
- > People transformation
- > Improved sustainability disclosures to stakeholders by making further environmental, social and governance data publicly available
- > Systematised reporting of sustainability information and recorded periodic data on the Group consolidation system
- > Introduced green strategies and budgets to support inclusive growth and transformative business solutions

Composition

as at 30 September 2020

Five members are non-executive directors of whom four are independent. One member is an executive director.

Tenure

Two members:	1 – 5 years
Two members	5 – 9 years
Two members	>9 years

Expertise

Commercial, governance, financial, legal and non-profit organisation qualifications and experience

2021 focus areas

- > Further entrench a values-driven culture, revise Reunert's Code of Ethics and continue to roll-out Building Better Teams training
- > Execute the HR Strategy including improving Reunert's high-performance culture and employment equity (EE)
- > Maintain the Morgan Stanley Capital International rating. Gradually improve the Group's score on the FTSE Russel4Good Index by improving disclosures for health, safety and labour
- > Maintain the Group's low risk International Shareholder Solutions (ISS) scores and proactively engage the ISS on amendments prior to their reports being issued

^{*} Joined 1 October 2019 ** Retired 10 February 2020

Social, ethics and transformation committee report continued

Entrenching a values-driven culture

The Group considers a values-driven culture essential to sustainable operations, particularly during a year where employees needed more support, and needed to maintain performance under abnormal conditions. This year the Group conducted its second values survey and started the Building Better Teams training.

More information on the matters addressed by Setco, is available as follows:

- > The Group Values survey: Page 56
- > COVID-19: Page 19
- > Reunert's commitment to ethics: Page 80

Progress on the Sustainability Strategy

Reunert's Sustainability Strategy is a dual framework whose guiding principles are Operate Responsible Businesses and Pursue Shared-Value Solutions. These two material objectives have five sustainability pillars:

- > Operate responsible businesses
 - o Build trust and accountability
 - o Nurture and grow people
 - o Manage our environmental impact
- > Pursue shared-value solutions
 - o Embrace inclusive growth
 - o Seek transformative solutions

The Sustainability Strategy focuses on an ethical culture, stakeholder relationships and increasing awareness of how the Group implements its responsibilities as a corporate citizen.

More information on the matters addressed by Setco, is available as follows:

- > The Sustainability Strategy: Page 50
- > Stakeholder relationships: Page 52
- > Managing the Group's environmental impact: Page 65
- > Corporate social responsibility: Page 62

Executing the HR strategy and driving people transformation

The HR strategy is a key part of the Sustainability Strategy's second pillar – nurture and grow people – and it is a continuing focus for the committee. Transformation efforts have consistently improved the Group's EE and aim to continue the trend.

More information on the matters addressed by Setco, is available as follows:

- > Nurture and grow people, the HR review: Page 55
- > Employee equity profile: Page 64

Compliance with existing and new regulations

The committee continued monitoring developments in legislation and regulations, including the upcoming Public Procurement Bill, the Employment Equity Amendment Bill and changes to the Electronic Communications Act.

The committee updated its Terms of Reference to incorporate new JSE Listings Requirements provisions around disclosure for corporate actions.

More information on the Setco's efforts towards effective compliance is available on page 81.

Conclusion

Although the committee had to address COVID-19, all workplan obligations were still dispensed. The committee is satisfied that it complied with its statutory duties in terms of Regulation 43 and its Terms of Reference.



Adv Thandi Orleyn

Chair, Social, Ethics and Transformation Committee





SECTION ONE: Remuneration background statement

The Remuneration Committee's focus 9

The Remuneration Committee (the committee) is mandated to ensure that the Group's Remuneration Policy and practices are fair and responsible, comply with regulations and governance requirements and align with good business practice. During the year under review the committee remained cognisant of the status of the organisation as a good corporate citizen and made adjustments that were deemed necessary to effect fair and responsible remuneration. The committee is confident that the Remuneration Policy supports Reunert's strategic objectives, is market-related, reflects best practice, and supports the generation of long-term value for shareholders and all stakeholders.

The committee's focus areas for the 2020 financial year, as well as next year's priorities, are set out below, and described in the rest of this report.

2020 FOCUS AREAS

- > Reviewed the remuneration philosophy and policy in order to ensure fair and responsible remuneration
- > Implemented the 2020 Remuneration Policy
- > Revised the short-term incentive (STI) structure
- > Implemented the new long-term incentive (LTI) and reviewed its performance measures and the weightings of performance conditions
- > Took into consideration the impact of COVID-19

2021 FOCUS AREAS

- > Review of remuneration philosophy and policy in order to ensure fair and responsible remuneration
- > Review of performance measures for the LTI
- > Review of weightings of performance conditions for the LTI
- > Review remuneration philosophy and policy in respect of COVID-19

A structured approach to remuneration decisions

The Reunert Remuneration Policy has been reviewed and amended to support senior management's delivery of optimal business results.

The table below sets out the key considerations and decisions of the committee in 2020, in accordance with its Terms of Reference

- > The Remuneration Policy
- > The structure of the STI scheme and assessed the benefit of strengthening the STI scheme in the first half of the 2021 financial year
- > The retention element of the LTI's Conditional Share Plan (CSP) due to the contraction of the South African economy and the impact of COVID-19
- > The performance measures of the CSP
- > Annual increases for the 2021 financial year, effective 1 October 2020, aligned with a consumer price index (CPI) related increase of 3,5% for executive directors, top management and salaried employees
- > Promotional increases for top management
- > 2020 STI payouts for top management
- > The STI financial targets and strategic KPIs for top management for the 2021 financial year
- > To incentivise senior management through a half year incentive for the recovery of the Group's performance after the adverse effects of COVID-19
- > The 2019 and 2020 CSP awards for executive directors, top management and selected key employees
- > The upward adjustment of the normalised headline earnings per share (NHEPS) base for the 2020 CSP

Reviewed, and recommended to shareholders

> The fees for non-executive directors for 2021

Reviewed

Approved

Changes to the Remuneration Policy

Reunert implemented the new CSP (page 101), which was disclosed in the 2019 Integrated Report, and approved at the 2019 Annual General Meeting held in February 2020.

The key features of the new CSP are as follows:

- > Three performance conditions: NHEPS, total shareholder return (TSR) and return on capital employed (ROCE)
- > The peer group for the TSR performance condition, which was revised to include a broader group of companies
- > Updated termination of employment, malus and clawback, and change of control provisions which are aligned to best market practice within South Africa
- > Clearly defined dilution limits (which equates to a maximum of 5% of issued share capital overall and to 0,5% of issued share capital for any single participant)

The committee reviewed the 2020 Remuneration Policy against internal requirements, market practice and the impact of COVID-19. The changes below will be implemented for the 2021 financial year to continue ensuring the Remuneration Policy reflects best practice, drives performance and strategy implementation, and serves as an appropriate retention mechanism.

REMUNERATION ELEMENT AND REASON FOR CHANGE

CHANGE

STI for 2021 financial year

(page 102)

- > Motivate leadership to deliver optimal financial performance throughout the 2021 financial year
- > Retain top management and critical skill

> Strengthened and supplemented the standard STI with a half-year STI

- o The half-year STI will be based on achieving pre-set half-year operating profit targets. No incentive will be paid if the target is not achieved and the additional STI (bonus pool) is forfeited
- o The maximum value of the half-year STI is linked to the quantum of the salary sacrifice made by top management during the COVID-19 lockdown
- > The half-year STI scheme represents a maximum of 5,6% of the maximum STI pool for the 2021 financial year

Conditional Share Plan

(page 101)

To create a fair base and alignment with shareholders

> The NHEPS base for the 2020 CSP awards was adjusted upwards by adding back the once off abnormal items that impacted the 2020 financial performance, i.e. the Quince abnormal credit write-off.









Section one: Remuneration background statement continued

Shareholder approval

The Remuneration Policy and Implementation Report were presented for shareholder approval at the AGM held on 10 February 2020. The voting results improved progressively since the 2018 AGM as shown below, and demonstrated Reunert's commitment to engaging with, and addressing shareholders' concerns.

	20	20	20	19	20	18
%	For	Against	For	Against	For	Against
Remuneration Policy	92,98	7,02	80,57	19,43	57,91	42,09
Implementation Report	91,95	8,05	82,73	17,27	65,87	34,13

Continued shareholder engagement

The following resolutions will be tabled for shareholder voting at the upcoming AGM, details of which can be found in the notice of AGM:

- > Advisory vote on the Remuneration Policy, starting on page 97 (all information contained under section two of this report)
- > Advisory vote on the Implementation Report, starting on page 104 (all information contained under section three of this report)
- > Binding vote on non-executive directors' fees

Reunert will engage shareholders if the Remuneration Policy or the Implementation Report receives a vote against of 25% or more. This engagement may be done in person or in writing and will be implemented at a time after the release of the voting results.

Remuneration Committee 9

Members and meeting attendance	
S Martin (Chair)	3/3
AB Darko*	3/3
JP Hulley	3/3
SD Jagoe	3/3
TS Munday**	1/1
Adv NDB Orleyn	3/3
	100%

Permanent invitees

- > Group CEO
- > Group Human Resources (HR) and Transformation Executive Director
- * Joined 1 October 2019
- ** Stepped down from committee on 10 February 2020, and remains an attendee

Composition

as at 30 September 2020

All five members are non-executive directors, of whom four are independent

Tenure

Two members:	1 – 5 years
One member:	5 – 9 years
Two members:	>9 years

Expertise

HR, remuneration, commercial, compliance, governance, risk management, legal, corporate affairs, business, finance, engineering, manufacturing and management qualifications and experience

Mandate

The committee's mandate includes matters contemplated in the JSE Listings Requirements, the provisions of principle 14 of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV), and related practices that the committee deems appropriate to adopt. The committee's roles and responsibilities are set out in its Terms of Reference, which are reviewed by the committee and approved by the Board annually, and are available at www.reunert.co.za/corporate-governance.php.

Going forward

The committee has carefully considered the changes to the Remuneration Policy and its implementation in 2020.

The committee is confident that the Remuneration Policy and its implementation remain aligned with the strategy of the Group and continues to support its implementation. The Remuneration Policy undergoes a robust review every year, and the 2021 review will include a complete evaluation of the impact of external factors on the policy.



Sarita Martin

Remuneration Committee Chairman

SECTION TWO: Overview of the remuneration policy and structures

An overview of the Remuneration Policy

The Remuneration Policy's principles guide the Group's remuneration practices. The Remuneration Policy is set to:

- > Attract, retain and motivate talent
- > Reward performance
- > Promote positive outcomes and achievement of operational and strategic objectives
- > Be flexible to adjust to changing economic conditions and the Group's needs
- > Foster individual performance and teamwork
- > Promote an ethical culture and responsible corporate citizenship
- > Drive transformation

The Remuneration Policy comprises guaranteed package (GP) and a mix of variable pay (STI and LTI). The STI annually rewards business unit leadership for achieving their financial and strategic objectives, and the LTI drives long-term Group performance. The policy links remuneration incentives to transformation objectives by applying a modifier if transformation objectives are not met. The details of the Remuneration Policy structures are on pages 98 to 99. The Remuneration Policy is structured to ensure alignment between top management and shareholders.

Fair and responsible remuneration

The Group has adopted a policy whereby every employee will earn at least 25% above the national minimum wage framework in South Africa.

Internal benchmarking indicated that employees are remunerated fairly and in accordance with job functions. This was supported by an internal parity assessment conducted in August 2020 for senior management across the Group and across functions. The assessment aimed to identify anomalies considering tenure, experience and the size of the business unit. In general, internal parity was found to be appropriate.

