

Corporate governance

The Reunert board of directors and group management are firmly committed to sound corporate governance and endorse the principles of fairness, responsibility, accountability and transparency as set out in the King Report on Corporate Governance in South Africa of March 2002 (King code).

Reunert strives to comply fully with the recommendations of the King report, including the code of corporate practice and conduct, and motivates its staff to conduct business activities with integrity. The board is satisfied that the group, in all material respects, has complied with the provisions and the spirit of the King code and that the group is in compliance with all the required JSE codes. The group endeavours to incorporate into its actions the best possible mutual interests of all stakeholders, including investors, employees, suppliers, customers and the communities in which it operates.

Board, directors and committees

Composition of the board

The Reunert board currently consists of 12 directors, seven of whom are non-executive, independent directors as defined in the King code. Board members duly consider diversity and the appropriate balance of executive, non-executive and independent directors when making or recommending appointments to the board. The directors bring a wide range of experience, wisdom and professional skills to the board. The composition of the board with brief resumés for each director appears on pages 12 and 13 of this report.

Declaration of interests

Several non-executive directors hold directorships in other listed companies. Full details of these directorships are listed on pages 12 and 13.

When there appears to be a conflict of interest, the director concerned will recuse him/herself from discussions at board or board committee meetings when the relevant matter is tabled.

Board charter

The Reunert board has adopted a board charter. Its salient features include:

- demarcation of the roles, functions, responsibilities and powers of the board;
- terms of reference of the various board committees;
- matters reserved for decisions by the board; and
- policies and practices of the board on matters such as corporate governance, board meetings and documentation, disclosure of conflicts of interest and trading by directors in the securities of the company.

Roles and responsibilities

The roles of the chairman and the chief executive are separate. The chairman is elected by members of the board. The chairman chairs shareholder meetings, but has no executive or management responsibilities.

The board, on the recommendation of the nomination committee, appoints the chief executive. In addition, the board, on the recommendation of the remuneration committee, determines the duration of his appointment, terms of appointment and compensation.

Non-executive directors are not appointed under service contracts and their remuneration is not tied to the group's financial performance. There is a clear division of board responsibilities and no individual has unfettered powers of decision-making.

Directors are jointly accountable for decisions of the board. Directors have a legal obligation to act in the best interests of the company and the group, to act with due care in discharging their duties as directors, to declare and avoid conflicts of interest with the company and the group and to account to the company for any advantages gained in discharging their duties on behalf of the company.

The board of directors has evaluated its own performance, including that of the chairman and the chief executive, this past year. Such an assessment will be completed periodically.

The Reunert board of directors, among other functions:

- retains full and effective control of the group;
- monitors and evaluates the implementation of strategies, policies and management performance;
- sets criteria and approves business plans;
- determines the group's purpose and values;
- ensures the group complies with sound codes of business practice;
- has unrestricted right of access to all company information, records, documents and property;
- ensures a process exists to identify key business risk areas and key performance indicators; and
- guards the interests of minorities through its independent, non-executive directors.

The board meets quarterly and at any additional time as required. Members of senior management may be invited to attend board meetings to facilitate communication between executive management and non-executive board members.

During the past financial year, the board met four times on the following dates:

Date	Meeting	Apologies tendered
6 February 2007	Board Et AGM	KC Morolo
17 May 2007	Board	—
30 August 2007	Board	KC Morolo
20 November 2007	Board	—

Appointment and re-election of directors

Directors are subject to retirement by rotation and re-election by shareholders at an annual general meeting at least once every three years under the company's articles of association. The board charter is an integral part of the conditions of appointment of all directors. Procedures for appointments are formal and transparent and a matter for the board as a whole.

Non-executive directors retire after reaching the age of 70 at the next annual general meeting. Executive directors retire from the board at 63 years of age at the next annual general meeting.

