

THE REMUNERATION REPORT OUTLINES HOW REUNERT COMPENSATED ITS EXECUTIVE DIRECTORS, TOP MANAGEMENT AND NON-EXECUTIVE DIRECTORS. IT ALSO INCLUDES INFORMATION OF OTHER EMPLOYEES AT A CONSOLIDATED LEVEL.

REMUNERATION: ENSURING FAIR AND RESPONSIBLE REMUNERATION¹⁴

The report comprises three sections:

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Section one: Remuneration background statement ⁸



THE REMUNERATION COMMITTEE SEEKS TO ENSURE THAT THE GROUP'S REMUNERATION POLICY APPROPRIATELY **BALANCES THE LEGITIMATE INTERESTS OF ITS VARIOUS STAKEHOLDERS, TO SUPPORT SUSTAINABLE GROWTH.**

TASNEEM ABDOOL-SAMAD

Remuneration Committee's focus ⁸

The Remuneration Committee (Remco) is mandated to ensure the Group's Remuneration Policy and practices are fair and responsible, comply with regulations and governance requirements and align with good business practice. The Remco remained cognisant of Reunert's status as a good corporate citizen and made adjustments that were deemed necessary to effect fair and responsible remuneration. The Remco 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 other stakeholders.

The Remco's focus areas for the year, as well as next year's priorities, are set out below and described in the rest of this report.

2022 focus areas

- > Review of the Remuneration Policy to ensure fair and responsible remuneration
- > Implementation of the 2022 Remuneration Policy
- > Review of performance measures and their weightings for the Long-term Incentive (LTI) Plan
- > Consider changes to the Companies Act in relation to remuneration

2023 focus areas

- > Review the Remuneration Policy to ensure that remuneration remains fair and responsible
- > Implement the 2023 Remuneration Policy and the revised Short-term Incentive (STI) structure
- > Review performance measures and their weightings for the LTI Plan
- > Consider changes to the Companies Act in relation to remuneration
- > Consider potential pay gap reporting

A structured approach to remuneration decisions

The Reunert Remuneration Policy was reviewed and amended to support top management's delivery of optimal business results and creation of shareholder value. The table below sets out the key considerations and decisions of the Remco in 2022, as defined by its Terms of Reference.

Reviewed	<ul style="list-style-type: none"> > The Remuneration Policy > The structure of the current STI Plan > The performance measures of the Conditional Share Plan (CSP)
Approved	<ul style="list-style-type: none"> > Annual increases for the 2023 financial year (1 October 2022 to 30 September 2023). An average of 5,9% for executive directors, top management and salaried employees > Promotional increases for top management > Amending the structure of the STI by simplifying it and aligning it to best practice by: <ul style="list-style-type: none"> o Consolidating the financial and strategy KPI component o Including non-financial KPIs > STI financial targets and non-financial KPIs for top management for the 2023 financial year > 2022 STI payouts for top management > CSPs <ul style="list-style-type: none"> o Approved performance conditions and performance measures for the 2022 CSP o 2022 awards for executive directors, top management and selected key employees o 2018 vesting o 2017 vesting (second tranche of retention plan)
Reviewed and recommended to the shareholders	<ul style="list-style-type: none"> > The fees for non-executive directors for 2023

Changes to the Remuneration Policy

The Remco reviewed the 2022 Remuneration Policy against internal requirements, latest market practice, and the South African economy in the post-Covid-19 environment. It concluded that although the Reunert STI Plan aligns with best practice, it is complex and does not contain non-financial KPIs, which are important for attraction, retention, development of talent and business sustainability.

Strategic KPIs have been a component of the Reunert STI Plan for the past eight years. It was structured to align remuneration with the execution of the new Group strategy, which came into effect in March 2015. Strategy execution is well-entrenched and for the 2023 financial year, strategy execution will be consolidated into the financial KPI. The focus on strategy will not diminish as the Group's financial performance depends on the successful execution of the key strategic objectives. The financial modifier linked to the achievement of strategic KPIs is no longer applicable.

