

## Letter to shareholders

Martin Shaw – Chairman



Gerrit Pretorius – Chief executive



Reunert's diversified nature and the quality of its businesses enabled it to increase operating profit and revenue for the eighth consecutive year.

### DEAR SHAREHOLDERS

The past year can be described, at best, as volatile. This volatility saw higher interest rates, fluctuating currency exchange rates, extreme commodity prices and erratic equity markets. In the latter half of the year, the fear of a systematic banking collapse, with the inevitable associated recessionary worries, gripped the world. Reunert has not escaped this environment and, since February 2008, bad debts have been increasing markedly, indicating the severe levels of financial stress being experienced by the public.

Nonetheless, Reunert's diversified nature and the quality of its businesses enabled it to increase operating profit and revenue for the eighth consecutive year. Normalised headline earnings grew by 10% to 630,1 cents per share. Cash generation was strong and debt, excluding the finance book, was non-existent. Net cash resources at the end of the period, excluding RCCF, were R782 million. Operating margin, excluding the commission income received from our 40% investment in NSN, decreased marginally from 13,8% to 13,1%. EBITDA as a percentage of revenue increased from 14,5% to 15,2%, mainly because the NSN commission is now included in other income and operating profit. Previously Reunert's share of NSN income was reflected as income from associates.

A final cash dividend of 241 cents per share has been declared, which together with the interim cash dividend of 78 cents per share makes a total distribution of 319 cents per share (2007: 314 cents).

The electrical group, **CBI-electric**, had a good year. Revenue increased by 19% to R3,95 billion, while operating profit grew from R554 million to R675 million, an increase of 22%. Both the low-voltage and energy cables businesses experienced buoyant market conditions. Our cautious approach to increasing capacity, in the light of recent developments, certainly proved to be appropriate.

Continued emphasis on quality and efficiency was evidenced by good margins. The **low-voltage business** in particular benefited from strong exports and operating profit improved by 45%. Towards the latter part of the financial year low voltage sold more products outside South Africa than within its borders. The Australian operation, under new management, has been turned around and should start contributing meaningfully shortly.

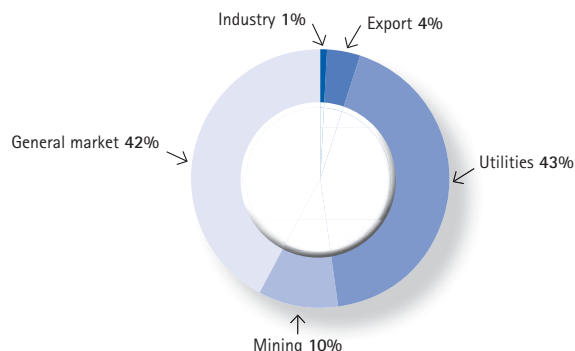
The acquisition of the Moeller business strengthened our position in the motor control market. By bolting-on businesses in related areas of activity, the low-voltage business has, over a period of 10 years, turned into a supplier of a diverse range of products in the electrical engineering field as opposed to being a supplier of residential circuit breakers only.

Cheap imports, especially from China, have been successfully countered for the time being. After some bad experiences, industry, mining and the public are more safety-conscious, insisting on reliability rather than compromising personal safety.

The **energy cable business** had an excellent year and for most of the year, capacity was stretched in order to cope with demand. Despite the high copper price, users had a seemingly insatiable demand for a wide range of energy cable. The increase in sales boosted margins, resulting in a record-breaking performance improving revenue by 43% and operating profit by 18%.

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Energy cables: Market mix as % revenue



Towards the latter part of the year demand softened noticeably, while the copper price collapsed in line with most other commodity prices. The rapid weakening of the rand will tend to keep the rand copper price more stable.

Capital investment in our factories will continue as planned. During the past year R31 million was spent at the factory in Vereeniging and we intend to invest a further R25 million in the 2009 financial year.

**Telecommunications cables**, in our joint-venture company, had a subdued year due to Telkom buying less copper cable than previously. Revenue decreased by 19% and operating profit declined by 18%. Sales of fibre cable picked up and this trend is expected to continue. Capital is being invested to increase capacity for instrumentation cable, which is experiencing strong domestic and foreign demand.

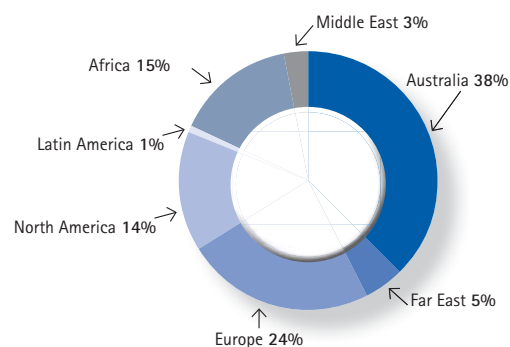
From being predominantly a supplier to Telkom this business is now earning less than 40% of revenues from this source. Exports, specifically instrumentation and fibre cable, are expected to continue growing offsetting the decline in demand from Telkom. Neotel, MTN and Vodacom are all buying fibre-optic cable and escalating quantities are being ordered. The relocation of fibre-optic manufacturing capacity from Port Elizabeth to Brits was completed.

At this stage it is difficult to gauge what impact global economic conditions will have upon infrastructure development in South Africa although early signs indicate that revenue in CBI-electric may decline.

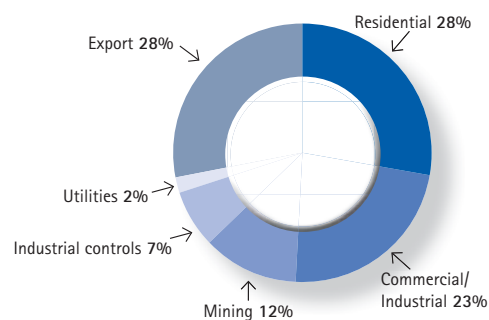
The **Nashua** group, being more directly exposed to the consumer, had a tough second half year. Revenue grew by 11% to R6,4 billion for the year, but operating profit declined by 3% to R653 million. Bad debts have become an issue, emphasising the need to concentrate on quality rather than the number of deals.

In **office automation**, Nashua increased volume sales as well as operating profit. More than 40% of total volume sold was via outlets in which we hold the majority interest. This is in line with our stated goal of moving closer to the end-user. We have acquired a 51% interest in the Nashua West Rand franchise this year.

Low voltage: Export sales by region



Low voltage: Product mix %



**Nashua Mobile had a very successful year in terms of business volume, growing revenue by 15%. Operating profit increased by 8%. Churn, however, is becoming a major concern especially since it is mostly debt-related.**

The product offering in the middle range of multifunction machines was not ideal. Sourcing in euro further affected our competitive position. Recent relative yen strength should improve our position significantly. Total document volume, driving consumable sales, continues to grow. Printing, as opposed to copying, is gaining and receiving our full attention.

**RCCF**, trading as **Nashua Finance** and **Quince Asset Rentals**, had an eventful year. Following the subprime crisis and the subsequent curtailment of securitisation, the venture we had with PSG had to be undone. This became effective on 31 May 2008. Limited funds of R700 million was raised securitising a portion of the book and Reunert used its balance sheet to provide the additional funding to finance the balance of the book which totalled R2 billion at year-end. This is a temporary measure and action is under way to obtain external funding in due course. The business is sound and provides a valuable service to our operations. Bad debts, though higher than in the past, are still within acceptable levels.

**Nashua Mobile** had a very successful year in terms of business volume, growing revenue by 15%. Operating profit increased by 8%. Churn, however, is becoming a major concern especially

since it is mostly debt-related. The risk of signing up marginal customers could increase because the market is saturated at the higher-end. We are guarding against the tendency to convert prepaid customers to contract customers as this approach could turn out to be very costly.

Sustainable service levels are a concern. High-spending subscribers are entitled to the best service. We are aware of that and every effort is being made to correct service levels and return the focus to our deserving clientele.

Average monthly revenue per user is still at an industry high and remained more or less constant, increasing from R443 to R472 per user. We will increasingly focus on retaining quality customers.

**Nashua Electronics**, distributing mainly Panasonic products, had a tough year. The range of consumer electronic products is not price competitive in the South African market – especially with consumers tightening their belts. Firm management ensured a breakeven position which is a commendable performance in that industry. However, the business model needs to be improved.

**Reutech** lived up to our expectations, contributing in excess of R130 million to operating profit. **Precision products**, with its range of Fuchs fuses, did particularly well and secured orders stretching well into the 2010 financial year.

