

# KING IV™ APPLICATION REGISTER 2018

This register outlines Reunert Limited's (Reunert or the group) application of the King IV Report on Corporate Governance for South Africa, 2016 (King IV™). The register references information included in Reunert's 2018 integrated report, and in the group's annual financial statements, available on our corporate website at [www.reunert.co.za](http://www.reunert.co.za).

The integrated report highlights the application of King IV™ by using an icon referring to the supporting principle . It also indicates King IV™ initiatives, projects and/or disclosures, as part of Reunert's continuous improvement of corporate governance practices.

Principle	Commentary	Integrated report page reference
<p><b>Principle 1</b> The governing body should lead ethically and effectively.</p> <p><i>Alignment:</i> ✓</p>	<p>The Board is committed to providing ethical leadership, setting the group's ethical tone, strategically directing the group and effectively creating shared value for all stakeholders. Reunert follows a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the group over time. Annual Board performance assessments (Board evaluations) assess the performance of the Board as a whole and each of the committees.</p>	<ul style="list-style-type: none"> <li>&gt; Page 66 to 69: The Reunert Board</li> <li>&gt; Page 72: Board policies</li> <li>&gt; Page 73: Ethical leadership</li> <li>&gt; Page 74 to 75: Board evaluations</li> </ul>
<p><b>Principle 2</b> The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p> <p><i>Alignment:</i> ✓</p>	<p>Reunert's ethical culture is supported by the group's values – the group's moral compass. Additionally, there are formal group-wide policies on ethical matters and legislation, where appropriate. The Social, Ethics and Transformation Committee (Setco) plays an important role in overseeing the group's ethical culture.</p>	<ul style="list-style-type: none"> <li>&gt; Page 56 to 58: Sustainability review and Build trust and accountability</li> <li>&gt; Page 73: Ethical leadership</li> <li>&gt; Page 86 to 87: Social, Ethics and Transformation Committee report</li> </ul>
<p><b>Principle 3</b> The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p> <p><i>Alignment:</i> ✓</p>	<p>Reunert's sustainability strategy focuses on an ethical culture, stakeholder relationships and increasing awareness of how Reunert implements its responsibilities as a responsible corporate citizen. The group aims to operate responsible businesses by building trust and accountability, nurturing and growing people and managing our environmental footprint. In the longer term, Reunert is focused on embracing inclusive growth and seeking transformative solutions.</p>	<ul style="list-style-type: none"> <li>&gt; Page 47 to 64: Transformation and sustainability overview</li> <li>&gt; Page 86 to 87: Social, Ethics and Transformation Committee report</li> </ul>
<p><b>Principle 4</b> The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p> <p><i>Alignment:</i> ✓</p>	<p>Reunert depends on its relationship with key stakeholders to create value and execute its strategy. The Reunert strategy process has been designed to support the group's value creation objectives.</p> <p>The Group Executive Committee (Exco) and business unit management develop and execute the group strategy. The Board provides an oversight role and is ultimately accountable for and approves the strategy. The Board also oversees the group's risk management processes and delegates its design, implementation and monitoring to management.</p>	<p>The integrated report provides providers of financial capital and other stakeholders insight into how the group creates sustainable value.</p>
<p><b>Principle 5</b> The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.</p> <p><i>Alignment:</i> ✓</p>	<p>Reunert prepares an integrated report and supplementary reports which follow the IIRC's Integrated Reporting &lt;IR&gt; Framework and King IV™ recommended practices as appropriate to the group. The annual financial statements are prepared in compliance with International Financial Reporting Standards and the Companies Act and are audited by Reunert's external auditors.</p> <p>The Board of directors and Audit Committee, assisted by other Board committees, are responsible for overseeing the integrity and completeness of the integrated report, the annual financial statements and other supplementary reports.</p>	<ul style="list-style-type: none"> <li>&gt; Page 2: Reliability of information</li> <li>&gt; Page 3: Board responsibility</li> <li>&gt; Page 122 to 123: Reporting suite and frameworks</li> </ul>