People transformation will no longer be a modifier but will be a non-financial KPI to expand the focus on people transformation and achieving employment equity targets. Management of talent will be a new non-financial KPI to augment the focus on people.

An environmental, social and governance (ESG) KPI will also be a new non-financial KPI to increase the focus on achievement of sustainability targets.

These changes will be implemented for the 2023 financial year to ensure the Remuneration Policy continues to reflect best practice, drives strategy implementation, operational performance, expands management's focus on people transformation, management of talent and ESG and serves as an appropriate retention mechanism. The changes simplify the structure of the STI Plan and introduces non-financial KPIs that are key enablers for optimal business performance. The revised STI principles do not increase the quantum of the STI that an employee can receive.

The new STI and its two elements

- > The financial KPI aligns to the operation of the FY2022 financial KPI, with a weighting of 70%
- > The non-financial KPIs (total weight of 30%), with each KPI carrying an equal weighting of 10%:
 - o People transformation
 - o Management of talent
 - o ESG

More detail is on page 104.

Shareholder approval

The Remuneration Policy and Implementation Report were presented for shareholder approval at the Annual General Meeting (AGM) held on 15 February 2022. The shareholder voting results demonstrate Reunert's commitment to engaging with and addressing shareholders' concerns.

	2022		2021		2020	
	For	Against	For	Against	For	Against
Remuneration Policy	95,25	4,75	94,66	5,34	92,98	7,02
Implementation Report	90,08	9,92	89,52	10,48	91,95	8,05

Continued shareholder engagement

The following resolutions will be tabled for shareholder approval at the upcoming AGM, details of which can be found in the Notice of AGM:

- > Non-binding advisory vote on the Remuneration Policy, starting on page 101 (all information contained under section two of this report)
- > Non-binding advisory vote on the Implementation Report, starting on page 106 (all information contained under section three of this report)
- > Binding vote on non-executive directors' fees

Reunert will engage shareholders if the Remuneration Policy and/or the Implementation Report are voted against by 25% or more of the votes exercised. 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 ⁸

Members and meeting attendance

T Abdool-Samad (Chair) ¹
RJ Boëttger ²
AB Darko ³
JP Hulley
MJ Husain
S Martin ¹
Retired
SD Jagoe ⁴
Adv NDB Orleyn ⁵

In 2022, Board committee members attended all meetings during their tenure. There were three committee meetings in 2022.

¹ Tasneem Abdool-Samad succeeded Sarita Martin as Chair of the Remco from 1 January 2022.

² Appointed to the Remco on 1 April 2022.

³ Retiring from the Board immediately following the conclusion of Reunert's 2023 Annual General Meeting.

⁴ Retired on conclusion of the AGM on 15 February 2022.

⁵ Retired on 30 June 2022.

By request

- > Group CEO
- > Group Human Capital and Sustainability Executive Director

Going forward

The Remco supports the implementation of the Remuneration Policy and is confident that it remains aligned with the strategy of the Group. The Remuneration Policy undergoes a robust review every year, and the 2023 review will include a complete evaluation of the impact of external factors on the Policy.



Tasneem Abdool-Samad

Remuneration Committee Chair

Composition

as at 30 September 2022

All members are independent and non-executive

Tenure

Four members: 1 – 5 years

Two members: 5 – 9 years

Expertise

Commercial, governance, legal, remuneration and management qualifications and experience

Mandate

The Remco's mandate includes matters contemplated in the JSE Listings Requirements, the provisions of principle 14 of King IV and related practices the Remco deems appropriate to adopt.

The Remco's roles and responsibilities are set out in its Terms of Reference, which are reviewed by the Remco and approved by the Board annually, and are available at <https://www.reunert.co.za/corporate-governance.php>.