The **communications** business, with its VHF/UHF radios, continues to benefit from long-standing local and international relationships. Exports are brisk and will continue to grow.

NASHUA MOBILE	September 2008	September 2007	Growth % past year
Contract connections for year	132 210	151 285	(13)
3G/HSDPA connections	28 782	27 534	5
Total connections	160 992	178 819	(10)
Closing contract base	663 787	693 432	(4)
ARPU (average for period)	472	443	7
Churn %	12,8	10,7	20
Net bad debts as % of turnover	1,34	0,73	84
Number of retail outlets	152	142	7

The Department of Communication is in the process of converting the country's analogue television to digital format. The **radar systems** business in Stellenbosch developed a set-top-box product that hopefully will add to meaningful participation in the migration to digital television broadcasting. This market is conservatively valued at R7 billion spread over a four- to five-year period.

Our mining surveillance radar systems gained a strong foothold in most of the major mining groups, locally as well as overseas. The market is big; our product superior and positive results should drive higher sales.

Our defence arm is strong, well positioned in focused areas and engaged in long-term funded development programmes that will ensure future revenue streams. The percentage contribution from this division to Reunert is expected to grow.

**NSN** is beginning to see the benefit of the Nokia Siemens merger in telecommunications. Revenue in the business remained more or less the same and is not expected to change dramatically in the medium term because of the high market share NSN already enjoys. Sales are expected to remain high as Telkom, Vodacom and Neotel upgrade or expand their networks.

### Acknowledgements >


We are pleased to welcome Messrs Thabang Motsohi and Trevor Munday who joined the board as independent non-executive directors on 1 June 2008. They both bring a wealth of experience from which we can benefit.

Thank you to our shareholders and customers for their continued support, to our directors; senior executives and staff for their dedication and effort, and our suppliers and all other related parties for services rendered.

### Prospects >

The global financial crisis has placed a premium on strong cash flows and liquidity. Lower levels of economic activity are expected in a deteriorating global and domestic macro-economic environment. Although South Africa has so far been relatively sheltered from the worldwide turmoil, inflation is well above government targets, whilst interest rates are at a level last seen in the nineties.

Given this environment, it is difficult to predict with any certainty what the impact will be in the 2009 financial year. The dividend cover has been increased to two and may well have to be further increased in the future given the uncertain economic and liquidity landscape.



**Martin Shaw**  
Chairman



**Gerrit Pretorius**  
Chief executive

Sandton  
5 December 2008

# Financial director's report



David Rawlinson – Financial director

## OPERATING PERFORMANCE

Revenue and operating profit increased for the eighth year in a row. The group experienced more favourable economic conditions in the electrical and defence operations, whereas slower conditions in consumer spending, due to high interest rates, adversely affected the electronics operations.

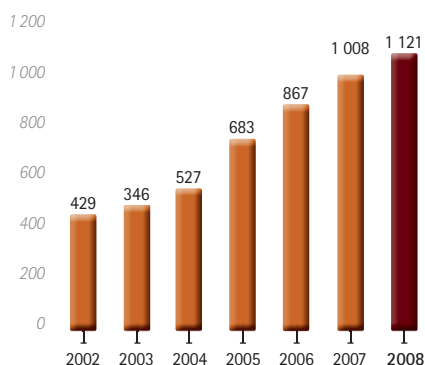
### Normalised headline earnings >

The group has disclosed normalised headline earnings per share for a number of years to provide shareholders and other users of the financial statements with the group's sustainable earnings. These numbers are comparable with prior years.

The first adjustment is a charge of R38,5 million in 2008 and R73,5 million in 2007 for the BEE minority shareholders' interest in the group's cable operations. In terms of IFRS, the BEE minority interest may not be recognised as long as there are amounts owing by the BEE shareholders on the transaction.

The remaining adjustment of Rnil (2008) and R600 million (2007) is the reversal of the charge for the Reunert BEE equity deal finalised in 2007.

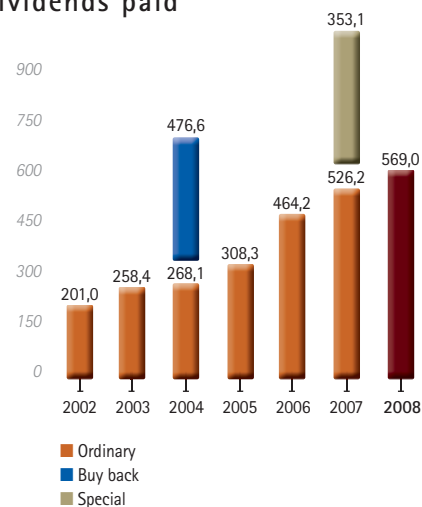
### Rm: Normalised headline earnings



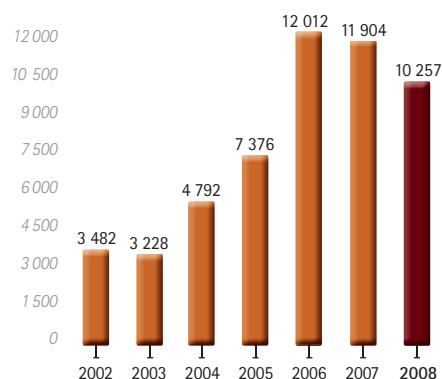
### Dividends >

In spite of the sustainable earnings, growth and generous dividends paid by the group, the market capitalisation of Reunert over the last three years has not shown growth. Shareholders have been partially compensated by the high dividend paid by the group which has historically been in excess of 50% of earnings.

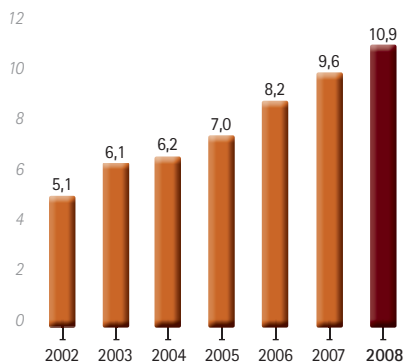
### Rm: Dividends paid



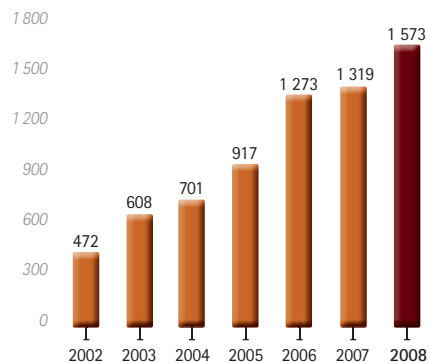
### Rm: Market capitalisation (net of treasury shares)



## Rbn: Revenue



## Rm: Operating profit

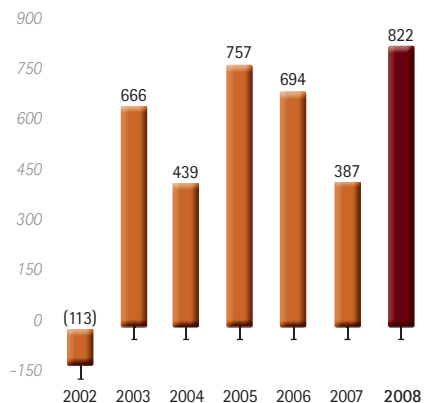


## Cash flows >

### Cash flows excluding dividends and share buy-backs

Reunert's profit growth is underpinned by strong cash flows after lower cash flows in 2007 due to working capital requirements. Cash generations have been restored to historic levels.

## Rm: Cash flows



The cash flows for RCCF have been excluded from the cash flow figures as finance is raised on the rental debtor's book. The group's exposure in the past has been limited, but the global financial crisis has resulted in the funders requiring Reunert to underwrite certain of the borrowings.

	2008
RCCF accounts receivable	1 964,5
RCCF long-term borrowings	699,9
RCCF short-term borrowings	1 164,4
Cash	(82,0)
Total RCCF borrowings	1 782,3

The difference between the rental accounts receivable and the borrowing is the equity in the finance company. In 2007, RCCF was equity accounted and is now consolidated as a wholly-owned subsidiary. The shares not held by the group were acquired in May 2008, when the venture with PSG was reversed.

## Risk issues >

### Global financial crisis

The global financial crisis has placed a premium on strong cash flows and liquidity. A general situation of distrust exists in the financial markets with lenders applying stricter lending criteria and carefully reviewing existing lines of credit. Financing will also be at less favourable rates and no doubt will be further compromised with downgrades from global ratings agencies.

