

REUNERT

REUNERT LIMITED

# TERMS OF REFERENCE

# REMUNERATION COMMITTEE

REVIEWED BY THE COMMITTEE ON 24 AUGUST 2018

APPROVED BY THE BOARD ON 24 AUGUST 2018

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## 1. Introduction

The Remuneration Committee (“**the Committee**”) is constituted to assist the board of directors (“**the Board**”) of Reunert Limited (“**the Company**”) with its oversight and management of the remuneration philosophy and policies in the Company and its subsidiaries (“**the Reunert Group**”).

## 2. Purpose

The purpose of this document is to:

- Constitute the terms of reference for the Committee in its compliance with its statutory duties and additional functions as mandated by the Board; and
- Regulate the affairs of the Committee and deal with administrative matters relating thereto, including disclosure to stakeholders (which includes shareholders).

## 3. Composition

The members of the Committee will be appointed from time to time by the Board of the Company.

The Committee shall have a minimum of three members. All of the members of the Committee shall be non-executive directors and the majority of the members shall be independent. The chair of the Board shall be an *ex officio* member of the Committee. (The chair of the committee must be an independent non-executive director, as dealt with in paragraph 8.3.)

At least one member of the committee must also be a member of the social, ethics and transformation committee.

## 4. Mandate

The role and associated responsibilities and functions of the Committee shall be to:

- Approve the remuneration policy that gives effect to the remuneration policy objectives in a fair, responsible and transparent manner;
- Oversee all long- and short-term incentive structures in the Reunert Group from time to time;
- Recommend a policy on the administration of non-executive directors’ fees and recovery of expenses for approval by the Board; and review such policy annually;
- Make recommendations to shareholders on pre-approval of directors’ fees at each annual general meeting;
- Oversee that the implementation and execution of the remuneration policy achieves the policy’s objectives; and
- Report, by way of the integrated report or another publicly available platform (and in accordance with the audit committee’s guidance in this regard), on matters which fall within its mandate and as required by the Companies Act, 2008, the JSE Limited Listings Requirements or recommended by the King IV Code.

The committee shall oversee, in the context of the Group’s strategies and governance framework, the salaries, incentives and increases of each executive in the Reunert Group whose base cost of employment exceeds the threshold determined by the committee from time to time, and shall retain oversight, by business unit, of salaries, incentives and increases for all other employees.

In order to fulfil its mandate, the committee shall:

- Obtain and consider salary benchmark information; and
- Understand and balance the reasonable expectations of shareholders with respect to executive remuneration, in line with the remuneration policy objectives; and;
- Oversee the alignment of the Reunert Group's remuneration between equivalent business units.

The Committee shall be entitled to exercise discretion, if required in the interest of fairness, in the event of unforeseen or unusual circumstances (and to the extent that it is not prohibited by the rules of any incentive structure or the JSE Limited Listings Requirements) to adjust or direct the manner in which the rules of any Reunert Group incentive structure is applied.

## 5. Remuneration policy

### 5.1 Remuneration policy objectives are to:

- Attract, retain, motivate and reward exceptional performance;
- Promote positive outcomes and the achievement of strategic and operational objectives;
- Be flexible enough to adjust to changing economic conditions and to the group's needs;
- Foster individual performance and teamwork; and
- Promote an ethical culture and responsible corporate citizenship.

### 5.2 Remuneration policy elements

The Committee shall ensure that the elements of remuneration, set out below, are implemented in a manner that is balanced, fair and responsible and encourages behaviour that aligns with the remuneration policy objectives.

The remuneration policy elements to be considered by the Committee are:

- Base salary, including financial and non-financial benefits;
- Variable remuneration, including short- and long-term incentives and deferrals;
- Payments on termination of employment or office;
- Sign-on, retention or restraint payments; and
- The provision, if any, for pre-vesting forfeiture and post-vesting forfeiture of remuneration.

The committee shall set the rules that regulate the incentive structures, including the participation, performance measures and vesting criteria for each incentive structure.