External benchmarking was not conducted in this year, but it will be conducted in 2021. The Committee did not engage the services of independent remuneration consultants during 2020.

Targeted pay mix for executive directors

The executive pay mix is structured to drive sustainable value creation over the longer term.



Note:

- > The below-target level assumes that neither the STI nor the LTI performance conditions are achieved.
- > The on-target level assumes that budgeted targets have been achieved, with a 50% vesting of annual LTI allocations and on target STI performance
- > The stretch target level assumes that the maximum targets have been achieved, with 100% vesting of annual LTI allocations and maximum STI achievement.

Service contracts

All executive directors are compensated according to the Group's Remuneration Policy. Executive directors' employment contracts align with the Group's standard terms and conditions of employment and include a six-month notice period.

Executive directors do not receive extended employment contracts or special termination benefits. If operational requirements necessitate that an executive director's employment be terminated, payment will be as per the Group's retrenchment practices and South African labour legislation. No severance payments were made to executive directors in 2020.

Executive directors do not receive additional remuneration for their attendance at Board or committee meetings.

Section two: Overview of the remuneration policy and structures continued

Remuneration structures

Remuneration structures are designed to balance GP and variable pay to assist Reunert in reaching its strategic and operational objectives. Remuneration comprises three core elements as presented in the table below.

	Guaranteed package	Short-term incentive
Purpose	Attraction and retention	To drive financial and strategic performance
Participation	All employees	Executive directors, top management and selected key management
Performance period	Monthly	One year
Implementation	1 July – bargaining unit employees 1 October – non-bargaining unit employees	Annually in November, with review and approval by the committee
Group/business unit	GP consists of base salary and Company contributions toward retirement funding and health benefits. It is a fixed cost for the Group and is targeted to be up to the median of relevant market benchmark. The following factors are considered during salary reviews: > Market benchmarks > Internal parity > Prevailing economic conditions > Average CPI > Group business unit financial performance > Employee performance	 The maximum incentives as a percentage of GP for executive directors and top management are as follows: Group CEO: 140% Group CFO and executive director: 130% Segment heads and managing directors of large business units: 120% Other executives, i.e. business unit managing directors and business unit executives: 100% Senior managers and below are paid incentives at lower percentages of GP Incentives are self-funded (profit target only achieved after providing for the incentive) Incentives are not guaranteed. Incentive payment depends on performance against predetermined financial targets and strategic objectives and measures EE targets and external EE appointments are modifiers. If the EE modifiers' targets are not met, the incentive payout may be modified downward, subject to a review of the underlying reasons for the target not being met
Method of settlement	Cash	Cash
Performance measures	Not applicable	The STI comprises: > Financial KPIs > Financial efficiency KPIs > Strategic KPIs Details of the STI are provided in section two on page 100.

99

	Conditional Share Plan		Deferred Bonus Plan (DBP)
	Performance awards	Retention awards	No awards were made in 2018, 2019 and 2020 in terms of the DBP
Purpose	To drive long-term performance and create alignment between management and shareholders	Retention of critical skills for business continuity and success	To retain employees and create alignment between management and shareholder objectives
Participation	Executive directors, top management and high-performing candidates in critical roles	Technical specialists with scarce and critical skills, high-potential EE candidates and successors for scarce and critical roles	Executive directors and top management who qualify for STIs when the DBP is used
Performance period	Four years	50% (four years) and 50% (five years)	Three or four years
Implementation	Annually in November, with revi	ew and approval by the Remuner	ration Committee
Key elements	> Allocations are based on defined criteria (participants' level of seniority, ability of the position to influence strategy and operational performance, individual performance and business performance) > Allocations may not exceed two times annual GP > Details of the CSP are on page 101	 > Remaining in the Group's employ (employees must be in a position that qualifies for participation as indicated above) > Allocations may not exceed 20% of annual GP 	 Participants choose to receive a portion of the STI in the form of restricted Reunert shares At the end of the stipulated vesting period, participants will be entitled to receive a cash award. Dividends are paid on the restricted shares during this period The committee annually determines: Who may participate The percentage of the ST that may be received in deferred restricted shares The period for which the restricted shares must be retained by participants The quantum of the deferred bonus for which participants will qualify at the end of this period. This percentage may not exceed 100%
Method of settlement	Reunert shares (on-market purchase)	Reunert shares (on-market purchase)	Cash
Performance measures	 NHEPS (50% weighting) TSR (25% weighting) Group ROCE (25% weighting) Further information on allocations and performance 	Remaining in the employment of the Group	Participation in the DBP is determined by the achievement of set performance criteria
	conditions is on page 102.		

Section two: Overview of the remuneration policy and structures continued

Short-term incentive

The STI payment is assessed against performance on predetermined financial targets, and strategic objectives and measures. The STI comprises:

Financial KPIs Weighting of 50%

- > NHEPS for executive directors
- > Operating profit for top management

Financial efficiency KPI Weighting of 25%

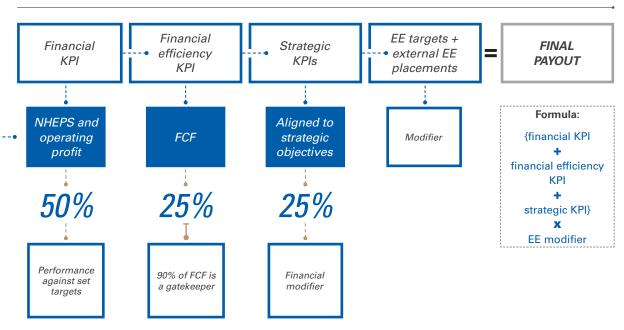
Free cash flow targets (FCF) to improve balance sheet and cash management

Strategic KPIs Weighting of 25%

- > KPIs are linked to the Group and business unit's strategic objectives and each KPI has a direct performance measure
- > KPIs are linked to achieving the operating profit target. Strategic KPI incentives are reduced if the operating profit target is not achieved. There are no incentives for strategic KPIs where the business unit achieves below 75% of operating profit target

Modifiers

> Employment equity (EE) targets and external EE appointments are modifiers. If the EE modifiers' targets are not met, the incentive payout may be modified downward, subject to a review of the underlying reasons for the target not being met.



The contribution for the achievement of the financial KPI is shown in brackets:

- > Executive directors: Group (55%) + segments (45%)
- > Segment heads: Group (20%) + segment (80%)
- > Business units: BU (100%)

The 2019 Conditional Share Plan (LTI)

CSP 2019 took effect after a 96,71% shareholder vote in favour of the new LTI (2019 CSP) at the 2020 Annual General Meeting.

Salient features

Awards are in two forms:

> Annual performance awards are made to executive directors, top management, and high-performing candidates in critical roles. Performance awards have performance conditions attached, and vest over a four-year period to the extent that the relevant performance conditions have been met

Performance and retention awards

> Retention awards are limited in respect of the number of participants and the quantum thereof. They are only made in specific instances where the committee recognises technical specialists, successors for scarce and critical roles, and high-potential EE candidates with the required skills and abilities to grow the Group's business, while also recognising that the participants will have limited direct influence on the Group's financial results. Retention awards are awarded only to address retention risks. Retention awards are subject to a four and five-year vesting period with a 50% vesting in years four and five

Settlement

Awards are conditional rights to shares, meaning that settlement of Reunert shares only occurs after the meeting of performance and employment conditions. No voting, dividend, or equivalent rights exist until shares have been settled at the end of the relevant period

Termination of employment provisions are aligned to best practice and provide for:

- > Full forfeiture terminations (resignation, dismissal, abscondment, mutual separation and early retirement) result in full forfeiture of awards
- > Partial forfeiture terminations in case of
 - o Death
 - o III health, injury, or permanent disability
 - o Separation for exceptional circumstances, not classified as mutual separation

o An employer business unit ceasing to be a member of the Group (which will result in pro rata vesting of the awards where an adjustment is made for meeting applicable performance conditions, and time served of the relevant employment period)

- > Discretionary vesting termination (retrenchment) the committee will have discretion on how the awards will be treated on a case-by-case basis. However, it will not have the discretion to allow for accelerated vesting (only pro-rated early vesting)
- > In the event of retirement, the retired employee will have the same rights and obligations in the CSP as if they had continued to be a participant

Proportional vesting

Termination

Change of control provisions, aligned to best practice, provide for proportional vesting of awards.

Malus and clawback provisions provide for ex ante risk adjustment of awards (malus) or the recoupment of the cash value of the settled awards (clawback) in the event of 'trigger events'. These would be events such as:

Malus and

- > Misstatement of financial results
- > Gross misconduct, incompetence or fraud
- > Dishonesty
- > Gross negligence or a material breach of obligations
- > Causing ill repute
- > Material failure of risk management

Dilution limits

Appropriate dilution limits of 9 248 million shares (which equates to 5% of issued share capital overall) and 924 750 shares (which equates to 0,5% of issued share capital) for any single participant.

Section two: Overview of the remuneration policy and structures continued

Performance conditions and targets

The performance conditions and targets for the 2019 and 2020 CSP are detailed below. The NHEPS base for the 2020 CSP will be the upwardly adjusted NHEPS base for remuneration purposes only.

Performance condition	Weighting	Performance level	Performance measure	Vesting %
NHEPS	50%	Threshold	NHEPS < CPI	0
		Target	NHEPS = CPI + GDP ¹ + 1,5%	40
		Stretch	NHEPS = CPI + GDP + 3%	100
ROCE	25%	Threshold	ROCE < 16,0%	0
		Target	ROCE = 16,5%	40
		Stretch	ROCE = 19,5%	100
Relative TSR*	25%	Threshold	Ranking position at median and below	0
		Target	Ranking position 6 of 13 TSR constituents	25
		Stretch	Ranking position 3 of 13 TSR constituents	100
		Super stretch	Ranking position 1 of 13 TSR constituents	120

*The comparator Group comprises the following companies:

- 1. African Oxygen Limited (Afrox)
- 2. Allied Electronics Corporation Limited (Altron)
- 3. ARB Holdings Limited
- 4. Barloworld Limited
- 5. Bidvest Group Limited (Bidvest)
- 6. Alviva Holdings Limited

- 7. Hudaco Industries Limited
- 8. Kap Industrial Holdings Limited
- 9. Mustek Limited
- 10. Super Group Limited
- 11. Adapt IT Holdings Limited
- 12. Enx Group Limited

A hedging transaction was entered into between Reunert and Investec Bank Limited ("Investec"), an independent third party, on behalf of the 2020 CSP, pursuant to which the 2020 CSP will hedge the potential obligation to deliver Reunert Shares to a participant in the future, pursuant to the rules of the CSP (the "Hedging Transaction"). The SENS announcement relating to the Hedging Transaction was published on 30 September 2020.

Key objectives for 2021

Short-term incentive

The objectives for the next financial year are disclosed below, and the outcome will be communicated in the 2021 Remuneration Policy Implementation Report.

An additional half-year STI was implemented for the 2021 financial year and the outcome will be reported on in the 2021 Remuneration Policy Implementation Report.

NHEPS targets

The NHEPS targets for the Group CEO, Group CFO and the Group HR and Transformation Executive Director are determined using the 2021 budget, and are presented in the graphic below.