### Exchange rates

The second half of the financial year and the period subsequent to year-end, have seen great volatility in the value of the rand. The currency has weakened sharply, especially in the last two months with acceleration in global risk aversion significantly enhancing the value of the US dollar against most currencies, and in particular emerging markets. To date

the rand has lost more than 30% of its value to the US dollar in 2008, reaching its lowest levels in seven years.

On a positive note, South Africa has largely been protected from the global financial crisis, mainly due to exchange controls. To protect the group from exchange rate volatility, imports are covered by means of forward exchange contracts. Significant exports are covered on an individual basis. Exports at R791,3 million, representing 7,3% of revenue, increased by 27,8% from exports in 2007, at R619,0 million.

Furthermore the group has well established procurement and distribution channels which are less susceptible to short-term oscillations.

With a weaker rand in 2009, focus must be to grow international market share. The Reutech division has large existing export orders and successful delivery of these will have a profound effect on profitability and liquidity.

### Commodities

Lower levels of economic activity are expected in a deteriorating global and domestic macro-economic environment, placing downward pressure on commodity prices.

The CBI-electric plants use copper as a main component in product manufacturing and this commodity has a material effect on the price of production. Copper hedges are used to protect the group from short-term price fluctuations.

To enhance sustainable production, our copper and component supplier base has been expanded. Various site improvements to security and controls have been implemented to combat theft and shrinkage/wastage.

### Business cycle

At the time of writing this report South Africa has, to a certain degree, been sheltered from the global turmoil. Inflation has risen to well above targeted levels, whilst interest rates have consistently risen and are currently at a level last seen in the nineties. Consumers in all segments are exposed to high levels of debt with a marked increase in late or defaulting payments. A weak currency would also delay possible rate cuts which are currently foreseen in early 2009.

A major concern is South Africa's large current account deficit, which was at over 7% of GDP for 2007, with no sign of improvement in 2008. This is at its highest level since 1971. Growth forecast for the current year is between 3% and 4%, down from the average of over 5% for the previous four years. Further pressure on emerging markets could easily have a further negative impact and a shift to a possibility of recession.

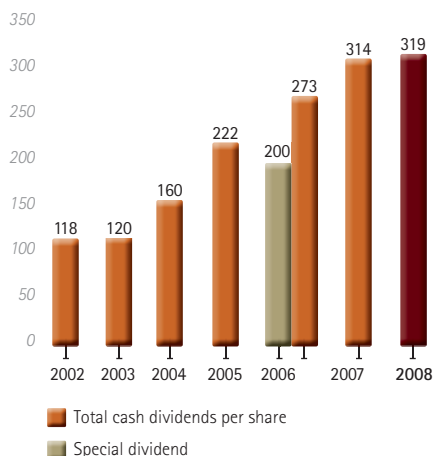
With enhanced credit policies, risk management procedures and innovative products and offerings, the group aims to limit its exposure to the downturn.

### Corporate activity >

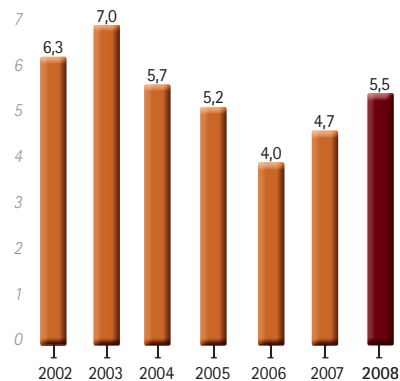
Reunert acquisitions in the financial year amounted to R484 million and include the following businesses:

RCCF/Quince Capital	Shareholding increased from 47% to 100%
Nashua West Rand Franchise	Acquired 51%
Moeller	CBI-electric acquired 100% of the business and net assets of Moeller
ATC	Acquired 15% from Powerhouse to increase holding in ATC to 89,9%

### Cents: Dividends per share



### %: Dividend yield



### Capex >

The following capital expenditure was incurred in respect of property, plant and equipment:

	2008 Rm	2007 Rm
Expansion	72,8	86,9
Replacement	44,3	62,1
	117,1	149,0

### Shareholders' statistics >

Reunert shares continued to trade actively on the JSE during the past year. Fund managers and investors still have an active interest in the group, mainly due to its exposure to the infrastructure spending through its electrical operations. Approximately 130 million shares were traded in over 67 000 transactions. The total value of shares traded amounted to R8 billion resulting in over 78% of the market capitalisation of the company being traded during the year.

The majority of shares are held by pension funds, unit trusts and mutual funds. On 26 September 2008 the offshore shareholding was just under 11%.

### NSN >

Because of a change of ownership internationally of our associate company NSN, a revised shareholder agreement was concluded. The income from the investment arises out of commission on sales which has been included in other income and operating profit.

Operating profit increased by 10% before including the income from NSN.

The income from associates now excludes the equity accounted income from NSN.

### The year ahead >

Reunert has large market shares in most of the markets in which it operates. Growth over the last number of years has mostly been organic with smaller 'bolt on' acquisitions which have added product or distribution to existing operations.

With the economic environment deteriorating, opportunities for meeting the group's investment criteria could increase. Sellers will be more realistic in their price expectations. Cash balances are increasing and, excluding RCCF assets and borrowings, the balance sheet is ungeared. The group is in a favourable position to consider a sizeable deal.

Reunert will continue to control costs and improve working capital during these uncertain economic times.

**David Rawlinson**  
Financial director

Sandton  
5 December 2008

# Corporate governance

## Approach to governance >

The Reunert board of directors and group management are firmly committed to sound corporate governance. Reunert subscribes to a set of values that amongst others foster integrity, respect, honesty and openness. The ethos of the group includes personal accountability and individual empowerment. In line with this, the board and management 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 this 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 13 directors with the majority being independent non-executive 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.

There are four executive directors. The majority of the non-executive directors are deemed independent irrespective of the time they have served on this board. The board has three black non-executive directors of whom one is a woman. Ms Thandi Orleyn represents the group's black economic empowerment partner, Peotona.

Brief résumés for each director appear on pages 22 and 23 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 22 and 23.

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 and 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 and terms of this 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 one 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 avoid conflicts of interest with the company and the group, but, to declare any conflicts that may arise 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, last 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.

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

During the past year, the board met on the following dates:

Date	Meeting	Apologies tendered
5 February 2008	Board & AGM	KJ Makwetla
13 May 2008	Board	—
28 August 2008	Board	—
24 November 2008	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.

Messrs TJ Motsosi and TS Munday, having been elected to the board during the year, are required to retire at the next annual general meeting, but being eligible, offer themselves for re-election. Messrs KS Fuller, DJ Rawlinson and Dr JC van der Horst retire by rotation at the next annual general meeting. The nomination committee, at its meeting held on 24 November 2008, has recommended that they be re-elected and they have offered themselves for re-election. The chairman, Mr Martin Shaw, has reached the usual retirement age of 70. However, at the request of the board, Mr Shaw has made himself available to be re-elected at the annual general meeting for another year.

Details of remuneration, fees or other benefits earned by directors in the past year are given in note 28 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 subcommittees: 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 and SD Jagoe.

Messrs G Pretorius and DJ Rawlinson resigned from the audit and risk committee on 25 August 2008, in line with the requirements of the Corporate Laws Amendment Act, No 24 of 2006 (promulgated on 14 December 2007) which provides that an audit committee must consist only of independent non-executive directors. The chief executive and financial director attend these meetings by invitation.

The audit and risk committee, chaired by an independent non-executive director and, effective 25 August 2008, comprises only independent non-executive directors. The committee meets at least twice a year and 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.

The audit and risk committee has satisfied itself of the appropriateness of the expertise and experience of the financial director.

The audit and risk committee has the responsibility to manage key financial and operating control risks, and has assisted the board in the following matters:

- implementing quality corporate governance policies;
- assessing the effectiveness of systems of internal control and acting on any identified areas of concern;
- monitoring the financial reporting cycle;
- recommending the appointment of an independent registered auditor;
- determining the terms of engagement and approving fees for external audit and non-audit work appointments;
- supervision of the effective operation of the internal audit function;
- overseeing the operation of the risk management function that incorporates insurance, security, occupational health and safety, and environmental issues.

During the year, the following meetings took place:

Date	Apologies tendered
14 May 2008	—
1 October 2008	—
20 November 2008	—

### Remuneration committee >

SD Jagoe (chairman), TS Munday, MJ Shaw and 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:

Date	Apologies tendered
14 January 2008	—
5 February 2008	—
28 August 2008	—
1 October 2008	—
24 November 2008	—

## Corporate governance > continued

Mr Munday was appointed to this committee at the meeting in August and attended his first meeting in October.