Ms ND Orleyn, having been elected to the board during the year, is required to retire at the next annual general meeting but, being eligible, offers herself for re-election. Messrs BP Connellan, BP Gallagher and G Pretorius and Ms KC Morolo retire by rotation at the next annual general meeting. The nomination committee has recommended that they be re-elected and they have offered themselves for re-election.

Details of remuneration, fees or other benefits earned by directors in the past year are given in note 29 to the annual financial statements.

Board committees

In terms of the articles of association, the board has the power to appoint board committees and to delegate powers to these committees. The board has four sub-committees: the audit and risk committee, the remuneration committee, the nomination committee and the group executive and risk management committee. Minutes are kept of all committee meetings. These committees can, at their own discretion, seek independent, outside professional advice when necessary. All committees have charters approved by the Reunert board. The committees are directly responsible to the board.

Audit and risk committee

KS Fuller (chairman), BP Connellan, SD Jagoe, G Pretorius, DJ Rawlinson

The audit and risk committee, chaired by an independent non-executive director and comprising a majority of independent non-executive directors, meets at least twice a year. The committee reviews the group's internal and external audit reports and agrees on the scope of audits. The committee operates in terms of its charter and reviews audit, accounting and financial reporting issues and ensures an effective internal control environment in the group. The committee reports bi-annually to the board on the effectiveness of risk controls and management within the group.

During the year, the following meetings took place:

Date	Meeting	Apologies tendered
14 May 2007	Regular	–
12 October 2007	Special	G Pretorius
15 November 2007	Regular	–

Remuneration committee

SD Jagoe (chairman), MJ Shaw, JC van der Horst

This committee comprises independent non-executive directors only and meets at least twice a year to make recommendations to the board on the framework of executive remuneration. These recommendations include granting share options in terms of the Reunert Share Option Scheme and performance-based incentives. The chief executive attends these meetings by invitation. In the past year, the remuneration committee met on 6 February 2007, 30 August 2007 and 20 November 2007, all with full attendance.

Executive remuneration philosophy

Reunert follows a holistic approach to executive remuneration. The total remuneration paid to executives is made up of a fixed base pay component (cash and benefit payments), a short-term incentive (variable) component and a long-term incentive scheme. Remuneration is market related and benchmarked against publicly available information.

In 2005, a decision was taken to increase the proportion of remuneration at risk relative to the guaranteed base pay component. The base pay component increases were capped at 6% for 2005 and 2006 while the short-term incentive was increased from a maximum of 100% of the cash package in 2005 to a maximum of 140% of the base pay component, with effect from the 2007 financial year. The base pay component increase for 2008 was capped at 8%.

The short-term incentive for executive management is based on economic value-added principles. Growth targets to be achieved on a compound basis were set in 2000 and are still applicable. The incentive is self-funding, where a percentage of returns in excess of the required growth is available for distribution to management, and is smoothed over a three-year period to avoid opportunism. The short-term incentive for executive directors is based on earnings per share.

All executives have, in addition to their financial targets, additional non-financial objectives that form part of the short-term incentive scheme. The scheme is structured to find an appropriate balance between financial and non-financial objectives as well as performance and behavioural criteria. These additional criteria, which are individually set, are only considered when the value-added or earnings targets are achieved.

Long-term incentives are provided through a share option scheme. Eligible executives are periodically, usually at two-year intervals, granted options that become exercisable in equal portions after three, four and five years. Participation in this scheme is limited and the overall number of shares under option, historically, has been less than 10% of Reunert's issued shares at any time.

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Nomination committee

MJ Shaw (chairman), SD Jagoe, JC van der Horst

This committee comprises independent non-executive directors only and meets at least annually to make recommendations to the board on the composition of the board and to identify and nominate candidates to fill any vacancies. In addition, the committee is tasked to advise the board on succession planning. The committee met on 6 February 2007, 30 August 2007 and 20 November 2007, all with full attendance.

Group executive and risk management committee

G Pretorius (chairman), BP Gallagher, GJ Oosthuizen, DJ Rawlinson

The group executive and risk management committee comprises executive directors only and is constituted to assist the chief executive to manage the group. Executive directors and senior executives meet regularly to guide and control the overall direction of the group and to identify potential risk areas. The internal audit department assists the board and management in monitoring the risk management process.