Level 1	Level 2	Level 3	Level 4 (stretch target)
86% to budget	90% to budget	95% to budget	100% to budget

- > The on-target payout (Level 2) for the Group CEO, Group CFO, and Group HR and Transformation Executive Director is 35%, 26% and 26% of GP, respectively.
- > The maximum payout for achieving the NHEPS target is 70% of GP for the CEO and 65% of GP for the Group CFO, and Group HR and Transformation Executive Director, which can only be earned at level 4 (stretch target)

Free cash flow (FCF) targets

The FCF targets have been set using approved budgets and is set against the budgeted profit after tax (PAT). These targets may be adjusted by the committee during the financial year, if required, to accommodate any material changes to operational performance (caused by external factors) and business requirements.

The maximum payout for achieving the FCF targets is 35% of GP for the Group CEO and 32,5% of GP for the Group CFO and the Group HR and Transformation Executive Director.

¹ Annual growth in gross domestic product

Strategic KPIs

The strategic KPIs are shown in the table below. The maximum payout for achieving strategic KPIs is 35% of GP for the Group CEO and 32,5% of GP for the Group CFO and the Group Human Resources and Transformation Executive Director. The actual performance targets/measures have not been provided as they are considered commercially sensitive information.

Group CEO				
Total weighting: 35%	Transformation	Our people	Diversification	
Objectives	Drive transformation within the Group	Promote an ethical culture within the Group through values based leadership	Drive the execution of the Group strategy through the diversification of revenues	
Weighting	9,80%	9,80%	15,4%	
Group CFO				
Total weighting: 32,5%	Transformation	Our people	Diversification	
Objectives	Drive people transformation within the Group	Improve Capital Efficiency of the Group. Improve Financial Governance	Drive the execution of the Group strategy through the diversification of revenues	
Weighting	6,50%	within the Group 16,25%	9,75%	
Group HR and Transformation Executive Director				
Total weighting: 32,5%	Transformation	Our people	Transformation Our people	
Objectives	Drive people transformation within the Group	Promote an ethical culture within the Group through values-driven leadership	Enhance a high-performance culture and a sustainable Group	
Weighting	13%	9,75%	9,75%	

Remuneration policies for non-executive directors

Contracts

Non-executive directors do not have service contracts with the Group. Reunert's Memorandum of Incorporation governs non-executive directors' terms of office, and requires that a third of the Board must retire by rotation every year, and may make themselves available for re-election by shareholders.

Non-executive directors receive a standard fee for their services on the Board and Board committees. Non-executive directors are not eligible for any Group incentives. The committee reviews the fees annually and every second year conducts an external benchmarking exercise.

Fees

Fees are submitted to shareholders for approval annually at Reunert's AGM, and changes are effective from 1 March each year. If shareholders do not approve the proposed fees, the last approved fees will apply.

Benefits

Reunert covers travel costs and expenses incurred in the normal course of business, for example attending Board and Board committee meetings.

SECTION THREE: 2020 remuneration policy implementation report

The committee monitored the Remuneration Policy's implementation throughout the year. It believes that the 2020 Remuneration Policy, as set out in the 2019 Integrated Report, was complied with. As a result of external issues, the retention element of the Remuneration Policy was negatively impacted.

This section deals with the remuneration for the executive directors, top management and non-executive directors, as applicable.

2020 annual increases

The Group's total payroll cost is R1 873 million (2019: R2 166 million), which represents 23% of total revenue (2019: 20%).

The average increase for salaried employees for the period 1 October 2019 to 30 September 2020 was 4,5%. All executive directors received an annual increase of 4,5% in the same period.

Bargaining unit wage increases, effective on 1 July 2020, was 0%, as per the wage negotiation process completed in August 2020 (page 58).

2020 STI awards

Business unit top management qualified for incentive (bonus) payments by meeting financial targets and/or strategic KPIs.

The committee approved the STI awards shown in the table below following a detailed assessment of the relevant financial targets and strategic KPIs. No incentives were paid out to Executive Directors.

The committee is satisfied that the STI awards reflect the Group's performance for the 2020 financial year.

STIs earned	2020 Rm	2019 Rm
Electrical Engineering	0	0
ICT	1,43	8,76
Applied Electronics	10,92	20,88
Executive directors at Head Office	0	6,90
Total STIs earned	12,35	36,54

2020 DBP

The DBP was not offered in 2020.

CSP awards

CSP performance conditions for the 2019 and 2020 CSP scheme are set out on page 102. The committee allocated the following awards.

CSP	Performance awards	Retention awards
2020 CSP Awards		
Participants	62	61
Number of units allocated	2 260 830	86 100
2019 CSP Awards		
Participants	61	62
Number of units allocated	1 143 869	85 504

To address the impact on retention, the Committee decided to grant the 2020 CSP awards to participants in September 2020, instead of in November 2020 when it is normally awarded. This change is an administrative function over which the committee can exercise its discretion. The performance period, performance criteria and all other terms of the 2020 CSP awards remain the same.

CSP allocations and settled CSP awards for executive directors are included in the remuneration disclosures in the Annual Financial Statements, note 26, available at www.reunert.co.za/downloads/reports/2020/Reunert_AFS_2020.pdf

Once off abnormal credit write-off at Quince Capital

The committee considered the once off abnormal credit write-off at Quince Capital arising from the external fraud and approved the following:-

1. 2020 STI

The abnormal credit write-off was included in operating profit in full in FY 2020 for calculating STIs. No incentives were paid to Executive Directors, ICT Segment Executive management or Quince Capital Executive management for the year.

2. LTI

2.1 Historic LTI Awards (Previous CSP, applicable between FY 2016 and FY 2019)

The abnormal credit write-off will be included in full in calculating the NHEPS performance condition for the Previous CSP. LTI awards made under the Previous CSP vest between FY 2020 and FY 2023, and will be negatively affected by this approach.

2.2 Future LTI Awards (Current CSP, adopted in FY 2020)

The NHEPS base for the Current CSP award has been adjusted upwards by adding back the once-off abnormal credit write-off

The Committee is confident that the impact of the abnormal credit write-off has been appropriately addressed in both the short and long-term remuneration schemes of the Group and that alignment between Management and Shareholders has been retained.

Remuneration and interests

Executive directors

R′000	Salary	Bonus and performance-related payments	Deferred bonus plan ¹	Travel allowances		Medical contri- butions	Total	Fair value of 2020 CSP at grant date ²	Fair value of 2019 CSP at grant date ²
AE Dickson M Moodley NA Thomson	5 638 2 601 4 455	- - -	5 920 1 986 3 994	132 - -	207 238 216	80 63 136	11 977 4 888 8 801	2 161 673 1 243	3 902 1 215 2 245
	12 694		11 900	132	661	279	25 666	4 078	7 363
								Fair value of 2018 CSP at	
2019								grant date	
AE Dickson	5 490	3 205	-	172	218	73	9 158	4 994	
M Moodley	2 544	1 346	_	-	232	57	4 179	1 591	
MAR Taylor	3 770	1 432	-	_	223	71	5 496	2 232	
NA Thomson	4 350	2 346	_	_	220	122	7 038	2 873	
	16 154	8 329	_	172	893	323	25 871	11 690	

Cash match for 2016 DBP, paid to Executive Directors in November 2019.

Payments to non-executive directors

Amounts paid to non-executive directors as fees for the year are reflected below. Travel and accommodation expenses of R95 354,37 were reimbursed to non-executive directors and are not included in the fees shown below.

R'000	2020	2019
TS Munday	1 485	1 476
T Abdool-Samad	656	654
AB Darko ³	578	N/A
LP Fourie ⁴	593	N/A
SD Jagoe	482	412
S Martin	648	690
MT Matshoba-Ramuedzisi	578	486
Adv NDB Orleyn	608	615
SG Pretorius ⁵	211	658
R van Rooyen ⁶	244	745
JP Hulley	550	436
Total	6 633	6 172

Refer to the Notice of AGM for the proposed 2021 fees.

² Conditional Share Plan (CSP). In the current year two allocations were made to participants, CSPs were issued for the 2019 scheme on 10 February 2020 and for the 2020 scheme on 30 September 2020. The value has been determined using the fair value per unit and the expected vesting probabilities of the non-market conditions. For further details relating to the valuation methodologies and assumptions used, refer to note 19 of the AFS.

³ Appointed 1 October 2019. ⁴ Appointed 1 October 2019. ⁵ Retired 10 February 2020. ⁶ Retired 10 February 2020.

Summarised consolidated financial statements



Summarised consolidated **statement of profit or loss**For the year ended 30 September 2020

Rm	Notes	Audited 2020	Audited 2019 ¹	% change
Revenue	2	8 046	10 714	(25)
EBITDA before impairment of financial assets		1 133	1 548	(27)
Credit write-off Expected credit losses	5 5	(298) (288)	– (22)	100 1 209
Impairment of financial assets	5	(586)	(22)	2 564
EBITDA ² Depreciation and amortisation		547 (240)	1 526 (165)	(64) 45
Operating profit Interest and dividend income Interest expense	3 4 4	307 41 (83)	1 361 44 (59)	(77) (7) 41
Profit before impairments of non-financial assets, loss on disposal of subsidiaries and empowerment transactions		265	1 346	(80)
Impairment of non-financial assets Impairment of goodwill Impairment of property, plant and equipment	6	(75) (4)	(67) (40)	12 (90)
Loss on disposal of subsidiary	7	(20)	(44)	(55)
Empowerment transactions			(3)	(100)
Profit before tax Tax		166 (82)	1 192 (387)	(86) (79)
Profit after tax Share of joint ventures' and associate's loss		84 (77)	805 (1)	(90) 7 600
Profit for the year		7	804	(99)
(Loss)/profit for the year attributable to: Non-controlling interests Equity holders of Reunert		(40) 47	14 790	(386) (94)
Earnings per share (cents) Basic Diluted	8,9 8,9	29 29	490 484	(94) (94)

Due to the significance of the credit write-off and expected credit losses for the current year, the Group has provided additional disclosure by separately disclosing these. The movements in expected credit losses is re-presented on the face of the statement of profit or loss. This is for year on year disclosure comparability.

² Earnings before net interest, tax, depreciation and amortisation, impairment of goodwill and property, plant and equipment, loss on disposal of subsidiary and empowerment transactions. EBITDA includes interest income received on leases and loans receivable in the ICT segment.

