KAP.

INTEGRATED REPORT 2020

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HIGHLIGHTS

Business continuity sustained
through Covid-19 pandemic and related Lockdown regulations

Cash generated from operations
R2.1 billion
(FY19: R4.0 billion)

Revenue down
13% to R22.2 billion
(FY19: R25.6 billion)

EBITDA down
27% to R2.7 billion
(FY19: R3.7 billion)

Headline earnings per share down
68% to 14.8 cents
(FY19: 45.9 cents)

133 million shares
repurchased to enhance shareholder value

Revenue, EBITDA and headline earnings per share from continuing operations.

WHAT WE DO

Our purpose is to establish and grow market-leading businesses that add value to society.

We achieve this by identifying sectors that have growth opportunities, developing strategies to establish leadership positions in those sectors, selecting leadership teams to implement the strategies, allocating capital to ensure optimal returns, and providing appropriate centralised services. In doing this, we aspire to conduct ourselves according to the following key values:

- to lead responsibly
- to respect society
- to value the environment
- to embrace diversity
- to respect our people
- to innovate relentlessly

Our strategy is further illustrated as follows:

STRATEGIC FILTERS

The following strategic filters are applied in all our investment decisions:

Market-leading brands and products
We aspire to be the leaders in the markets we serve. To achieve this, we establish market-leading brands that are based on innovative products and services that offer our customers value-added solutions. We continuously invest in our brands, products and services to the market in order to differentiate ourselves and thereby create a competitive advantage.

High barriers to entry
We aspire to create barriers to entry in our various businesses through a combination of scale, channels to market, technology, innovation, backward integration, market share and brands, in order to protect revenues and margins over the long term.

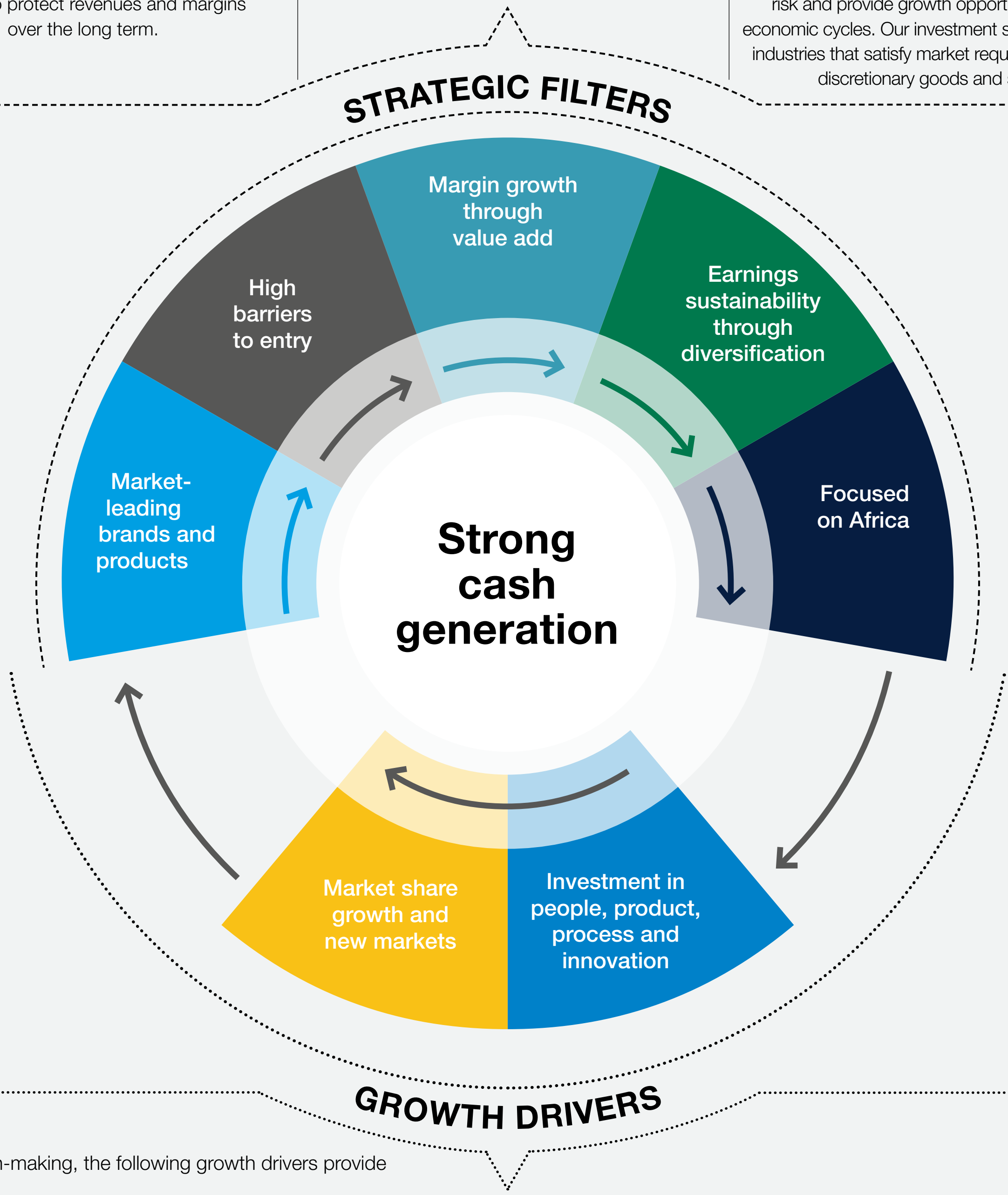
Margin growth through value add
In order to maintain and grow margins in a competitive environment, we constantly seek opportunities to differentiate our products and services through innovative value-adding solutions.

Earnings sustainability through diversification
In view of the escalating speed and scale of change, we aspire to maintain a diverse revenue stream from leading businesses that operate in different growth sectors and geographic regions, in order to mitigate risk and provide growth opportunities through economic cycles. Our investment strategy is to select industries that satisfy market requirements for non-discretionary goods and services.

Focused on Africa
We are located in Africa and focused on growth in African markets. Our operations are located in close proximity to the markets we serve in order to provide a competitive advantage against global competitors.

STRONG CASH GENERATION

We aspire to own businesses with strong cash generation in order to facilitate growth and to ensure the sustainability of the company through economic cycles.



INVESTMENT OUTCOMES

Our success in executing our strategy is measured according to the following metrics:

- **Real growth in HEPS**
- **RoE > WACC**
- **Free cash flow**

GROWTH DRIVERS

While our strategic filters provide guidance in investment decision-making, the following growth drivers provide guidance and direction in operational execution:

Market share growth and new markets
We aspire to leverage our investments in people, product, process, technology and innovation to remain globally competitive and thereby grow market share and enter new markets.

Investment in people, product, process and innovation
Our culture and value system emphasise the significant role that our people play in developing and executing the strategy of the company. We believe that our people are a competitive advantage. We therefore aspire to attract and retain the best people in the industry.

We believe that, ultimately, the best product always wins. We therefore relentlessly innovate and invest in our products and services and the development of new products that offer our customers quality, fit-for-purpose solutions.

We also believe that the lowest-cost producer always wins. We are obsessed with being the lowest-cost producer through ongoing investment in processes, technology and innovation to ensure that we retain and extend our competitive advantage.

GROUP STRUCTURE

KAP Industrial Holdings Limited ('KAP') is a diversified group consisting of leading industrial, chemical and logistics businesses

Diversified industrial

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PG BISON

Integrated Timber

Integrated forestry and timber manufacturing operations with primary and secondary upgrading processes

Revenue	Operating profit
R3 208 million	R323 million

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FELTEX

Automotive Components

Manufactures vehicle retail accessories and components used in new vehicle assembly

Revenue	Operating profit
R1 725 million	R88 million

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RESTONIC

Integrated Bedding

Manufactures foam, fabrics, springs, bases and branded mattresses

Revenue	Operating profit
R1 286 million	R171 million

Diversified chemical

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SAFRIPOL preferred polymer partner

Polymers

Manufactures polyethylene terephthalate ('PET'), high-density polyethylene ('HDPE') and polypropylene ('PP')

Revenue	Operating profit
R7 301 million	R160 million

Diversified logistics

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UNITRANS

Contractual Logistics – South Africa

Provides supply chain solutions to clients in South Africa

Revenue	Operating profit*
R4 954 million	R225 million

*Excluding B-BBEE cost

– Africa

Provides integrated supply chain solutions to clients in sub-Saharan African countries

Revenue	Operating profit
R1 865 million	R214 million

Passenger Transport

Provides personnel, commuter, intercity and tourism transport services

Revenue	Operating profit
R2 179 million	R166 million

GEOGRAPHIC PRESENCE

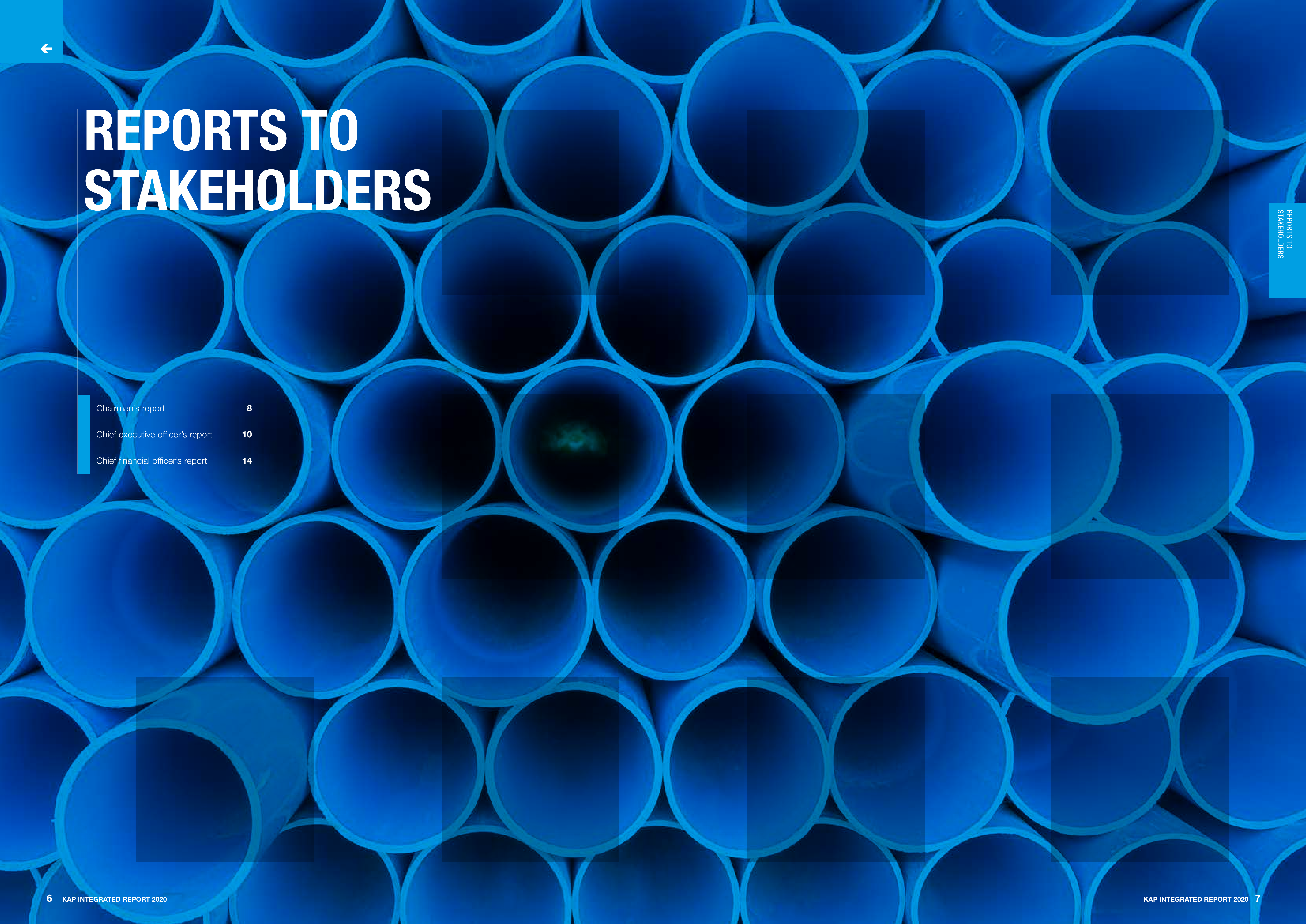
We are focused on delivering on our strategy of being a market leader in the industries we serve in a growing African market

12
African countries

Revenue:

84%
South Africa

16%
Other



REPORTS TO STAKEHOLDERS

The year under review has been characterised by geopolitical conflict, which has significantly impacted global markets and trade, and strong social movements across the world.

Jaap du Toit – Independent non-executive chairman

CHAIRMAN'S REPORT

The year under review has been characterised by geopolitical conflict, which has significantly impacted global markets and trade, and strong social movements across the world. The effect of these issues has been sustained and escalated by increasingly open and unregulated media platforms. What has been most striking, in considering the past year, has been the speed and the extent of change. During the Covid-19 pandemic, the whole world stood still for a while. Previously, this would have been impossible for us to imagine. While the economic implications have been significant and, in many cases, devastating, I cannot help feeling that it was a valuable time for us to pause and reflect.

Having considered what we experienced as a society, it is interesting to look forward and contemplate where the new normal of social, political and economic behaviour will settle. There will always be winners and losers in any given circumstances. Those with the mental agility to adapt and modify quickly will prosper, while those lacking this ability will flounder and fail. But is this not the story of evolution? I believe we have always been exposed to life-altering changes. It just seems that we will be exposed to such life-altering changes more often in future.

Throughout all this change, reinvention and media storm, I believe there will be many companies that will adapt quietly and efficiently to the new environment and make the necessary changes to continue serving their customers, growing their businesses and providing returns to their shareholders. I believe KAP is one such company.

KAP navigated the last year very effectively, growing our position in the various markets that we serve, generating EBITDA of R2.7 billion, and maintaining our liquidity. This is a clear demonstration that our strategy of a diversified business model, operating across a number of sectors and geographies, supplying mainly non-discretionary goods and services, supported by backward integrated supply chains is robust and equal to the challenge.

The board and management addressed the impact of the Covid-19 Lockdown decisively and effectively by adopting a focused, risk-based approach. The effectiveness of a decentralised management structure enabled management to respond quickly in implementing numerous measures to reduce costs and maximise cash flows, in order to ensure continued liquidity and the sustainability of the group. It was fantastic to see how positively and energetically our management and employees responded to this crisis. I congratulate them on their achievements.

Board changes

The board functioned well during the year and had several constructive and productive interactions. Three new board members were appointed during the year: KT Hopkins on 6 December 2019, V McMenamin on 12 December 2019 and Z Fuphe on 1 March 2020. These new board members were also appointed to board subcommittees. KT Hopkins was appointed as the chairperson of the audit and risk committee from 1 September 2020. We are very pleased with these new directors, who have already contributed significantly to the board. The board's interactions with executive management also remained constructive and transparent during the year, which was invaluable in these circumstances.

Through the nomination committee, the board plans to manage a responsible transition to release long-serving board members, and to introduce new board members over the next four years. It is healthy and in the long-term interests of the company to bring fresh energy and perspectives to the deliberations of the board. The business environment is becoming increasingly regulated in all areas, and it is important that the board maintains the requisite skills to manage this effectively.

The board adopted a new broad diversity policy in May 2020, in which we set targets for race and gender diversity. We have already made good progress against these targets.

Remuneration policy

During 2018, the human capital and remuneration committee ('Remcom') implemented certain changes to the remuneration policy, which included executive incentives. This policy was strongly supported by shareholders at the company's 2018 annual general meeting ('AGM'). However, we experienced more than 25% dissenting votes on the same remuneration policy at the 2019 AGM. As a result, we provided a platform to consult with dissenting shareholders, in line with the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)*. As a result of these consultations, the Remcom recommended significant changes to our remuneration policy, which the board accepted and implemented.

I believe the recent changes to the remuneration policy will better align the interests of management with those of shareholders, and will drive the enhancement of value for all stakeholders. The primary measures of executive performance will be real growth in headline earnings per share, return on equity in excess of the company's cost of capital and cash flow conversion. Governance and individual key performance measures, including environmental, social and governance ('ESG') activities and sustainability, will continue to form part of the incentive measurement criteria. Management have embraced these new measurement criteria and have aligned divisional incentive structures accordingly.

Sustainability

We remain committed to responsible corporate citizenship. I am pleased that the company again improved its ESG score as rated by the FTSE4Good index. The focus on ESG does more than create a sustainable company; it is the right thing for all of us to do. Great progress has been made in pursuing a responsible and balanced approach to ESG with increasing levels of adoption throughout the organisation.

"The primary measures of executive performance will be real growth in headline earnings per share, return on equity in excess of the company's cost of capital and cash flow conversion.

The development of our human capital as a key success factor and a strategic imperative for the company has been well demonstrated during the past year. Diversity will strengthen the organisation and it is therefore encouraging to see the focus being applied to develop and promote black employees, women and younger people in the company. This can only be positive for our future.

Dividend

While we acknowledge the value to shareholders of a consistent dividend flow, due to the impact of the Covid-19 Lockdown on the company and our employees, and in order to maintain the liquidity of the company, the board did not declare a dividend for the year. We are hopeful that the positive momentum felt during the first quarter of the 2021 financial year will continue and the company will be in a position to resume its annual dividend.

Share repurchases

During the year, the board approved a scheme for the company to purchase and cancel 97 million of its own shares in order to enhance shareholder value. We see enormous value in our various businesses and we will continue to consider share buy-backs in our investment decisions in future.

In addition, in order to eliminate the dilutionary effects of the company's share rights scheme, the board approved the purchase of 36 million shares to be held as treasury shares for delivery to the share rights scheme participants on the achievement of the relevant measurement criteria of the scheme.

The repurchase of both tranches of shares was successfully concluded by 28 February 2020.

Future prospects

The world faces an uncertain time with current and anticipated major events taking place which could significantly change the global sociopolitical and macroeconomic environment. In South Africa, we seem to be returning to some degree of stability and normality, albeit a new normal.

I am hopeful that we will experience a robust economic recovery, supported by more stable and transparent political leadership. I am encouraged by the focus of our Presidency on the elimination of corruption and on stimulating the economy through infrastructure development programmes. The effect of these two measures, together with the measures taken by the Reserve Bank, on investor and business confidence will be fundamental to our economic recovery.

KAP's strategy of a diversified model with decentralised management has proved to be resilient and remains intact. Our products and services are still in demand. Our ability to operate through exceptionally challenging circumstances and continue to generate cash and service debt has been demonstrated successfully. Our investments in recent years in product and market development, human capital and state-of-the-art manufacturing and logistics equipment provide competitive advantages and significant operational leverage to grow earnings and improve returns over time.