Section two: Overview of the Remuneration Policy and structures

Overview of Remuneration Policy

The Remuneration Policy's principles guide the Group's remuneration practices. The Remuneration Policy is set to:

- > Attract, retain, reward 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 of the workplace

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 KPIs and non-financial KPIs, and the LTI drives long-term Group performance. The Remuneration Policy is structured to ensure alignment between top management and shareholders' interests. The details of the policy structures are on pages 102 to 103.

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 July 2022 for top management across the Group and across functions. The assessment aimed to identify anomalies considering responsibilities, tenure, experience, race, gender and the size of the business unit. In general, internal parity was found to be consistent. The Group also commenced a pay gap analysis and considered changes to the Companies Act in relation to remuneration, with specific reference to section 30A of the draft Companies Amendment Bill.

Benchmarking and consultants

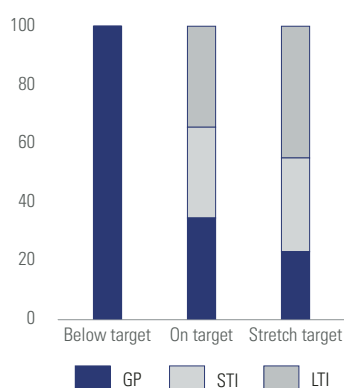
The Remco did not engage the services of independent remuneration consultants during 2022.

Executive director remuneration

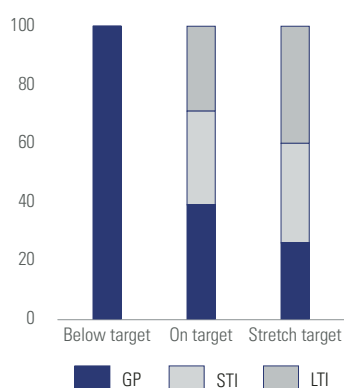
Targeted pay mix for executive directors

The executive pay mix is structured to drive sustainable value creation over the longer term. The graphs below illustrate the relative weighting between GP, STI and LTI depending on the extent to which targets are achieved.

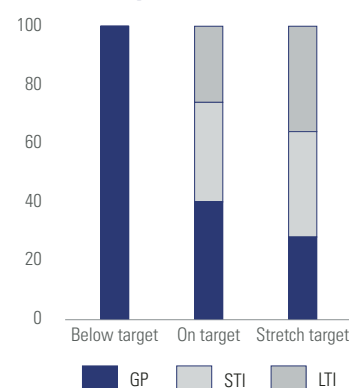
Group CEO (%)



Group CFO (%)



Group Human Capital and Sustainability Executive Director (%)



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 fixed-term 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 2022.

Executive directors do not receive additional remuneration for their attendance at Board or committee meetings.

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.

