

# Corporate governance

The Reunert board of directors and group management are committed to promoting sound corporate governance and endorse the principles of fairness, responsibility, accountability and transparency as set out in the *King Report on Corporate Governance in South Africa* of November 1994.

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 complete integrity. 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.

The group has taken note of the latest recommendations contained in the Second King Report that was circulated for comment in July 2001.

## BOARD, DIRECTORS AND COMMITTEES

### COMPOSITION OF THE BOARD

The Reunert board consists of 12 directors, eight of whom are non-executive directors. The roles of the non-executive chairman and the chief executive are kept separate. The directors bring a wide range of experience, wisdom and professional skills to the board. The composition of the board is listed on page 6.

The non-executive directors are not appointed under service contracts and their remuneration

is not tied to the group's financial performance. The board meets at least once a quarter.

## ROLE AND FUNCTION OF THE BOARD

The Reunert board of directors, among other functions:

- retains full and effective control of the Reunert group;
- monitors and evaluates the implementation of strategies, policies, management performance criteria and business plans;
- determines the company'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 through its independent directors.

All board members usually attend the annual general meeting.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Directors are subject to retirement by rotation and re-election by shareholders at least once every three years in accordance with the company's articles of association.

## **BOARD COMMITTEES**

The board has three subcommittees: the audit committee, the remuneration committee and the executive management committee. Minutes are kept of all of these committees' meetings.

These committees can at their own discretion seek independent, outside professional advice as and when necessary. The committees are directly responsible to the board on their activities.

### **AUDIT COMMITTEE**

The group audit committee, chaired by a non-executive director, comprising both executive and non-executive directors, meets twice a year to review the group's control systems. The names of the audit committee's members are listed on page 7.

### **REMUNERATION COMMITTEE**

The remuneration committee comprises non-executive directors only. The names of the remuneration committee's members are listed on page 7. This committee meets periodically to make recommendations to the board on the framework of executive remuneration, including the granting of share options in terms of the Reunert Share Option Scheme. The chief executive attends these meetings by invitation.

### **EXECUTIVE MANAGEMENT COMMITTEE**

The executive management committee comprises executive directors only. The

committee usually meets weekly to attend to and oversee group matters. Senior managers of the group also attend meetings from time to time by invitation.

### **COMPANY SECRETARY**

The board has access to the advice and services of Reunert Management Services (RMS), which fulfils the role of company secretary. The board is of the opinion that the management of RMS has the requisite attributes, experience and qualifications to fulfil its commitments effectively.

### **SPONSOR**

The company has appointed Rand Merchant Bank as its sponsor. Its services include advising the board on the interpretation of and compliance with the listing requirements of the JSE Securities Exchange South Africa (JSE).

### **AUDITING AND ACCOUNTING**

Deloitte & Touche has been appointed by the board to perform an independent and objective audit on the group's financial statements. The statements are prepared in terms of South African Statements of Generally Accepted Accounting Practice. Interim reports to shareholders are not audited, but are discussed with the auditors.

The directors accept responsibility for the group's system of internal, financial and operating controls. The board has established controls and procedures to ensure the accuracy and integrity of the accounting records and

# Corporate governance

---

monitors the group's businesses and their performance.

Internal and accounting controls focus on critical risk areas. The controls are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorised use and financial records may be relied upon 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 audit committee reviews these matters regularly.

The controls are designed to provide reasonable assurance regarding:

- safeguarding assets against unauthorised use or disposition;
- compliance with statutory laws and regulations;
- the maintenance of proper accounting records; and
- the adequacy and reliability of financial information.

The board has not been informed by executive or internal audit management of any issue that would constitute a material breakdown in the functioning of these controls during the year under review.

The external auditors have again confirmed that they are not aware of any matters relating

to Reunert's control systems that would constitute a material breakdown that could result in material losses, contingencies or uncertainties that require disclosure in the annual financial statements or the external auditors' report.

## INTERNAL AUDIT

Comprehensive internal controls have been instituted. These are reviewed by the internal auditors when performing internal audits.

All business units complete an internal control matrix every six months. The matrix covers all aspects of internal control. Both the internal and external auditors review this matrix independently. Weaknesses identified through this process are analysed and reviewed and, where necessary, improvements are implemented.

The internal auditors visit Reunert business units randomly during the financial year and reports are compiled and submitted to the Reunert audit committee.

The internal audit function assists in the assessment of risk in all the group operations. Annually, either a financial director or a financial manager from one group company conducts reviews of another group company. These reviews provide an independent check on the execution of the internal financial controls, thereby ensuring that group policies and procedures are adhered to as well as providing an assessment of the risk in achieving financial year-end forecasts and deadlines.

The resultant reports are then summarised into areas of concern. These matters are followed up and discussed with the respective companies. The findings are submitted to the Reunert audit committee.

The Reunert executive has compiled a list of reserved matters. These matters can only be authorised at the highest level in the group.

## **RISK MANAGEMENT**

The board is responsible for the total process of risk management and its effectiveness. Management is held accountable for designing, implementing and monitoring the risk management process and integrating it into the daily activities of Reunert and its subsidiary companies.

All group operations are required to regularly identify all business risks. These risks are discussed and monitored at monthly management meetings.

## **NON-FINANCIAL MATTERS**

Reunert is committed to upholding and, where possible, exceeding 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 a high level of ethical standards for all its officers and employees in conducting business and dealing with all stakeholders.

Last year the Community Growth Fund recognised Reunert's contribution as a socially responsible company when it approved Reunert as a share to be held in its portfolios.

## **EMPLOYMENT EQUITY**

The group supports employment equity and is committed to providing equal opportunities for all group employees. All business units have affirmative action programmes and have implemented skills development and training programmes. An in-depth review on Reunert's focus on people development appears on page 18.

## **COMMUNICATIONS WITH STAKEHOLDERS**

Reunert is committed to ongoing and effective communication with all stakeholders. It subscribes to a policy of open, frank and timeous communication in line with JSE guidelines and sound corporate governance practice.

A wide range of channels is used to disseminate information according to the preferences of the intended target audiences. These include ongoing dialogue with institutional investors, analysts and the media, a corporate website (<http://www.reunert.com>) with up-to-date information on the company and its subsidiary companies and regular meetings with senior group management.

## **CLOSED PERIOD**

The group operates a closed period prior to the publication of its interim and preliminary

# Corporate governance

---

results. During these periods, the group's directors, officers and senior management may not deal in the shares of the company nor discuss the company's financial prospects with any outside third party. Additional closed periods are enforced as required in terms of any corporate activity.

## **GOING CONCERN**

The board of directors confirms that the group has adequate resources to continue to operate for the foreseeable future and will remain a going concern in the year ahead.