I am optimistic that, despite the weak economic environment and ongoing impact of the Covid-19 Lockdown regulations, the company is well positioned for growth.

Appreciation

I would like to thank our shareholders for their ongoing commitment and trust. I would also like to extend my appreciation to our customers, suppliers and banking partners for their ongoing support. The board's input and commitment has been invaluable, and I appreciate the additional time and effort they have given during the past year.

Finally, a special, heartfelt thank you to all our employees for their ongoing loyalty, passion and dedication to the company. The board and I are proud of your achievements and grateful for your significant personal and financial sacrifices to ensure the sustainability of the company. It is the mark of good leadership and the culture of the organisation that, when faced with adversity, we were able to overcome it and emerge stronger.

Jaap du Toit
Independent non-executive chairman

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The 2020 financial year has been extraordinary and has, at times, felt surreal. We have never before been exposed to a combined social, economic and financial shock of this scale and intensity. This created an enormously challenging environment for all of us, in all aspects of our lives.

Gary Chaplin – Chief executive officer

CHIEF EXECUTIVE OFFICER'S REPORT

The 2020 financial year has been extraordinary and has, at times, felt surreal. We have never before been exposed to a combined social, economic and financial shock of this scale and intensity. This created an enormously challenging environment for all of us, in all aspects of our lives. I am very proud of the group's achievements during this unprecedented time and the manner in which our people responded so positively to the challenge. While this has had a major impact on the financial results of the company, I am pleased to report that the group weathered the storm well, and has emerged as a stronger, more energised organisation.

Our financial year can be summarised by three primary factors, which had a major impact on the operational and financial performance of the group:

- The macroeconomic and sociopolitical environment in South Africa was extremely challenging during the year, with limited real economic growth, subdued consumer spending, unreliable electricity supply and increasing levels of unemployment.
- The cyclical imbalance in global polymer supply and demand had a significant impact on margins, resulting in a reduction of approximately R550 million in operating profit compared to the prior year.
- Covid-19 and the consequent national lockdown ('Covid-19 Lockdown'), imposed by the South African government with effect from 27 March 2020, was devastating to the economy and had a significant impact on our various operations. It resulted in an estimated reduction of approximately R800 million in operating profit for the year compared with our internal forecasts.

Our business model, with diversified operations in predominantly non-discretionary goods and services and decentralised management structures, has proved to be resilient and effective throughout this period. The group produced revenues of R22.2 billion, EBITDA of R2.7 billion and cash flow from operations of R2.1 billion for the year. Throughout the various levels of the Lockdown, we continued to produce positive EBITDA and generate positive cash flow from operations.

The group produced revenues of

R22.2 billion

EBITDA of

R2.7 billion

and cash flow from operations of

R2.1 billion

It is unfortunate that the above-mentioned factors have overshadowed what would otherwise have been a good performance by the group in a very subdued economic environment. Excluding the impact of the cyclical polymer imbalance and the estimated impact of the Covid-19 Lockdown, the group would have ended the year 9% above prior year EBITDA of R3.7 billion, which is very pleasing.

Covid-19 Lockdown

The devastating social and economic impact of the Covid-19 Lockdown has been widely reported on various media platforms. The financial and operational impact on the group has also been comprehensively reported in the company's year-end reporting. However, there were several positive outcomes which have not been reported and will have enduring benefit for the group. These outcomes are reflected as follows:

- The Covid-19 crisis has created unity among our people with increased communication, engagement and understanding at all levels.
- Consistent and transparent stakeholder engagement has led to stronger relationships, especially with customers, suppliers and banking partners, and has resulted in market share gains and increased access to funding.
- While we have consistently invested in new technology and state-of-the-art plant and equipment, this crisis has accelerated a far broader adoption of digital technology in our operations, which has improved communication, transparency and visibility. This has also improved performance and is expected to facilitate growth.
- The crisis has exposed certain inefficiencies in our various operations and has accelerated management intervention to rectify these inefficiencies, which will ultimately improve performance and returns for the group.
- We initiated widespread cost-saving and efficiency-improvement initiatives during the Covid-19 Lockdown, which have continued into FY21 and will support margins.
- Finally, and most importantly, we have learnt an enormous amount and we have been inspired into action to apply these learnings to improve the group in a number of tangible ways.

Navigating the Covid-19 pandemic has been extremely challenging and, at times, traumatic for the business and our employees. However, KAP has emerged as a better business post-Covid-19, with a more focused and motivated management team and more committed employees.

Strategy

As we would expect in times characterised by enormous change and uncertainty, we have interrogated the appropriateness of KAP's strategy. The current strategy has proved to be successful through this period and remains relevant and intact.

We have been effective in the past in operational execution and our objective of maintaining the lowest cost of product and service to market, which has made the various divisions very competitive over time. Together with increased customer focus, this has enabled us to expand our operations consistently through market share growth. This internal execution discipline and culture is now firmly entrenched in all aspects of our operations, and we will continue to pursue it.

Looking forward, senior management will increase their focus on brand development, product development, consumer demand creation and market penetration activities. We own several market-leading brands, many of which are already household names. We believe that, although our operations are business to business, increased focus on consumer behaviour and preferences will create longer-term growth opportunities for our various operations and customers.

The focus of senior management will therefore evolve from an internal execution focus towards a market and product-led focus in order to drive revenue growth. In line with this, we have used the recent months to interrogate the individual strategies of our various divisions. We have developed an exciting pipeline of material opportunities to expand our existing businesses, develop new products, and enter complementary markets over the next few years.

Human capital

At half-year, we reported several senior and executive management changes in our various operations. The focus of these changes was to position the right people in the right jobs according to the strategy of each division. Fortunately, these changes were fully implemented and allowed to settle before the Covid-19 Lockdown. These changes have proved to be successful and have facilitated strong leadership during a challenging period.

Key to these changes was the reconstitution of the KAP executive committee ('Exco') in order to include a more diverse range of skills and experience and greater depth of executive management. The following long-serving senior management were appointed to the Exco: SP Lunga (human capital executive), LM Besteiro (ICT executive), RH Louw (treasury and legal executive), GM van der Merwe (investor relations and sustainability executive) and K Gey von Pittius (group financial manager). Two divisional executive changes were also made, with the appointment of R Hayworth as the CEO of the Contractual Logistics – Africa division, and the appointment of N van Niekerk as the CEO of the Polymers division. The Exco is functioning effectively, as are each of the individual executives in their respective functional roles.

Leadership development and succession will be a key focus area for the group going forward, with the emphasis initially at divisional executive and senior management levels. We employ an amazingly talented pool of people with enormous potential. We would like to prepare them suitably to lead our organisation in the future. The constitution of our divisional executive committees and the related succession planning will continue to be a key focus area for me, as this will provide the best platform from which to execute our strategic plans.

> **"Leadership development and succession will be a key focus area for the group going forward, with the emphasis initially at divisional executive and senior management levels.**

KEY POINTS OF OUR STRATEGY SUMMARISED

1. Our objective of maintaining the lowest cost of product and service to market has made the various divisions very competitive over time.
2. Together with increased customer focus, operational expansion through market share growth has been possible.
3. Senior management will increase their focus on brand development, product development, consumer demand creation and market penetration activities.
4. Although our operations are business to business, an increased focus on consumer behaviour and preferences will create longer-term growth opportunities for our various operations and customers.
5. Senior management will evolve from an internal execution focus towards a market and product-led focus in order to drive revenue growth.
6. We have developed an exciting pipeline of material opportunities to expand our existing businesses, develop new products, and enter complementary markets over the next few years.

During the year, the KAP human capital and remuneration committee amended the KAP remuneration policy, following input from various shareholders and a peer review. I believe that these changes are positive, and will drive the right behaviour of management, with a real focus on the metrics that drive shareholder value. Management have embraced these changes, and have immediately realigned their focus accordingly.

Diversity

As an organisation, we see value in the varied perspectives that diversity of race, gender, age, skills and backgrounds provides. This is reflected in the adoption by the board of the broad diversity policy, which now includes race and gender targets, the appointment of three new board members during the year, and the reconstitution of our Exco. Our focus on diversity has also resulted in a number of women, black employees, and younger people assuming leadership positions in the group, which is very exciting.

Sustainability

We continued to focus on environmental, social and governance ('ESG') activities during the year and to monitor our progress in this regard through the FTSE4Good Index. The group's score increased by 10% from 3 out of 5 to 3.3 out of 5 and also improved in a peer comparison. It is pleasing that our governance score remained high at 3.9 out of 5 as this has been a real focus area for the board and management.

While FTSE4Good is used as an ESG measurement mechanism, the principle of sustainability is being adopted in a broader context and is becoming integrated into the group's strategy, products, markets and processes. Sustainability is therefore at the core of KAP's business philosophy and operating model.

Future prospects

The impact of the Covid-19 Lockdown regulations will have far-reaching economic implications, the effects of which, I suspect, will be felt across the economy for several years. We had, fortunately, concluded an extensive process of streamlining our various operations in line with our strategy before the onset of Covid-19, and we are therefore competitively positioned to grow in the current environment through market share gains and by entering new markets.

> **"The sectors in which the company operates have shown steady improvement as Lockdown restrictions have been relaxed.**

The sectors in which the company operates have shown steady improvement as Lockdown restrictions have been relaxed. The operational leverage provided by the scale of the group's operations facilitates the ability to scale up rapidly to grow revenue and improve margins as economic conditions improve further.

Our short-term focus is to reach 31 December 2020 with our financial covenants intact, which we are confident we will achieve. Then we will focus on 30 June 2021, with the objective of growing earnings and margins, improving returns, and bringing debt levels down to achieve our targeted gearing ratio of 50%. This should enable the company to resume its annual dividend policy.

Beyond this, we are excited about the pipeline of expansion opportunities which I have referred to above, each of which is tangible and deliverable over the next few years and will allow us to continue growing, in spite of a potentially subdued economic outlook.

Condolences

It is with deep regret that we lost two of our employees in terrible road accidents during the year. One employee also passed away due to Covid-19. We express our sincere condolences to their respective families, friends and colleagues.

Appreciation

We have been blessed by the support and encouragement of our shareholders, bond holders and banking partners throughout this challenging period. This support has enabled the continued and sustainable funding of our operations, for which we are extremely grateful.

We have endeavoured to remain close to our customers and to support them through this uncertain period. I express my sincere gratitude for their loyalty and continued support of our various operations.

This has also been a challenging period for our board, especially in view of the escalating regulatory requirements of listed companies and with three new independent members being appointed shortly before the Covid-19 Lockdown. The guidance, encouragement and perspective provided by our non-executive directors during this year has been invaluable and is greatly appreciated.

FY20 has been the most challenging year that many of our almost 18 500 employees have ever experienced. I am humbled by the resilience, commitment, loyalty and positivity with which our employees have responded. All our employees made significant financial sacrifices during this time, which affected each of their personal circumstances, to ensure the financial sustainability of our group. I express my deepest gratitude and appreciation to our employees who each, in their own way, contribute to the success of our organisation.

Gary Chaplin
Chief executive officer

KAP

KAP was able to produce positive EBITDA and cash flow from operations throughout the various levels of the Covid-19 Lockdown and generated EBITDA of R2.7 billion for the year.

Frans Olivier – Chief financial officer

CHIEF FINANCIAL OFFICER'S REPORT

The macroeconomic and sociopolitical environment in South Africa was challenging during the year under review with limited real economic growth, subdued consumer spending, increasingly unreliable electricity supply and increasing levels of unemployment. This depressed economic environment was significantly exacerbated by the Covid-19 pandemic and the consequent Lockdown ('Covid-19 Lockdown') during the fourth quarter. These factors, together with a severe cyclical imbalance in global polymer supply and demand, had a material impact on our operational and financial performance, including the impairment of goodwill, intangible assets and property, plant and equipment.

Despite the significant impact on the group, we were able to produce positive EBITDA and cash flow from operations throughout the various levels of the Covid-19 Lockdown and generated EBITDA of R2.7 billion for the year. This is due to our diversified nature, operating across a number of sectors and geographies, and supplying non-discretionary goods and services supported by backward integrated supply chains.

Revenue from our continuing operations was 13% lower, while operating profit before capital items decreased by 47% and headline earnings per share decreased by 68%. Earnings per share from continuing operations were impacted by the impairment of assets amounting to R2 537 million net of taxation during the year, resulting in a loss of 82.5 cents per share (FY19: profit of 41.4 cents per share).

Key metrics from continuing operations	FY20	FY19	% change
Revenue (Rm)	**22 166**	25 602	(13)
EBITDA (Rm)	**2 707**	3 713	(27)
Operating profit before capital items (Rm)	**1 344**	2 527	(47)
Headline earnings (Rm)	**388**	1 237	(69)
Headline earnings per share (cents)	**14.8**	45.9	(68)
(Loss)/earnings per share (cents)	**(82.5)**	41.4	(299)
Cash generated from operations (Rm)	**2 076**	4 033	(49)
Free cash flow before dividends (Rm)	**(791)**	1 983	(140)

Covid-19 Lockdown

The Covid-19 pandemic has had a devastating effect on the global economy and society in general. The South African government imposed national lockdown regulations with effect from 27 March 2020. Since March 2020, the board and management have addressed the impact of the pandemic with a risk-based approach. This included identifying the following key risk categories, and designing and implementing mitigating actions and controls to protect the company and our various stakeholders:

- immediate and medium-term liquidity;
- corporate funding capacity and financial covenants;
- sustainability of revenue;
- sustainability of customers and associated credit risk;
- sustainability of suppliers and potential supply chain interruptions; and
- sustainability of operations, including the effect on employees.

The decentralised management structure of the group enhanced our ability to respond quickly and effectively by implementing numerous measures to minimise the impact of the Covid-19 Lockdown. The group implemented various measures to reduce operating costs and to optimise cash flows in order to ensure continued liquidity during the Lockdown period and thereafter. These measures included the suspension of all non-essential operating expenditure and uncommitted capital expenditure, and the optimisation of working capital. We also implemented specific salary and wage cost reduction measures throughout our operations.

Our internal management forecast prepared in March 2020, before the Covid-19 Lockdown, included eight months of actual results and four months of forecast results. In assessing the group's actual performance for the year compared to this, it is estimated that the impact of the Covid-19 Lockdown was a reduction in revenue of approximately R2.5 billion and a reduction in operating profit of approximately R800 million. Although the impact of the Covid-19 Lockdown on the group has been significant, our business model has proved to be resilient during this crisis.

Financial performance

Revenue from continuing operations decreased by 13% to R22 166 million (FY19: R25 602 million). The segments and divisions were impacted to varying degrees as illustrated below:

Revenue	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm	% change
Diversified industrial	**6 205**	7 777	(20)
Integrated Timber	**3 208**	4 031	(20)
Automotive Components	**1 725**	2 202	(22)
Integrated Bedding	**1 286**	1 551	(17)
Interdivisional revenue eliminations	**(14)**	(7)	
Diversified chemical	**7 301**	8 690	(16)
Polymers	**7 301**	8 690	(16)
Diversified logistics	**8 967**	9 433	(5)
Contractual Logistics – South Africa	**4 954**	5 144	(4)
Contractual Logistics – Africa	**1 865**	2 011	(7)
Passenger Transport	**2 179**	2 382	(9)
Interdivisional revenue eliminations	**(31)**	(104)	
	22 473	25 900	(13)
Intersegmental revenue eliminations	**(307)**	(298)	
	22 166	25 602	(13)

Operating profit before depreciation, amortisation and capital items ('EBITDA') from continuing operations of R2 707 million is 27% lower than the prior year (FY19: R3 713 million). Operating profit before capital items from continuing operations of R1 344 million is 47% lower than the prior year (FY19: R2 527 million).

The International Financial Reporting Standards ('IFRS') accounting treatment of the Unitrans B-BBEE transaction, concluded in the prior year, resulted in a non-cash and non-trading B-BBEE cost of R3 million (FY19: R196 million). The impact on earnings in the prior year is material and therefore the B-BBEE cost is disclosed separately in the financial results. Core headline earnings and core headline earnings per share exclude the B-BBEE cost.

Operating profit before depreciation, amortisation, B-BBEE cost and capital items ('core EBITDA') from continuing operations decreased by 31% to R2 710 million (FY19: R3 909 million).

Operating profit before B-BBEE cost and capital items ('core operating profit') from continuing operations decreased by 51% to R1 347 million (FY19: R2 723 million).

Core operating margin decreased to 6.1% (FY19: 10.6%). Core operating profit and core operating margin by segment and division are illustrated below:

Core operating profit and margin %	FY20 core operating profit Rm	FY20 margin %	FY19 core operating profit Rm	FY19 margin %	Core operating profit change %	Margin change %
Diversified industrial	**582**	**9.4**	1 311	16.9	(56)	(7.5)
Integrated Timber	**323**	**10.1**	806	20.0	(60)	(9.9)
Automotive Components	**88**	**5.1**	266	12.1	(67)	(7.0)
Integrated Bedding	**171**	**13.3**	239	15.4	(28)	(2.1)
Diversified chemical	**160**	**2.2**	751	8.6	(79)	(6.4)
Polymers	**160**	**2.2**	751	8.6	(79)	(6.4)
Diversified logistics	**605**	**6.7**	661	7.0	(8)	(0.3)
Contractual Logistics – South Africa	**225**	**4.5**	161	3.1	40	1.4
Contractual Logistics – Africa	**214**	**11.5**	283	14.1	(24)	(2.6)
Passenger Transport	**166**	**7.6**	217	9.1	(24)	(1.5)
	1 347	**6.1**	2 723	10.6	(51)	(4.5)

Capital items from continuing operations of R3 284 million (FY19: R144 million) include the following items:

Capital items	FY20 Gross Rm	FY20 Net[1] Rm	FY19 Gross Rm	FY19 Net[1] Rm
Impairments	**3 255**	**2 537**	132	111
Goodwill	**617**	**617**	37	37
Intangible assets	**1 959**	**1 425**	74	59
Property, plant and equipment and investment property	**679**	**495**	21	15
Loss on disposal of property, plant and equipment and investment property	**34**	**24**	21	15
Other capital items	**(5)**	**(4)**	(9)	(5)
	3 284	**2 557**	144	121

[1] *Net is the value after the impact of taxation and non-controlling interests' portion of capital items.*

The group performs annual impairment assessments on all assets in line with the requirements of IFRS 36 – *Impairment of Assets*. Due primarily to the effects of the Covid-19 Lockdown, the continued imbalance in global polymer supply and demand, and its impact on expected future cash flows, we accounted for the following significant impairments in the current financial year:

- In the Automotive Components division, the goodwill and intangible assets recognised on the Maxe business unit, as part of the Autovest acquisition effective 1 April 2016, were impaired by an amount of R320 million. This was as a result of the disruptions caused by the Covid-19 pandemic in the global and South African automotive sector and the resultant subdued outlook for automotive retail.
- In the Polymers division, the goodwill and intangible assets recognised as part of the Safripol acquisition effective 1 January 2017, were impaired by an amount of R2 147 million. This is as a result of the cyclical imbalance in global polymer supply and demand, further impacted by the Covid-19 pandemic, which now indicates that the cyclical polymer recovery could be slower than previously forecast.
- In the Polymers division, the PET plant and equipment were impaired by an amount of R472 million. This was mainly as a result of capital expenditure overruns on the recent expansion of the plant and the continued imbalance in global polymer supply and demand, exacerbated by a collapse in the oil price and the Covid-19 pandemic.
- In the Passenger Transport division, the intercity and tourism fleets were impaired by an amount of R179 million. This was as a result of the impact of the Covid-19 Lockdown and the expected negative impact on international tourism and intercity travel.