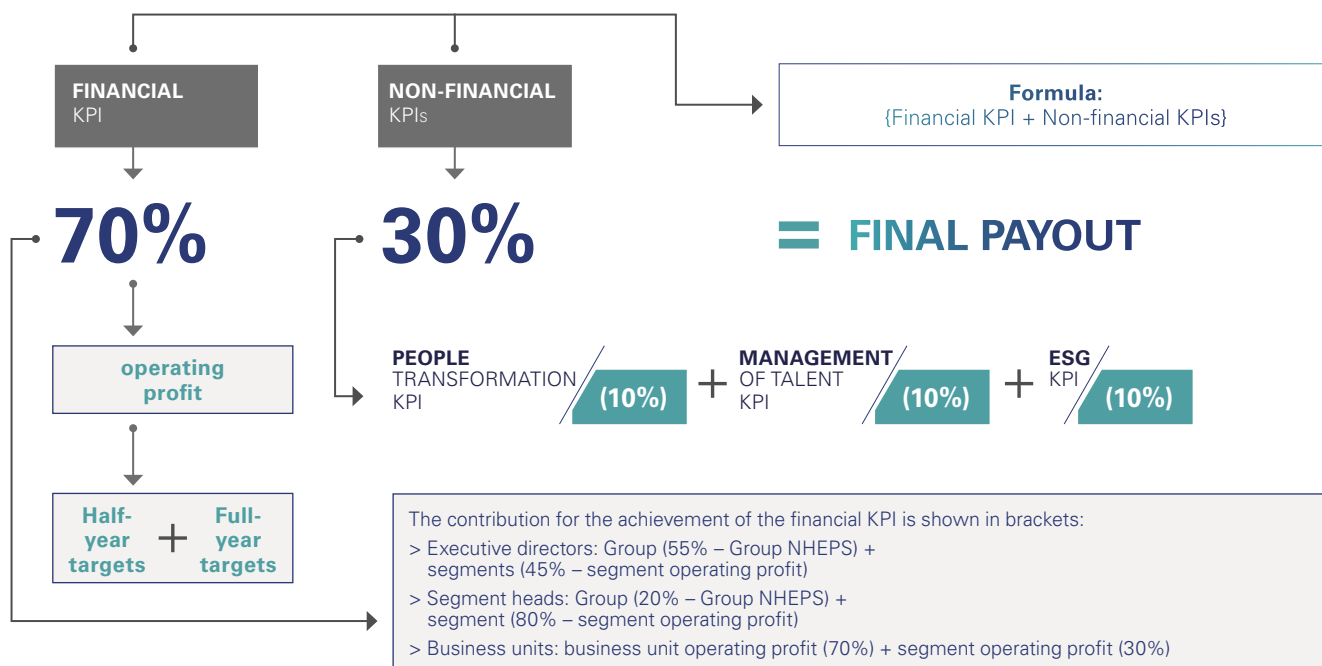
	GP	STI
Purpose	Attraction and retention	Drive sustainable financial and non-financial performance
Participation	All employees	Executive directors, top management, and selected key management
Performance period	Monthly	One year
Implementation	1 July – bargaining unit employees 1 October – non-bargaining unit employees	Annually in November, with review and approval by the Remco
Key elements	<p>GP consists of base salary and Company contributions toward retirement funding and health benefits. It is a fixed cost for the Company and is targeted to be up to the median of the relevant market benchmark.</p> <p>The following factors are considered during salary reviews:</p> <ul style="list-style-type: none"> > Appropriate market benchmarks > Internal parity > Prevailing economic conditions > Average consumer price index (CPI) > Group business unit financial performance > Employee performance 	<ul style="list-style-type: none"> > The maximum incentives as a percentage of GP for executive directors and top management are as follows: <ul style="list-style-type: none"> o Group CEO: 140% o Group CFO and Group Human Capital and Sustainability Executive Director: 130% o Segment Heads and CEOs of large business units: 120% o Other business unit executives, i.e. business unit CEOs 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 non-financial objectives and measures
Method of settlement	Cash	Cash
Performance measures	Not applicable	<ul style="list-style-type: none"> > The STI comprises: <ul style="list-style-type: none"> o Financial KPI o Non-Financial KPIs <p>Details on the STI are provided in section two on page 104.</p>
Malus and clawback	Not applicable	Yes