### 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. 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% and for 2009 it was capped at 10%.

The short-term incentive for executive management in operating divisions 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.

In keeping with current practice, a cash-based share purchase scheme and a share-price-linked incentive scheme were introduced during the 2007 financial year.

### Nomination committee >

MJ Shaw (chairman), SD Jagoe, TS Munday and 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 the following dates, all with full attendance. Mr TS Munday was elected to the committee effective 24 November 2008.

Date	Apologies tendered
5 February 2008	—
28 August 2008	—
24 November 2008	—

### Group executive and risk management committee >

G Pretorius (chairman), BP Gallagher, GJ Oosthuizen and 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 the sustainability report on pages 26 to 34.

### **Environmental issues >**

Systems and policies are in place to control or influence issues that may have an impact on the environment. To see more on how we address these issues go to pages 33 and 34.

### **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 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 on the basis of 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 page 4 and is displayed on the company website. All employees are required to adhere to this code.

## Board of directors



### Non-executive directors

#### 1. MJ Shaw CA(SA)

*Chairman, non-executive, independent director  
Director of companies*

*Appointed to the board in 2001 and as chairman  
from 1 June 2005*

*Born 13 September 1938*

Martin joined Deloitte & Touche in 1956 in Johannesburg. He was appointed a partner in 1968 and transferred to Durban. He returned to Johannesburg in 1983 and was appointed managing partner.

In 1991 he became chief executive, a position he held until 1999. Thereafter he acted as chairman of the board until his retirement in 2001.

He serves as a board member of Illovo Sugar Limited, JD Group Limited, PPC Limited, Standard Bank Group Limited and Standard Bank of SA Limited.

#### 2. BP Connellan CA(SA)

*Non-executive, independent director  
Director of companies*

*Appointed to the board in 1999*

*Born 28 June 1940*

Brian retired as executive chairman of Nampak Limited in 2000, a position he held since 1990. He joined the Barlow Rand Group in 1964 and managed a number of subsidiaries before being appointed as director of Barlows in 1985.

He is a director of Absa Group Limited, Illovo Sugar Limited and Sasol Limited. In addition, Brian is a past councillor of the South Africa Foundation, Corporate Forum and the Institute of Directors, as well as a contributor to King I and King II on corporate governance.

#### 3. KS Fuller CA(SA)

*Non-executive, independent director*

*Appointed to the board from 1 June 2005*

*Born 5 December 1939*

Kingsley joined Deloitte & Touche in East London in 1961 as an articled clerk. After qualifying as a

chartered accountant in June 1963, he transferred to the Johannesburg office in 1964.

He held various positions in Deloitte, culminating in his appointment as a senior partner at the Sandton office in 1990. He retired from Deloitte in 2003.

Kingsley is the current chairman of the Board of Trustees of both the Deloitte & Touche Pension & Provident Funds.

#### 4. SD Jagoe BSc (Eng), MBA

*Non-executive, independent director  
Merchant banker*

*Appointed to the board in 2000*

*Born 9 June 1951*

Sean is a senior adviser in Morgan Stanley's Johannesburg office, with 26 years' experience in banking and finance. Prior to joining Morgan Stanley, he was head of mergers and acquisitions at Deutsche Morgan Grenfell, head of corporate finance at Rand Merchant Bank and chief professional officer with the Industrial Development Corporation.

Sean also serves on the boards of AVI Limited and Ceramic Industries Limited.

#### 5. KJ Makwetla Social Work Diploma, PMD (Harvard)

*Non-executive, independent director*

*Appointed to the board in 2000*

*Born 14 September 1941*

Bobby spent most of his working life in the furniture and food industry. He served as executive director for King Food Corporation, a subsidiary of Tiger Brands (Tiger Oats) and Tiger Foods.

He served as chairman of Limpopo Economic Development Enterprises, 1995 – 2006; and served on the boards of Lebowa Platinum and Potgietersrus Platinum. He was chairman of The Joburg Property Company; 2000 – 2005 and from 2004 – 2007 served as director of SAPOA. He was also chairman of Clear Channel Merafe from 2003 – 2007.

Bobby is director of 24 Rivers Platinum and is chairman of Merafe Holdings (Pty) Limited. He is on the boards of African Renaissance Holdings, African Renaissance Aviation Corporation and Marine Bulk

Carriers. In his various capacities, Bobby has contributed extensively to black economic empowerment issues at both NAFCOC and government level.

#### 6. TJ Motsohi BSc

*Non-executive, independent director  
Strategy consultant*

*Appointed to the board from 1 June 2008*

*Born 9 November 1947*

Thabang is a strategy consultant and has consulted to major corporate clients such as DBSA, SA Port Operations, StatsSA, City of Tshwane, FFC, Nozala and Transnet for the past eight years.

Thabang spent 13 years at executive level in the Civil Aviation Directorate in Lesotho. During this period he was elected vice-president of the African Civil Aviation Commission for the East African region for three years. He joined Transnet in 1994 and was promoted to the position of transformation strategist at Transnet Group as general manager in 1997 and to chief executive of PX in 1998, a position which he held until January 2000.

Thabang has attended executive management programmes at London Business School, University of Singapore and the Harvard Business School.

#### 7. TS Munday BCom

*Non-executive, independent director  
Director of companies*

*Appointed to the board from 1 June 2008*

*Born 12 September 1949*

Trevor spent his formative years from 1971 in a wide-ranging number of roles in financial and commercial management positions both in southern Africa and Europe. In the late 1980s he was appointed finance and commercial director of AECI Explosives and Chemicals Limited. In 1990 he was appointed managing director of Dulux Paints and in the period 1996 to 2000 managing director of Polifin Limited. In 2001 Trevor was appointed executive director and chief financial officer of Sasol Limited with responsibility also for corporate affairs and various other portfolios. Two years later he also assumed global responsibility for Sasol's chemical businesses. In 2005 and 2006 he was

## Executive directors



deputy chief executive of Sasol Limited. At the end of 2006 he retired from executive roles and in 2007 became a non-executive director of various companies.

He serves as a board member of Absa Group Limited, Absa Bank Limited, Sasol Synfuels International (Pty) Limited, Sasol Petroleum International (Pty) Limited and Sasol Polymers and Sasol Nitro – both trading as divisions of Sasol Chemical Industries (Pty) Limited.

**8. ND Orleyn** BJuris, BProc LLB  
Non-executive director  
Director of companies  
Appointed to the board in 2007  
Born 13 January 1956

Thandi is a director and shareholder of Peotona, an investment company owned and managed by four women – Cheryl Carolus, Wendy Lucas-Bull, Dolly Mokgatle and Thandi Orleyn. Thandi was a director of commercial law firm, Routledge Modise, until April 2006. She is also a mediator and arbitrator under the auspices of Tokiso Dispute Settlement and a member of the Competition Tribunal. She sits on the boards of the South African Reserve Bank, Toyota SA, Implats, ArcelorMittal, Cricket SA and is also a trustee of Legal Resources Trust, Inanda Seminary Education Trust, Zenex Trust and Foundation, Shanduka Trust and De Beers Trust.

Thandi was attorney and regional director of the Legal Resources Centre, national director of the Independent Mediation Service of South Africa and national director of the CCMA from 1997 to 2002.

**9. JC van der Horst** BA, LLD  
Non-executive, independent director  
Director of companies  
Appointed to the board in 1993  
Born 4 February 1944

Johannes worked for Old Mutual from 1971 to 2002, where he was general manager (investments) from 1985 to 1997.

In September 1997 he was appointed to lead Old Mutual's demutualisation project, which culminated

in July 1999 with its listing on the London Stock Exchange and the JSE Limited.

Over the past 20 years he has served on the boards of various companies listed on the JSE Limited. He currently serves on the boards of Assore Limited and Wooltru Limited.

### Executive directors

**10. G Pretorius** BSc, BEng, LLB, PMD  
Chief executive  
Appointed to the board in 1990  
Born 24 August 1948

Gerrit joined Fuchs Electronics as a development engineer in 1973 and completed an LLB, studying part-time. Progressing through the ranks, he was appointed managing director of Reutech in 1989.

Following the unbundling of the group in 1993 he restructured Reunert's telecommunications interests and established joint ventures with Siemens Limited and GEC plc. A year later he was appointed chief executive of Telephone Manufacturers of South Africa.

In April 1997, Gerrit was promoted to chief executive of Reunert.