	Notes	Audited 2020	Audited 2019	% change
Other measures of earnings per share (cents)				
Headline	8,9	115	573	(80)
Diluted headline	8,9	115	566	(80)
Total cash dividend per share for the year (cents)		257	513	(50)

Summarised consolidated statement of other comprehensive income For the year ended 30 September 2020

Rm	Audited 2020	Audited 2019
Profit for the year Other comprehensive income, net of tax:	7	804
Items that may be reclassified subsequently to the statement of profit or loss:	(56)	5
Translation differences of foreign businesses Recycled to the statement of profit or loss on disposal of foreign business Translation loss on net investment in subsidiary* Fair value remeasurement of financial asset	30 - (87) 1	12 (10) (5) 8
Total comprehensive income for the year	(49)	809
Total comprehensive income attributable to: Non-controlling interests	(62)	16
Share of (loss)/profit for the yearShare of other comprehensive income	(40) (22)	14 2
Equity holders of Reunert	13	793
Share of profit for the yearShare of other comprehensive income	47 (34)	790 3

^{*} Translation loss arising on the loan component of the Group's net investment in a foreign subsidiary.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

Summarised consolidated statement of financial position

As at 30 September 2020

Rm	Notes	Audited 2020	Audited 2019 ¹
Non-current assets			
Property, plant and equipment		795	823
Investment property		31	39
Right-of-use assets	12	186	_
Intangible assets		445	430
Goodwill	6	924	999
Other investments and loans		61	60
Investments in joint ventures and associate		74	154
Leases and loans receivable		1 778	2 082
Deferred tax assets		172	143
		4 466	4 730
Current assets		4.400	1.070
Inventory		1 483	1 376
Leases and loans receivable		795	893
Trade and other receivables		1 895	2 293
Tax receivable Derivative financial assets		46 12	63 10
Cash and cash equivalents		1 029	939
		5 260	5 574
Total assets		9 726	10 304
Equity attributable to equity holders of Reunert		6 505	7 312
Non-controlling interests		38	119
Total equity		6 543	7 431
Non-current liabilities			
Deferred tax liabilities		89	138
Equity forward contract		59	_
Long-term loans		15	57
Lease liabilities	12	162	_
Share-based payment liability		-	14
Contract liabilities		23	
		348	209
Current liabilities			
Put option liability	10	-	120
Equity forward contract		16	_
Current portion of long-term loans	40	1	3
Lease liabilities	12	56	_
Share-based payment liability		6	18
Derivative financial liabilities		28	16
Provisions Tax liabilities		123 50	154 28
Tax llabilities Contract liabilities		255	28 242
Trade and other payables		1 594	1 760
Bank overdrafts and short-term facilities		706	323
		2 835	2 664
Total equity and liabilities		9 726	10 304
Total oquity und nubilities	e heen disaggregated into their co		10 304

¹ In the interest of clear presentation certain of the comparative numbers have been disaggregated into their component parts. Accordingly the comparatives have been re-presented.

Summarised consolidated statement of cash flows

For the year ended 30 September 2020

Rm	Audited 2020	Audited 2019
EBITDA Cash paid to settle the Group's deferred bonus plan	547 (22)	1 526
Non-cash items*	611	(66)
Cash generated from operations before working capital changes Decrease in net working capital	1 136 21	1 460 318
Cash generated from operations	1 157	1 778
Cash interest and dividends received Cash interest paid	41 (75)	44 (50)
Tax paid	(145)	(403)
Dividends paid (including to non-controlling interests in subsidiaries)	(727)	(817)
Net cash inflow from operating activities Net cash outflow from investing activities	251 (333)	552 (418)
Replacement and expansion of property, plant and equipment and intangible assets	(170)	(158)
Acquisition of subsidiaries and businesses Disposal of subsidiaries and businesses	- (4)	(32) 15
Cash invested in loans receivable	(172)	(252)
Repayment of other investments and loans	3	_
Other investments and loans granted Dividend received from joint venture	(1) 3	(1)
Proceeds from disposal of property, plant and equipment	8	7
Net cash outflow from financing activities	(255)	(92)
Funds provided by equity holders of Reunert	1	14
Long-term loans raised	2	12
Long-term loans settled Shares acquired for equity settled Conditional Share Plan (CSP)	- (54)	(10) (74)
Contingent consideration settled	(15)	(16)
Proceeds on disposal of shares to non-controlling interests		12
Purchase of additional shares in terms of a call option with non-controlling interests Put option liability settled	(1) (131)	(30)
Lease liabilities settled	(57)	_
(Decrees) (in excess in met each and each equivalents	(227)	40
(Decrease)/increase in net cash and cash equivalents Net cash and cash equivalents at the beginning of the year as reported	(337)	42
in the statement of financial position	616	572
Net cash and cash equivalents at the end of the year before translation		
adjustments	279	614
Cash and cash equivalents	1 029	939
Bank overdrafts and short-term facilities	(706)	(323)
Bank overdrafts Short-term facilities	(122) (584)	(154) (169)
Net cash and cash equivalents at the end of the year as reported in the statement of financial position	323	616
Net exchange translation adjustments to net cash and cash equivalents	(44)	(2)
Net cash and cash equivalents at the end of the year before translation	(,	\21
adjustments	279	614

^{*} Includes credit write-off of R298 million and expected credit losses of R288 million (2019: R22 million).

Summarised consolidated statement of changes in equity

For the year ended 30 September 2020

Rm	Audited 2020	Audited 2019
Share capital	389	388
Balance at the beginning of the year Issue of shares	388 1	374 14
Share-based payment reserves	217	229
Balance at the beginning of the year In terms of CSP Shares acquired to settle CSP In terms of the empowerment transaction Transfer from retained earnings	229 9 (54) - 33	256 1 (74) 3 43
Equity transactions/put option with non-controlling shareholders	_	(108)
Balance at the beginning of the year Net changes in non-controlling interests Transfer from retained earnings	(108) 14 94	(108) (27) 27
Empowerment shares ¹ Treasury shares ² Equity forward contract ³	(276) (342) (75)	(276) (342) –
Balance at the beginning of the year Recognised during the year	– (75)	
Foreign currency translation reserves	16	(11)
Balance at the beginning of the year Other comprehensive income Recycled to the statement of profit or loss on disposal of foreign subsidiary	(11) 27 -	(23) 2 10
Translation loss on net investment in foreign subsidiary	(109)	(47)
Balance at the beginning of the year Other comprehensive income	(47) (62)	(42) (5)
Fair value reserve	7	6
Balance at the beginning of the year Other comprehensive income	6 1	- 6
Retained earnings	6 678	7 473
Balance at 30 September 2018 IFRS 9 and 15 transitional adjustments	_ _	7 599 (56)
Balance at the beginning of the year Profit for the year attributable to equity holders of Reunert Cash dividends paid Tax deduction in terms of CSP Transfer to reserves	7 473 47 (723) 8 (127)	7 543 790 (803) 13 (70)
Equity attributable to equity holders of Reunert Non-controlling interests	6 505 38	7 312 119
Balance at 30 September 2018 IFRS 9 and 15 transitional adjustments	-	88 (9)
Balance at the beginning of the year Share of total comprehensive income Cash dividends paid Subscription for shares by non-controlling shareholder Net changes in non-controlling interests	119 (62) (4) - (15)	79 16 (14) 43 (5)
Total equity at the end of the year	6 543	7 431

This is the cost of 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.

Ordinary Reunert shares bought back in the open market and held by a subsidiary: 4 997 698 shares (2019: 4 997 698 shares).

At the end of the financial year, the Group, on behalf of the CSP, entered into a hedging forward contract with an independent third party in terms of which 2 346 930 Reunert ordinary shares will be acquired by the independent third party for purposes of hedging the Group's potential obligation to deliver Reunert ordinary shares to CSP participants. The forward contract has been recognised and measured in terms of IFRS 9 Financial Instruments requirements governing equity instruments.



For the year ended 30 September 2020

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 2020;
- > South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee;
- > Financial Reporting pronouncements as issued by the Financial Reporting Standards Council;
- > Listings Requirements of the JSE Limited; and
- > the requirements of the Companies Act, No. 71 of 2008, of South Africa.

These summarised consolidated financial statements contain the minimum information as required by IAS 34 Interim Financial Reporting and were compiled under the supervision of NAThomson CA(SA) Chief Financial Officer.

The Group's accounting policies applied for the year ended 30 September 2020, were consistent with those applied in the prior year's audited consolidated annual financial statements, except for the impact of the first time adoption of IFRS 16 Leases, the impact of which is set out in Note 13, and IFRIC 23. IFRIC 23 did not have an impact on the 2020 financial year. These accounting policies comply with IFRS.

Rm	Audited 2020	Audited 2019
2. Revenue Revenue from contracts with customers: Category of revenue Products	6 014	8 703
Timing of revenue recognition: Revenue recognised at a point in time	1 581 7 595 6 215	1 482 10 185 8 732
Revenue recognised over time Total revenue from contracts with customers	1 380 7 595	1 453 10 185
Other revenue: Interest received on leases and loans receivable Rental revenue	412 39	425 104
Total	8 046	10 714

Refer to the segmental analysis, for a disaggregation of the total revenue contribution by each segment.

Rm	Audited 2020	Audited ¹ 2019
3. Operating profit Included in operating profit are the following:		
Cost of sales	5 377	7 457
Less: depreciation and amortisation included in cost of sales ²	(58)	(58)
Cost of sales before depreciation and amortisation	5 319	7 399
Other income ³	35	80
Fair value remeasurement on contingent consideration	2	4
Total operating expenses Impairment of financial assets	1 813	1 958
Credit write-off	298	_
Expected credit losses	288	22
Less: depreciation and amortisation included in operating expenses ²	(182)	(107)
Total operating expenses before depreciation and amortisation	2 217	1 873
Included in cost of sales, other income or operating expenses: Profit on disposal of property, plant and equipment Auditors remuneration	4	2
- Audit fees	28	24
- Other fees	1	3
	29	27
Realised forex losses ⁴	42	66
Unrealised forex losses/(gains) ⁴	48	(92)
Net forex losses/(gains)	90	(26)
Research and development expenditure:		
Externally funded	153	132
Internally funded	19	20
	172	152
Employee costs (included in cost of sales and other operating expenses):		
Salaries and wages	1 600	1 874
Pension and provident fund contributions ⁵	192	198
Other staff costs ⁶	81	94
	1 873	2 166
Share-based payment expense ⁷	7	21
Write-down of inventory	5	2

- Additional disclosures have been incorporated to ensure alignment between this note and the annual financial statements. There have been no changes to actual numbers disclosed in the prior year.
- ² Depreciation and amortisation of property, plant and equipment and intangible assets that is considered to be part of cost of sales amounts to R50 million (2019: R58 million).
 - Depreciation of right-of-use assets considered to be part of cost of sales is R8 million (2019: not applicable).

 Depreciation and amortisation of property, plant and equipment and intangible assets included in other expenses is R119 million (2019: R107 million).
 - Depreciation of right-of-use assets included in other expenses is R63 million (2019: not applicable).
- ³ Includes a put option liability fair value remeasurement loss of R3 million (2019: R9 million gain).
- ⁴ Transactions denominated in a foreign currency are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in the statement of profit or loss in the period in which they arise. Derivative instruments are initially measured at fair value at the date the derivative contract is entered into and are subsequently stated at fair value at each reporting date. The resulting gains or losses are recognised in the statement of profit or loss.
- ⁵ Payments to defined contribution retirement plans are charged as an expense as they fall due.
- ⁶ Includes staff training, staff welfare, skills development levy, commissions and incentives and other staff related costs.
- ⁷ Included in share-based payment expense is a release of R3 million (2019: a charge of R9 million) relating to the Deferred Bonus Plan. This is classified as a cash-settled, share-based payment with the equivalent amount included in liabilities.

REUNERT LIMITED INTEGRATED REPORT 2020

Rm	Audited 2020	Audited 2019
4. Interest income and dividends Dividend income	3	_
Interest earned on financial assets Bank deposits Other assets	31 7	34 10
Total interest income and dividends	41	44
Interest expense Loans, bank overdrafts and short-term facilities Lease liability interest Unwinding of discount of put option liability	(53) (22) (8)	(50) - (9)
Interest expense as per the statement of profit or loss External interest expense in Quince (included in Group cost of sales as Quince is a finance business) Total interest expense using the effective interest rate method	(83) (28) (111)	(59) (13) (72)
5. Impairment of financial assets Credit write-off in Quince Expected credit loss	298 288 586	- 22 22

Analysis of movement in the ECL					ı
Rm	Opening balance	Raised during the year through the statement of profit or loss	Utilised during the year	Fx	Closing balance
2020			, ,		
Leases and loans receivable	41	219	(50)	_	210
Trade and other receivables	150	69	(14)	(13)	192
Credit write-off for leases and loans					
receivable		298			
Total impairment of financial assets disclosed in the statement of profit or loss		586			

The credit write-off resulted from an external fraud perpetrated against Quince Capital (Quince) by a non-connected independent third party dealer. A comprehensive external forensic investigation has been completed and has resulted in a credit write-off of R298 million, which was reported as part of the 31 March 2020 financial results. In the period since the 31 March 2020 published results the following actions have been completed:

- > An independent forensic investigation was conducted at Quince. This investigation, conducted by one of the country's leading legal firms, determined that no Quince employee had a material non-disclosed conflict of interest or that any criminal or deliberate misconduct facilitated the external fraud; and
- > The Group commissioned an independent review of the enterprise risk management framework at Quince to ensure the risk governance and control framework are appropriate. The outcome from this investigation identified areas where functions and processes within Quince's Credit Management can be strengthened to improve monitoring and oversight. These recommendations are in the process of being implemented.