LTI		
CSP		DBP
Performance awards	Retention awards	No awards were made from 2018 to 2022 in terms of the Deferred Bonus Plan (DBP)
To drive long-term performance and create alignment between management and shareholder objectives	Retention of critical skills for business continuity	To retain employees and create alignment between management and shareholder objectives
Executive directors, top management, and high-performing candidates in critical roles	Technical specialists with scarce and critical skills, high-potential employment equity (EE) candidates, and successors for scarce and critical roles	Executive directors and top management who qualify for STIs when the DBP is used
Four years	50% (four years) and 50% (five years)	Three or four years
Annually in November, with review and approval by the Remco	Annually in November, with review and approval by the Remco	Annually in November, with review and approval by the Remco
<ul style="list-style-type: none"> > Allocations are based on defined criteria (participants' level of seniority, ability of the position to influence strategy, operational, individual and business performance) > Allocations may not exceed two times annual GP > Details of the CSP are available in past Integrated Reports and on the Reunert website 	<ul style="list-style-type: none"> > Remaining in the employment of the Group is the only criterion (employees must be in a position that qualifies for participation as indicated above) > Allocations may not exceed 20% of annual GP 	<ul style="list-style-type: none"> > 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 Remco annually determines: <ul style="list-style-type: none"> o Who may participate o The percentage of the STI that may be received in deferred restricted shares o The period for which the restricted shares must be retained by participants o The quantum of the deferred bonus for which participants will qualify at the end of the financial period. This percentage may not exceed 100%
Reunert shares (on-market purchase)	Reunert shares (on-market purchase)	Cash
<ul style="list-style-type: none"> > Normalised headline earnings per share (NHEPS) (50% weighting) > Total shareholder return (TSR) (25% weighting) > Group return on capital employed (ROCE) (25% weighting) <p>Further information on allocations and performance conditions are on page 104.</p>	Remaining in the employment of the Group	Participation in the DBP is determined by the achievement of set performance criteria
Yes	Yes	Yes

Short-term Incentive

The STI payment is assessed against performance on predetermined financial targets, and non-financial objectives and measures. The STI comprises:

- > Financial KPI carry a weighting of 70%
 - o NHEPS for executive directors
 - o Operating profit for top management
- > Non-financial KPIs carry a weighting of 30%
 - o People transformation, linked to achieving employment equity targets
 - o Management of talent
 - o ESG



The 2019 CSP (LTI)

The 2019 CSP plan will be implemented for the 2022 CSP awards with the same performance conditions. The performance measure for the comparator group has been amended with three companies that have delisted and the vesting percentage has been adjusted accordingly. Full details of the 2019 CSP plan can be obtained from the 2019 Integrated Report which is available on the Reunert website at <https://www.reunert.co.za/downloads/agm/Reunert-2019-CSP.pdf>.

The performance conditions and targets for the 2022 CSP are detailed below.

Performance condition	Weighting	Performance level	Performance measure	Vesting %
NHEPS	50%	Threshold	NHEPS < CPI	0
		Target	NHEPS = CPI + GDP + 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 5 of 10 TSR constituents	25
		Stretch	Ranking position 3 of 10 TSR constituents	100
		Super stretch	Ranking position 1 of 10 TSR constituents	120

* The comparator Group comprises the following companies:

- | | |
|--|-----------------------------------|
| 1 Allied Electronics Corporation Limited | 6 Kap Industrial Holdings Limited |
| 2 Barloworld Limited | 7 Mustek Limited |
| 3 Bidvest Group Limited | 8 Super Group Limited |
| 4 Alviva Holdings Limited | 9 Enx Group Limited |
| 5 Hudaco Industries Limited | |

Key objectives for 2023

Short-term Incentive

The objectives for the next financial year are disclosed below, and the outcome will be communicated in the 2023 Remuneration Policy and Implementation Reports.

NHEPS

The NHEPS targets for the Group CEO, Group CFO and the Group Human Capital and Sustainability Executive Director are determined using the 2022 budget, and are presented in the table below.

Half-year target	Full-year targets			
	Level 1	Level 2	Level 3	Level 4
90% to half-year budget	96% to budget	100% to budget	108% to budget	115% to budget

- > The half-year target payout for the Group CEO, Group CFO and Group Human Capital and Sustainability Executive Director is 13,5%, 12,5% and 12,5% of GP, respectively
- > The on-target payout (level 2) for the Group CEO, Group CFO and Group Human Capital and Sustainability Executive Director is 34,0%, 31,5% and 31,5% of GP, respectively
- > The maximum payout (level 4) for achieving the NHEPS target is 84,5% of GP for the Group CEO and 78,5% of GP for the Group CFO and Group Human Capital and Sustainability Executive Director, which can only be earned at level 4 (stretch target)
- > The total payout for achieving the financial KPI, half year plus full year targets is 98% of GP for the Group CEO and 91% of GP for the Group CFO and Group Human Capital and Sustainability Executive Director

Non-Financial KPIs

The non-financial KPIs are shown in the table below and are the same for each executive director.