**11. BP Gallagher** BCom  
Executive director  
Appointed to the board in 1993  
Born 5 March 1950

After completing his articles at Deloitte and Touche, Pat qualified as a chartered accountant.

Pat joined the Barlow Rand Group in 1976. He was promoted soon after and subsequently served as managing director for various companies in the Barlow Rand Group.

With the unbundling of the Barlow Rand Group in 1993, Pat was appointed executive director of Reunert and chairman of Reunert Consumer and Commercial Holdings.

**12. GJ Oosthuizen** BJuris, LLB  
Commercial director  
Appointed to the board in 1997  
Born 31 March 1954

Gerrit practised as a lawyer for nine years before joining the Barlow Rand Group as industrial relations adviser in 1987.

In 1996 he was appointed executive director: human resources at PPC Limited and the following year returned to Reunert as an executive director. Gerrit's current responsibilities include general commercial work and legal affairs.

**13. DJ Rawlinson** CA(SA)  
Financial director  
Appointed to the board in 1992  
Born 23 February 1949

After completing his articles, David joined Coopers & Lybrand and was then seconded to England for three years.

He has been involved in the electronics and electrical engineering industry for over 20 years, working for CG Smith, GEC and as deputy managing director of Alstom.

### Committees

#### Audit and risk committee

KS Fuller (*chairman*), BP Connellan, SD Jagoe. G Pretorius and DJ Rawlinson resigned from the committee on 25 August 2008.

#### Remuneration committee

SD Jagoe (*chairman*), TS Munday, MJ Shaw and JC van der Horst.

#### Nomination committee

MJ Shaw (*chairman*), SD Jagoe, TS Munday and JC van der Horst.

#### Group executive and risk management committee

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

## Senior management



**1. HH Fischer** Dipl-Ing, Dipl-Wirtschaftsingenieur  
*Chief executive officer: CBI-electric*  
*Director of companies*  
*Appointed in 1984*  
*Born 13 September 1947 in Germany*

Helmuth attended the Technical University of Darmstadt, Germany where in 1972 he obtained a masters degree in mechanical engineering.

Thereafter he studied business administration at the Technical University of Munich, Germany where in 1974 he obtained a masters degree in industrial engineering (equivalent to MBA).

His association with Barlow Rand/Reunert started in 1984 when he emigrated to South Africa to join Heinemann Electric (Pty) Limited (then 70% owned by Barlow Rand) as manager for manufacturing coordination and information systems.

In 1989 he was appointed managing director of Circuit Breaker Industries. On 1 January 2007 Helmuth was appointed chief executive of CBI-electric.

**2. PW Smit** MEng, MBA  
*Chief operating officer: CBI-electric*  
*With Reunert group since 1987*  
*Born 12 December 1961*

Piet joined the group in the radar division in Stellenbosch as a development engineer in 1987. Studying part-time, he obtained an MEng degree from the University of Stellenbosch and, by 1994, an MBA from the University of Cape Town.

In 1999 he was appointed as managing director of Reutech Radar Systems and in December 2003 was appointed managing director of Reutech. On 1 August 2008, Piet assumed responsibility as chief operating officer for CBI-electric.

**3. CE Schutte** BSc (Eng)(Elec) Certificate of Competency  
*Managing director: CBI-electric: African Cables*  
*Appointed June 1999*  
*Born 13 July 1949*

Ernst started his career as a pupil engineer at the then Union Steel Corporation of SA Limited's non-ferrous division in 1973 after he obtained his engineering degree at the University of Pretoria.

He was later appointed as section engineer: electrical; maintenance engineer; production manager; marketing manager and general manager of Usko Ltd.

He served on the boards of Alustang (Pty) Limited, EPI (Pty) Limited, Transvaal Copper Rod Company and Usko Limited.

**4. JA Vorster** BCom, CIS, MBL  
*Managing director: CBI-electric: Aberdare*  
*ATC telecom cables*  
*First employed by ATC in 1971*  
*Born 28 May 1949*

Koos started his career as assistant accountant at Standard Telephones and Cables (Pty) Limited (STC) in 1969. He joined ATC in 1971 as accountant and subsequently held the positions of chief accountant and financial director prior to his appointment as managing director in 1986, a position he held until 1999.

Koos joined Marconi South Africa (Pty) Limited in 1999 as CEO. He left Marconi in 2001 and pursued his own private business interests until he rejoined ATC in October 2002 as managing director.

Following the merger of the ATC and Aberdare telecoms businesses in January 2007 in the new company CBI-electric Aberdare ATC Telecom Cables (Pty) Limited, Koos was appointed managing director.

**5. CGP Oliver** BSc (Eng) (Elec), MBL, Certificate of Competency  
*Managing director: CBI-electric: low voltage*  
*Appointed in 1998*  
*Born 29 January 1957*

Chris started his career as an engineer in training with Eskom. He joined Armscor in 1986 as programme manager. He held the positions of divisional manager and executive manager at Denel Aviation.

Chris joined CBI-electric: low voltage in 1998 as product manager and subsequently held the position of divisional manager until his appointment to the CBI board in 2005.

In 2007 he was appointed managing director of CBI-electric: low voltage.

**NASHUA**

**REUTECH**



**6. GH Rhodes** BCom, CA(SA)

*Managing Director: Nashua Office Automation*

*Appointed 1981*

*Born 12 November 1954*

Graham completed his high school studies at Glenwood High School, followed by his Bachelor of Commerce and Chartered Accountancy degrees through the University of Natal Durban Campus. He passed the Board examination in 1980.

He joined Barlows Tractor Division in 1981 and has enjoyed a number of job promotions and transfers around the country. In 1988 he was transferred to Nashua as financial manager, becoming financial director in 1991, and general manager in 2005.

He was appointed managing director of Nashua Office Automation on 1 October 2008.

**7. CN Scoble** BBusSci

*Managing director: Nashua Mobile*

*Appointed 1 August 1996*

*Born 26 January 1961*

Chris was born in Cape Town in 1961. He was educated at Rondebosch Boys' High. After completion of his National Service he attended UCT where he obtained a Bachelor of Business Science degree, majoring in economics and marketing.

In 1985 Chris joined Nashua as facsimile product manager. He was promoted to marketing manager in 1991 and was appointed to the Nashua board in 1992 as marketing director. In 1993 he assumed the sales portfolio. He was appointed managing director of Nashua Office Automation in 1996 and on 1 October 2008 became managing director of Nashua Mobile.

**8. MCA Maddox** BA Econ (Hons) (Victoria University of Manchester, UK); Snr Exec Prog I & II (Wits); Snr Exec Prog III (Harvard); Advanced Marketing (UCT/Wits)

*Group managing director: Nashua Electronics*

*Appointed in 1983*

*Born 17 June 1961, Manchester, UK*

Martin has been employed by Reunert since his arrival in South Africa from the UK in 1983. He held the position of group product manager from 1988 to 1990 and was appointed marketing manager until 1991. He was made a director in 1991 and held the position of marketing director, then group marketing director until his appointment in 1997 to the position of managing director: Panasonic Systems Company. Martin has held the position of group managing director since 1999.

He is vice-chairman of the Consumer Electronics Association.

**9. DP van der Bijl** MSc (Elec Eng) Wits, MSc (Aerospace) Cranfield UK

*Chief operating officer: Reutech*

*Appointed 17 July 2008*

*Born 31 March 1956*

Peter started his career at Denel (Kentron) in 1979 working on the design of missiles and progressed via various management positions to spending eight years in export marketing. Between 2000 and 2005, he was marketing director for the French design company GECL, based in Paris after which he joined African Defence Systems (a Thales subsidiary in South Africa) as GM of the Land and Joint business.

# Sustainability report

## **BUILDING AND DEVELOPING PEOPLE**

The group's focus on building and developing people remained unchanged during the 2008 financial year. It is a core value of the group and it extends to both our own employees and to the group's corporate social investment programme.

### **Reunert College >**

Amidst growing concerns that South Africa's education system is not delivering students who are capable of entering the South African economy, indications are that the curriculum changes which are in the process of being introduced will be difficult to implement. The shortage of suitably qualified students who passed mathematics and science at secondary school level remains a serious concern for the future of our society. We are hopeful, nevertheless, that the problem is receiving serious attention as a skills shortage no doubt will have serious consequences for job creation and for ensuring a stable and successful society.