Rm	Revised opening balance*	Raised during the year through the statement of profit or loss	Utilised during the year	Fx	Closing balance
2019				·	
Leases and loans receivable	38	12	(9)	-	41
Trade and other receivables	152	6	(8)	_	150
Credit write-off for trade and other					
receivables		4			
Total impairment of financial assets disclosed in the statement of profit or loss		22			

^{*} After the IFRS 9 transitional adjustment.

5. Impairment of financial assets continued

Leases and loans receivable

The gross leases receivable relate to the present value of rental agreements discounted at the interest rate implicit in the agreements. These are entered into between Group-owned office automation franchises and the customer, which are repayable over varying periods up to a maximum of five years from inception of the agreement.

Notwithstanding that Quince purchases the underlying leases, and that ownership of the underlying asset is transferred to Quince on this acquisition, the arrangement between Quince and the non-owned franchise is for accounting purposes treated as a loan.

The Group applies the IFRS 9 general approach to measuring the expected credit losses (ECL) for leases and loans receivable.

This is calculated by applying a historical loss ratio to the balance of leases and loans receivable at each reporting date. The loss ratio for the leases and loans receivable is calculated according to the ageing/payment profile by applying historic write-offs to the payment profile of the population.

The historic loss ratio is then adjusted for forward looking information to determine the ECL at the reporting date, to the extent that there is a strong correlation between the forward looking information and the ECL.

Impact of COVID-19

Historical levels of credit impairment are now not considered representative of what is expected in terms of future defaults due to the COVID-19 pandemic. The impact of the national lockdown and the related significant reduction in economic activity and consequential predicted increase in business failures have made the estimation of future credit losses complex.

Historical methods used in the past have been modified due to changes in the macro economic conditions and the inter-relationship between key economic variables. For example, in the past when interest rates declined this would have been expected to have resulted in fewer defaults occurring. However, under COVID-19, defaults are expected to significantly increase despite the substantial decrease in interest rates.

Credit losses which rose by a factor of 2 post the 2008 financial crisis are expected to increase by factors of between 2 and 4 due to the impact of COVID-19.

In South Africa, the decline in economic activity is expected to be longer and recovery is forecast to be slower when compared to the global financial crisis. This impact is predicted to be particularly severe for smaller and medium-sized enterprises, which underpin a material portion of Quince's rental book.

Recovery value of assets on which the loans and leases are based are likely to be less valuable and take longer to realise as more assets may become available into an environment of both weak demand due to the weaker economy and stretched balance sheets as a result of the COVID-19 pandemic.

The Group has considered the factors outlined above and used the following key assumptions in estimating the ECL as at 30 September 2020

Probability of default (PD) 9,3%
Loss given default (LGD) 63,0%

Exposure at default (EAD) Exposure of receivables at 30 September 2020

In estimating the PD the following estimates and judgements were applied:

- > The Moody's expected rate of credit defaults which has increased from 3,5% pre-COVID-19 to 9,3% post-COVID-19 (11,5% at 31 March 2020).
- > This rate was tested for reasonableness and appropriateness by reference to data from external market information e.g. credit rating agencies.
- > Due to the uncertainty that COVID-19 brings to the impact on future economic activity, the estimates made involve a high degree of judgement. Economists have forecasted different scenarios in terms of the extent and period of recovery over the short and medium term. These recoveries range between U-shaped (base case) and L-shaped (worst case scenario). The Group has used the U-shaped scenario (base case) as its best estimate of the extent and period of recovery for its various operations and consequently for its customers.

The PD estimate of 9,3% is further corroborated by the following:

- > Reserve Bank predictions of the COVID-19 impact on the economy.
- > Economic forecasts of somewhere between a 10% to 12% decline in GDP in 2020, with a gradual U-shaped recovery thereafter.
- > Commentary by economists, who indicated that the low GDP growth in 2019 and the contraction in Q4: 2019 and Q1:2020 had already stretched the cash flows of small businesses before COVID-19.

The LGD rate used was obtained from the quoted recovery rate of the World Bank for South African debt of 37%. This was corroborated against the Moody's recovery rate for emerging markets. Due to the uncertainty of the impact for South Africa, this is currently the best independent and credible information available.

In estimating the expected LGD and given the scale of the predicted credit losses, the Group has increased the LGD to 63%.

REUNERT LIMITED INTEGRATED REPORT 2020

5. Impairment of financial assets continued

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers quantitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In assessing the stage categorisation, receivables that are 30 days overdue are classified as stage 2 and receivables that are 90 days overdue are classified as stage 3.

Due to the impact of COVID-19 and the resulting increase in credit risk as well as the known events, the following is a categorisation of the different stages in accordance with IFRS 9.

	Gross carrying amount before credit write-off	Expe	cted credit loss	•	Net carrying amount after credit write-off
Rm	and ECL	Stage 1	Stage 2	Stage 3	and ECL
September 2020	2 783	(68)	(92)	(50)	2 573
September 2019	3 016	(41)	-	-	2 975

Trade and other receivables

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss model for all trade receivables. ECLs are calculated by using a provision matrix and applying a loss ratio to an age analysis of trade receivables and contracts, which have been aggregated into groupings that represent, to a large degree, how the Group manages its receivables and contract assets, major risk type and similarities in risk and this also illustrates the spread of credit risk at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic write-offs to the payment profile of the sales population. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations.

6. Impairment of goodwill and property, plant and equipment

Goodwill

Goodwill represents amounts arising on business combinations and is measured as the sum of the consideration transferred to the seller, plus the amount of any non-controlling interests recognised through the transaction, and the fair value of the Group's previously held equity interest in the acquiree, if any; less the net of the acquisition date fair value of the identifiable assets acquired (including any intangible assets) net of the fair value of any liabilities and contingent liabilities assumed.

Rm	Audited 2020	Audited 2019
Carrying amount at the beginning of the year	999	1 053
Impairment of goodwill	(75)	(67)
Disposal of business	-	(62)
Acquisition of businesses	_	76
Exchange rate differences	_	(1)
Carrying amount at the end of the year	924	999

Impact of COVID-19

The forecasts for this assessment were developed using consensus economic forecasts covering the period 2021 to 2023 which incorporated the impact of the COVID-19 pandemic on the South African economy, modified for our business units knowledge and understanding of expected customer requirements and their capacity to continue to transact.

The Group impaired the goodwill which arose on acquisition of two of its subsidiaries: African Cables (R61 million) and Dynateq International (R14 million) and R4 million of property, plant and equipment in Polybox. In 2019, the Group impaired goodwill which arose on acquisition of two of its subsidiaries: Metal Fabricators of Zambia Plc (Zamefa) (R57 million) and Polybox (R10 million) and R40 million of property, plant and equipment in Zamefa.

6. Impairment of goodwill and property, plant and equipment continued

African Cables

African Cables delivered a subdued performance for the 2020 financial year, primarily due to the following:

- > The low level of demand for power cable.
- > Weak level of investment by Government into infrastructure.
- > A seven-week labour disruption at African Cables during October and November 2019 which negatively impacted revenue and profitability.
- > Loss of sales due to COVID-19 and the resulting lockdown.

Although the business has secured framework tenders at Eskom and various municipalities, the impact of the reprioritisation of Government's expenditure on infrastructure due to the impact of COVID-19 remains uncertain. Management is of the view that this business is likely to continue to experience pressure on volumes over the medium term and have therefore used forecasts taking this uncertainty into consideration.

Dynateq

Dynateq's revenue is largely driven by securing contracts in the global defence sector. The business is dependent on the export market in various economies including the Middle East and Europe. Although a portion of the short-term order book is secured, management is of the view that this business is likely to experience pressure on volumes over the medium term.

The following information summarises the individual assumptions used to test for impairment of goodwill at a cash generating unit (CGU) level, using the value-in-use method.

		2020	2019	2020	2019	GROUP	
		Discount	Discount	Terminal	Terminal	Good	dwill
		rate	rate	growth	growth		
	Measurement	(pre-tax)	(pre-tax)	rate	rate	2020	2019
	currency	%	%	%	%	Rm	Rm
Significant CGUs							
EĔ							
African Cables ¹	ZAR	22,1	21,3	4,0	4,0	_	61
ICT							
Nashua Office							
Automation	ZAR	20,3	18,0	4,0	4,0	203	203
Quince Capital	ZAR	11,4	22,2	4,0	4,0	124	124
ECN	ZAR	20,6	17,8	4,0	4,0	140	140
SkyWire	ZAR	18,9	22,3	4,0	3,0	170	170
AE							
Omnigo	ZAR	22,1	19,7	4,0	4,5	40	40
Terra Firma Solutions	ZAR	21,0	19,4	4,0	4,0	88	88
Nanoteq	ZAR	22,7	19,6	4,0	4,0	69	69
Dynateq ¹	ZAR	20,7	19,5	4,0	4,0	_	14
Blue Nova Energy	ZAR	22,6	19,9	4,0	3,0	53	53
						887	962
Other ²	ZAR	20,6 – 22,5	19,2 – 20,7	4,0	4,0	37	37
Net carrying amou	nt at the						
end of the year						924	999
Gross goodwill carrying	amount					1 066	1 066
Less: accumulated impa						(142)	(67)

¹ The recoverable amount is determined using the value-in-use approach. The recoverable amount is stated before the deduction of the carrying amount. The recoverable amount of African Cables and Dynateq are R856 million and R32 million respectively.

² Due to the COVID-19 pandemic being an impairment indicator in the current year, impairment testing was performed over the Reutech Communications entity as a CGU to ensure that the property, plant and equipment, intangible assets and right-of-use assets are appropriately assessed for impairment. In the prior year, it was performed a lower CGU level to which the goodwill is allocated. Due to this separate calculation Reutech Communications was excluded from the aggregate balances. This consists of the aggregate of individual immaterial goodwill balances across all segments above. In the prior year, the goodwill in Other included R14 million goodwill in Dynateq. Dynateq has been separately disclosed in the current year as a result of the impairment of the Dynateq goodwill.

Notes continued

6. Impairment of goodwill and property, plant and equipment continued

The following additional assumptions were used in the impairment tests at 30 September 2020.

The basis for the value-in-use calculations is the management approved budget for 2021.

The discount rate used is calculated as the weighted average cost of the different components of capital, being debt and equity (WACC). This is consistent with international best practice and covers the different industries in which the Reunert Group operates. The discount rate is then converted to pre-tax discount rate as required by IAS 36 using an appropriate methodology.

The terminal growth rate is calculated using the forecast South African consumer price index (CPI) as a basis and thereafter adjusted for various risk factors. This is used to extrapolate the cash flow projections beyond the period covered of 5 years.