Company secretary

The board has access to the advice and services of RMS. RMS fulfils the role of company secretary and administers the share option scheme and all statutory requirements of the company and the group. The board believes the management of RMS has the requisite attributes, experience and qualifications to fulfil its company secretarial commitments effectively.

Sponsor

The company continues to use RMB as its sponsor. RMB's services include advising the board on the interpretation of, and compliance with, the listing requirements of the JSE and reviewing all notices required in terms of its statutes and JSE rules and regulations.

External audit

The board has appointed Deloitte & Touche to perform an independent and objective audit on the group's annual financial statements. The financial statements are prepared in terms of International Financial Reporting Standards (IFRS). The board has considered the extent of non-audit related services provided by the external auditors and is satisfied that the independence of the external auditors is not compromised.

Accounting and internal controls

Accounting and internal controls focus on critical risk areas. The controls are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorised use and those financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities. The identification of risks and the implementation and monitoring of adequate systems of internal, financial and operating controls to manage such risks are delegated to senior executive management. The board acknowledges its responsibility for ensuring that management implements and monitors the effectiveness of systems of internal, financial and operating controls. The board, via the audit and risk committee, receives regular reviews from management on the effectiveness of established controls and procedures to ensure the accuracy and integrity of the accounting records and monitors the wider group's businesses, risks and performance.

The board has not been informed by executive management or internal audit of any issue that would constitute a material breakdown in the functioning of these controls during the financial year under review.

Internal audit

Instituted, comprehensive internal controls assist management and the directors in fulfilling their responsibility for preparing the annual financial statements, safeguarding assets and providing answers on transactions that are executed and recorded in terms of company and group policies and procedures.

Internal audit responds to these requirements by performing periodic independent evaluations of the adequacy and effectiveness of all controls, financial reporting structures and the integrity of all information systems and records.

Internal audit reports to the audit and risk committee and has unrestricted access to the chairman of the board.

Non-financial matters

Reunert is committed to upholding and maintaining best international practices in the social, ethical, safety, health and environmental spheres of its business and acknowledges the responsibility it bears as a corporate citizen in society. The group sets the highest level of ethical standards for all its officers and employees in conducting business and dealing with all stakeholders.

Employment equity

The group supports employment equity and is committed to providing equal opportunities for all employees. All business units have employment equity programmes that comply with legislative objectives and requirements. Various skills development, mentoring and training programmes exist within the group. An in-depth review of Reunert's focus on people development is available in Building and Developing People, on pages 16 to 23.

Environmental issues

Systems and policies are in place to control or influence issues that can have an impact on the environment. To see more on how we address these issues go to page 23.

Communications with stakeholders

Reunert is committed to ongoing and effective communication with all stakeholders. It subscribes to a policy of open, frank and timely

communication in line with JSE guidelines and sound corporate governance practice. Executive directors conduct one-on-one interviews during open periods, whilst executive management interacts with investors and shareholders through participative, open investor days.

Numerous channels are used to disseminate information according to the preferences of the intended target audiences. These include ongoing dialogue with institutional investors, analysts and the media, and a corporate website (<http://www.reunert.com>) with up-to-date information on the group.

Dealing in the company's shares and closed periods

Employees are restricted from dealing either directly or indirectly in the company's shares based on privileged price-sensitive information before it is publicly announced to the market.

Senior executives require permission from the chief executive before shares are purchased or sold. All directors require permission from the chairman before dealing in the company's shares.

The group operates a closed period prior to the publication of its interim and year-end results.

During these periods, the group's directors, officers and senior management may not deal in the shares of the company, nor may they discuss the group's financial prospects with any outside party. Additional closed periods are enforced as required by any corporate activity.

Code of ethics

The group's code of ethics is printed on the inside back cover and is displayed on the company website. All employees are required to adhere to this code.