Having anticipated that a skills shortage was looming, in particular the technical skills required to compete in local and overseas markets, the Reunert College was established in 1993. The college provides specialised tuition to students from previously disadvantaged communities to improve their matriculation results for mathematics, science, English and accounting, and possible employment in Reunert and/or other companies that are sponsors of Reunert College. To date almost R25 million has been spent to promote employment through the education system provided by the college.

A record intake of 84 students was achieved in 2008 bringing the total number of students who have attended the college since inception to almost 700. The number of individual bursaries awarded to former college students to enable them to attend tertiary education will be reaching 400 by December 2008. It is encouraging that we have, over the last few years, been able to find gainful employment for those who may not have received bursaries. This we believe could be ascribed to the high standard of tuition which students enjoy at the college. Last year the group was able to absorb more than 20 students who did not have a tertiary education and it is expected that we may be able to place another 25 students in 2009.

Most of the students who have completed their tertiary education through bursaries received from the college are currently employed as engineers, technicians, accountants and marketing executives.

This year an alumni society for former college students was formed, and the first function was attended by more than 100 previous students who are all employed, many in senior

positions. The aim of this society is to inspire others and to demonstrate the enormous potential available in the townships of South Africa.

The college provides a solution-based education process which is aimed at ensuring that all participants will be able to secure employment. This approach has evolved over many years and is characterised by a number of key success factors that assist in achieving the ultimate goal of being successfully employed. These factors include:

- A life skills course that enables students from townships to adapt to a business environment;
- Providing ongoing coaching and mentorship based on international best practice;
- Initiatives to ensure students understand the concept of competition;
- Equipping students to manage their personal lives and respect business norms; and
- Providing bursaries to attend tertiary institutions.

This all-embracing system – which includes a formal selection process, bridging education, vocational work at company premises, bursaries and mentoring/coaching – creates a total solution of which creating employment remains the most important objective.

As part of our approach, control mechanisms are in place to ensure that students are not only employed, but keep their jobs. For this reason, students are drawn close to their prospective employer from an early stage. This creates loyalty which, together with a reasonable understanding of how to manage a career, has made it possible to reduce labour turnover considerably.

In 2007 a pilot project was undertaken to train young black sales people with the view of placing them in the Reunert group. This initiative has resulted in the Reunert Sales Academy. Of the 2007 intake of 12 candidates, only one person was not ultimately employed in the group. However, the candidate was successfully placed at another company. A total of 14 individuals were enrolled for the programme in 2008.

This programme is aimed at assisting those who were not able to receive a bursary from the college but, nevertheless, have the aptitude and profile for successfully entering the sales environment. A number of tests were developed to identify these individuals.

In 2008 Nashua Mobile engaged 14 college matriculants as potential call-centre operators. A basic language laboratory was established at the college to assist the students to

communicate effectively with customers. This skill, together with the sound mathematics and science background provided for by the college, has resulted in Nashua Mobile being able to employ all the students.

It is planned that a further 20 students will join Nashua Mobile in early 2009. Discussions are currently under way with Panasonic Business Systems that may hopefully result in their participation in a programme to fulfil recruitment needs in 2009.

The ongoing support of our BEE partner, Peotona, has stood the college in good stead. Their commitment to the college and sound understanding of the college methodology and underlying values, has enabled Peotona to attract a number of sponsors who are currently sponsoring students at the college. This year Standard Bank sponsored 40 students and indications are that they will sponsor another 40 in 2009. It is anticipated that the bank, together with Reunert, will provide bursary facilities for deserving students who will complete their studies at the college in 2009. The JSE sponsored five students this year and we are hopeful that their sponsorship will continue during 2009. We have concluded an agreement with the Zenex Foundation, who have agreed to sponsor 15 students annually, for a period of three years commencing in 2009.

It is possible for matriculants to write an exam under the previous curriculum in June/July 2009 and, for this reason the college identified the opportunity to have an early intake of 17 students in October 2008. Exams will be written in June/July 2009.

Since 2000 the Reunert College staff has invested their own time in a service-training intervention named WeGo that is held on a monthly basis at the college. Teachers from surrounding townships are invited to participate in training sessions in mathematics, science, accounting and English. This assisted them to foster even better relations with surrounding township residents and also to improve the quality of students who may apply for enrolment at the college.

This year the college assisted schools in the East Rand who were experiencing delays in the supply of paper. Through the intervention of Nashua Office Automation, the college was able to supply the schools with paper at a reduced price and within a short period of time.

The principals in the surrounding township schools participate in a principals forum, which is held every two months at the Reunert College. Altogether 19 township schools are currently taking part in the initiative. We are encouraged by the strong cooperation which exists between all the role players, as we

believe this is a crucial prerequisite for meaningfully improving the schooling system in a short period of time. The strength of this relationship is illustrated by the 701 applications for the 2009 academic year that the college has received almost six months before applications are normally due. All the applicants have indicated a desire to study mathematics.

In our experience, most students are interested in studying mathematics and, provided they receive the correct tuition, their progress in general has been remarkable.

Apart from playing an important role in the Reunert employment equity programme, college staff are required to control, implement and monitor skills in the group. They are also largely responsible for adult basic education and employee training. A high standard of skills development and training has been maintained throughout the group, with the college principal serving as the group human resources development manager and coordinator of the group training and development forum. During the training year, Reunert employees participate in a group training programme – it is estimated that 62% of these trainees are from previously disadvantaged backgrounds.

The college's ground-breaking work continues to be recognised by the National Board for Further Education and Training as well as the South African Qualifications Authority. Also the college principal, Marina Gunter, is serving a third term on the National Skills Authority, the highest authority for skills development in South Africa. She is also a member of the National Board for Further Education and Training, deputy chair of the Committee for Training and Development for Business South Africa, and serves on the CHAMSA Committee for Training and Development. In addition, she is a professional certified coach, mentor, assessor and trainer with the International Coach Federation. There are only nine such individuals in South Africa.

### **Coaching and mentorship >**

The Reunert coaching and mentorship programme was introduced in 2003, to enable staff to benefit from the structured coaching from experienced employees.

The programme is aimed at the retention and development of high-performing staff, and particularly to attract and attain high-calibre staff from previously disadvantaged communities. The programme assists in integrating new employees, and is instrumental in the development and promotion of existing employees. To date, 284 staff participated in the programme, of which a significant number have already attended follow-up sessions.

## Sustainability report > continued

This year the Reunert Core Coaches initiative was launched, producing 19 coaches who will be deployed in a number of Reunert companies. They will be trained to qualify to a stage one international qualification. This will enable the group to accelerate the programme and to ensure that regular follow-up takes place. As part of a scientific and integrated approach, both mentors and protégés attend an initial training programme which provides the framework for future career and personal development. Not only does the programme assist employees to focus on career goals, but it assists participants also to understand themselves and their relationship with others. This process causes employees to become more effective in the business environment, whilst at the same time assisting them to improve the enjoyment of their personal lives.

As many of these staff members take part in accelerated development programmes, significant emphasis is given to achieving equity with integrity and understanding the correlation between output and remuneration. Achievement of staff who attended the programme continues to be most encouraging.

### Other training activities >

During 2008, all Reunert companies submitted their training reports and workplace skills plans to the relevant Sector Education and Training Authorities (SETA).

Training courses conducted during the review period spanned the following levels in the group:

Occupational level	Total trained
Managers	281
Professionals	223
Technicians and associated professionals	287
Clerks	381
Services and sales	656
Skilled workers	42
Plant operators	998
Elementary occupations	2
Apprentices/trainees	57
Total number of employees trained – 2008	2 927

Telecom Cables introduced a rejuvenation and upskilling programme at their Brits plant in 2006. Since then, 150 well-educated, but unemployed, black youths were employed as operators. These individuals are earmarked for development and promotion into technical, managerial and administrative positions. At least 148 of these operators were, during 2008, enrolled on specific training courses to give effect to the company's strategy. At least 14 operators were promoted in

2008 and 20 are enrolled for further tertiary studies through the company's education assistance programme. All operators are currently being assessed with the view to recognising their previous learning experience to attain an appropriate qualification. Where necessary, further training is provided.

CBI-electric: low voltage received an award for their outstanding contribution to development training from the MERSETA (The SETA for Manufacturing, Engineering and Related Services) during September 2008. The company cooperates with the MERSETA in government's initiative to increase the number of tradesmen through the Accelerated Artisan Training Programme. Low voltage has indentured three black apprentices to assist the pilot project, and two fitters and turners and one electrician are currently undergoing 12 months' practical training, which will condense a three-year apprenticeship into an 18-month training period. The first group of apprentices is expected to be writing exams and conducting trade tests in February 2009, and the results will determine whether the programme will be expanded. The CBI-electric: low-voltage technical internship programme will end in December 2008, enabling the company to employ two engineers on a permanent basis.