Net finance costs from continuing operations decreased by

4% to R676 million

Net finance costs from continuing operations decreased by 4% to R676 million (FY19: R707 million), benefiting from the reduction in interest rates during the current year, despite the additional finance costs related to the implementation of IFRS 16 – *Leases* of R43 million and the increase in net interest-bearing debt.

The effective tax rate from continuing operations changed to a benefit of 18.2% compared to an expense of 31.2% in the prior year. In the current year, the tax rate is impacted by impairments of R685 million (7.4%), which are not deductible for income tax purposes, and a provision of R68 million (2.6%) raised due to the expectation of not achieving the required performance measures in relation to the section 12I tax allowances claimed previously. In the prior year, the tax rate was impacted by a B-BBEE cost of R196 million (3.2%), which is not deductible for income tax purposes.

Earnings attributable to owners of the parent from continuing operations reflected a loss of R2 169 million (FY19: R1 116 million profit), due to the impairment of assets. Headline earnings decreased by 69% to R388 million (FY19: R1 237 million) as illustrated below:

Reconciliation of headline earnings from continuing operations	FY20 Rm	FY19 Rm	% change
Earnings attributable to owners of the parent	**(2 169)**	1 116	(294)
Capital items	**3 284**	144	
Impact of taxation and non-controlling interests' portion	**(727)**	(23)	
Headline earnings (Rm)	**388**	1 237	(69)

Core headline earnings per share from continuing operations decreased by 72% to 14.9 cents (FY19: 53.2 cents), mainly as a result of 51% lower core operating profit, which resulted from the material financial impact of the Covid-19 Lockdown and polymer margin weakness.

Headline earnings per share from continuing operations decreased by 68% to 14.8 cents (FY19: 45.9 cents). The weighted average number of ordinary shares decreased by 2% to 2 630 million shares (FY19: 2 696 million shares), which is attributed to the repurchase of 133 million ordinary shares in issue during the year.

> **"The group's balance sheet remains strong in spite of significant impairments and increased net interest-bearing debt.**

Discontinued operations

The group disposed of the Autovest operation with effect from 1 December 2019. It formed part of the Automotive Components division and comprised the manufacture and distribution of various aftermarket accessories. This operation is accordingly disclosed as a discontinued operation on the group's income statement for FY20 and FY19, while the related assets and liabilities were shown as assets and liabilities held for sale in the prior year.

The Glodina operation, which was disposed of on 3 September 2018, is also disclosed under discontinued operations in the prior year.

Statement of financial position

The group's earnings are underpinned by a diverse asset base of land holdings, forestry assets, infrastructure, plant, machinery and vehicles. This strong base of new technology assets will support future competitiveness and growth.

Asset base from continuing operations	FY20 Rm	FY20 % of total	FY19 Rm	FY19 % of total
Plant and machinery	**4 944**	**28**	5 331	27
Long-haul vehicles and buses	**4 820**	**27**	4 634	24
Land and buildings	**2 380**	**14**	2 297	12
Intangible assets	**2 046**	**12**	3 996	20
Biological assets	**1 754**	**10**	1 900	10
Goodwill	**641**	**4**	1 246	6
Right-of-use assets	**438**	**3**	–	–
Capital work in progress	**394**	**2**	156	1
Other assets	**92**	**–**	118	–
	17 509	**100**	19 678	100

The reduction in the goodwill and intangible assets balances is mainly attributable to impairments of R2 576 million during the year. Intangible assets predominantly include supplier relationships, patents and trademarks. These intangible assets secure access to strategic raw material inputs, create barriers to entry, and secure market leadership.

The group continued to increase its disclosure of financial and operational information to allow stakeholders to understand the group and its divisions better. These additional disclosures include operating assets, operating liabilities and net operating assets per division, grouped by segment. This allows stakeholders to calculate divisional returns, such as return on capital employed (operating profit divided by net operating assets). Net operating assets by segment and division are illustrated below:

Net operating assets	FY20 Rm	FY19 Rm	% change
Diversified industrial	**8 137**	8 111	–
Integrated Timber	**5 821**	5 659	3
Automotive Components	**1 011**	1 216	(17)
Integrated Bedding	**1 305**	1 236	6
Diversified chemical	**4 461**	6 733	(34)
Polymers	**4 461**	6 733	(34)
Diversified logistics	**7 032**	6 075	16
Contractual Logistics – South Africa	**3 774**	3 149	20
Contractual Logistics – Africa	**2 164**	1 854	17
Passenger Transport	**1 094**	1 072	2
Corporate, consolidation and elimination	**(210)**	(109)	
	19 420	20 810	(7)

We remain focused on completing our various expansion projects with the objective of market share growth, margin enhancement and the generation of cash.

Replacement capital expenditure continues to be managed over time in relation to the annual depreciation charge. Depreciation (excluding right-of-use asset depreciation) for the period amounted to R1 218 million, while replacement capital expenditure amounted to R1 241 million net of proceeds on disposal, insurance proceeds and government grants. Expansion capital expenditure of R671 million was invested in the group's asset base to drive growth and efficiency benefits.

The split of capital expenditure per division and segment is illustrated in below:

Split of capital expenditure per division	FY20 Rm	% of total	FY19 Rm
Diversified industrial	**439**	**23**	225
Integrated Timber	**309**	**16**	77
Automotive Components	**82**	**4**	75
Integrated Bedding	**48**	**3**	73
Diversified chemical	**75**	**4**	83
Polymers	**75**	**4**	83
Diversified logistics	**1 398**	**73**	917
Contractual Logistics – South Africa	**756**	**39**	242
Contractual Logistics – Africa	**459**	**24**	472
Passenger Transport	**183**	**10**	203
Corporate, consolidation and elimination	**–**	**–**	6
	1 912	**100**	1 231

Net working capital levels were impacted by the Covid-19 Lockdown, which resulted in lower economic activity, disruptions to supply chains and resultant adjustments to net working capital planning. Net working capital therefore increased by R766 million to R1 911 million. Inventories only decreased by R169 million due to an inventory build in preparation for a planned PET plant shutdown. Accounts receivable decreased by R614 million, while accounts payable decreased by R1 549 million, in line with expectation.

The net asset value per share decreased by 22% to 372 cents from 474 cents as a result of the above-mentioned impairments.

Statement of cash flows

Cash generated from operations decreased by 49% to R2 076 million (FY19: R4 033 million), mainly as a result of a R1 199 million reduction of core EBITDA, primarily emanating from the impact of the Covid-19 Lockdown and lower polymer margins, and R741 million invested (FY19: R158 million released) in working capital.

The free cash flow before dividends was an outflow of R791 million (FY19: R1 983 million inflow). This was negatively impacted by the lower cash generated from operations and the increased investment in capital expenditure of R681 million.

The cash conversion ratio of core EBITDA before capital items into cash generated from operations was 77% (FY19: 105%).

Capital structure

It is imperative that the group maintains a sound capital structure by maintaining conservative gearing and having access to sufficient funding to support our operations and to facilitate growth. The capital management strategy is to maintain an optimal level of capital (both equity and debt), diversified in nature, at competitive rates, and from a variety of funding sources. Our central treasury function supports operations and monitors gearing on a group-wide basis, ensuring that our treasury and funding requirements operate in line with internal debt capacity ratios set by the board.

The company purchased and cancelled 97 million of its ordinary shares during the year. In addition, in order to reduce the effects of dilution on shareholders resulting from the company's share rights scheme, the company procured shares for delivery to participants by acquiring 36 million ordinary shares in the market. These shares are accounted for as treasury shares. The total value of the share buy-back transactions amounted to R544 million.

Net interest-bearing debt increased by R2 553 million to R7 041 million, including lease liabilities recognised in terms of IFRS 16 – *Leases* of R466 million at 30 June 2020. Net interest-bearing debt was largely impacted by the decrease in cash generated from operations from the prior year of R1 957 million, as well as increased capital expenditure and the share buy-back transactions during the year.

The net debt/equity (gearing) ratio increased from 35% to 74% as a result of increased net interest-bearing debt and decreased equity (due to impairments and share buy-backs). Both the cyclical polymer downturn and the impact of the Covid-19 Lockdown affected operational results. However, the group generated sufficient EBITDA and cash to remain within both the target levels of the net debt to EBITDA ratio and the EBITDA interest cover ratio at 2.6 times and 4.0 times respectively. Our financial and cash flow forecasts continue to indicate that we will remain within our existing banking facilities and will not breach relevant financial covenant ratios for the foreseeable future.

The debt structure and capacity ratios are reflected as follows:

Debt structure and capacity ratios	FY20 Rm	FY19 Rm
Loans and borrowings	**7 604**	6 311
Lease liabilities	**466**	–
Non-interest-bearing loans and borrowings	**(45)**	(38)
Bank overdrafts and short-term facilities	**17**	–
Cash and cash equivalents	**(1 001)**	(1 785)
Net interest-bearing debt	**7 041**	4 488
EBITDA[1, 2]	**2 707**	3 713
Net finance costs[2]	**676**	707
EBITDA: interest cover (times)	**4.0**	5.3
Net debt: EBITDA (times)	**2.6**	1.2
Gearing %	**74**	35

[1] *Operating profit before depreciation, amortisation and capital items*
[2] *From continuing operations*

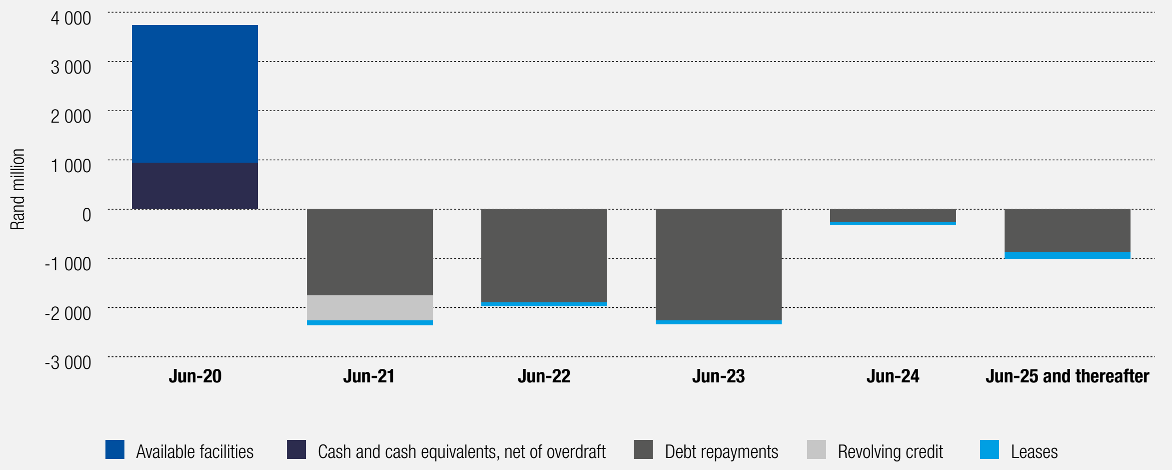
The following significant funding activities were concluded during the year:

- R874 million corporate bonds settled at maturity; and
- R1 250 million corporate bonds issued with tenures of between three and five years.

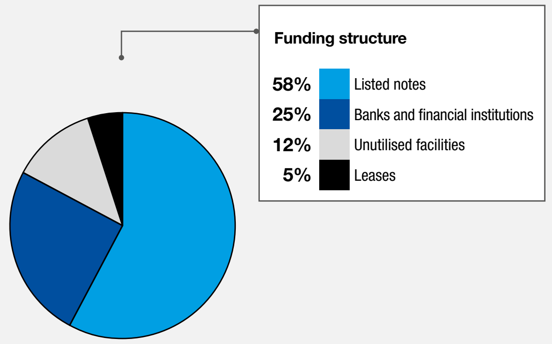
Additional facilities of R950 million were raised during the Covid-19 Lockdown as a contingency and to improve the short-term liquidity of the group. Included in the additional facilities is a R500 million increase in the committed syndicated revolving credit facility, bringing this facility to R1 500 million, which matures on 4 October 2021. These facilities provide the company with sufficient time and options to refinance recent and upcoming bond maturities.

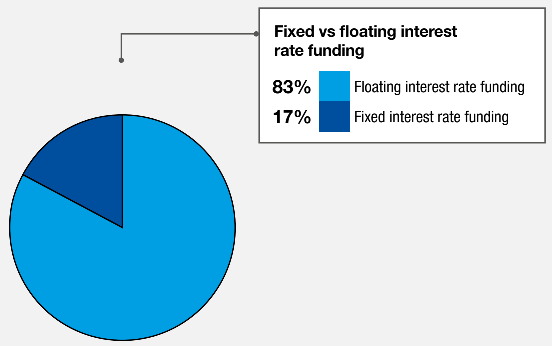
These funding activities have resulted in an extended debt maturity profile, which is comfortably within the company's capabilities, as reflected below:

Maturity of net interest-bearing debt as at 30 June 2020



We finance our operations through cash generated from operations and a mix of short-, medium- and long-term bank credit facilities, bank loans and domestic medium-term notes. This provides us with a balanced range of funding sources as reflected below:





Global Credit Rating Co. Proprietary Limited reviewed our credit rating in November 2019, and confirmed our rating as A+(za) with a stable rating outlook.

Dividends

In view of the Covid-19 pandemic and its impact on the economy, the company and our employees, the board has decided not to declare a dividend for the current financial year. The board has taken the decision to preserve cash in the light of the current uncertain economic environment. In the prior year, a dividend of 23 cents per share was declared and paid to shareholders on 23 September 2019.

Accounting policies

During the current year, we adopted the new and revised standards that are relevant to our operations and effective for annual reporting periods beginning on 1 July 2019. The following new IFRS had a material impact on the annual financial statements:

IFRS 16 – *Leases*

We elected to apply IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initial application is recognised in retained earnings at 1 July 2019, with no restatement of comparative information. There was no adjustment to our opening retained earnings balance on 1 July 2019.

The implementation resulted in the recognition of R395 million right-of-use assets and R406 million lease liabilities at 1 July 2019. Additional depreciation of R119 million, additional finance costs of R43 million, and a reduction of operating lease expenses of R144 million were recognised compared to the prior year.

Until 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period, which results in a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Corporate activity

We continued with strategic corporate activities during the year to enhance the group's quality of earnings and its sustainability into the future. In line with its key investment criteria, we concluded the following transactions in the diversified industrial segment:

- Effective 1 December 2019, KAP Bedding Proprietary Limited acquired 75% of the shares and loan claims of Connacher (Natal) Proprietary Limited and Recyclotex Proprietary Limited (collectively 'Connacher') for a purchase consideration of R31 million. This acquisition serves as our entry point into the recycling sector. Both the Integrated Bedding division and the Automotive Components division are making use of recycled material produced by Connacher in the production of their products, thereby supporting the group's integration strategy.
- Effective 1 December 2019, KAP Automotive Proprietary Limited disposed of the Autovest operations, which manufactured and retailed various aftermarket vehicle accessories.

In the prior year, the company concluded a series of transactions and funding arrangements ('Unitrans B-BBEE transaction') in order to facilitate greater than 51% black ownership and greater than 30% black-women ownership of its South African logistics operations, Unitrans Supply Chain Solutions Proprietary Limited ('USCS'). The B-BBEE cost is non-cash and is accounted for as a charge to earnings with corresponding credit to reserves. An amount of R196 million of the B-BBEE cost was expensed in the prior year. The remaining R19 million will be expensed equally over the seven-year contract period, with R3 million expensed in FY20.

Governance

We employ a decentralised business model, which allows our divisions to operate autonomously, with a strong entrepreneurial culture, within a governance framework established by the group, through which compliance with policies, procedures and internal controls is monitored. The primary control environment of the company is key to the success of our decentralised model, both in terms of governance and providing effective support to divisional management to grow their businesses.

In the prior year, the company concluded a series of transactions and funding arrangements ('Unitrans B-BBEE transaction') in order to facilitate greater than

51%

black ownership and greater than

30%

black-women ownership of its South African logistics operations, Unitrans Supply Chain Solutions Proprietary Limited ('USCS')

> **"Our mature financial reporting systems proved invaluable for regular scenario planning and cash management during the Covid-19 Lockdown.**

We acknowledge the importance of technology and the benefits that are unlocked through accuracy and visibility of information, as well as the improved control environment that is related to robust systems. Our divisions all operate on separate enterprise resource management ('ERM') systems appropriate to their businesses. Regular investment in and upgrades are done to these systems to ensure that they remain up to date. Detailed divisional management accounts are reported within five days of month-end, providing enhanced insight into the divisional results. The consolidation reporting system improves the reliability and accuracy of the financial reporting of the group.

We operate a centralised treasury function, which raises funding according to the group's requirements. The divisional funding structures and divisional balance sheet structures are determined centrally, according to the requirements of each division. Cash management is controlled and reported centrally to ensure that it is managed effectively and provides daily visibility of all bank accounts in the group.

Our mature financial reporting systems proved invaluable for regular scenario planning and cash management during the Covid-19 Lockdown.

The KAP corporate services function was restructured in December 2019, to ensure more effective execution of functions, which include corporate finance, secretarial, legal, taxation and internal audit services. The focused corporate services function has strengthened the governance structures of the group and improved the overall internal control environment.

Looking ahead

Due to the material financial effects of the Covid-19 Lockdown, a key short-term focus area for us remains liquidity, compliance with financial covenants and reducing gearing. Regardless of these short-term effects, we remain focused on the execution of our strategy, the optimisation of our operations, market share growth and generation of cash to further strengthen our balance sheet to provide a platform for growth. We remain optimistic that the diverse operational and geographic nature of our operations will provide support in the current challenging economic environment.

Frans Olivier
Chief financial officer

OPERATIONAL REVIEW

INTEGRATED TIMBER

Revenue	Operating profit	Net operating assets
R3 208 million	R323 million	R5 821 million

PG Bison is the leading wood-based panel supplier in Africa servicing the retail, construction, furniture manufacturing and residential development market in southern and East Africa and Australia.