The maximum payout for achieving non-financial KPIs is 42% of GP for the Group CEO, and 39% for the Group CFO and the Group Human Capital and Sustainability Executive Director.

Total weighting: 30%	Non-financial KPIs		
	People transformation	Management of talent	ESG
Objectives	Achievement of employment equity targets.	Succession planning (coverage for critical roles). Development of successors for critical roles.	> Improve ESG disclosure through alignment with relevant guidance frameworks > Determine clear strategic actions and where possible targets for the Reunert sustainability strategy
Weighting	10%	10%	10%

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. It requires that one-third of the Board must retire by rotation every year and may make themselves available for re-election by shareholders.
Fees	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 Remco reviews the fees annually and conducts an external benchmarking exercise every second year. Fees are submitted to shareholders for approval annually at Reunert's AGM and changes are effective from 1 March each year. The last approved fees will apply if shareholders do not approve the proposed fees.
Benefits	Reunert covers travel costs and expenses incurred in the normal course of business, for example attending Board and Board committee meetings.

Section three: 2022 Remuneration Policy Implementation Report

The Remco monitored the Remuneration Policy's implementation throughout the year. It confirms that the financial year 2022 Remuneration Policy was complied with, as set out in the previous 2021 Integrated Report.

This section deals with remuneration for executive directors, top management and non-executive directors, as applicable.

2022 annual increases

The Group's total payroll cost is R2 061 million (2021: R1 984 million)¹, representing 19% of total revenue (2021: 21%). The average increase for salaried employees from 1 October 2021 to 30 September 2022 was 4,5%. Executive directors received an annual increase of 4,5% in the same period.

Bargaining unit wage increases, effective 1 July 2022, were implemented as per the three-year wage agreement.

2022 STI awards

Executive directors and business unit top management qualified for incentive (bonus) payments by meeting financial targets and/or strategic KPIs. The Remco approved the STI awards shown in the table below following a detailed assessment of the relevant financial targets and strategic KPIs.

The Remco is satisfied that the STI awards reflect the Group's performance for the 2022 financial year.

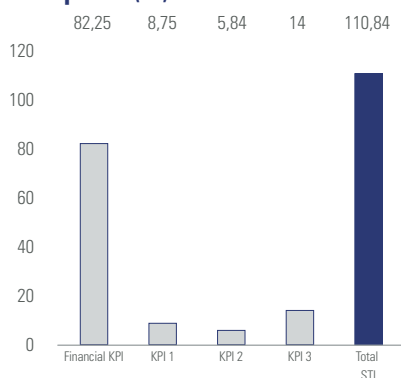
STIs earned	2022 Rm	2021 Rm
Electrical Engineering	18,09	13,51
ICT	6,65	8,05
Applied Electronics	7,59	5,65
Executive directors at Head Office	15,82	8,86
Total STIs earned	48,15	36,07

Executive director 2022 STI awards

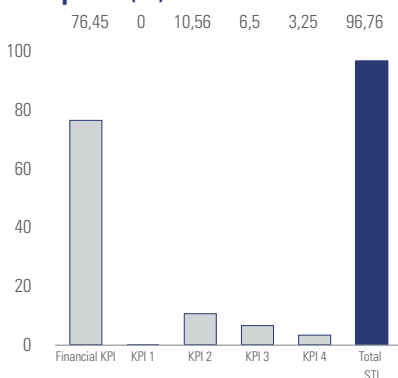
Executive directors qualified for an incentive as a result of achieving the Group NHEPS target at L4, the Electrical Engineering Segment operating profit target at L4, the ICT Segment operating profit target between L2 and L3 level and strategic KPIs.