CBI-electric: african cables introduced jointing and termination unit standards in 2008. These were registered with the South African Qualifications Authority.

The purpose of this qualification is to recognise the skills and knowledge required to terminate joint, upgrade and install medium voltage cables. The learning material was subsequently developed and the first 15 trainee jointers are currently enrolled on this programme running until July 2009.

The rapid expansion of Nashua Mobile's distribution system has necessitated the introduction of a fast, high-quality and standardised training system to ensure that customer service is maintained at the highest possible level. The company is currently introducing a learning management system which will standardise training activities throughout the distribution system. The system is expected to improve the company's ability to market its products and services, to speed up training delivery and to enable real-time assessment of improvements achieved. In addition, it will enable the company to reduce the training time required for new entrants and to simplify the training process throughout the Nashua Mobile group. The company has introduced a structured management development programme and career pathing for its entire staff, which will assist in attracting and retaining key skills.

Reutech Radar Systems (RRS) is a major contributor to the University of Stellenbosch's Sunstep initiative. The Sunstep programme provides equipment and training to 25 science educators in 25 new schools over a three-day period on an annual basis. In 2007, an estimated 9 400 learners across all nine provinces were reached through this project. The course focuses on the assembling and understanding of electronic kits, soldering skills and preparing science teachers to understand the electronics module that was added to the new science curriculum in the country. Teachers are taught how to set up their own test and exam papers by using the material provided by Sunstep. In addition, the educators are trained to set up circuits by using crocodile clips. In 2009 the educators will be able to order electronic kits and to independently conduct workshops with learners as well as to transfer skills and knowledge to the learners.

RRS strongly supports the technology and human resources for industry programming (THRIP) which support research and technology development as an initiative to stimulate the South African industry. This brings together the best of South African researchers, academics and industry leaders in funding partnerships that enable participants to improve the quality of their products, services and people. RRS, in conjunction with the universities of Cape Town and Stellenbosch, has been involved in THRIP for the last 12 years. An amount of R500 000 per annum is invested in the project.

Panasonic Business Systems conducted a comprehensive management and skills assessment during 2008. This has resulted in the improvement of recruitments, induction and skills development practices. The company has introduced a management development programme, which will focus on business and sales management skills. This 12-month programme, which has both an academic and practical component, includes a Harvard Business School online module.

### **Bursaries >**

In addition to Reunert College bursaries, many Reunert companies have their own established bursary schemes, for both employees' children and disadvantaged youths.

Telecom Cables provided 60 bursaries for the children of employees from previously disadvantaged communities. The company has an annual commitment to grant such bursaries to a maximum amount of R600 000. A former bursary holder was recently appointed in the company's finance department and

this year a black female environmental specialist, conducted her practical training at the company.

Since 1997, Nashua Office Automation has provided a scholastic assistance programme to those employees who are unable to afford the escalating costs associated with school fees. Nashua pays a percentage of tuition fees for either primary or secondary schools.

CBI-electric: african cables has offered a bursary scheme for employees since 1982. In 1998 this was expanded to include students outside the company. The main objective is to assist children from previously disadvantaged communities. In the last 11 years the company has granted 343 bursaries and during 2008, 20 new bursaries were granted including eight to engineering students and five to students who are studying accounting. During the 2008 academic year an amount of R350 000 was made available for bursary purposes.

### **Transformation >**

#### **Employment equity**

All training operations in the Reunert group maintain an employment equity plan in terms of the Employment Equity Act of 1998. These plans were formulated and are managed in conjunction with employer representatives of business units. The Reunert College serves as a primary source of employees from previously disadvantaged communities. A total of 22 former students were offered employment on either a permanent or a temporary basis in 2008.

The group's approach to employment equity is part of an integrated plan to ensure a constant stream of entrants to the college and the retention of skills through the Reunert mentorship and coaching programme. These activities emphasise the development of young people from previously disadvantaged communities and all interventions, including the level of funds contributed by group companies, are monitored monthly.

#### **Broad-based black economic empowerment**

Following the conclusion of an empowerment transaction with members of Peotona in 2007, a rating agency has confirmed that the effective broad-based black economic empowerment (BBBEE) shareholding in Reunert is 23,1%. Reunert was credited with bonus points as 70% of the shares applicable to the BBBEE transaction were allocated to a trust established to further the educational and training needs of previously disadvantaged

children. A total of 31 Nashua Mobile franchisees are currently 100% owned by previously disadvantaged individuals.

Following the publication of the BBBEE codes in 2007, most companies in the Reunert group have submitted their BEE credentials to a rating agency for assessment. However, rating agencies remain swamped by the demand to complete the rating process of many South African entities so the process is taking much longer than anticipated. An overall rating of Reunert will, therefore, only be possible once all subsidiaries have been evaluated.

### **Outsourcing, procurement and assistance to small- and medium-sized enterprises >**

During the period October 2007 to September 2008, Nashua Mobile has established another 10 fully BEE-owned franchises at a cost of R2,5 million to the company. This has increased the total number of BEE franchises to 31. From a financial perspective, support was given for rental, shopfitting and ad hoc miscellaneous items.

Nashua Mobile also established the Permaculture food garden at the Reagile Primary School in Winnie Mandela Park in April 2008. The Permaculture food garden is managed by nine mothers whose children attend the Reagile Primary School. Besides preparing meals for more than 400 children every day as part of a feeding scheme, the mothers of the schoolchildren have started to generate additional income from surplus garden produce, which they sell to the local community. In this manner, fresh fruit, herbs and vegetables are made available to the community.

The small- and medium-sized enterprises and one micro-enterprise established by CBI-electric: african cables have been running successfully for many years. Bogabane Engineering cc was established in January 2002 and produces turning work for the company as well as for a number of small engineering companies in the Vaal Triangle. The company also conducts maintenance work and engraves embossing wheels. Atlehang Ma Africa specialises in batting the company's cable drums and continues to grow. Doocks Construction, which has been in business for many years, rewinds galvanised wire used in the

company's production process and Xylo, which is responsible for the recovery of scrap metal generated during the company's production process, had another successful year. A micro-enterprise established in 1999 is starting to prosper. Initially, a former employee started a car-wash enterprise at the company's premises. She recently expanded into another company in Vereeniging.

### **Aids >**

All group companies have introduced an Aids policy based on a guideline issued by Reunert. It is group policy not to discriminate against anyone who may be HIV positive and all employees who have tested positive are counselled. The strategy is aimed at educating employees about the importance of preventing this potentially fatal medical condition.

A number of subsidiaries have reported specific interventions during the review period. More than 70% of employees at Telecom Cables participated in a voluntary Aids-testing programme in 2008. In the 2007 financial year, 50% of employees participated. Those identified as HIV positive are supported by their medical aid schemes or through programmes provided by the Department of Health.

CBI-electric: african cables makes use of three videos during the induction of new employees. On a regular basis, health information is disseminated to ensure that existing staff are familiar with all relevant issues pertaining to the pandemic. Contraceptives are also made available, free of charge.

Since October 2006, Nashua Mobile has contracted with a consulting company to provide an HIV/Aids assistance programme. In total, 93 education and awareness workshops were conducted across the country. A large number of staff elected to undergo voluntary testing and those who tested positive are on a management programme to help them cope with the disease.

In the medium term, it is not anticipated that the disease will have an effect on the performance of Reunert companies. Nevertheless, ongoing efforts are being made to reduce and, where possible, prevent the spread of the disease.