PG Bison is a product and market-focused organisation, concentrating on a number of areas to inspire growth in the application of our products.

PG BISON

www.pgbison.co.za

BISONBORD SUPAWOOD SUPAGLOSS SUPAMATT MELAWOOD FORMICA THESEN WOODLINE WOODCHEM

PG BISON

2020 Highlights

- PG Bison received the Supplier of the Year award from a major customer in the following categories: Wholesale – Brands 4 Africa (winner of Export division); Wholesale – Boards (winner of Wholesale division); and Supplier Best Growth award
- New range of products launched on a digital platform to over 2 000 local and international customers and converters during Covid-19 Lockdown (WATCH)
- PG Bison is the only Africa-based manufacturer of matt-finish MFB
- Antibacterial MFB launched
- Sixth MFB line installed in eMkhondo (formerly Piet Retief)

Gerhard Victor
Chief executive officer, Integrated Timber

Product innovation drives demand

We regularly evaluate our product range according to market and consumer trends as part of growing our value-added product mix, in support of our strategy. Exclusive melamine-faced board ('MFB') colours and finishes are developed with the input of international and local designers for our specific markets. The success of this strategy is measured by the increase of the value-added product mix ratio to 61% (FY19: 58%) and the displacement of products that were previously imported from Europe and Asia.

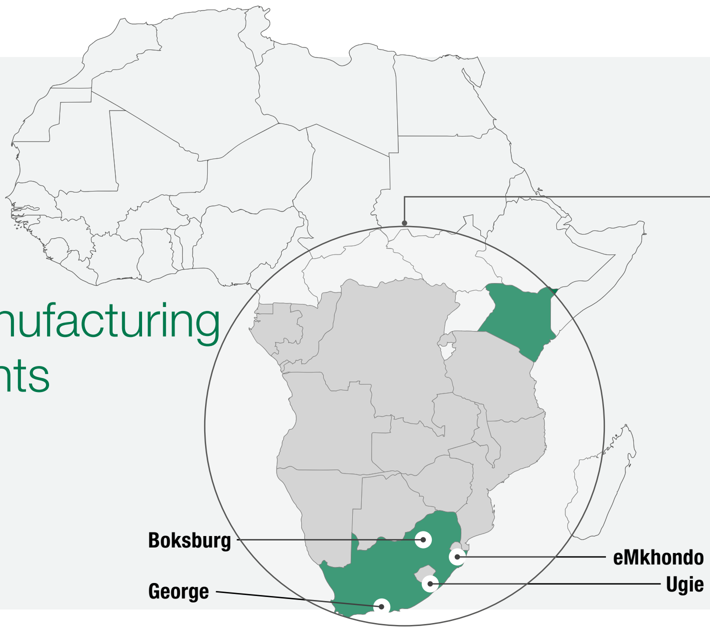
In 4Q20, PG Bison successfully launched our new range of products on a digital platform to over 2 000 local and international customers and converters. The range includes a new matt-finish MFB, which was launched under the SupaMatt brand. PG Bison is the only Africa-based manufacturer that has the capability to produce this product. In addition, an antibacterial MFB was launched. PG Bison's resin operation blends an antibacterial additive during the resin process in order to inhibit and destroy any bacteria that come into contact with the surface.

PG Bison is the leading manufacturer of high-gloss MFB boards under the SupaGloss brand. We also offer a wide range of laminate worktops under the Formica Lifeseal brand.

'Our purpose is to inspire and facilitate the creation of beautiful spaces.'

– Gerhard Victor

8 manufacturing plants



Operations
Kenya, South Africa

Sales and distribution
Angola, Botswana, Kenya, Lesotho, Mauritius, Mozambique, Namibia, Nigeria, Zambia and Zimbabwe.
Also in Australia

Products and services

Forestry
Sawlogs, poles, pulpwood

Primary processing – Timber
Structural timber (Thesen), poles (Woodline)

Primary processing – Board
Particleboard (BisonBord), medium-density fibreboard (MDF) (SupaWood), matt-finish board (SupaMatt)

Upgrading
Foil (DecoBord), Formica Lifeseal worktops, melamine-faced board (MFB) (MelaWood), gloss board (MelaWood Supagloss)

Formaldehyde and UF resin
Primarily used in the timber panel industry

Impregnated paper
Primarily used in the timber panel industry to manufacture MFB

Customer engagement

PG Bison acknowledges that our success is dependent on the growth and success of our customers. We continuously strive to create innovative solutions in collaboration with our customers in order to stimulate demand in the market.

The introduction of new products is supported by a structured marketing, sales and supply chain strategy. Demand is created by obtaining specifications from designers and developers, while providing customers with the relevant marketing information, samples and technical support. Tools, such as our kitchen design tool, enhance customers' experience of our products and processes. Demand-creation activities are extended to support small to medium enterprises ('SMEs') and historically disadvantaged persons ('HDPs').

WATCH

Investing in technology supports the value-added product strategy

PG Bison continuously invests in new technology to introduce new products into the market, increase capacity, reduce our manufacturing cost and optimise raw material input.

In support of the value-added product strategy, we successfully installed a sixth MFB line in eMkhondo (formerly Piet Retief) during the year. This is the first robotic-fed MFB line installed in South Africa, which has increased the nameplate capacity of the line by 25%.

In February 2020, a state-of-the-art matt-finish line was commissioned onto the current hot coating line, which previously only produced high-gloss finishes.

The Ugie and eMkhondo particleboard plants were upgraded in February 2020 and March 2020 respectively, during the annual maintenance shutdowns. These upgrades will deliver an additional 8% capacity with reduced raw material consumption.

The final phase of the replacement and upgrading of the eMkhondo plant is in process. A new dryer will be installed to replace inefficient dryers, which will reduce emissions by an estimated 20% during the drying of wood fibre. The installation of a single-source energy plant will allow the drying process to run exclusively on biomass fuel. Once completed in January 2022, this new dryer will increase the particleboard production in eMkhondo to 1 000 m^3 per day. All our PG Bison panel manufacturing sites will then be efficient, state-of-the-art facilities.

Following the extensive forest fires in the southern Cape in 2017 and 2018, the Thesen sawmill has been reconfigured to optimise the available timber, and to facilitate better yields and efficiencies from a more variable raw material mix. Two new optimising saw lines and a new band saw were installed. The Thesen sawmill will instal and commission a high-speed finger-jointing line to provide our customers with a wider choice of products.

Vertical integration creates a competitive advantage

The division harnesses the benefits of an integrated model by owning and managing its own resin, forestry and timber operations with primary manufacturing and value-adding facilities.

PG Bison's access to key raw materials, in the form of timber from our own plantations and our own manufactured and upgraded paper and resin, remains a long-term strategic imperative that mitigates against timber supply constraints in South Africa and upward cost pressures.

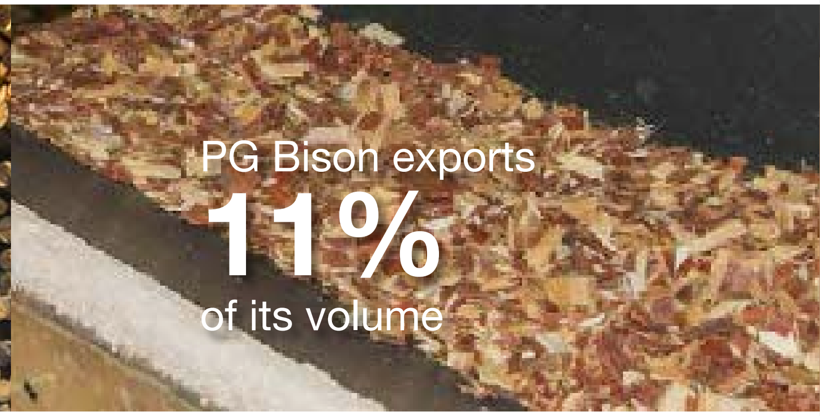
Sustainable raw materials are key to the long-term success of PG Bison. In the past year, over 4.7 million trees were planted as part of normal operations.

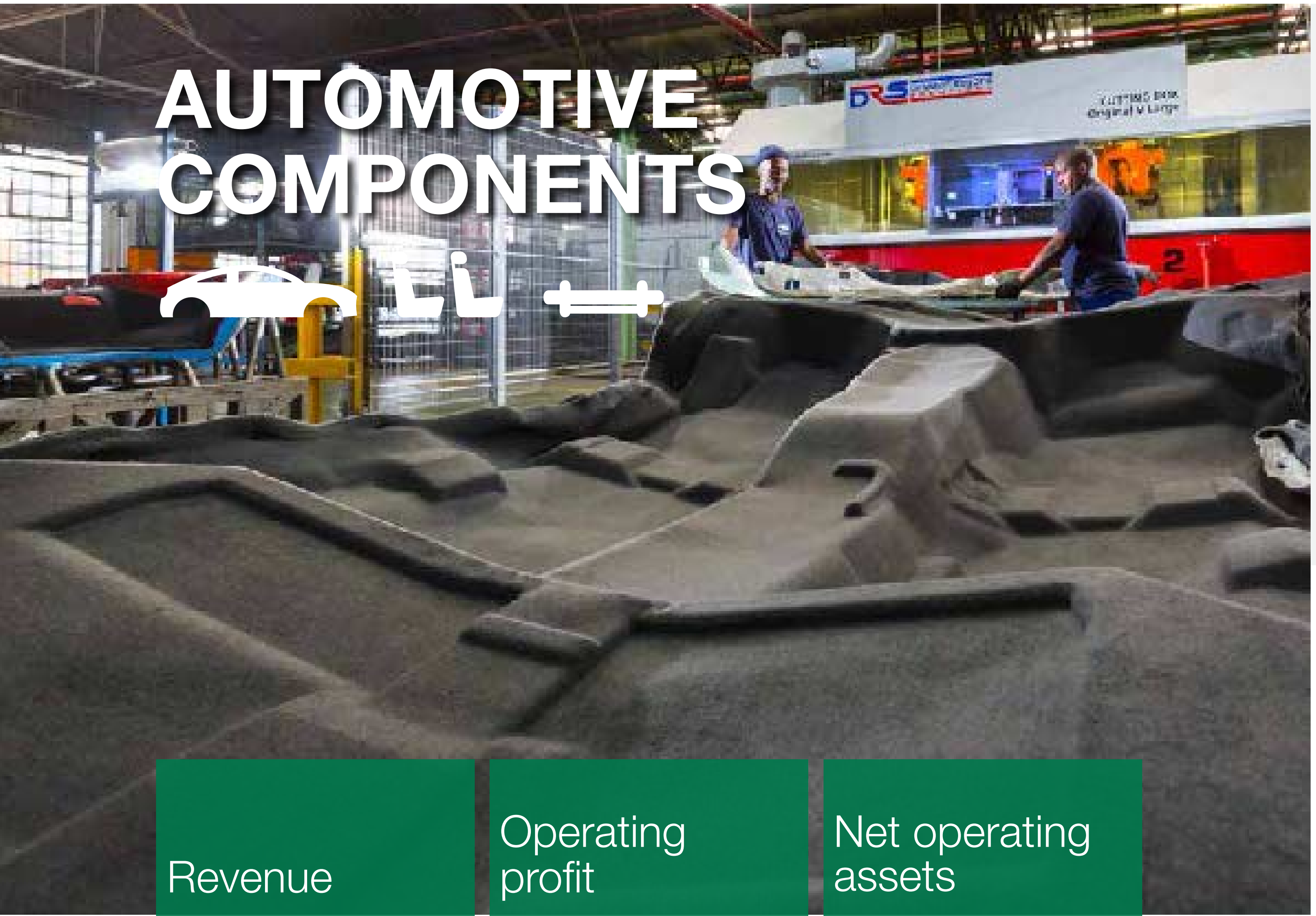
Looking ahead

8% additional capacity and reduced raw material consumption expected from Ugie and eMkhondo (formerly Piet Retief) upgrades

Particleboard production to be increased to 1 000 m^3 per day at eMkhondo on completion of upgrade in January 2022, adding 14% additional capacity

All PG Bison panel manufacturing sites to be efficient state-of-the-art facilities by January 2022





AUTOMOTIVE COMPONENTS

Revenue
R1 725 million

Operating profit
R88 million

Net operating assets
R1 011 million

The Automotive Components division manufactures components used in the assembly of new motor vehicles and aftermarket accessories.

Fifteen manufacturing plants, operating under the Feltex banner, supply a wide range of specialist components to all the vehicle original equipment manufacturers ('OEMs') in South Africa.

www.feltex.co.za
www.maxe.co.za

2020 Highlights

- Feltex successfully attained a level 4 B-BBEE score in the past year, ahead of the APDP requirements
- Maxe acquired the Excalibur range of automotive accessory products
- Maxe acquired a new manufacturing site and will relocate during FY21. The new site will improve production flow and operational efficiencies

Ugo Frigerio
Chief executive officer, Automotive Components

Aftermarket accessories for light commercial vehicles ('LCVs'), sports utility vehicles ('SUVs'), heavy commercial vehicles ('HCVs') and extra heavy commercial vehicles ('EHCVs') are marketed under the Maxe brand.

The division focuses on the following areas to grow and remain competitive:

Securing new vehicle models

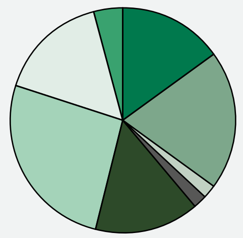
The automotive sector is characterised by global OEMs operating multiple manufacturing plants around the world for global distribution to both the international and the local market. These OEMs demand that all suppliers provide them with quality products manufactured to global specifications, delivered within specific parameters at globally benchmarked prices.

Working in conjunction with our international partners, we tender for and secure components for new vehicle models, such as moulded foam seats, insulation, acoustic and thermal components, and other light and bulky parts that are best suited to being manufactured locally. The necessary manufacturing technology and capacity is installed for us to manufacture and supply the specified components over the lifetime of the model at the volumes indicated by the OEM.

Maxe designs and manufactures nudge bars, rear styling bars and side steps for

'Our aim is to be the automotive components supplier of choice, utilising leading technology and globally competitive manufacturing capabilities.'

– Ugo Frigerio



ISO certifications

Business unit	ISO 45001	ISO/TS 16949	ISO 14001	ISO 9001
Foam	•	•	•	•
Fehrer	•	•	•	•
Caravelle	•	•	•	
Trim	•	•	•	•
Auria	•	•	•	
Autoneum		•	•	

the LCV, SUV and HCV/EHCV aftermarket. The design of the bars is unique to the OEM brand and model, and is approved by the OEM in order to maintain the relevant manufacturer's warranty. The products are sold through the OEM's dealership network. We work closely with OEMs during the launch of new models, facelifts and promotional models in order to ensure our product availability for these models. We recently developed and introduced a black stainless steel bar to complement our natural stainless steel range in line with fashion trends.

During the year, we acquired the Excalibur range of automotive accessory products. This will enhance our product offering to the market.

Globally competitive

Working closely with global partners, adopting best practice manufacturing techniques as advocated by the OEMs, investing in technology, combined with innovative thinking and years of experience, enables Feltex to be globally competitive. Significant focus is placed on continuously reducing costs and improving efficiencies and skills. This creates an advantage for Feltex in supplying all the major OEMs. The Feltex operations are situated in close proximity to the OEM assembly plants to facilitate 'just in time' and 'just in sequence' supply. Feltex's information technology systems interface with the OEMs' production planning systems in order to facilitate this.

Feltex, in operation since the 1930s, manufactures products to ISO/TS 16949 technical specifications, an international automotive quality system. The operation has also adopted ISO 14001, an environmental management system, which assists us in continually improving our environmental performance.

Due to the impact of the Covid-19 pandemic on global new vehicle sales, vehicle build volumes are expected to be subdued for an extended period and new model introductions have been delayed by a few months. Consequently, Feltex has embarked on a significant restructure in line with anticipated lower demand.

Maxe acquired a new manufacturing site, which will improve production flow and operational efficiencies. They will relocate in FY21.

Local content supports the industry

The South African automotive manufacturing industry contributes c. 4% to the South African gross domestic product ('GDP'). The industry is a major employer and is a significant contributor to the country's manufacturing sector and export programme.

The industry is well supported by the Automotive Production and Development Programme ('APDP'), which was recently revised and extended to 2035. The revised APDP encourages OEMs to increase local procurement. This creates an opportunity for Feltex to widen its product range and grow volumes. In order to benefit from these potential additional volumes, local component manufacturers are required to achieve a level 4 B-BBEE score. Feltex successfully attained a level 4 score in the past year, ahead of the APDP requirements.

Products

Feltex Automotive Trim
Textile-based automotive acoustic and soft trim components

Autoneum Feltex
Underfloor systems for thermal and impact protection and aluminium heatshields

Caravelle
Overlay carpets/loose-lay vehicle mats and tonneau covers

Feltex Fehrer
Polyurethane flexible foam, moulded seats, conventional and pour-in-place headrests, foam pads, side bolsters and armrests

Feltex Foam
Polyester and polyether flexible, semi-rigid and rigid thermoformable foams for use in vehicles and high-tech industrial products

Auria Feltex
Acoustically engineered tufted automotive carpet

Maxe
Premium automotive accessories made from mild and stainless steel, supplying the LCV*, SUV• and truck markets

** Light commercial vehicle • Sport utility vehicle*

INTEGRATED BEDDING

Revenue	Operating profit	Net operating assets
R1 286 million	R171 million	R1 305 million

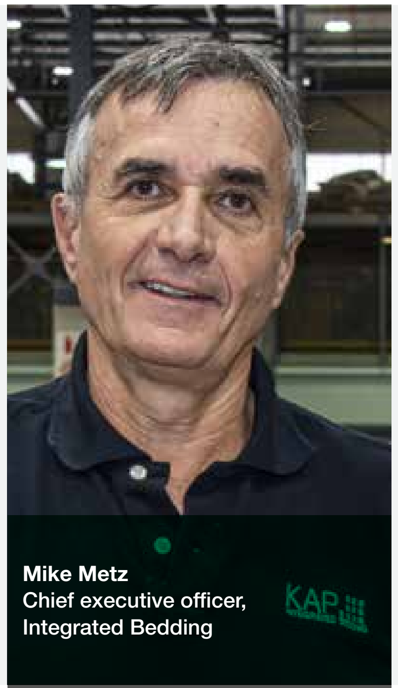
There is growing evidence globally that links good-quality sleep to improved health and wellness which, in turn, leads to an improved lifestyle. This trend supports the continued growth of the sleep sector, which has historically proved to be very resilient through economic cycles.

www.restonic.co.za www.vitafoam.co.za www.desleemattex.co.za www.connacher.co.za

2020 Highlights

- Restonic awarded the Most Innovative Supplier by a large retailer
- Acquired Connacher, a textile recycling company
- Deslee Mattex launched several new innovative products onto the South African market
- Deslee Mattex launched an On Demand range of fabrics – reducing lead time and improving supply chain efficiencies

SUPPORTING DREAMS SINCE 1938



Mike Metz
Chief executive officer, Integrated Bedding

In the South African context, a bed is often the first item of furniture that a person buys. South Africa has a young population, with 46% under the age of 24, who are increasingly focused on wellness and lifestyle. They are being accelerated into the workplace through B-BBEE and youth development programmes. These trends, coupled with a repeat customer base that is brand loyal, will support the long-term growth prospects of the Integrated Bedding division.

