

Material matters influencing value creation

Reunert's selected **material matters** could substantively **affect** the Group's **ability to create and preserve value** in the short, medium and long-term.

In 2023, the material matters remained unchanged. However, some of the levels of impact that each material matter exerted on the Group have changed. Material matters are discussed throughout this report.

LEVEL OF CONTROL OVER THE MATTER		CHANGE IN LEVEL OF IMPACT SINCE 2022	
H	High	I	Increased
M	Medium	D	Decreased
L	Low	U	Unchanged

KEY CONSIDERATIONS IN DETERMINING MATERIAL MATTERS		
STAKEHOLDER ENGAGEMENT (page 69)	KEY EXTERNAL BUSINESS DRIVERS (page 27)	RISK MANAGEMENT (page 100)
<p>The Group's strategy, governance principles and business practices rely on ongoing engagement with key stakeholders.</p> <p>We recognise and respond to stakeholders' interests and the related risks and opportunities.</p>	<p>External business drivers have an impact on financial performance and strategy execution. We have limited control over the external operating environment. The influence of business drivers differs by business unit.</p>	<p>Risk management remains robust and mitigates against risks and uncertainties that could harm the Group.</p>



MATERIAL MATTERS	
<p>Political and regulatory environment</p> <p>L</p> <p>I</p>	<p><i>Ongoing political, policy, regulatory, labour and societal uncertainty limit local growth and foreign direct investment. We drive increased diversification to reduce reliance on the South African market while also capitalising on local growth sectors, including renewable energy.</i></p> <p>In 2023, South Africa's political stance on the Russia/Ukraine war increased the risk of US and European sanctions and the removal of the African Growth and Opportunity Act (AGOA) benefits. In addition, the amendments to the Employment Equity Act will place new pressures in business in a tight skills market. Increased frustration over the growing cost of living, fading trust in the Government, political instability and the slow pace of regulatory reform may fuel increased social instability.</p> <p>On a positive note, the Government has taken steps to liberalise South Africa's energy market and reduce loadshedding. These steps bode well for Reunert's Electrical Engineering Segment and Renewable Energy Cluster. In addition, there is renewed interest in public private partnerships, for example, the private sector is being involved in improving South Africa's logistics networks, energy and crime.</p>
<p>Economy and markets</p> <p>L</p> <p>I</p>	<p><i>The local and global macro-economic environment influences the demand for the ability to expand and meet shareholders' expectations.</i></p> <p>The global recovery post-Covid-19 has slowed and remains under threat due to central bank rate hikes to combat inflation. Downside risks to global growth include an intensification of the war in Ukraine and extreme weather-related events, triggering more restrictive monetary policy. Many of South Africa's important trading partners are facing difficulty due to high inflation and possible recessionary conditions.</p> <p>The South African economy is hampered by crippling power cuts, volatile commodity prices, high inflation and a challenging macro-economic environment. Protracted periods of low economic growth, policy uncertainty and corruption have negatively impacted investor sentiment and business confidence. Other challenges include low investment in infrastructure, inequality and social instability.</p>

MATERIAL MATTERS

<p>Supply chains</p> <p>M</p> <p>D</p>	<p><i>We rely on our extensive network of global and local suppliers for key products, components and raw materials. The Covid-19 pandemic introduced significant supply chain challenges, with shortages, delays and higher logistics costs. These will work out of the system over time.</i></p> <p>Supply chain challenges eased during 2023 in terms of both price and availability of raw materials and components. However, the supply chain has still not normalised back to pre-Covid-19 levels. Some electronic chips remain scarce. We expect that it will take a few years for new factories to increase the overall availability of electronic chips and the supply chain to return to full normality.</p> <p>These supply chain challenges complicate planning, require a larger investment in inventory holdings, and translate into margin squeeze for some products. While the Group has not historically purchased chips directly from manufacturers, we will do so if this becomes a viable option.</p>
<p>Technology</p> <p>M</p> <p>U</p>	<p><i>By disrupting established business models, emerging technologies create new business opportunities. Customers' use of technology influences how business is conducted with Reunert and the products and services required. Innovative competitors have the potential to erode business units' market share.</i></p> <p>The Group's ongoing focus on innovation and investments in high-potential technologies support growth and underpins our extensive intellectual property. In 2023, IQbusiness was acquired to offer customers a more comprehensive range of technology solutions.</p>
<p>People</p> <p>M</p> <p>I</p>	<p><i>The Group's expansion and viability are dependent on qualified and experienced employees. Employees work in a high-performance driven culture and are committed to upholding the Group Values and adhering to the Group's Code of Ethics.</i></p> <p>The Group prioritises attracting and retaining critical skills, especially at management levels, while ensuring transformation. This is critical in a scarce skills environment. This year, succession planning and the development of successors for critical roles were added as non-financial key performance indicators (KPIs) in the Group's short-term incentive (STI) plan.</p> <p>More than 1 000 new employees from IQbusiness adopted Reunert's HR policies, procedures, the Group Values and the Group's Code of Ethics.</p>