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<p><b>Principle 6</b></p> <p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p> <p><i>Alignment: ✓</i></p>	<p>Reunert's Board serves as the focal point and custodian of corporate governance in the group. The Board adopted a Board charter, various terms of reference for the Board's committees and Board policies. These are all reviewed regularly. The Board also oversees adherence to provisions outlined in the Companies Act, JSE Limited Listings Requirements, the company's Memorandum of Incorporation, King IV™ and South African common law.</p>	<ul style="list-style-type: none"> <li>&gt; Page 24 to 26: Chair's report</li> <li>&gt; Page 66 to 71: The Reunert Board and Building trust and accountability</li> <li>&gt; Page 68 to 69: Our leadership</li> <li>&gt; Page 71: 2018 Board agenda and focus areas</li> </ul>
<p><b>Principle 7</b></p> <p>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p> <p><i>Alignment: ✓</i></p>	<p>The Board comprises the appropriate number of executive and non-executive directors, the majority of whom are independent. The composition of the Board and committees is appropriate for their respective mandates. The mix of knowledge, skills and experience of the members remains a key consideration of the Board's succession planning. The group also has targets to enhance race and gender representation in Board membership.</p> <p>The Nomination and Governance Committee considers the performance of committees and the composition of each committee in terms of skills, experience, diversity and independence as well as the feedback received from the Board and committees' evaluation. The Board composition is aligned to King IV™ recommended practices.</p>	<ul style="list-style-type: none"> <li>&gt; Page 24 to 26: Chair's report</li> <li>&gt; Page 68 to 69: Our leadership</li> <li>&gt; Page 70: Key leadership changes and Directors' independence and balance of power</li> <li>&gt; Page 77 to 79; 86 to 88: Board committees</li> <li>&gt; Page 86: Social, Ethics and Transformation Committee</li> <li>&gt; Page 88: Remuneration Committee</li> </ul> <p><i>Also refer to the notice of annual general meeting</i></p>
<p><b>Principle 8</b></p> <p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p> <p><i>Alignment: ✓</i></p>	<p>The Board is supported by various Board committees which have delegated responsibility to assist it to fulfil certain specific functions. The Board committees provide feedback on their meetings at every Board meeting. Each committee has a workplan that lists its tasks according to its terms of reference. This allows the committees to assess their progress and fulfil their mandates.</p> <p>The Board charter and the balance of power policy ensure that Board members understand their roles, and contain safeguards to maintain the appropriate balance of power on the Board.</p>	<ul style="list-style-type: none"> <li>&gt; Page 24 to 25: Chair's report</li> <li>&gt; Page 66 to 71: The Reunert Board</li> <li>&gt; Page 70: Directors' independence and balance of power</li> <li>&gt; Page 71: 2018 Board agenda and focus areas</li> <li>&gt; Page 77 to 79; 86 to 88: Board committees</li> <li>&gt; Page 86: Social, Ethics and Transformation Committee</li> <li>&gt; Page 88: Remuneration Committee</li> </ul> <p><i>Also refer to the Audit Committee report in the annual financial statements</i></p>
<p><b>Principle 9</b></p> <p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p> <p><i>Alignment: ✓</i></p>	<p>The Board conducted an extensive formal performance assessment process in August 2018. Board members assessed each other (excluding the two new directors) and the company secretary. They assessed the collective performance of the Board as a whole and each of the committees, as well as the mix of knowledge, skills and experience of members, and diversity.</p>	<ul style="list-style-type: none"> <li>&gt; Page 74 to 75: Board evaluations</li> </ul>