The Integrated Bedding division consists of the Restonic, Vitafoam, Deslee Mattex, Vitatex and Connacher operations. These operations continuously focus on innovation in order to improve both our product and service offerings to customers and consumers, and on investing in new technology processes in order to strengthen our competitive advantage and grow our market share.

Product innovation drives growth

The Integrated Bedding division manufactures flexible polyurethane foam, rebonded foam, expanded polyethylene ('EPE'), knitted and woven fabrics, non-woven textiles, springs, bed bases, plastic injection moulded components, branded mattresses and recycled textile products.

In the past year, Deslee Mattex, which is a joint venture with BekaertDeslee,

'Our purpose is to help people live healthier lifestyles through better sleep.'

– Mike Metz

5 production hubs

Operating from five strategically positioned production hubs throughout South Africa and Namibia, the division's extensive infrastructure, scale benefits and technology investments reduce costs and enable us to provide products and services to customers at competitive prices.

Products

Bedding

Mattresses and base sets

Foam and related products

Flexible polyurethane foam, expanded polyethylene and fibre products for various industrial applications

Mattress ticking

Knitted and woven fabrics for use in the mattress industry

Non-woven spunbond

Various products for household and industry use

Recycled products

Textile waste converted into fibres primarily used in the bedding, automotive and building industries

a leading global mattress fabric supplier, launched several new innovative products onto the South African market. The SEAQUAL™ fabric range is an initiative to assist with an ocean clean-up programme. Through an innovative process, plastic waste found in the ocean is recycled into yarns, which are woven into luxurious mattress fabrics. In addition, Deslee Mattex also launched an On Demand range of fabrics, which reduces lead time and improves supply chain efficiencies for both Deslee Mattex and our customers.

Vitafoam is a member of Proudly South African, and is the only SABS certified manufacturer of polyurethane foam in South Africa. Vitafoam services primarily the furniture industry. In addition to supplying our product range of non-woven textiles to the furniture industry, we have diversified into supplying products for the agricultural and hygiene industries. Both represent future growth prospects.

Restonic has the largest mattress manufacturing footprint in southern Africa, operating out of five strategic locations. We are the only fully vertically integrated, national manufacturer with decades of industry experience and the latest mattress assembly technology. Restonic has the ability to respond quickly to consumer demand, and design and engineer products exclusively for our retail customers.

The bedding retailers often require exclusive ranges designed and engineered for their customer base at specific retail price points. We are very proud that Restonic was awarded the Most Innovative Supplier Award by one of South Africa's largest retail chains during the year.

Technology and national footprint support retail promotional campaigns

The bedding category continues to prove resilient within the global furniture retail sector. This has supported the retailers' growth of specialty bedding retail outlets. Retailers have continued to increase the scale and frequency of their promotional campaigns in order to attract consumers. This trend has been mirrored in the South African context.

Our investment in world-class mattress assembly equipment creates a unique position for us to manage the demand peaks created by increasing retail promotional activities.

In addition, using our national footprint, Restonic is able to manufacture and supply branded products nationally, which improves lead times and reduces logistics costs. Investment in logistics assets has significantly improved customer service, especially during promotional peaks.

Reduced waste and increased recycled content

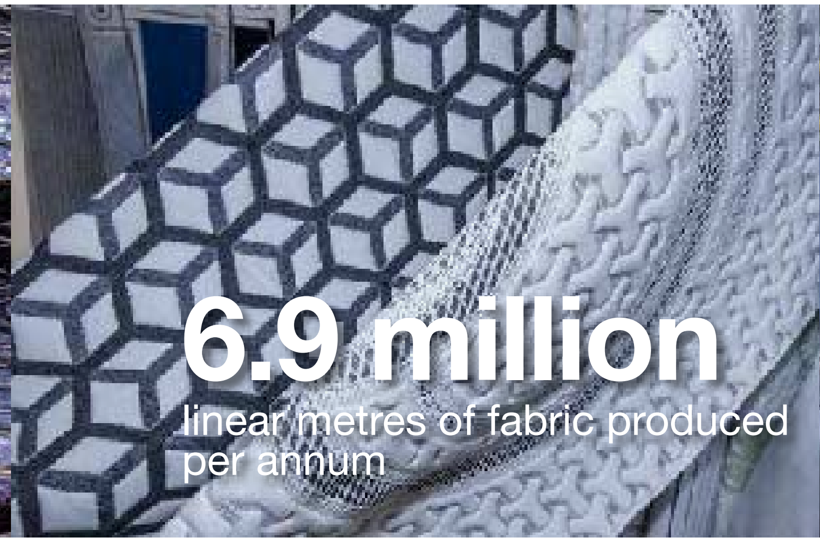
We manufacture 90% of the components required in the assembly of our products. This includes the bases, legs, insulation pads and springs.

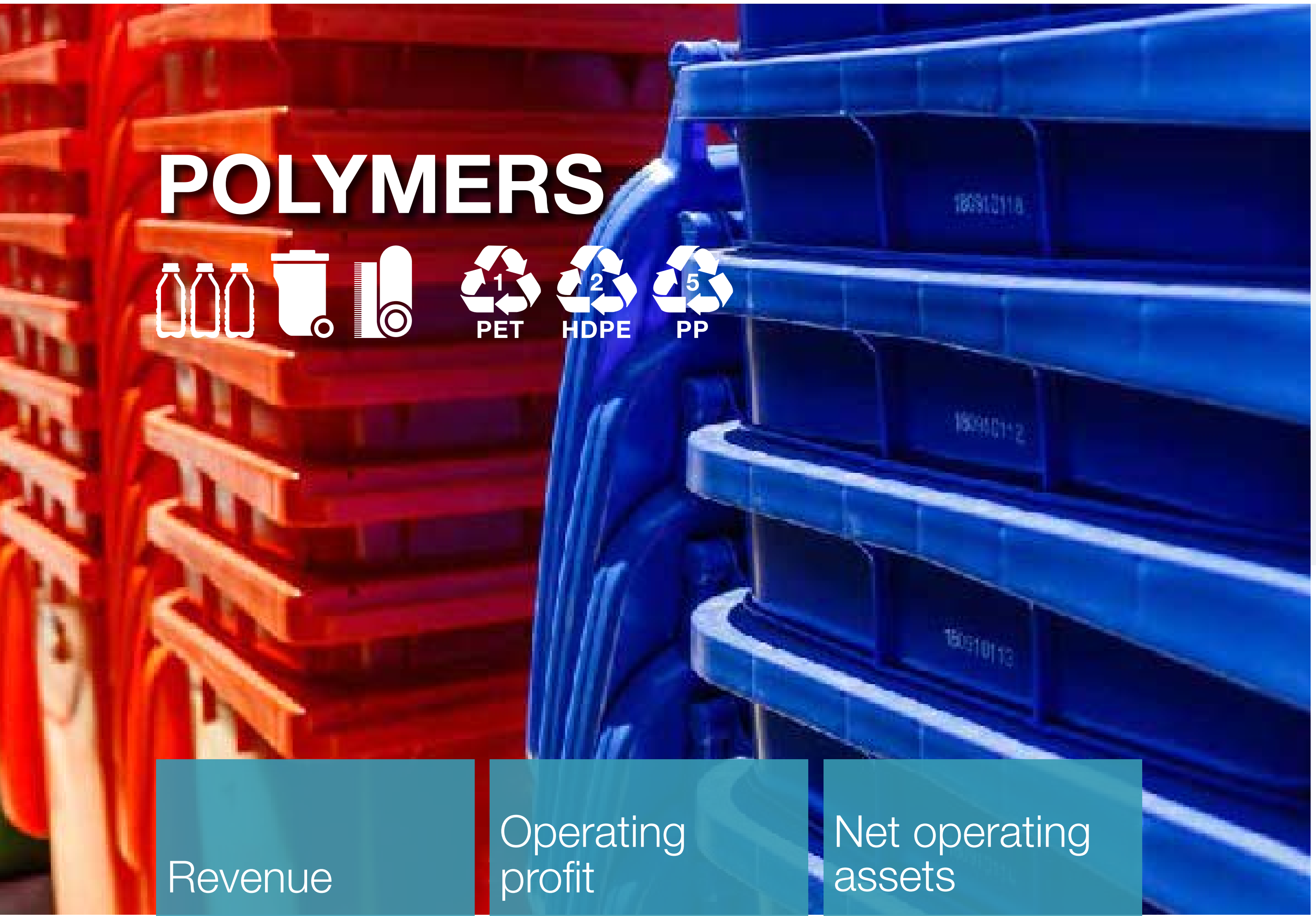
With Restonic's zero waste policy and motto of 'Reduce, Reuse, Recycle', we are committed to eliminating waste and recycling in order to reduce raw material costs and to creating a brand of mattresses that is environmentally conscious and sustainable.

During the year, the Integrated Bedding division acquired Connacher, a textile recycling company that collects the waste from the clothing and textile industry and processes it into reusable fibre. The reusable fibre is used in the manufacture of mattresses and also supplies KAP's automotive operations and various other industries. Over 9 600 tonnes of textiles were recycled during the past year.

Brand creates demand

Restonic manufactures house brands for its retail customers, as well as its own brand of mattresses, such as Genessi, Green Coil and Restonic. The Restonic brand has been in existence since 1938 and is marketed through various media.





POLYMERS

Revenue	Operating profit	Net operating assets
R7 301 million	R160 million	R4 461 million

Founded in 1972, Safripol is the only local producer of polyethylene terephthalate ('PET') and high-density polyethylene ('HDPE'), and one of two producers of polypropylene ('PP') in South Africa. Polymers are used in a broad range of applications, including piping, multipurpose containers, fibres, films, non-woven fabrics, packaging and bottling.

SAFRIPOL preferred polymer partner
www.safripol.com

2020 Highlights

- Independent customer survey rated Safripol the Polymer Supplier of Choice
- Safripol contributed financially to Plastics SA and PETCO to support the recycling of plastic waste
- R8 million spent on research and development to improve recyclability efficiencies for customers and in our process
- ISO 9001 Quality standards implemented across all operations
- ISO 14001 Environmental standards certified at Sasolburg
- OSH 18001 Safety standards certified at Sasolburg

SAFRIPOL preferred polymer partner

Nico van Niekerk
Chief executive officer, Polymers

We are committed to leading the development of a sustainable polymer industry servicing an ever-widening range of applications. The growth and sustainability of the division are not mutually exclusive, and we focus on certain key areas in order to grow the business on a sustainable basis.

Product innovation

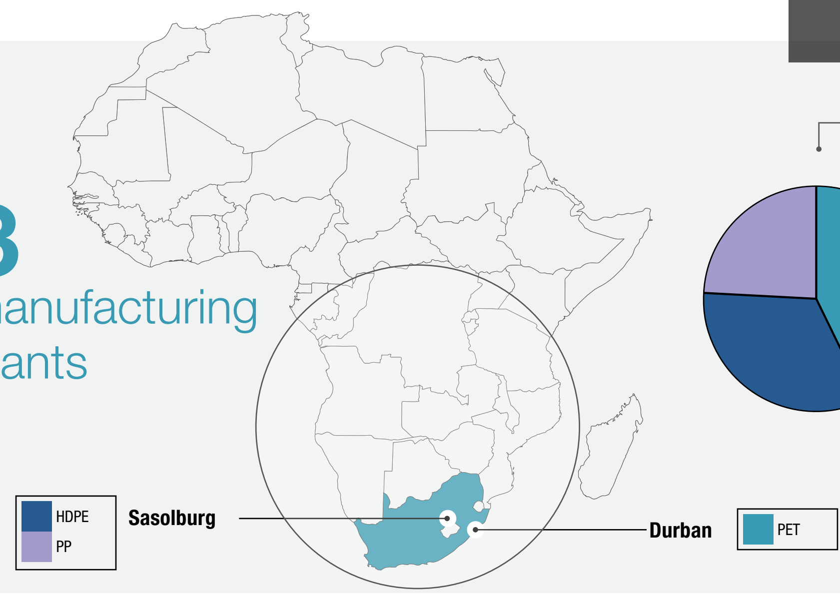
In the PET product category, we continue to make significant strides in developing product solutions that improve our customers' operational efficiency and reduce their environmental impact. For example, successful tests were recently concluded on a new PET formulation that maintains the intrinsic benefits of PET, namely viscosity and clarity, while effectively reducing the energy required to produce a PET bottle by up to 15%, thereby reducing our customer's carbon footprint.

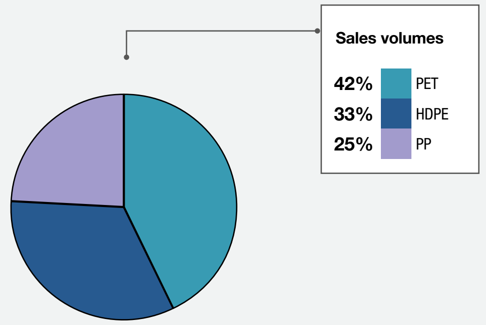
A major carbonated soft drinks customer also conducted successful trials with the introduction of a returnable PET bottle. Working with the customer, we developed a new PET formulation which will allow the bottle to be used eight to ten times before it is recycled. The bottle is thicker, but its viscosity and clarity still meet the customer's standards. The customer is now launching this product nationally.

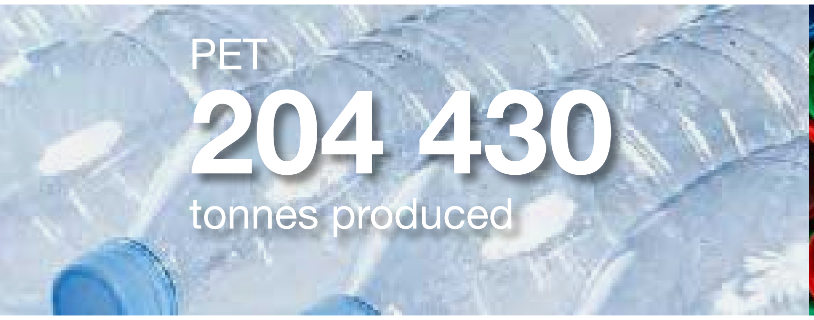
Safripol continues to produce bio-PET for 'plant-based' bottle applications at the Durban plant.

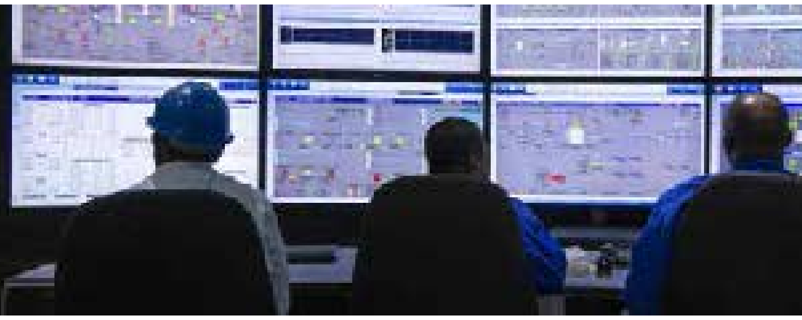
> 'Our purpose is for polymers to be the sustainable choice of material for a wide range of applications.'
>
> – Nico van Niekerk

3 manufacturing plants









We are constantly re-engineering our HDPE products to make them more recyclable and suitable for new product applications. The material is typically used in milk bottle production and was recently redesigned to improve its recyclability. We are in the process of having our HDPE material approved for use in vehicle fuel tanks.

The Safripol PP operation focuses on producing higher-value copolymers, as these products provide improved operational solutions for our customers and attract better margins. The PP copolymers are now 50% (FY19: 46%) of the product mix. We are targeting a 75% copolymer product mix.

Customer engagement

Safripol recently completed a management restructure and introduced a new sales force, new management information systems and additional technical capability, which is focused on improving our customers' efficiencies and profitability. This has yielded significant improvements in market share and customer satisfaction with local PET sales volumes growing 26% year on year in the local market, regaining market share and displacing imports.

Sustainability

We are committed to the reduction, recycling and reuse of plastic and the more responsible use of plastic. Plastic has many benefits and often has less impact on the environment when we take the entire value chain into account compared to alternative products. In terms of greenhouse gas emissions and water usage, it outperforms most substitute products across the life cycle of the product. For example, recent independent research indicates that a plastic packet is better for the environment than a paper packet.

Safripol acknowledges that poor waste management of plastic has a negative impact on the environment. We are therefore involved in and committed to several initiatives directed at promoting more responsible treatment of plastic and reducing the impact of discarded plastic on the environment.

Safripol recently hosted a sustainability forum for our customers and the packaging industry. The 145 attendees were exposed to international and local speakers. Topics included: understanding plastics in the marine environment, a presentation from the global Alliance to End Plastic Waste, an understanding of how recycling works in South Africa, how the country is transitioning to a circular economy, and the responsibility of each member of the value chain.

Waste plastic has value as it is recyclable and reusable. We participate in a number of initiatives to increase the level of recycling in South Africa and are exploring the potential to integrate recycling into our existing operations. Safripol continues to provide financial and management support to several industry forums, such as PETCO, Polyco, Plastics SA and Packaging SA, which are all focused on more responsible use of plastic.

These industry forums conduct a number of activities, including research, clean-up operations, education and training, and provide financial support to recyclers. The industry forums continuously engage with government, industry and local communities to address the environmental issues around discarded plastic. Safripol participated in the Plastics Colloquium, which was initiated by the Minister of Environment, Forestry and Fisheries and Plastics SA.

In conjunction with PETCO, we have funded the start-up of two recycling plants.

Safripol conducts its own beach clean-ups with the help of our employees.

Operational efficiencies

In a highly competitive polymer industry whose margins are globally indexed, Safripol focuses continuously on improving efficiencies and reducing costs.

In order to ensure that we remain globally competitive, Safripol regularly conducts studies with independent, internationally recognised companies, such as PTAI and Nexant to benchmark our operations against international competitors. Recent studies by Nexant place Safripol's HDPE and PP in the middle quartile of global competitiveness. The PET study is in progress, with early indications that the plant will be ranked globally in the 2nd quartile.