## Support to community projects >

Although the group mainly focuses its social investment on educating children, many Reunert companies contribute meaningfully to a variety of organisations, especially those that provide food and shelter, education and training and assistance to victims of the Aids pandemic. A summary of some of these social interventions is set out below:

Reunert subsidiary	Beneficiary	Nature of investment
Nashua Mobile	Reagile Primary School in Midrand	Fully equipped classrooms built at the school, a feeding scheme for 400 people in operation for four years. A total of 320 000 meals has been served in this period. A fully equipped kitchen was donated to the school, including cooking utensils and cleaning equipment
	Safehaven Clinic at Winnie Mandela Park	Safehaven Clinic with running water and electricity, providing medical treatment and therapy to child victims of parental abuse
	Novalis House	Assisting homeless, illiterate and mentally disabled people – skills and equipment provided
Telecom Cables	Ennis Thabong Farm School	Facilities, skills transfer and capacity building
	Meerhof School	Provides financial support to a school for disabled children. Individual employees in CBI-electric also contributed
	Madibeng Centre for Research	Research on prevention of disease
	Tumelon Hospice in Madidi	Care of Aids patients
	Brits Local Council	CBI-electric staff serve on electricity, water infrastructure, transport, economic development, Aids and disaster management committees to assist the council
	Paul Mthimunya Bursary Fund	Contribute to a fund for deserving black students in Mpumalanga
Nashua Office Automation	Banakekeleni Hospice, Ubhle Bezwe and Tembisa Crisis Centre	Food, cleaning materials
	Ubhle Bezwe and Tembisa Crisis Centre	Alleviating plight of abused women
	Epworth	Home for destitute children
	Fountain of Love	Home for abandoned HIV positive children
	Abangani e Mkosini	Home for abandoned children
	Chris Hani Baragwanath cerebral palsy unit	Groceries and other supplies
CBI-electric: african cables	At least 22 projects for the previously disadvantaged	Annual spent R550 000

## Sustainability report > continued

### Employee profile as at September 2008 >

#### Total number of employees in South Africa

Occupational levels	Male				Female				Total 2008
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	6	—	3	44	5	—	—	3	61
Senior management	9	4	6	110	3	1	3	22	158
Professionally qualified, experienced specialists and middle management	23	26	30	344	15	6	14	135	593
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	383	100	100	642	133	86	56	340	1 840
Semi-skilled and discretionary decision making	821	99	64	187	256	95	39	194	1 755
Unskilled and defined decision-making	357	12	1	3	1 365	22	2	11	1 773
<b>Total permanent</b>	<b>1 599</b>	<b>241</b>	<b>204</b>	<b>1 330</b>	<b>1 777</b>	<b>210</b>	<b>114</b>	<b>705</b>	<b>6 180</b>
Contract workers	67	9	11	50	26	34	5	13	215
Temporary	152	33	3	11	147	182	8	31	567
Trainees	7	1	2	4	1	1	1	—	17
<b>Total non-permanent</b>	<b>226</b>	<b>43</b>	<b>16</b>	<b>65</b>	<b>174</b>	<b>217</b>	<b>14</b>	<b>44</b>	<b>799</b>
<b>Total</b>	<b>1 825</b>	<b>284</b>	<b>220</b>	<b>1 395</b>	<b>1 951</b>	<b>427</b>	<b>128</b>	<b>749</b>	<b>6 979</b>

#### Total number of employees in foreign countries

##### Occupational levels

Top management	4
Senior management	12
Professionally qualified, experienced specialists and middle management	21
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	19
Semi-skilled and discretionary decision-making	161
Unskilled and defined decision-making	0
<b>Total permanent</b>	<b>217</b>
Contract workers	0
Temporary	0
<b>Total non-permanent</b>	<b>0</b>
<b>Total</b>	<b>217</b>
Total number of employees in the group (South Africa and those employed in foreign countries)	<b>7 196</b>

## Human resources >

The group's corporate social investment, employment equity, BBBEE and all other social activities have been integrated into the human resources strategies and activities.

The Reunert College coordinates the skills development programme in each group company. College employees are responsible for introducing the group's mentorship programme. This approach helps college students' progress from being learners to employees, and provides ongoing growth and development opportunities for existing Reunert staff who participate in the programme.

The group skills development forum meets four times a year and coordinates all the group activities. The targets for skills development, as set out in the national skills development strategy, are discussed at this forum. All Reunert companies have contributed substantially to this strategy.

All skills-related legislation and standards are discussed at the forum to ensure Reunert companies keep abreast of current skills development policy and practices.

Succession plans are in place at all Reunert companies and candidates with the potential to replace key staff have been identified. Specifically, a successor for each general manager has been identified and, where appropriate, will receive further training. In addition, each Reunert company, with due regard to its own strategic direction and challenges, identifies on an annual basis additional skills that may become critical in future. Where a sufficient pool of talent is not already available, plans are in place to find or develop such talent.

Group companies continue to build on their sound relationships with trade unions, many of which have been in place since 1985. During 2008, there were no major industrial relations incidents in the group.

The group's reward system is based on a total package concept to provide employees with maximum flexibility. Group companies are participating members in at least five medical schemes and employees are encouraged to select their own schemes. Where a company's administration cannot provide for multiple schemes, employees can still make their own administration arrangements to enable them to join alternative schemes.

A new investment strategy put in place for the Reunert Retirement Fund has proved successful. All employees now have access to a userfriendly, sophisticated planning tool which enables them to make own investment choices based on their individual retirement needs.

## ENVIRONMENTAL REPORT

The nature of the Reunert businesses are such that they are unlikely to pose any significant environmental risk.

Nevertheless, most Reunert companies have systems and policies in place, governing activities, products and services that they control and influence that could have an impact on the environment.

CBI-electric: african cables complies with the ISO 14001 Environment Management System. As part of an annual environmental assessment, objectives and targets are set and monitored regularly. The company has a system in place to reduce, recover and recycle waste material. This year, a full report on environmental risks and physical stresses was commissioned at the company's Vereeniging factory. The potential risk areas which were accessed, included exposure to lead, the presence of hazardous chemical substances, gas and vapours, possible physical stress caused by illumination, noise and heat and the presence of dust and stack emissions. The report showed that the exposure to these potential hazards was generally within acceptable levels. Steps have been taken to eliminate all potential hazards in areas or activities that did not comply with acceptable standards.

In 2008 CBI-electric: african cables engaged consultants to do an ergonomics assessment and a survey evaluation of equipment design and the layout of the workplace to maximise productivity, reducing potential injury, and eliminating potential operator fatigue and discomfort. The assessment included the evaluation of spaces which may be confined, conditions that may be too hot or humid, the handling of heavy materials, and spinal stress which could be caused by lack of back support or vibrations in the workplace. A number of interventions, which are all aimed at improving working conditions, are in the process of being implemented.

## Sustainability report > continued

CBI-electric: low voltage has a comprehensive environmental policy in place to regulate the receiving, storage and use of hazardous material, the use of personal protective equipment, and the disposal and control of hazardous material. In addition, a full-time occupational health sister is on site, working in conjunction with appointed first-aiders. Emergency showers and material safety data sheets are available in the clinic and in all departments handling hazardous material. Biological monitoring of employees who come into contact with hazardous material is conducted on a regular basis. An industrial effluent analysis report is conducted by the Ekurhuleni municipality on a monthly basis, and any deficiencies which may be reported by the municipality are corrected immediately.

Telecom Cables has an integrated risk system that encompasses quality, environment, health and safety and all other risk factors. The company is ISO 9000: 2000 listed and has embarked on a process to list as an ISO 14001 company. All environmental factors are reviewed by the company on a regular basis.

The company conducts a comprehensive safety, health and environmental review every second year. In 2007 the survey extended to potential noise pollution, illumination, ventilation and heat stress, dust and volatile organic compounds. In addition, surveys were conducted on the potential presence of copper dust and thinners in certain areas. The result of the 2007 survey showed that the exposure to hazardous material was within the relevant occupational limits and, where minor problems were identified, these have been attended to.

The Nashua Electronics factory in Cape Town is the only television manufacturer in South Africa that uses a lead-free soldering process. Lead-free soldering is also used on circuit boards manufactured for CBI-electric: low voltage.

Reutech Solutions (RDL) is ISO 9001 accredited and has adopted the SANS 14001:2005 environmental management system. This system is maintained and regularly improved to optimise the effectiveness of RDL's environmental management strategy. The company has introduced non-lead core solder wire in the

manufacturing of circuit boards; all solvents used are CFC-free to reduce potential damage to the ozone layer.

RRS has adopted and implemented a radio-frequency radiation-free safety policy to protect employees and the public against the possible hazardous effect of non-ionising radiation emitted by its products. Since South African standards are not yet available, the company is complying with Australian standards for general public exposure to radio-frequency electro magnetic fields.

Nashua Mobile launched a programme in 2007 to donate R10 to the environmental organisation Foods and Trees for Africa, with every subscriber requesting electronic billing rather than receiving paper-based monthly statements. Trees will be planted in the communities where Nashua Mobile conducts business, especially in disadvantaged areas. More than 41 000 trees in 195 communities were planted during 2007. Nashua employees were given the opportunity to support a carbon footprint project when each employee was given a tree to plant in their own gardens.

In plants where water is used, recycling facilities are in place to minimise wastage, and to ensure that minimal pollution occurs.

All group companies comply with relevant legal requirements in respect of health and safety matters.