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<p><b>Principle 10</b> The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p> <p><i>Alignment: ✓</i></p>	<p>Reunert's Board-approved Delegation of Authority (DoA) regulates the delegation of authority by the Board to Board committees and executive directors and stipulates which decisions are reserved for the Board. The Board is satisfied that the DoA framework is fit for these purposes. The DoA is reviewed regularly.</p> <p>The group has succession planning provisions in place for non-executive and executive directors. Reunert also evaluates the performance of the CEO and CFO annually.</p> <p>The executive management succession plan is presented annually to the Nomination and Governance Committee. The identification and development of successors that are ready to take on key roles on a permanent basis will be priority in 2019.</p>	<p>&gt; Page 6 to 7: How we are structured and integrated</p> <p>&gt; Page 66 to 69: The Reunert Board</p> <p>&gt; Page 75: Succession planning and company secretary</p>
<p><b>Principle 11</b> The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p> <p><i>Alignment: ✓</i></p>	<p>Effective risk management enables the group to mitigate risks and uncertainties which could hinder its value creation process. The Board oversees the group's risk management processes and delegates its design, implementation and monitoring to management. The Risk Committee reviews and approves the risk management policy and framework annually giving effect to its direction on and appetite for risk.</p> <p>The Risk and Audit Committees assess the effectiveness of internal controls, including financial and disclosure controls, and the effectiveness of risk management at each meeting.</p>	<p>&gt; Page 79: Risk Committee</p> <p>&gt; Page 80 to 82: Risk management</p>
<p><b>Principle 12</b> The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.</p> <p><i>Alignment: ✓</i></p>	<p>The Audit Committee oversees technology and information governance. The group's IT policy framework outlines the mandatory IT policies, standards and procedures with which business units should comply to ensure robust technology and information governance. We will review and further update related policies in 2019.</p>	<p>&gt; Page 82 to 85: Technology and information governance</p>
<p><b>Principle 13</b> The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p> <p><i>Alignment: ✓</i></p>	<p>Compliance with relevant laws and regulations in the jurisdictions where Reunert operates is set as a minimum requirement throughout the group. The group aims to ensure compliance with relevant laws and regulations in the jurisdictions where Reunert operates. Managing directors of the business units annually certify their business's compliance with the Competition Act, 1988, the Prevention and Combatting of Corrupt Activities Act, 2004, and other laws and regulations material to the relevant businesses.</p>	<p>&gt; Page 74: Compliance</p> <p>&gt; Page 56 to 64: Sustainability strategy</p> <p>&gt; <a href="http://www.reunert.co.za">www.reunert.co.za</a> Supplementary fact sheet: Internal and external standards and principles</p>

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<p><b>Principle 14</b></p> <p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p> <p><i>Alignment:</i> ✓</p>	<p>Reunert's remuneration policy is set to:</p> <p>Attract, retain, motivate and reward high performers</p> <ul style="list-style-type: none"> <li>&gt; promote positive outcomes and the achievement of operational and strategic objectives;</li> <li>&gt; be flexible enough to adjust to changing economic conditions and to the group's needs;</li> <li>&gt; foster individual excellence and teamwork; and</li> <li>&gt; promote an ethical culture and responsible corporate citizenship.</li> </ul> <p>The policy is reviewed annually by the Remuneration Committee to ensure it is relevant, in accordance with best practice and addresses the requirements of the business. The remuneration policy is aligned to Reunert's strategic objectives, is market related, reflects good business practice and aligned with shareholder expectations.</p>	<p>&gt; Page 88 to 99: Remuneration report</p>
<p><b>Principle 15</b></p> <p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and external reporting purposes.</p> <p><i>Alignment:</i> ✓</p>	<p>The Board guides the group's assurance services and functions. It delegates the responsibility for overseeing the combined assurance process to the Audit Committee. The group executives are responsible for embedding the combined assurance framework with the assistance of each business unit's executive management.</p> <p>The Board approves the frameworks which guide the preparation of reports, the process which is followed to determine the group's material matters and oversees that processes are in place to ensure the reliability of data and information reported.</p>	<ul style="list-style-type: none"> <li>&gt; Page 2: Reliability of information</li> <li>&gt; Page 3: Board responsibility</li> <li>&gt; Page 76: Combined assurance</li> <li>&gt; Page 123: Assurance and data measurement</li> </ul>
<p><b>Principle 16</b></p> <p>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p> <p><i>Alignment:</i> ✓</p>	<p>Effectively engaging with our stakeholders is a key component of the group's strategy, governance principles and sustainable business practices. Our governance processes and the effectiveness of stakeholder management, including our approach to stakeholder inclusivity, were reviewed to ensure alignment with King IV™ recommendations.</p> <p>The group has an entrenched group governance framework which applies to subsidiaries and is typically incorporated into shareholders' agreements where companies have third-party shareholders.</p>	<ul style="list-style-type: none"> <li>&gt; Page 59 to 61: Stakeholder relationships</li> <li>&gt; Page 66 to 69: The Reunert Board</li> </ul>