The percentage achievement is presented in the graphs below.

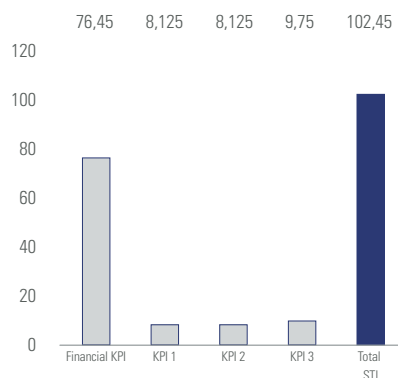
Group CEO (%)



Group CFO (%)



Group Human Capital and Sustainability Executive Director (%)



¹ Refer to Note 3: Operating Profit in the Summarised consolidated financial statements.

2022 Deferred Bonus Plan

The DBP was not offered in 2022.

Conditional Share Plan awards

CSP performance conditions for the 2022 CSP are set out on page 104. The Remco allocated the following awards.

CSP	Performance award	Retention award
2022 CSP awards		
Participants	93	49
Number of units	1 794 000	98 342

CSP information and settled CSP awards for executive directors are included in the remuneration disclosures in the Annual Financial Statements, note 25, available at https://reunert.co.za/downloads/results/2022/reunert_afs_2022.pdf.

Remuneration and interests

R'000	Salary	Bonus and performance-related payments	Deferred incentive share scheme	Travel allowances	Retirement contributions	Medical contributions	Leave pay ¹	Total	Fair value of CSP at grant date ²
2022									
AE Dickson	6 238	7 407	–	132	227	86	–	14 090	3 807
M Moodley	2 931	3 280	–	–	203	68	–	6 482	1 186
NA Thomson	4 919	5 132	–	–	237	147	–	10 435	2 266
	14 088	15 819	–	132	667	301	–	31 007	7 259
2021									
AE Dickson	5 963	3 958	778	132	217	83	600	11 731	–
M Moodley	2 791	1 876	788	–	209	65	–	5 729	–
NA Thomson	4 707	3 781	1 163	–	227	141	–	10 019	–
	13 461	9 615	2 729	132	653	289	600	27 479	–

¹ Settlement of leave that accrued prior to implementation of the current leave policy which requires employees to either use the leave within the leave cycle or forfeit it.

² The value has been determined using the fair value per unit and the expected vesting probabilities of the non-market conditions (normalised headline earnings per share (NHEPS) and return on capital employed (ROCE); and the fair value of the market conditions (total shareholder return (TSR)) at grant date. For further details relating to the valuation methodologies and assumptions used, refer to note 18.

Payments to non-executive directors

Amounts paid to non-executive directors as fees for the year are reflected below. Travel and accommodation expenses of R77 079 were reimbursed to non-executive directors and are not included in the fees shown below.

R'000	2022	2021
MJ Husain ¹	1 172	549
TS Munday ²	597	1 569
T Abdool-Samad	959	837
AB Darko ⁴	642	603
LP Fourie	843	731
JP Hulley	733	659
SD Jagoe ²	273	660
S Martin	660	674
MT Matshoba-Ramuedzisi	756	603
Adv NDB Orleyn ⁵	471	659
TNM Eboka ³	266	–
RJ Boëttger ³	335	–
	7 707	7 544

¹ Assumed the role of Chair of the Board on 15 February 2022.

² Retired from the Board on 15 February 2022.

³ Appointed 1 March 2022.

⁴ Retiring from the Board immediately following the conclusion of Reunert's 2023 Annual General Meeting.

⁵ Retired from the Board on 30 June 2022.

Refer to the Notice of AGM for the proposed 2023 fees.