Under the economic conditions that have arisen during the pandemic, revenue growth is a key consideration. Accordingly, management has undertaken a sensitivity analysis of the consequence of a 5% reduction in revenue on the cash flow from forecasts.

Sensitivities

The results of the sensitivity analysis were that additional impairments would be required for African Cables (R152 million), Skywire (R53 million), Reutech Radar (R32 million) and Blue Nova Energy (R2 million).

If the terminal growth rates were decreased by 1% e.g. from 4% to 3%, no further impairment would be required.

If the discount rates were increased by 1%, no further impairment would be required.

The forecasted cashflows used in the impairment models were determined based on assumptions made with regards to revenue growth. These include an assessment of the level of secured and unsecured orders, recurrence of existing revenue contracts and potential tenders.

Investment in joint venture

The outlook for CBI Telecoms remains uncertain due to a limited order book and combined with significant margin degradation due to competition. Declining volumes contributed to weak cash flow forecasts over the short to medium term. These factors together with the substantial loss to date have resulted in the management of CBI Telecoms impairing the carrying amount of its property, plant and equipment, intangible assets and right-of-use assets by R147 million. The impact of the impairment is included in the equity-accounting earnings from joint ventures for the year at R42 million (after tax).

A discount rate of 17% and a terminal value of 4% was used in the value-in-use calculation.

7. Disposal of business

Sale of PanSolutions Holdings Proprietary Limited (PanSolutions)

With effect from 1 July 2020 Reunert ICT Holdings sold the PanSolutions shares it owned for R1.

Rm	Audited 2020
Net assets disposed in PanSolutions:]
Leases and loans receivable	3
Inventory	20
Current and deferred tax	4
Trade and other receivables	12
Trade and other payables	(20)
Long-term loans	(2)
Short-term portion of long-term loans	(1)
Net carrying amount of assets disposed of	16
Consideration received	(4)
Cash received on sale	-
Less: cash on hand	4]
Loss on disposal of subsidiary (net of tax of Rnil)	20

2019

Refer to 2019 Group audited annual financial statements.

Rm	Audited 2020	Audited 2019
8. Number of shares used to calculate earnings per share ¹ Weighted average number of shares in issue, net of empowerment and treasury shares, for basic earnings and headline earnings per share (millions of shares) Adjusted by the dilutive effect of unexercised share options granted (millions of shares) Weighted average number of shares for diluted and diluted headline earnings per share	161 1	161 2
(millions of shares)	162	163

The earnings used to determine earnings per ordinary share and diluted earnings per share is the profit for the year attributable to equity holders of Reunert of R47 million (2019: R790 million) (Refer to the statement of profit or loss).

Rm	Audited 2020	Audited 2019
9. Headline earnings Profit for the year attributable to equity holders of Reunert Headline earnings are determined by eliminating the effect of the following items from attributable earnings:	47	790
Goodwill impairment	75	67
Impairment of non-financial assets in a joint venture (after a tax credit of R14 million) Loss on disposal of subsidiary Impairment of property, plant and equipment (2019: after a tax credit of R6 million and NCI	42 20	- 44
portion of R8 million) Net gain on disposal of assets (after a tax charge of R1 million and NCI portion of R1 million)	4	26
(2019: after a tax charge of R1 million and NCI portion of Rnil)	(2)	(3)
Headline earnings	186	924
Rm	Audited 2020	Audited 2019
10. Put Option Liability As part of the Terra Firma acquisition in 2017, the Group granted put options in favour of the non-controlling shareholders for 25% of the issued share capital. The put option was exercised in the current year.		
A reconciliation of the closing balance is as below: Balance at the beginning of the year Fair value remeasurements Time value of money adjustments/unwinding of interest expense	120 3 8	120 (9) 9
Payment to option holder	(131)	120
Balance at the end of the year Less: current portion	_	120 (120)
Non-current portion	-	_

The majority of the put option for Terra Firma was settled in the current year.

The obligation was classified as a level 3 instrument in the fair value hierarchy.

The put obligation represented the fair value of the put option liability which was determined using a discounted cash flow valuation technique based on the multiples stipulated in the sale and purchase agreement. Significant unobservable inputs include:

- > The 2020 forecast revenue and net profit after tax (NPAT);
- > The earnings multiples stipulated in the sale and purchase agreement; and
- > The discount rate of 8,0%.

REUNERT LIMITED INTEGRATED REPORT 2020

Rm	Audited 2020	Audited 2019
11. Contingent considerations Reconciliation of carrying amount of contingent consideration financial liability		
Balance at the beginning of the year	41	37
Raised at acquisition at fair value		24
Settlement	(15)1	(16)
Fair value remeasurements	(2)2	(4)
Balance at the end of the year ³	24	41

- During the current year the Oculus R12 million contingent consideration was settled in full and R3 million settlement was made in respect of DoppTech contingent consideration.
- ² Arises on the remeasurement of the DoppTech purchase consideration.
- 3 The balance of the contingent consideration has been included in 'Trade and other payables,' on the statement of financial position.

These were classified as level 3 instruments in the fair value hierarchy.

Contingent considerations still in effect

DoppTech: the remaining contingent consideration for this business of R12 million is based on the achievement of specific key performance indicators as stipulated in the purchase agreement. R5 million of the contingent consideration has been settled in the current financial year, R3 million related to a cash settlement and R2 million to a fair value measurement.

Blue Nova Energy: a contingent consideration payable up to an amount of R12 million is based on the achievement of a future EBITDA target and key performance indicators stipulated within the purchase agreement. During the 2020 financial year the measurement period for the contingent consideration was extended by a further 12 months.

12. Change in Accounting Policy

IFRS 16 Leases

IFRS 16 specifies how leases will be recognised, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases, with IFRS 16's approach to lessor accounting being substantially unchanged from its predecessor, IAS 17.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The impact for the Group of the adoption of the new standard has arisen from the various properties the Group leases, the network site operating leases, plant and motor vehicles.

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated.

The Group reviewed contracts previously classified as leases under IAS 17 to determine whether the contract contains a lease on adoption date, and evaluated whether any significant contracts not previously accounted for as leases contained a lease under IFRS 16.

The Group also reviewed whether any lease terms needed to be revised under IFRS 16.

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. Where it does lease, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones), with a monetary threshold of R100 000 per lease. For short-term and low value leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

For most contracts there is limited judgement needed to determine whether an agreement contains a lease; however, where the Group has contracts for the use of Fibre and other fixed telecommunications lines, judgement has been applied to determine whether the Group controls the line and therefore has a lease.

The lease liability and right-of-use asset are initially measured at:

- > the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate; and
- > any initial direct costs incurred.

12. Change in Accounting Policy continued

The Group as a lessee continued

Judgements and assumptions made by management in applying the related accounting policies for IFRS 16:

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Subsequently, the lease liability is measured on the amortised cost basis using an effective interest method and the interest expense is allocated over the lease term.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, adjusted for remeasurements of the lease liability.

Depreciation is calculated on a straight-line basis over the lease term.

Right-of-use assets are assessed for impairments according to the impairment requirements of IAS 36.

Right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Lease modifications are defined as a change in the scope of a lease or the consideration for a lease, that was not part of the original terms and conditions of the lease. The Group differentiates between scenarios resulting in the remeasurement of existing lease assets and lease liabilities that are not lease modifications (for example, a change in lease term resulting from the exercise of an option to extend the lease when that option was not included in the original lease term) and those resulting in a lease modification (for example, a change in the lease term resulting from changes to the terms and conditions of the original lease).

The Group further distinguishes between those lease modifications that, in substance, represent the creation of a new lease that is separate from the original lease and those that, in substance, represent a change in the scope of, or the consideration paid for, the existing lease.

A lease modification is accounted for as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration paid for the lease increases by an amount commensurate with the stand alone price for the increase in scope. For lease modifications that do not result in a separate lease, the existing lease liability is remeasured using a discount rate determined at the effective date of the modification.

If the modification decreases the scope of a lease, the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, and a corresponding gain or loss is recognised in the statement of profit or loss.

For all other lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

Practical expedients applied

In applying IFRS 16 for the first time and moving forward, the Group has and will continue to use the following practical expedients permitted by the standard:

- > the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- > reliance on previous assessments on whether leases are onerous
- > the accounting for operating leases with a remaining lease term of less than 12 months
- > the accounting for operating leases of low value assets (asset, or group of assets in an individual lease, with a cost of R100 000 or lower) when new on 1 October 2019
- > the use of current knowledge and plans to determine the lease term where the contract contains options to extend or terminate the lease

REUNERT LIMITED INTEGRATED REPORT 2020

12. Change in Accounting Policy continued

Adjustment recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The rate applied is 10%. There are no material leases outside of South Africa.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The following table provides a reconciliation of the operating lease commitments and finance lease liabilities recognised as at 30 September 2019 to the total lease liability recognised on the Group balance sheet in accordance with IFRS 16 as at 1 October 2019.

Rm	1 October 2019
Operating lease commitments disclosed as at 30 September 2019 Adjusted for changes in lease terms as at 1 October 2019	(249) (26)
Adjusted operating lease commitments as at 1 October 2019 Impact of discounting using the lessee's incremental borrowing rate at the date of initial application	(275) 44
Less: low-value leases recognised on a straight-line basis as an expense Less: contracts reassessed as service agreements	(231) 2 7
Lease liability recognised as at 1 October 2019	(222)
Current lease liabilities	(64)
Non-current lease liabilities	(158)

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019.

Rm	1 October 2019
Properties	185
Plant	26
Motor vehicles	4
Total carrying amount of right-of-use assets	215

Rm	1 October 2019	IFRS 16 impact	30 September 2019
The change in accounting policy affected the following items in the balance			
sheet on 1 October 2019:			
Right-of-use assets	215	215	_
Deferred tax assets*	143	_	143
Trade and other payables	(2 177)	7	(2 184)
Lease liabilities	(222)	(222)	_
Deferred tax liabilities*	(138)	_	(138)
	(2 179)	_	(2 179)

The recognition of the right-of-use assets gave rise to a R62 million deferred tax liability and the recognition of the lease liability gave rise to a R62 million deferred tax asset. Since this had no impact in each Group company that raised IFRS 16 leases, there was no net impact on the Group's deferred tax on 1 October 2019.

12. Change in Accounting Policy continued

Lease liabilities

Rm	Audited 2020
Reconciliation of lease liabilities as at 30 September 2020:	
Balance at 1 October 2019 (2019: finance lease liabilities)	18
Lease liability recognised on initial adoption of IFRS 16	222
Borrowings raised	44
Settlements	(79)
Interest accrued	22
Remeasurement of lease liability	(4)
Termination of lease liability	(5)
Balance at 30 September 2020	218
Less: current portion	(56)
Non-current portion	162

Rm	Audited 2020	Audited 2019
Secured – at amortised cost Lease liabilities (2019: Finance lease liabilities) Less: current portion	218 (56)	18 (3)
Total secured	162	15
Amounts payable under leases Gross minimum lease payments (2019: Finance lease liabilities)	257	22
< 1 year 1 – 5 years > 5 years	71 181 5	4 18 -
Less: future finance charges	(39)	(4)
< 1 year 1 – 5 years > 5 years	(15) (24) -	(1) (3) -
Net minimum lease payments	218	18
< 1 year 1 – 5 years > 5 years	56 157 5	3 15 –

The Group's obligations under the lease liabilities (2019: finance lease liabilities) are secured by the lessor's title to the leased assets.