The benchmark studies indicate that we are a competitive manufacturer when compared to our global peers, particularly in light of the scale of the competitors and their access to raw materials. Safripol's proximity to our markets creates an additional competitive advantage.

Since our recent restructure, we have improved both our supply chain and customer service levels. Progress has been made on improving the inbound raw material supply chain, which has materially reduced the risk of mismatching the cost of PET raw materials and the globally indexed PET selling prices.

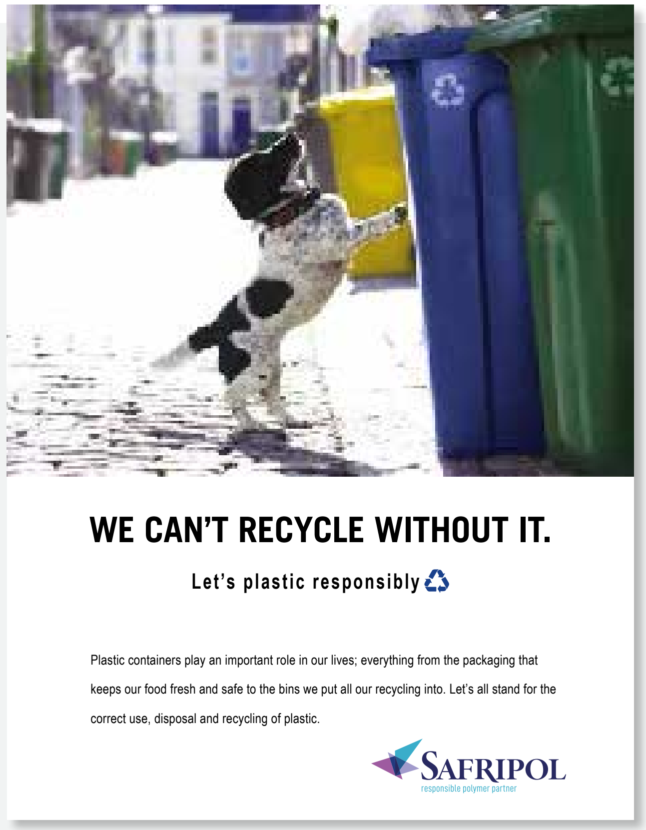
During the year, the International Trade Administration Commission ('ITAC') increased the import duties on PET from 10% to 15%. Anti-dumping duties were imposed and gazetted against several Chinese-based PET manufacturers.

Products

PET
Primarily used in the manufacture of bottles for carbonated soft drinks

HDPE
Used for a wide range of applications, such as pipes, chemical containers, toys and packaging

PP
Used for a wide range of applications, such as furniture, clothing, textiles and automotive components and packaging



Looking ahead

- Continue to produce bio-PET for 'plant-based' bottle applications at the Durban plant
- Continue to target a 75% copolymer product mix
- Improve our customers' efficiencies and profitability
- Remain committed to the reduction, recycling and reuse of plastic and the more responsible use of plastic
- Participate in initiatives to increase the level of recycling in South Africa and explore the potential to integrate recycling into our existing operations

CONTRACTUAL LOGISTICS – SOUTH AFRICA

Revenue	Operating profit	Net operating assets
R4 954 million	R225 million	R3 774 million

(excl. B-BBEE cost)

Unitrans Supply Chain Solution ('Unitrans') is a black-empowered transportation and logistics company with diversified operations in many sectors of the South African economy.

www.unitrans.co.za

2020 Highlights

- Unitrans Centralised Control Tower ('UCT') established to monitor the efficient and safe movement of vehicles utilising various integrated technologies
- WATCH
- ±2 500 vehicles managed by the UCT facility
- Number of accidents and incidents decreased by 8%
- R26 million spent on training with the focus on driver training

UNITRANS

Terry Bantock
Chief executive officer, Contractual Logistics – South Africa

Following a successful restructure, the leadership team has invested significant time in changing the culture of the company in order to become more agile in a dynamic and competitive market.

Our customers have expectations that go beyond the provision of 'vanilla' road transportation and warehousing services. Unitrans has developed a solid track record of meeting this customer requirement by using information and systems to provide value-adding services, both internally and to our customers.

Technology drives operational efficiencies

Over the past 48 months, we established a Unitrans Control Tower ('UCT') to monitor the efficient and safe movement of vehicles through various integrated technologies in partnership with leading technology and IP service providers. Approximately 2 500 vehicles are managed using this facility.

The facility tracks vehicles against defined route plans and manages their performance through live exception-based reporting. Monitoring our vehicles assists in mitigating the risk of goods-in-transit theft and hijackings, ensures load integrity, and contributes to increase operational efficiencies and utilisation.

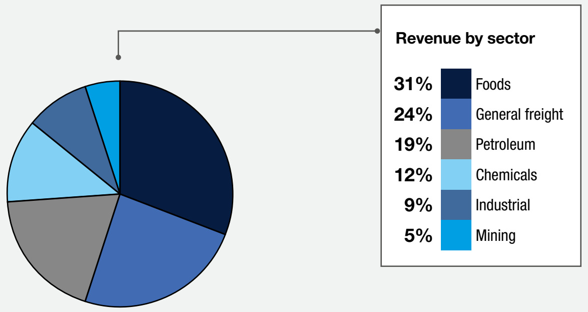
The centralised management of exceptions allows for rapid resolution of on-road operational issues. Focus

'Our purpose is to provide safe, efficient and cost-effective logistics solutions to our customers, thereby adding value to their supply chains.'

– Terry Bantock

OPERATIONAL REVIEW

Unitrans contracts its services to key customers operating in the following sectors:



2 257 powered vehicles

2 280 trailers

has been improved on task execution management through visibility and driver behaviour management. This has not only improved driver performance, but also increased operational fleet utilisation. The track and trace functionality of the system, which monitors adherence to road and contract regulations, has assisted in providing our customers with a safe and reliable service.

The integration of the UCT into customers' supply chain receiving and dispatch points, as well as improving supply chain management through visibility and information availability, is a premium value-adding service that we offer our customers.

The management of and the measurement against these critical success factors does not only have a direct impact on the bottom line of the business, but also serves as a great contributor to reduced CO_2 emissions – in support of a more sustainable and environmentally friendly fleet.

Our focus on road safety

Road safety is an ongoing challenge, particularly in the context of South Africa's poor road safety record. According to the World Health Organisation ('WHO'), South African road fatalities per 100 000 people are 2.1 times higher than the global average.

We are striving towards zero harm for our drivers and third-party road users. The UCT uses leading in-vehicle cab systems to monitor driver behaviour and fatigue. The vehicles are monitored for speeding, driving hours and route adherence to the journey management plan on a real-time basis. Potential accidents are responded to immediately through impact alerts and panic alarms.

This has reduced traffic violations and distracted driving behaviours which could lead to potential accidents. The number of accidents and incidents decreased by 8% year on year.

Drivers consistently receive refresher training. During FY20, R26 million was spent on training with a significant focus on driver training.

Revenue growth

A restructured Unitrans has focused significantly on business development and has enjoyed solid growth in renewed and new contracts. Annualised revenue of renewed contracts was R205 million and annualised revenues for new business acquired was R400 million. Contracts lost equated to approximately R64 million, resulting in a net gain in market share in excess of R300 million. We actively pursue new opportunities and the expansion of existing operations, and have a healthy pipeline of additional new projects with reasonable prospects of success.

New vehicles enhance the fleet profile

We have implemented a rolling five-year capital expenditure plan to remain abreast of changes in technology and to ensure the reliability of environmentally sustainable vehicles.

Vehicle and asset finance is used to finance newly acquired vehicles over a period which generally matches the associated customer contract. We have entered strategic alliances with original equipment manufacturers ('OEMs') in order to maintain the vehicles. Most OEMs provide 'trade back guarantees' in order to guarantee the minimum value of vehicles on disposal. Trailer maintenance is performed using internal resources, and Unitrans assumes the residual value risk on trailers.

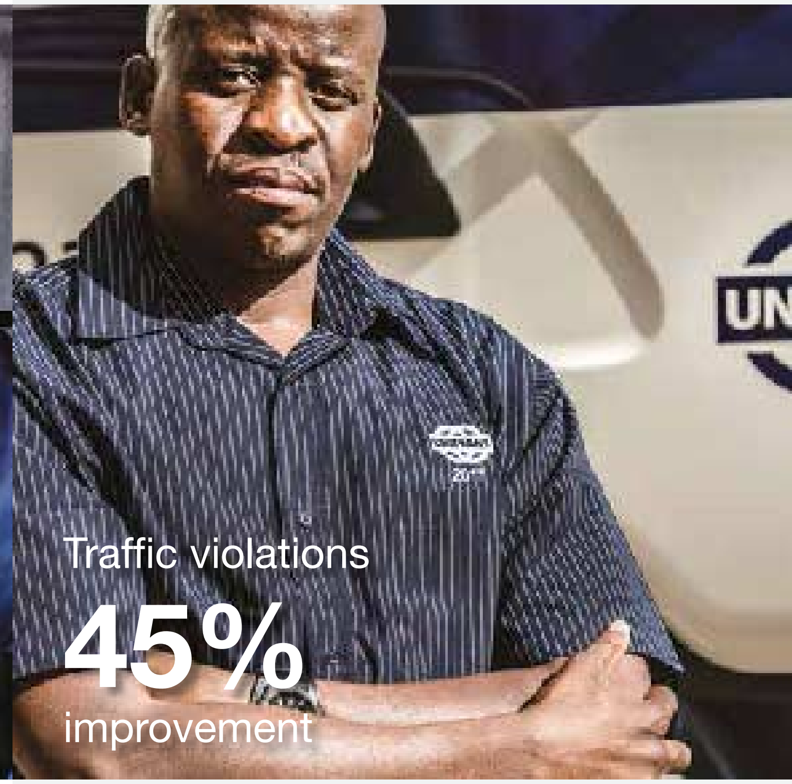
This finance and maintenance model, combined with the operational efficiencies of new vehicles, creates a vehicle fleet that ensures we remain competitive and positions the division for growth.

Looking ahead

Continue striving towards zero harm for our drivers and third-party road users

Actively pursue new opportunities and expand existing operations, with a healthy pipeline of new projects with reasonable prospects of success

Implementation of a rolling five-year capital expenditure plan to remain abreast of changes in technology and to ensure the reliability of environmentally sustainable vehicles



CONTRACTUAL LOGISTICS – AFRICA

Revenue	Operating profit	Net operating assets
R1 865 million	R214 million	R2 164 million

Unitrans Africa ('Unitrans') is a diversified supply chain solutions company serving selected sub-Saharan African markets.

www.unitrans.africa

2020 Highlights

- New contracts secured with an annualised revenue of R222 million
- New technologies and the extension of services within the current infrastructure created significant growth opportunities
- Successful completion of trials using precision farming techniques enable expansion of our agricultural service offering
- Implementation of drone surveying to conduct normalised difference vegetation index ('NDVI') mapping

Rob Hayworth
Chief executive officer,
Contractual Logistics – Africa

'Our purpose is to deliver innovative solutions to our customers in Africa through the use of leading global technologies.'

– Rob Hayworth

Following a recent review of our strategy and a subsequent management restructure during the year, we focused on renewing existing contracts and establishing a solid foundation for future growth. The introduction of new technologies and the extension of services utilising the current infrastructure have created significant growth opportunities.

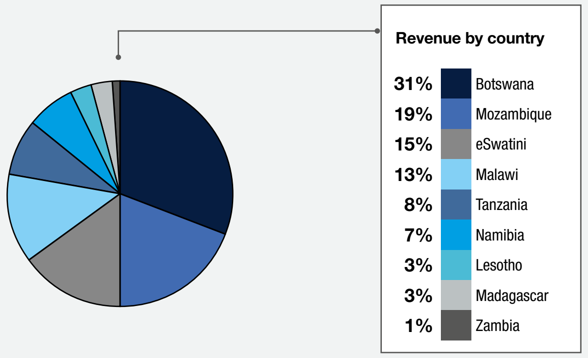
During the year, we renewed contracts with an annualised revenue of R975 million and secured new contracts with an annualised revenue of R222 million against a loss of contracts worth R55 million in annualised revenue.

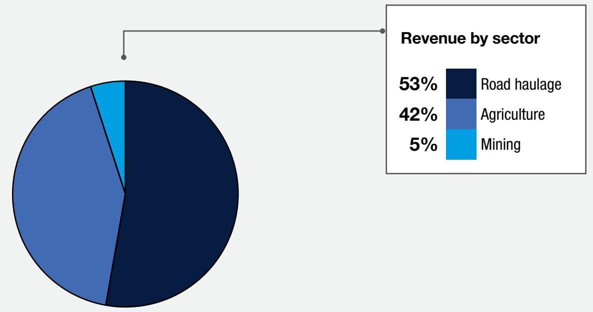
The agricultural sector presents growth opportunities

Unitrans has been providing supply chain solutions to the agricultural sector in Africa since 1962. Our operations are currently situated in eSwatini, Malawi, Mozambique, Tanzania and Zambia.

Our operational management, based primarily on our customers' sugar estates and working closely with their staff, are continuously developing solutions to improve efficiencies and maximise customer yields. This creates opportunities for Unitrans to expand both the nature of the work performed and our services into new territories, thereby increasing the level of support to our customers.

The division operates across the road freight, agricultural and mining sectors in nine countries, namely Botswana, eSwatini, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Tanzania and Zambia. The revenue split by country and sector is reflected as follows:





KAP

Safety awards and achievements

Botswana

Astron Hauler of the Year Award

Acknowledgement from the Botswana government for the effective Covid-19 mitigation management processes implemented

Namibia

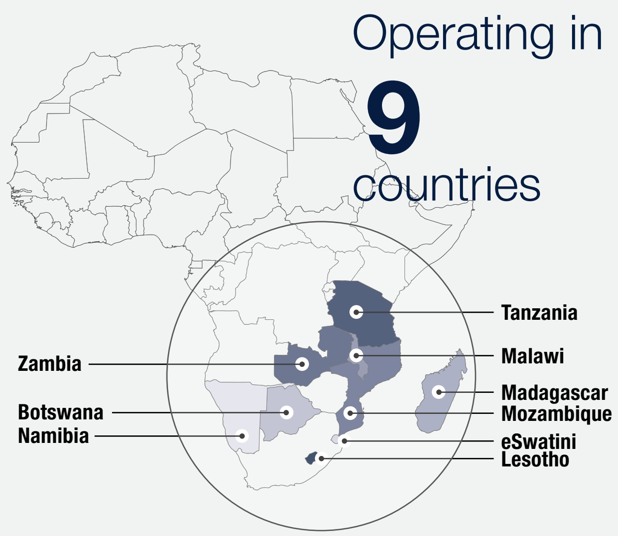
Unitrans was awarded Green status and Safety Hauler of the Year by Total

Vivo awarded Unitrans Professional status (one of the first in Africa)

Unitrans in Namibia reached 2 million man-hours injury free and received their Road Transport Management System ('RTMS') accreditation

Mozambique, Xinavane

NOSA Eastern region awarded Unitrans for their integrated management system



Traditionally, we provided services such as haulage and field preparation to the agricultural sector. The successful completion of trials using precision farming techniques is enabling us to expand our agricultural service offering into new technology-driven complementary farming services.

Precision farming techniques are widely practised on other continents. Various technologies are used to improve yields, increase efficiencies and reduce costs. Unitrans has implemented drone surveying to conduct normalised difference vegetation index ('NDVI') mapping. The data accumulated through this process is analysed to identify areas which may require additional irrigation or fertiliser, or those that will not produce the required yield and should therefore not be fertilised. The application of fertilisers and agrochemicals is varied in line with the specific requirements obtained from advanced soil analysis, multispectral drone mapping and satellite imagery. The variable rate application is achieved through leading GPS-controlled equipment and technologies, ensuring precise placement of the fertiliser within the fields.

We have invested significantly in the development of our operational and information management systems in order to improve operational efficiency and visibility to our management and customers.

These management systems, together with our experience and skills in managing a wide variety of vehicle fleets, have created the capability to provide a total fleet management solution for our clients' entire operations, in addition to the management of our own contracted vehicles and equipment.

Expanding road freight services

Our road freight operations have historically been heavily weighted towards both cross-border and in-country fuel distribution. Unitrans services all the major blue-chip fuel companies in the Southern African Development Community region. We are able to secure this business on the basis of our safety record and high level of efficiency and service.

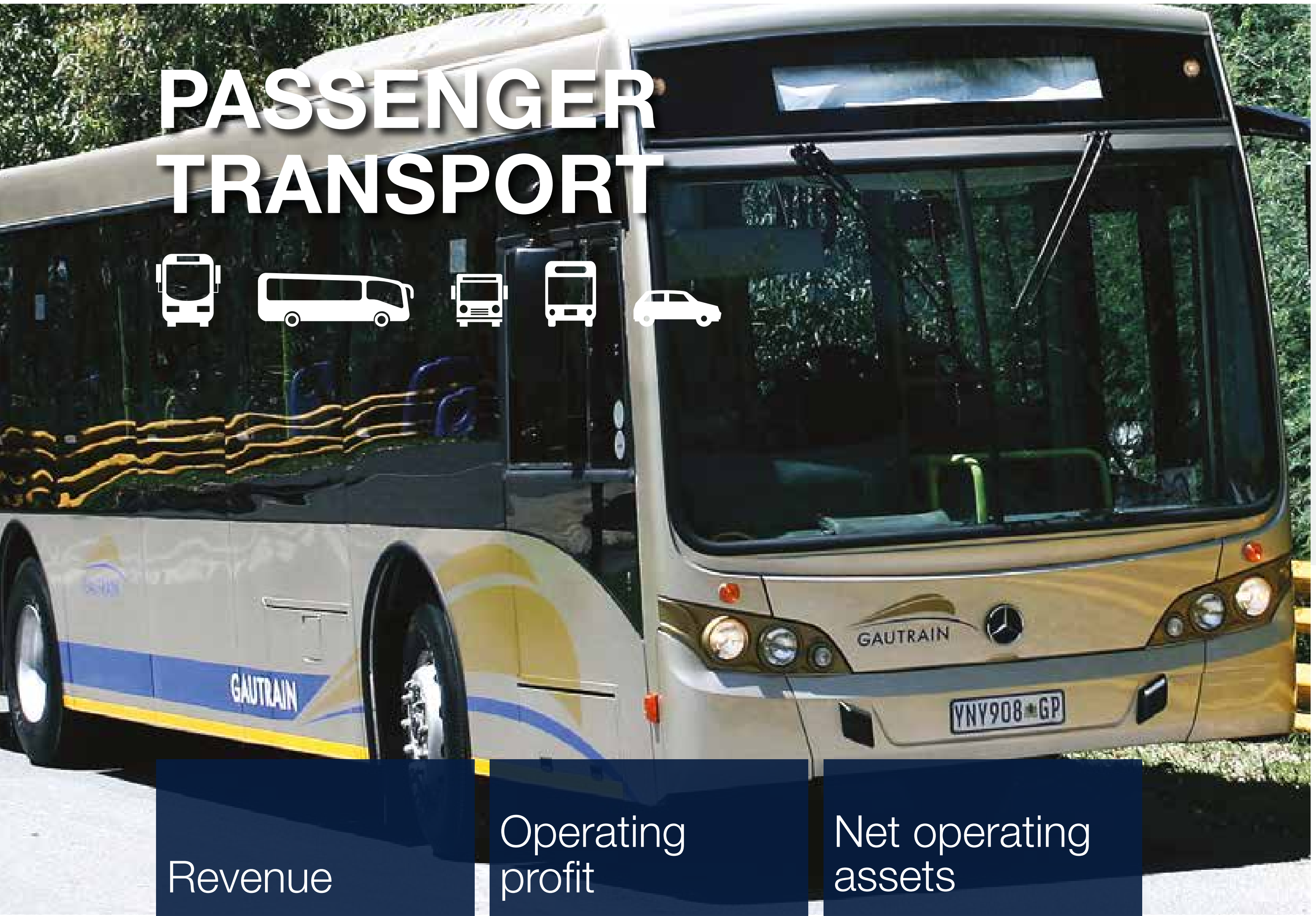
Commodity freight represents an enormous industry in Africa, generally supported by the transport of inbound consumables and outbound commodities. The experience we have gained by operating in Africa for decades, together with the existing footprint and infrastructure to support these services, creates a strategic platform from which we can expand our operations into a broader road freight sector. We are therefore in the process of expanding our inbound and outbound road freight services and see significant opportunity in this space.