## 6. Reporting

Reporting by the Committee shall involve the following:

### 6.1 Governance

The committee shall disclose the following with respect to its activities during the financial year:

- Its overall role and associated responsibilities and functions;
- Its composition, including each members' qualifications and experience;
- Any external advisors or invitees who regularly attend meetings;
- Key areas of focus during the reporting period and key areas of future focus;
- The number of meetings held during the reporting period and attendance at those meetings; and
- Whether the Committee is satisfied that it has fulfilled its responsibilities in accordance with these terms of reference, for the reporting period.

## 6.2 Alignment with the King IV Code

The committee shall oversee that information be made publicly available, on an annual basis, containing a background statement, an overview of the Reunert Group's remuneration policy and a remuneration implementation report, in accordance with the recommended practices of Principle 14 of the King IV Code (by way of the annual integrated report or another publicly available platform), subject to the Committee's discretion to adjust or not apply any of the recommended practices, as the Committee deems appropriate.

## 6.3 Compliance with the Companies Act

The committee shall provide such assistance and information to the audit committee as are required for the disclosure of the remuneration of directors and prescribed officers, in accordance with the requirements of section 30 of the Companies Act.

## 6.4 Compliance with the JSE Limited Listings Requirements

In accordance with the JSE Limited Listings Requirements, to oversee that:

- The remuneration policy and implementation report are tabled every year at the annual general meeting for a non-binding advisory vote by shareholders;
- The remuneration policy records the measures that the Board will take in the event that either the remuneration report or the implementation report (or both) are voted against by 25% or more of the votes exercised at the annual general meeting;
- In the event that 25% or more of votes exercised are against the remuneration policy or implementation report, the announcement of the results of the annual general meeting contains:
  - An invitation to dissenting shareholders to engage with the issuer; and
  - The manner and timing of such engagement.

## 7. Authority

The Committee has the authority to:

- Take and implement decisions on any matter delegated to it by the Board in terms of the formal "Delegation of Authority" document or on an ad hoc basis;
- Investigate, monitor and report to the Board on any activity within the scope of its mandate as contemplated in these terms of reference, or granted on an ad hoc basis, and to take and implement decisions on such matters to the extent that the authority to do so is expressly or impliedly bestowed in terms of its mandate. In this regard the Board specifically delegates the authority to consider and make binding decisions on any remuneration-related matters in the Reunert Group to the Committee;
- Sub-delegate any of the authority delegated to it;
- In the fulfilment of its roles and associated responsibilities, call on the chairs of other Board committees, any of the executive directors or officers, or the company secretary of the Company to provide it with information, subject to following a Board-approved process, if any;
- Access the records of the Company and its subsidiaries, facilities and any other resources necessary to discharge its role and associated responsibilities, subject to following a Board-approved process, if any; and
- Obtain independent outside professional advice to assist with the execution of its role and associated responsibilities, at the cost of the Company, subject to following a Board-approved process, if any.

## 8. Administration and meetings

### 8.1 Frequency

The Committee must hold a minimum of two meetings in any financial year.

Additional meetings may be scheduled by the Committee chair in consultation with the company secretary, or at the instance of the Board.

### 8.2 Attendance

Committee members are expected to make every effort to attend all meetings of the Committee, including meetings called on an ad hoc-basis for special matters.

If it is not possible for a member of the Committee to attend any meeting of the Committee, prior apology, with reasons, shall be submitted to the Committee chair or to the company secretary.

### 8.3 Chair

The nomination and governance committee shall recommend a member of the Committee to be its chair, subject to approval by the Board of such appointment. The chair must be an independent non-executive director.

The chair of the Board may not also be the chair of the Committee.

If the appointed chair of the Committee is absent from a meeting, the members present shall elect one of them to act as chair of that meeting.

### 8.4 Quorum

The Committee shall not have a quorum to proceed with a meeting if more than one of its members are not present.

Invitees and a representative of the company secretary shall not be taken into account when determining a quorum.

## 9. Approval of the terms of reference

These terms of reference were recommended to the Board by the Committee following review by its members on **24 August 2018** and approved by the Board on **24 August 2018**, represented by its chair.