During the current year, lease expenses related to low value assets and short-term leases amounted to R21 million.

12. Change in Accounting Policy continued

Adjustment recognised on adoption of IFRS 16 continued

Right-of-use assets

The carrying amounts and depreciation of right-of-use assets are as follows as at 30 September 2020.

Rm	Gross Carrying amount	Accumulated ¹ Depreciation	Net Carrying Amount
Properties	234	73	161
Plant	33	10	23
Motor Vehicles	4	2	2
	271	85	186

¹ Although the current financial year was the first time the Group recognised IFRS 16 right-of-use assets, the Group previously held an investment property in terms of IAS 40 Investment Property, the net carrying amount of which was reclassified to IFRS 16 right-of-use assets on adoption of the new standard.

13. Litigation

There is no material litigation being undertaken against or by the Group.

14. Events after reporting date

In November 2020, the Group introduced a strategic partner in the ICT segment's 4th cluster and launched +One^x Solutions. +One^x Solutions is a cloud systems integrator targeting enterprise and mid-market segments with new age digital systems.

15. Going concern

Due to the COVID-19 pandemic, the Group focused on liquidity and cash flow preservation. Various measures that were implemented included cost optimisation and working capital initiatives. The Group continues to have sufficient available banking facilities to support business activities as it recovers to more normal levels of trading in the short to medium term. The directors have reviewed the Group's financial position, existing credit facilities and available cash resources and are satisfied that the Group will continue as a going concern for at least the next 12 months from the date of this report.

16. External auditors' audit opinion

The audited financial statements including the Auditor's Report thereon from which the summarised consolidated financial statements have been extracted are available on the company's website.

Summarised segmental analysis

For the year ended 30 September 2020

Rm	Audited 2020	% of total	Restated 2019	% of total	% change
Revenue ¹ Electrical Engineering (EE) Information Communication Technologies (ICT) Applied Electronics (AE) Other	3 767 2 524 1 951 17	46 30 24	5 457 3 236 2 346 16	50 29 21 –	(31) (22) (17) 6
Total segment revenue Equity-accounted joint venture in EE segment Equity-accounted associate in ICT segment Equity-accounted joint venture in Other segment	8 259 (179) (28) (6)	100	11 055 (307) (29) (5)	100	(25)
Revenue as reported in the statement of profit or loss	8 046		10 714		(25)
Operating profit EE ICT ² AE Other	31 604 269 (33)	4 69 31 (4)	320 770 361 (71)	23 56 26 (5)	(90) (22) (25) (54)
Total operations Operating loss from equity-accounted joint venture in EE segment Operating profit from equity-accounted associate in ICT segment Operating profit from equity-accounted joint venture in Other segment	871 30 (3) (5)	100	1 380 11 (4) (4)	100	(37)
Operating profit before credit write-off and expected credit losses Expected credit losses in EE segment Expected credit losses and credit write-off in ICT segment Expected credit losses in AE segment	893 (26) (541) (19)		1 383 3 (22) (3)		(35)
Operating profit as reported in the statement of profit or loss	307		1 361		(77)

Inter-segment revenue has been eliminated, however it is immaterial and has not been separately disclosed.

The net interest charged on Group funding provided to the Group's in-house finance operation has been eliminated in line with IFRS 10 -Consolidated Financial Statements. The interest eliminated amounted to R134 million (2019: R170 million). Should this operation be externally funded, this would result in a reduction of ICT's operating profit by the quantum of the external interest paid.

	As at 30 Se	ptember		
Rm	Audited 2020	% of total	Audited 2019	% of total
Total assets				
EE	2 420	25	2 820	27
ICT	4 328	44	4 678	45
AE	2 500	26	2 322	23
Other	478	5	484	5
Total assets as reported in the statement of financial position ¹	9 726	100	10 304	100
Total liabilities				
EE	1 007	32	1 131	39
ICT	1 037	32	748	26
AE	793	25	789	28
Other	346	11	205	7
Total liabilities as reported in the statement of financial position ¹	3 183	100	2 873	100

Intercompany receivables, payables and loans have been eliminated in line with the consolidation principles of IFRS.

Impact of restatement

The reason for the restatement is to highlight the significant impact of the credit write-offs and expected credit losses on the result for 2020 financial year. This has resulted in additional disclosure for 2019 in order to reflect the comparative.

2019 Rm	Operating profit for total operations as previously reported	Expected credit losses previously incorporated in operating profit for total operations	Operating profit for total operations as reported now
EE	323	(3)	320
ICT	748	22	770
AE	358	3	361
Other	(71)	_	(71)
	1 358	22	1 380

REUNERT LIMITED INTEGRATED REPORT 2020

Additional information

Rm (unless otherwise stated)	Audited 2020	Audited 2019
Net number of ordinary shares in issue (million)	161	161
Number of ordinary shares in issue (million) Less: Empowerment shares (million) Less: Treasury shares (million)	185 (19) (5)	185 (19) (5)
Capital expenditure	170	158
expansionreplacement	138 32	102 56
Capital commitments in respect of property, plant and equipment	122	60
contractedauthorised, not yet contracted	27 95	30 30
Unaudited		
Current ratio (:1) Quick ratio (:1) Dividend yield (%)* Return on capital employed (%)	1,9 1,3 9,0 4,5	2,1 1,6 7,4 17,8

Calculated as the total dividend (interim 65 cents per share and final 192 cents per share) (2019: 130 cents and 383 cents per share) divided by a Reunert share price of 2 863 cents (2019: 6 900 cents), being the closing market price on 30 September 2020.

With effect from 1 October 2019 with the adoption of IFRS 16 Leases, all material lease commitments are included as current or non-current liabilities in the statement of financial position. Commitments in respect of the remaining leases not accounted for in terms of IFRS 16 are not material.

Definitions of ratios and other financial terms will be incorporated into the Integrated Report and are consistent with those contained in the 2019 Integrated Report.

Reunert's integrated approach to sustainability

Building trust and accountability: how Reunert is governed

Incentivising value creation through fair and responsible remuneration

Share ownership analysis At 30 September 2020

Shareholder spread	Number of shareholders	%	Number of shares (millions)	%
1 – 1 000 shares	7 109	74,0	2	1,1
1 001 - 10 000 shares	1 932	20,1	6	3,2
10 001 - 100 000 shares	413	4,3	12	6,5
100 001 - 1 000 000 shares	120	1,2	39	21,1
1 000 001 shares and more	34	0,4	126	68,1
Total	9 608	100,0	185	100,0
Public/Non-public shareholders	Number of shareholders	%	Number of shares (millions)	%
Non-public shareholders	6	0,1	25	13,1
Bargenel Investments Proprietary Limited ¹	1		19	10,0
Reunert Share Option Trust	2		1	0,3
Own Holdings ²	3		5	2,8
Public Shareholders	9 602	99,9	160	86,9
Total	9 608	100,0	185	100,0
Beneficial shareholders holding 5% or more			Number of shares (millions)	%
Government Employees' Pension Fund Bargenel Investments Proprietary Limited ¹			22 19	12,0 10,0
	2020		2019	
	Number of shares	%	Number of shares (million)	%
	(million)	%	(ITIIIIOTI)	70
Major holdings through fund managers in excess of 5%	(million)	70	(Hillion)	70
Major holdings through fund managers in excess of 5% Old Mutual Investment Group (South Africa) Proprietary Limited	(million) 25	13,3	17	9,4
, , , , , , , , , , , , , , , , , , , ,	, ,	,		
Old Mutual Investment Group (South Africa) Proprietary Limited	25	13,3	17	9,4
Old Mutual Investment Group (South Africa) Proprietary Limited Public Investment Corporation Limited ³	25 21	13,3 11,4	17 21	9,4 11,5

Empowerment transaction shares

Own shares include 179 045 ordinary shares held by the executive directors

Included in the Government Employees Pension Fund.

^{*} Holdings were below 5%

Financial value-added statement

Rm	2020	%	2019		% Change 2020 over 2019
Revenue Paid to suppliers for materials and services	8 046 5 505		10 714 6 882		(25) (20)
Value added Income from investments	2 541 41	98 2	3 832 44	99	(34) (7)
Total wealth created	2 582	100	3 876	100	(33)
Distributed as follows Employees Providers of capital Providers of debt Payments to government Socio-economic development ¹ Retained in the Group to develop future growth	1 575 727 83 455 46 (304)	61 28 3 18 2 (12)	1 824 817 59 817 52 307	47 21 2 21 1 8	(14) (11) 41 (44) (12) (199)
Total wealth distributed	2 582	100	3 876	100	(33)

¹ Includes enterprise and supplier development and corporate social investment contributions.

10-year review

Condensed statements of financial position

Rm	2020	2019	2018	2017	2016	2015	2014	2013¹	2012	2011
Assets										
Property, plant and equipment	826	862	927	890	904	674	644	631	625	612
and investment property	826 186		927					631		612
Right-of-use assets	186 445	- 430	370	205	- 115	- 71	- 78	- 82	- 82	90
Intangible assets										
Goodwill	924	999	1 053	921	737	653	649	792	707	655
Other investments and loans Investments in joint ventures	61	60	56	55	53	95	92	129	64	46
and associate	74	154	158	159	152	158	149	170	-	_
Non-current leases and loans										
receivable	1 778	2 082	1 990	1 682	1 449	1 463	1 465	1 378	1 067	966
Deferred tax assets	172	143	151	105	104	92	51	55	33	32
Cash and cash equivalents	1 029	939	765	1 522	1 712	2 713	697	611	697	643
Other current assets	4 231	4 635	4 983	4 550	4 683	3 480	5 757	3 525	3 313	3 062
Total assets	9 726	10 304	10 453	10 089	9 909	9 399	9 582	7 373	6 588	6 106
Equity and liabilities										
Equity attributable to equity		7.040	7 400	7.400	7.044	0.070	0.000	4.070	4 4 4 4 0	0.004
holders of Reunert	6 505	7 312	7 438	7 138	7 011	6 679	6 269	4 878	4 443	3 881
Non-controlling interests	38	119	88	105	81	46	63	59	56	55
Total equity	6 543	7 431	7 526	7 243	7 092	6 725	6 332	4 937	4 499	3 936
Deferred tax liabilities	89	138	156	112	102	98	121	132	127	99
Non-current liabilities of										
discontinued operation	_	_	-	_	-	-	251	-	_	_
Non-current liabilities	259	71	225	194	43	239	425	25	25	1
Current liabilities	2 835	2 664	2 546	2 540	2 672	2 337	2 453	2 279	1 937	2 070
Total equity and										
liabilities	9 726	10 304	10 453	10 089	9 909	9 399	9 582	7 373	6 588	6 106
แลมแนเธอ	3 / 20	10 304	10 403	10 009	3 303	স ১ স প্ত	J 002	/ 3/3	0 000	0 100

¹ Restated to reflect the changes in accounting standards and accounting for Nashua Mobile as an asset held for sale.