Sugar cane road train

Overall length: 51.6 metres

Gross weight: 120 tonnes

Payload: 50 tonnes



PASSENGER TRANSPORT

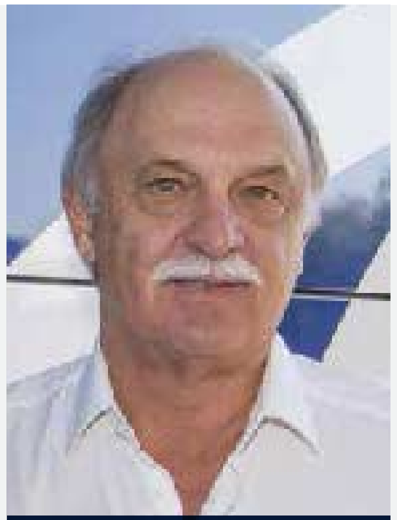
Revenue	Operating profit	Net operating assets
R2 179 million	R166 million	R1 094 million

Unitrans Passenger ('Unitrans') offers a diversified passenger transport solution in southern Africa, covering commuter and personnel transport, as well as the intercity and tourism markets.

www.passenger.co.za

2020 Highlights

- More than 167 revenue-earning vehicles deployed to Mozambique
- More than 1.2 million passengers transported during the year



Nico Boshoff
Chief executive officer, Passenger Transport

The core competence and key focus of this division is our management of long-term commuter and personnel contracts for governmental and corporate organisations. Our significant fleet of buses provides a range of seating configurations according to our customers' specific requirements. The age profile of our fleet makes the division very competitive in tendering for new work. The long-dated nature of the assets used in commuter and personnel transport also facilitates a healthy return on capital employed.

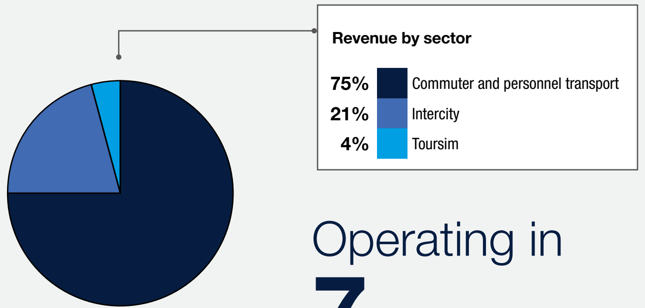
Commuter transport

Unitrans has established long-term contracts with various provincial governments to provide cost-effective, reliable and safe transport solutions to various municipalities and surrounding districts.

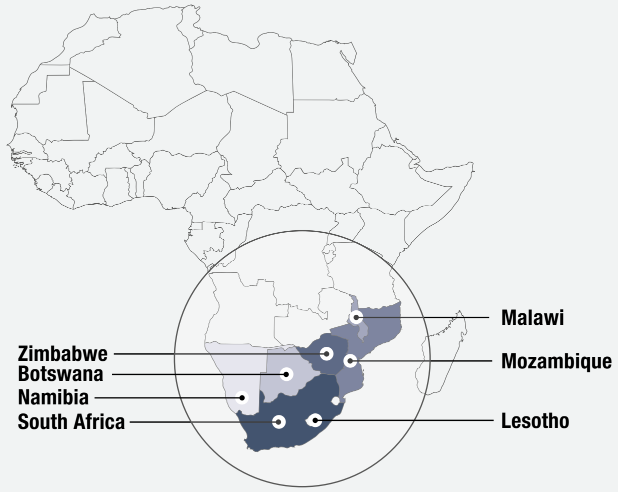
Our negotiated contracts make provision for the fluctuating fuel price, which is a large operational cost component and therefore offers some margin protection. In addition, routes are constantly monitored for demand. If necessary, the frequency of the service or the vehicle configuration is adjusted to match our customers' requirements. The nature of the Unitrans fleet creates the flexibility to make these adjustments rapidly.

We manage the Gautrain bus feeder service on behalf of the Gautrain

> 'Our purpose is to unite families safely. We achieve this by being the preferred passenger transport service, differentiated by high standards of safety, reliability and affordability.'
>
> – Nico Boshoff



Operating in
7
countries



KAP

Services

Intercity operations
Luxury coach operator transporting more than 1 million passengers per annum over more than 20 million kilometres

Mega Bus
Operating in the commuter and personnel markets under mid- to long-term contracts with government as well as with large corporate entities

Mega Coach
With a fleet in excess of 80 vehicles, Mega Coach is rated as one of the leading coach companies in southern Africa, servicing the corporate and tourism markets

Mega Express
Operates and manages the Gautrain feeder and distribution service

Bojanala Bus
Servicing the North West Province and catering mainly for commuters staying in the surrounding rural areas

Bapotrans
Having partnered with the Ba-Mogale Community Trust, this operator supplies the commuter service to Sibanye-Stillwater mine employees. The service makes more than 1 270 trips per day

Magic Transfers
Chauffeur-driven transport in and around Johannesburg, Durban and Cape Town international airports. This exclusive service is available 24 hours a day, seven days a week

Management Agency. The division secured a 15-year contract at the inception of the Gautrain service. The Gautrain contract requires high levels of operational excellence and punctuality, which we have achieved with exceptional consistency.

Skills gained from managing this contract, and other commuter contracts, have contributed significantly to building the division's brand as a reliable, efficient and safe service provider. We are in a competitive position to pursue additional commuter contracts as they arise.

Personnel transport

Large employers, such as the mining industry, provide transport to their workforce between their homes and their place of employment. These employees are reliant on safe, cost-effective transport solutions. Unitrans has several long-standing contracts, the oldest of which was established in 1988.

On certain contracts, and under specific circumstances, we have partnered with members of local communities in the provision of these services. The Bapotrans contract is an example of Unitrans partnering with the Ba-Mogale Community Trust to supply services to Sibanye-Stillwater employees in Rustenburg. This service makes more than 1 270 trips per day.

The recent growth in the oil and gas sector in Mozambique has created opportunities to leverage our existing infrastructure in the region and to introduce a personnel transport service offering to various customers in northern Mozambique. Unitrans has already deployed more than 167 revenue-earning vehicles to Mozambique. We believe that, as the oil and gas sector expands further and ultimately becomes fully operational in northern Mozambique, there will be an opportunity to deploy at least 100 more buses in the region.

Intercity

Unitrans provides an affordable, reliable and safe transport service to more than 1 million passengers per year, who travel between towns and cities in South Africa, Mozambique and Zimbabwe under the Greyhound and Citiliner brands.

This is a consumer-facing business with retail sector customer interface, which is not our core competency. Unitrans therefore plans to dispose of this business in the forthcoming year.

Our largest vehicle is an articulated vehicle, certified to carry

114

seated passengers and

30

standing passengers

SUSTAINABILITY REVIEW

RISK MANAGEMENT REPORT

Risk management process

Critical risks are identified through our risk framework, which provides the executive committee and the board with a robust assessment of the principle risks facing the company.

An embedded enterprise risk management process supports the identification of these principle risks. The risk appetite for each principle risk is reviewed and approved by the board to support risk-based decision-making.

Covid-19 pandemic

The impact of the unexpected outbreak of the Covid-19 pandemic early in 2020 on the company's business environment and performance was complex and significant. It exposed the company to sustainability risks at various levels across its divisions. The following critical risks were identified during the Lockdown and after the relaxation of restrictions:

	Risk		
	Sufficient liquidity and facilities	**Current and future demand for products and services (economic activity)**	**Sustainability of customers and potential bad debts**
Mitigation	Regular financial forecasts were performed, including monthly forecasts after every month-end. Sufficient facilities were raised with banks to cover medium-term repayments of maturing debt. Several cost-saving and cash-preservation measures were implemented across the group.	Trading improved as the Lockdown restrictions were reduced. While operational management continued to focus on sustaining and growing revenue, appropriate restructuring and cost controls were implemented where activity and revenue decreased.	While the risk of bad debts increased with the Lockdown, as restrictions were relaxed and customers started to trade at increased levels, the risk of default decreased. In addition to the credit insurance cover and credit management controls, management implemented stricter credit approval levels and more detailed reporting was introduced to manage this risk.

	Risk		
	Sustainability of suppliers and supply interruptions	**Business interruptions as a result of infections**	**Effect on employees and the work environment**
Mitigation	In specific areas, additional investments were made in safety stock and critical spares. As the Lockdown restrictions were relaxed, supply chains reopened, and divisions were able to operate with limited or no supply interruptions.	On the divisional level, there are high concentrations of employees at certain sites, such as manufacturing sites or at customer locations. The possibility of disruptions at these sites, as a result of infections persists, but has been very limited to date. Protocols to prevent the spread of Covid-19 have been meticulously implemented and remain in force at all sites.	All divisions comply with precautionary measures required by law. The effects on employees and the work environment have decreased significantly as employers and employees adapt to the new legal requirements to curb the spread of the virus.

Financial risks

The company implements enterprise risk management on a divisional level through its decentralised operating model. However, the board recognises that some risks are best managed on a centralised and integrated basis. Financial risks, such as liquidity risk, currency risk and interest rate risk, are largely managed centrally.

	Risk				
	Liquidity (funding) risk	**Currency risk**	**Interest rate risk**	**Credit risk**	**Insurance risk**
Strategy	The company's policy remains to spread its debt requirement across a range of instruments and maturity dates and from a variety of funding sources, in order to reduce refinancing risk and concentration risk.	The principal objective of the company's currency risk management strategy remains to mitigate open exposure to movements in foreign exchange rates in relation to purchase or sales orders for products, services and capital expenditure.	The company's policy remains to balance interest rates on our debt instruments between variable and fixed interest rates.	The company's trade receivables consist of a large, widespread customer base. Customers' credit exposures are continually monitored, and appropriate use is made of credit insurance.	The company maintains a group insurance programme, including a degree of self-insurance, which provides financial protection against unforeseen events that could cause financial loss.

Critical operational and sustainability risks

The company's operational risks are rated according to the potential impact and likelihood at divisional level, based on our enterprise risk framework. Mitigating actions are designed and implemented to manage risk to acceptable levels. All divisional critical risks which are not mitigated to within the acceptable risk levels are assessed further from a group risk perspective. These critical risks are disclosed below:

	Risk		
	Integrated Timber	**Polymers**	
	Significant fires damaging timber resources	**Commodity margin and exchange rate exposure**	**Supply failure of key raw materials**
Description	Severe weather conditions and extended droughts create an environment susceptible to significant fires which can be caused by humans or environmental factors, and can severely damage the division's timber plantations. Although the standing timber is insured, the effect of reduced availability of raw materials remains a critical risk. The division continues to invest in fire detection and firefighting capabilities and to implement standard forestry fire prevention practices.	Margins are impacted by global supply and demand dynamics of both key raw materials and polymer products. In addition, the exchange rate impacts local margins since key raw material and polymers are US dollar driven. Since both raw materials and finished products are affected by similar industry factors, the division does not hedge these exposures. The three polymers produced provide diversification and in addition, the division continuously adds value through selling non-commodity grades. The company benchmarks its operations to ensure that it remains globally competitive.	Key raw material supply is contractual on a long-term basis. The raw materials are supplied from more than one source and business interruption insurance is maintained.

Other significant operational and sustainability risks

Inconsistent electricity supply due to interruptions and non-supply is potentially a critical risk. This risk relates not only to Eskom load-shedding with supply spikes and dips, but also to ageing and poorly managed and maintained municipal infrastructure and ongoing instances of cable theft. The cumulative effect of this on the company's various plants and customers' businesses over time may be significant.

We continuously monitor the potential impact of climate change on our operations. Although it poses a potential risk, specifically for our timber plantations in the future, it is not rated as a critical risk.

The public perception of plastic waste and its impact on the environment presents a risk in terms of the potential negative impact on future polymer consumption. Management is actively engaging with various industry bodies and leading a campaign to address this risk. The company is participating in a number of initiatives that assist with plastic waste management.

Management considered all known material risks not reported on to be adequately mitigated. Regular risk management assessments are conducted to identify areas from which management is able to develop and implement corrective actions.

The group's risk management process and internal control environment remain key focus areas for the board and management.

FTSE4GOOD REPORT

KAP is committed to continuously evaluating and improving our long-term sustainability in terms of the environment, social commitment and corporate governance to the benefit of shareholders, customers, suppliers, employees and communities.

We regularly review and adapt our policies and processes to reinforce our ability to be economically viable, socially responsible and environmentally sound, while remaining competitive.

The company provides policies and guidance to each of our operating divisions. Within this framework, and in terms of our decentralised business model, divisional management is responsible for managing their division's sustainability efforts and is accountable to the board of directors as well as stakeholders.

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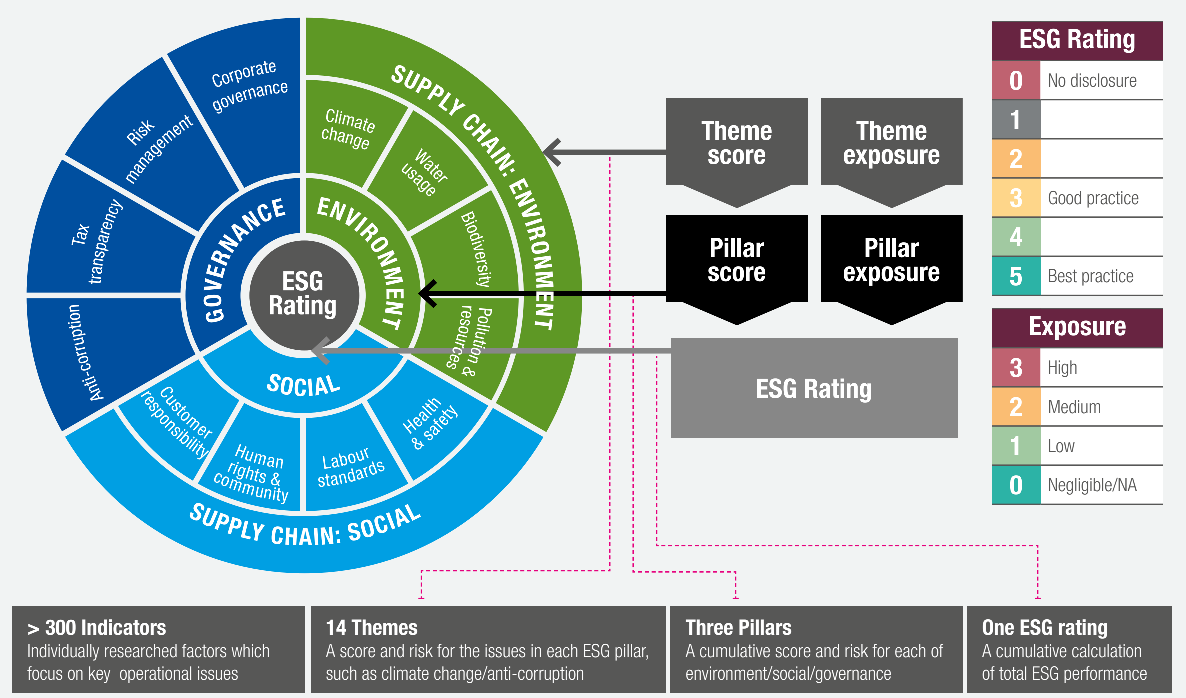
FTSE4Good Index

KAP subscribes to the guiding principles and reporting requirements of the FTSE4Good Index across all the ESG pillars, namely environment, social and governance, and uses this as a framework to monitor compliance and progress. FTSE4Good assesses companies on information that is in the public domain according to the following model:

The FTSE4Good ESG model



KAP again improved its overall FTSE4Good score:

	FY20	FY19	FY18
FTSE4Good rating (score out of 5)			
Environment	**2.6**	2.6	1.8
Social	**3.5**	2.5	2
Governance	**3.9**	4.3	4
Total	**3.3**	3	2.5

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KAP improved its social pillar score significantly with additional disclosures on Health and Safety and Labour Standards. The governance score reduced compared to the prior year, solely due to a change in the measurement criteria. The board and management continue to improve the governance framework each year. The publishing of the company's risk assessment will improve the score.

KAP was rated above the subsector average for a diversified industrial company and above the industry average for industrial companies across all three ESG pillars. ESG is monitored by the board and the social and ethics committee and ESG measures have been incorporated into employee incentive measurement criteria for FY19, FY20 and FY21.

The social and ethics committee reviews the company's ESG targets in the context of FTSE4Good and also monitors its standing in terms of:

- the goals and purposes of the 10 Principles as set out in the United Nations Global Compact ('UNGC') regarding human rights, labour, the environment and anti-corruption;
- the recommendations of the Organisation for Economic Co-operation and Development ('OECD') regarding anti-corruption;
- the Employment Equity ('EE') Act;
- the Broad-Based Black Economic Empowerment ('B-BBEE') Act;
- good corporate citizenship;
- the environment, health and safety;
- consumer relationships;
- labour and employment;
- training and development; and
- contact with politically exposed persons ('PEPs').

KAP has applied to become a member of the UNGC.