10-year review continued

Condensed statements of profit or loss

Rm	2020	2019	2018	2017	2016	2015	2014	2013¹	2012	2011
Revenue	8 046	10 714	10 492	9 773	8 511	8 300	7 774	7 247	11 662	10 923
Operating profit Net interest (expense)/income	307 (42)	1 361 (15)	1 542 11	1 497 65	1 315 137	1 167 135	1 017 (10)	1 102 12	1 524 42	1 391 41
Profit before empowerment/										
abnormal transactions Empowerment/abnormal	265	1 346	1 553	1 562	1 452	1 302	1 007	1 114	1 566	1 432
transactions	(99)	(154)	(42)	(20)	(113)		(327)			347
Profit before tax Tax	166 (82)	1 192 (387)	1 511 (358)	1 542 (437)	1 339 (404)	1 302 (360)	680 (278)	1 114 (313)	1 566 (483)	1 779 (426)
Profit after tax	84	805	1 153	1 105	935	942	402	800	1 083	1 353
Share of joint ventures' and associate's (loss)/profit Profit for the year of asset	(77)	(1)	(1)	37	28	17	(12)	10	_	_
held for sale	_	_	_	_	_	42	1 584	162	_	_
Profit for the year	7	804	1 152	1 142	963	1 001	1 974	972	1 083	1 353
Profit/(loss) for the year attributable to:										
Non-controlling interests	(40)	14	(6)	30	9	7	3	14	16	16
Equity holders of Reunert	47	790	1 158	1 112	954	994	1 971	959	1 067	1 338
Headline earnings attributable to equity										
holders of Reunert	186	924	1 135	1 111	942	968	829	952	1 067	989

Restated to reflect the changes in accounting standards and accounting for Nashua Mobile as an asset held for sale.

Condensed cash flow statements

Rm	2020	2019	2018	2017	2016	2015	2014	2013¹	2012	2011
EBITDA	547	1 526	1 699	1 635	1 433	1 329	1 315	1 439	1 661	1 513
Decrease/(increase) in net working capital	21	318	(498)	(225)	(396)	62	(44)	(150)	(192)	48
Cash generated from operations before non-cash items Net cash interest (paid)/ received and dividends received Tax paid Dividends paid Other (net)	568 (34) (145) (727) 589	(6) (403) (817) (66)	20 (445) (781) (79)	70 (375) (745) 60	1 037 137 (431) (690) 50	1 391 133 (415) (629) 79	1 271 (6) (332) (612) (93)	1 289 16 (361) (612) (11)	1 469 42 (447) (577) 26	1 561 41 (438) (499) (2)
Net cash inflow/(outflow) from operating activities Net cash (outflow)/inflow from investing activities Net cash (outflow)/inflow from financing activities	251 (333) (255)	552 (418) (92)	(84) (597) (85)	420 (21) (386)	103 (1 205) (222)	559 1 641 21	228 (494) 439	321 (693) 45	513 (499) 42	(663) 485 (1 769)
Net (decrease)/increase in net cash and cash equivalents	(337)	42	(766)	13	(1 324)	2 221	173	(327)	56	(621)

¹ Restated to reflect the changes in accounting standards and accounting for Nashua Mobile as an asset held for sale.

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.

Appendices

How Reunert compiled this report 133
Abbreviations and acronyms 135
Business units' shorthand 136
Definitions and formulae 136
Corporate information and administration IBC

Remote working solutions for businesses with distributed workforces

Seamless solutions to keep business running as usual.



How Reunert compiled this report ⁵

Scope and boundary

This report includes Reunert's South African operations and its subsidiaries in Australia, Lesotho, South Asia, the USA and Zambia.

Reunert discloses where it included or excluded information, where relevant. The most notable exclusion is the cable operation in Zimbabwe (Cafca). It is excluded from the consolidated results due to Reunert not exercising control over its Board and due to the low level of influence the Group currently exerts over this entity1 and Reunert's inability 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 transparent reporting:

- > International Integrated Reporting Council's Integrated Reporting Framework
- > King Report on Corporate Governance $^{\text{TM}}$ for South Africa, 2016 (King IV)
- > Companies Act, 71 of 2008 (as amended) (Companies Act)
- > Johannesburg Stock Exchange Listings Requirements
- > International Financial Reporting Standards (IFRS)
- > Greenhouse Gas Protocol (GHG Protocol)

The following provides a summary of Reunert's annual reporting suite:

Report	Report purpose	Online reference
Integrated Report	The report was prepared to disclose material considerations, and it provides an overview of how Reunert and its operations create and sustain value in the context of its operating environment. The report includes summarised Annual Financial Statements, adopted from the audited consolidated Annual Financial Statements.	www.reunert.co.za
Annual Financial Statements	These comprise the audited consolidated and separate Annual Financial Statements of Reunert for the year ended 30 September 2020 (the financial year), prepared in compliance with IFRS and the Companies Act.	www.reunert.co.za/results-reports-and- presentations.php
Notice of AGM 9	This includes the required statutory information and notice of AGM which is distributed to shareholders to call the AGM.	www.reunert.co.za/results-reports-and- presentations.php
GHG Protocol Report	This report reflects Reunert Limited's greenhouse gas emissions and water usage for the financial year based on the GHG Protocol Corporate Accounting and Reporting Standard.	www.reunert.co.za/sustainability.php
King IV Disclosure Matrix	This report provides disclosure on Reunert's application of the King IV principles.	www.reunert.co.za/sustainability.php

How Reunert compiled this report continued

Reunert's 2020 Integrated Report is supplemented by four supplementary fact sheets which are available online at www.reunert.co.za/sustainability.php:

Report	Report purpose
Group Overview and Business Units	This report sets out the core business units of Reunert Limited's three segments and their products and services, distribution channels, market sectors and intellectual property.
Standards and Principles	This report discloses some key internal and external standards and principles that are applied in the Group, including those around quality, environmental and other related standards.
Broad-Based Black Economic Empowerment (B-BBEE) Rating per Business Unit	This details Reunert's material South African subsidiaries' B-BBEE levels.
King IV Disclosure Matrix	This provides more detail on Board members' expertise.

Assurance and data measurement 9

Reunert aims to uphold high standards of transparency in disclosures and reporting. It relies on a Combined Assurance Framework (page 85) which includes the opinion of management and internal and external assurance providers. Internal controls are also a key component of the assurance process.

The Group's external auditors have audited the annual financial statements for the year ended 30 September 2020 and their unqualified audit report is contained therein. The summarised consolidated financial statements included in this report have been extracted from these audited annual financial statements.

External verifications were attained for B-BBEE ratings, various ISO certifications, Reunert's information technology and internal audit systems, as well occupational, health and safety standards. 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.

Feedback

Reunert strives to continually improve the quality and relevance of its stakeholder communications, and it welcomes feedback on the report. Please send any comments to the Investor Relations and Communications Manager at invest@reunert.co.za.

King IV principles' summary¹

	the state of the s		
1	Leadership	9	Evaluations of the performance of the governing body
2	Organisational ethics	10	Appointment and delegation to management
3	Responsible corporate citizenship	11	Risk governance
4	Strategy and performance	12	Technology and information governance
5	Reporting	13	Compliance governance
6	Primary role and responsibilities of the governing body	14	Remuneration governance
7	Composition of the governing body	15	Assurance
8	Committees of the governing body	16	Stakeholders

¹ King IV's 17th principle only relates to institutional investors and has no bearing on Reunert.

Information Technology Johannesburg Stock Exchange Limited The King IV Report on Corporate Governance™ for South Africa, 2016 Key performance indicator Learning Management System

LMS	Learning Management System
LTE	Long-term evolution
LTI	Long-term incentive
MEIBC	Metal and Engineering Industries
	Bargaining Council

JSE

KPI

VBX

ZESCO

King IV

NCCF	Nashua Children's Charity Foundation
NHEPS	Normalised headline earnings per share
NUMSA	National Union of Metalworkers of South Africa
OHSA	South African Occupational Health and Safety Act
D0	6 .

. *	THOTOVOITAIO
ROCE	Return on capital employed
SED	Socio-economic development
Setco	Social, Ethics and Transformation Committee
SMME	Small, medium and micro-sized enterprise
SOE	State-owned entity
STI	Short-term incentive
TDV	Total document volume
TSR	Total shareholder return

Virtual private branch exchanges

Zambian Electricity Supply Commission

AGN	1	Annual General Meeting
B-BE	BEE	Broad-based Black Economic
		Empowerment
B-BE	BEE Codes	B-BBEE Codes of Good Practice
Boar	d	Board of directors
POO		Puild own aparata

Abbreviations and acronyms

Adivi	Annual deficial Meeting
B-BBEE	Broad-based Black Economic
	Empowerment
B-BBEE Codes	B-BBEE Codes of Good Practice
Board	Board of directors
ВОО	Build-own-operate
CDP	Previously the Carbon Disclosure Project
Group CEO	Group Chief Executive Officer
Group CFO	Group Chief Financial Officer
Companies Act	The Companies Act, 71 of 2008 (as amended)
COVID-19	2019 novel coronavirus
CPI	Consumer price inflation
CSI	Corporate social investment
DBP	Deferred Bonus Plan
Deloitte	Deloitte & Touche
DoA	Delegation of Authority
EE	Employment equity
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
Exco	Group Executive Committee
FCF	free cash flow
GDFI	Gross domestic fixed investment
GDP	Gross domestic product
GHG	Greenhouse Gas Protocol
GRI	Formerly the Global Reporting Initiative
HEPS	Headline earnings per share
HR	Human resources
IFRS	International Financial Reporting Standards
IP	Internet protocol

International Organization for

Standardization

REUNERT LIMITED INTEGRATED REPORT 2020

Business units' shorthand

Cafca	Cafca Limited
African Cables	CBi-Electric: African Cables
Low Voltage	CBi-Electric: Low Voltage
Telecom Cables	CBi-Electric: Telecom Cables Proprietary Limited
ECN	Electronic Communications Network Proprietary Limited
Fuchs	Fuchs Electronics
ICT	Information Communication Technologies
Nanoteq	Nanoteq Proprietary Limited
Omnigo	Omnigo Proprietary Limited
Quince	Quince Capital
Zamefa or CBi-Electric: Zamefa	Metal Fabricators of Zambia PLC

Definitions and formulae

Average net operating assets

The average of the opening and closing balance of each year

Average 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 number of 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

Earnings (operating profit) before interest, taxation, depreciation and amortisation

Free cash flow

The net cash flow from operations before dividends paid less replacement capital expenditure

Headline earnings per share (cents)

Attributable earnings adjusted in terms of SAICA Circular 1/2019

Weighted average number of shares in issue during the year

Market capitalisation

Market price per share at year-end x (ordinary shares in issue - treasury shares - empowerment shares)

Net asset turn (times)

Revenue

Average net operating assets

Net borrowings

Total borrowings - (cash + cash equivalents)

Net interest cover (times)

Operating profit

Interest paid

Net operating assets

Total assets - (cash + cash equivalents) - (current liabilities - bank overdrafts and short-term facilities - current portion of long-term loans)

Net worth per share (cents)

Shareholders' funds

Shares in issue at year-end -(treasury shares + empowerment shares)

NHEPS (cents)

Attributable headline earnings + 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 (%)

Normalised headline earnings

Average shareholders' funds

Total assets

Non-current assets + current assets

Total borrowings

Interest-bearing debt

Total liabilities

Total liabilities - deferred tax liabilities

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

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

Business address and registered office

Nashua Building

Woodmead North Office Park 54 Maxwell Drive Woodmead

2191 Sandton South Africa

Postal address PO Box 784391 Sandton 2146 South Africa

Company Secretary and administration

Reunert Management Services Proprietary Limited

Nashua Building

Woodmead North Office Park

54 Maxwell Drive Woodmead Sandton 2191 South Africa

Karen Louw¹

Admitted Attorney to the High Court of South Africa Directly responsible for secretarial matters

Email: karenl@reunert.co.za Telephone: +27 11 517 9000

Group Legal

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¹ Will stay on until further notice.