SOCIAL REPORT

KAP acknowledges its role and responsibility in supporting the communities in the areas where it operates.

During the year, R13.3 million (FY19: R17.5 million and FY18: R14.6 million) was contributed to socio-economic development across a number of projects. The company's social responsibility focus is on projects that will ultimately address poverty and unemployment. KAP directs its activities to projects involving the youth that enhance education, nutrition and community development.

Throughout the company, divisions identify and are involved in social projects that are aligned with their strategies and are in close proximity to their operations.

The divisions actively engage with community members and work with community organisations, non-profit organisations ('NPOs') and various community service delivery organisations to develop the appropriate projects and to execute these projects successfully to the benefit of the recipients.

A few of the projects are highlighted below with additional projects reported on the KAP website.

Education

School education

The rural schools in South Africa are often under-resourced and face significant situational and curriculum delivery challenges.

PG Bison has partnered with Infundo since 2009 to develop the Ugie CREATE education and community project.

Infundo is an independent level 2 B-BBEE social enterprise consultancy specialising in educational development nationally, including the rural areas of Ugie and Maclear in the Eastern Cape, where PG Bison operates. The Ugie CREATE initiative initially focused on three schools with the aim of developing and coaching high school educators in critical subjects, such as mathematics, physical science, accounting and English to improve the standard of education.

Today Ugie CREATE works directly with seven schools in the district, namely the ET Thabane Public School, Ugie High School, Umthawelanga Senior Secondary School, Jamangile, Maclear High, Maclear Methodist School and the Sibabale Senior Secondary School.

In addition to improving the subject knowledge of the teachers, the project also addresses management, leadership, coaching, teacher development, community care and support. Teachers receive training on how to identify, assess and help learners with special needs. The focus on improving the skills of the teachers has a direct benefit in improving the quality of the education they provide.

R13.3 million

contributed to socio-economic development during the year

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Since inception, pass rates have improved significantly. Last year, two of the Ugie CREATE-sponsored schools achieved matric pass rates of 100%.

PG Bison has also provided additional assistance in the form of books and infrastructure, with the building of six classrooms and ablution facilities.

This year, Infundo facilitated a partnership between the above schools and St Peter's College, a private school based in Johannesburg. St Peter's College agreed to share their online lessons and resources. This has significantly improved the quality of lessons in rural areas.

Despite schools being closed due to Covid-19 Lockdown regulations, Infundo continued to provide support to teachers and learners using a variety of digital platforms. Teachers managed to send work home to learners, and the curriculum was adapted to ensure that the school year could be completed.

100%

matric pass rate at two of the Ugie CREATE-sponsored schools

PG Bison, together with other funding partners, works closely with the district tribal chiefs, the community, non-governmental organisations ('NGOs'), local government, as well as the heads of department in the various schools.

Safripol supports two educational programmes. The LUSA Community Chest Impact Fund is an initiative affiliated with community-based organisations operating in the Vaal Triangle region focused on providing training programmes to previously disadvantaged communities. The Komati Foundation Initiative helps high school learners improve their maths and science skills. Post-graduate students from the Department of Chemical Engineering at the University of Free State provide tutoring for the learners, administered and supported by Safripol.

PG Bison in the southern Cape, assisted by the Knysna Educational Trust, manages two crèches in Brackenhill and Ruigtevlei. PG Bison supplied and maintains the classrooms and provides funding for three educators.

1.618 Design Education Initiative

The PG Bison 1.618 Education Initiative is an annual design competition aimed at third-year interior design and architectural students. The initiative, which started in 1992, has been established as an integral part of the syllabus at the majority of the tertiary interior design and architectural institutions across South Africa. The competition creates the opportunity for young designers to showcase their work to the industry. Many competition finalists receive job offers based on their submissions. Since its inception, more than 12 000 students have participated in the competition. It is considered the premier design competition in the country. The competition is judged by independent external judges, who are experts in the field of design.

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WATCH

Learners with disabilities

Unitrans Passenger, Safripol and Restonic have again partnered with the Skills Development Corporation ('SDC') to sponsor 51 (FY19: 56) learners with disabilities.

The SDC is an accredited learning institution specialising in training and learnership initiatives. It is a 51% black-women-owned corporation that develops specific functional training initiatives to maximise skills opportunities. All its programmes are customised to accommodate learners with disabilities of all levels.

The learners are all currently unemployed. The company provides funding that covers tuition and a monthly stipend for the learners. In addition, this year the learners have been provided with a health plan, which covers visits to doctors, access to medicines, dental and optical care, as well as an emotional wellness service.

The 12-month course is a work-based learning programme that, when completed, provides the learner with a recognised and registered national qualification, managed by the Sector Education and Training Authorities ('SETA').

The Business Practice National Qualification Framework ('NQF') Level 1 qualification is for anyone preparing to become employed or self-employed in any business sector. The qualification covers skills such as numeracy, literacy, entrepreneurial or intrapreneurial thinking, basic financial understanding, computer literacy and cognitive reasoning. This qualification tackles a range of interesting and challenging concepts – all designed to enhance employability.

On completion, the learners have an opportunity to apply for a further learnership at a higher NQF level. These learners provide KAP with a pool of candidates, should vacancies arise within the company.

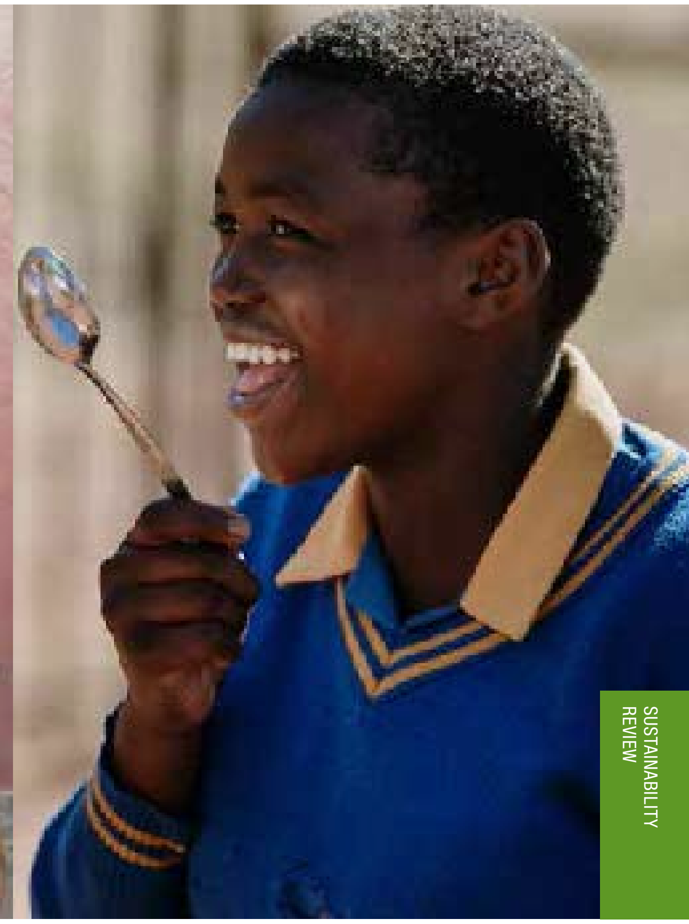
Nutrition

Unitrans volunteer programmes

Unitrans encourages our employees to volunteer one working day per month to repackage food for FoodForward SA, an NPO. FoodForward SA collects surplus food from manufacturers, wholesalers and retailers, and repackages it for distribution to organisations focused on early childhood development ('ECD'), women empowerment groups and day-care centres. FoodForward SA reaches nearly 500 000 vulnerable people. Unitrans maintains the truck they donated to FoodForward SA.

Unitrans also provided additional logistics assistance for the distribution of food parcels as part of the Feed the Nation campaign and funding for food to the Steinthal Children's Home in Tulbagh and the Emmanuel Educare, which provides food for crèche-going children.



PG Bison food programmes
PG Bison in the southern Cape supports the local Brackenhill community, who started a feeding scheme for the residents. PG Bison provided them with gas stoves and supplies them with gas and ingredients to feed more than 60 children per day.

PG Bison continues to partner with Judea Hope (an NPO), local farmers and businesses to support a feeding scheme in the Ugie area. The feeding scheme supports seven local crèches by distributing meals to over 300 pre-school children. Meals are also distributed to the elderly in the community.

The five vegetable tunnels that PG Bison established at the ECD centres continue to produce vegetables that supplement the food parcels. The vegetable tunnels have created employment opportunities for the local community and any excess vegetables are sold to generate income for the schools.

The Ugie socio-agricultural vegetable project is a successful collaboration between PG Bison and the local community. Six years ago, PG Bison and the local community identified the need to provide a source of fresh vegetables. PG Bison provided members of the local community with access to nine hectares of land, implements and infrastructure to grow the vegetables for sale in the area. Seedlings are grown annually in PG Bison's nursery and, together with fertiliser, are supplied to two projects that have been established as sustainable cooperatives. The Ugie socio-agricultural project and the Malibongwe project employ 16 people.

Community development

KAPsani2c
KAP has been partnering with the sani2c initiative since its inception in 2004. Sani2c is a three-day mountain bike event in KwaZulu-Natal, with its route starting at the bottom of the Sani Pass and ending in the coastal town of Scottburgh. The event attracts more than 4 000 mountain bike cyclists per annum, and employs permanent and temporary employees from the local community.

READ MORE

This year the sani2c mountain bike race had to be postponed until December 2020 due to the impact of Covid-19 Lockdown regulations on sporting events. Many communities and schools along the route are dependent on the funding they receive from the race organisers. KAP and the organisers of the event have pledged to support the communities irrespective of whether the race proceeds or not.

WATCH

The sani2c Community Development Trust has partnered with the Southern Lodestar Foundation's Breakfast Programme and continues to feed almost 2 000 school children daily along the sani2c route.

The sani2c also has a positive impact on a far wider community and provides much needed funds and employment in the area. Sixteen local schools and communities are now recipients of the funds raised through entries to the race and sponsorships.

Vitafoam mattress donation
Vitafoam identifies deserving charities in the various communities within which we operate and donates beds to old age homes, orphanages and hospices on an ongoing basis. Vitafoam partnered with the local government and donated over 100 mattresses to Life Esidimeni, an NPO that cares for people with disabilities.

Unitrans Passenger scholar transport
The Mega Bus Virginia operation provides subsidised bus transport for scholars from the local community. All the recipients of these subsidies are from previously disadvantaged communities.

PG Bison knock-out soccer and netball tournament
An annual PG Bison-sponsored soccer and netball tournament held in the Eastern Cape, involving the communities of Elliot, Mount Fletcher, Ugie and Maclear, had to be postponed due to the Covid-19 Lockdown. The tournament is focused on the youth in the community and will continue in future.

Community relations

Some of our KAP businesses are situated in communities that are negatively affected by high unemployment, poverty, poor service delivery and related socio-economic issues. We recognise the importance of engaging with these communities and creating mutually beneficial relations with them and the local authorities. There are regular engagements with both formal and informal community structures.

Community forums have proved to be very effective in working with local communities. PG Bison, for example, participates in community engagement forums at both their Ugie and eMkhondo plants. The community engagement forums were established to ensure that community representatives understood the company's employment practices and tender processes. In addition, these forums have served as a platform through which PG Bison can collaborate with local government and provide information to community representatives regarding corporate social investment ('CSI') initiatives. The Ugie Forum meets on a biannual basis.

Prior to the plant upgrade in 2016, Safripol Durban established a community engagement forum, which dealt with a number of issues, such as local employment opportunities and other environmental issues that may impact the local community. Since the upgrade, the community engagement forum has continued to meet at least twice a year. Safripol plans to invest more of their CSI spend in the area and has recently increased their interaction with the local community to assist them to identify projects that will best benefit the wider community.

As a contractual logistics business, Unitrans is generally not the primary employer in most areas where there is proximity to community settlements. As a result, most of their community engagement initiatives are in support of their customers' initiatives. These initiatives include extending employment opportunities, as well as access to training, to local communities.

ENVIRONMENTAL REPORT

KAP is committed to protecting natural resources, reducing waste and investing in technologies that reduce environmental impact. The company acknowledges that this is an ongoing process which requires continuous monitoring and action. For this reason, we have developed standards and procedures to govern all activities and ensure that any negative environmental impact is prevented or mitigated.

The group's total energy consumption for the year was

2 663 888 MWh

The board has overall collective responsibility and accountability for legislative compliance, including the management of environmental risks and opportunities. The divisional CEOs are responsible for environmental compliance at divisional level.

Environmental policies and procedures exist throughout the group and are supported by environmental management systems. Several divisions are accredited with ISO certification of their environmental management systems.

Significant progress was made during the year in terms of measuring and reporting environmental compliance across the various operations. The diverse nature of the group requires specific focus and actions per operation. Where required, independent and accredited third-party service providers are utilised to measure and, together with management, implement the appropriate actions, ensuring environmental compliance. KAP also collaborates with the local communities in the areas in which the company operates to mitigate any environmental impact.

The reports are shared with our KAP senior management, as well as the social and ethics committee.

READ MORE

Climate change

KAP recognises that climate change presents our business with both risks and opportunities. Given the importance of climate change and its potential implications for business, ultimate responsibility for climate-related issues rests with the KAP board. The board has overall collective responsibility and accountability for legislative compliance, including the management of risks and opportunities.

KAP is exposed to climate-related risks in the form of regulation, carbon emissions and sequestration, for example the recent introduction of carbon tax in South Africa. KAP acknowledges that a reduction in greenhouse gas ('GHG') emissions will reduce operating costs and the carbon tax liability, thereby creating an opportunity to be more competitive.

The group's plantations act as carbon sinks, absorbing carbon from the atmosphere and storing it in the soil, grass and trees. Although the trees are harvested, the products manufactured from the timber, for example structural timber, poles and boards, all store carbon. In addition, for every tree that is harvested each year, another tree is planted, which stores more carbon as it grows. KAP estimates that the group's plantations sequestered 420 000 tonnes of CO_2e this year. This calculation was done in line with the 2006 guidelines of the Intergovernmental Panel on Climate Change ('IPCC').

"For every tree that is harvested each year, another tree is planted, which stores more carbon as it grows.

The group's total energy consumption for the year was 2 663 888 MWh. The main sources of energy consumed were as follows:

Diesel
58%

Electricity
14%

Renewable biomass
14%

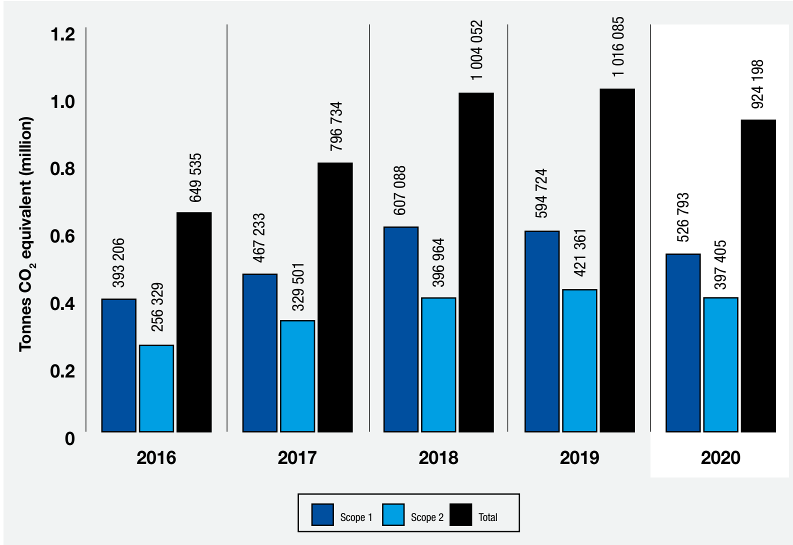
Purchased steam
6%

Methane-rich gas
5%

Coal
2%

Carbon emissions

KAP is committed to the reduction of its carbon footprint.



The company used an independent, accredited service provider to verify the accuracy and credibility of its carbon footprint data. The carbon footprint is calculated in accordance with the IPCC 2006 guidelines and the Department of Environment, Forestry and Fisheries' ('DEFF') technical guidelines for monitoring, reporting and verification of GHG emissions by industry. Where required, KAP is registered with the South African DEFF to report on our GHG emissions.

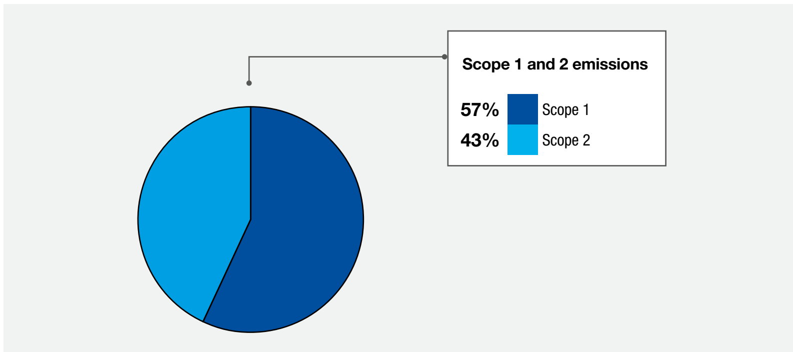
KAP's carbon emissions, both scope 1 and scope 2, decreased year on year primarily due to lower economic activity as a result of the Covid-19 Lockdown regulations imposed by government.

Scope 1 and scope 2 emissions

Scope 1 and scope 2 emissions for the 2020 financial year were:

Scope 1 and 2 emissions	FY20	FY19	FY18	FY17	FY16
CO_2 equivalent tonnes	**924 198**	1 016 085	1 004 052	796 734	649 535

Of this, 57% can be attributed to emission sources under our direct operational control (scope 1), and 43% to emissions from purchased electricity and steam (scope 2).



SUSTAINABILITY REVIEW

Diesel consumption decreased by

11%

Electricity consumption decreased by

13%

New technology at PG Bison saved

82 000 kWh

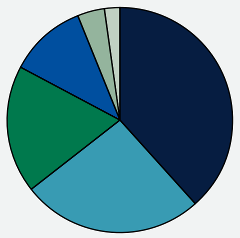
KAP's main source of scope 1 emissions is the fuel consumed by our Contractual Logistics and Passenger Transport divisions. These emissions decreased as a direct result of reduced diesel consumption due to the deployment of more fuel-efficient vehicles and an improvement in logistics planning through the use of technology. Diesel consumption was reduced by 11% to 145 million litres (FY19: 166 million litres; FY18: 172 million litres). The Covid-19 Lockdown restrictions imposed by the government reduced the total number of kilometres travelled.

As fuel is a significant operating cost in our logistics divisions, our operations are continually focusing on reducing this cost by investing in fuel-efficient vehicles, adopting proactive maintenance programmes, technology and improved vehicle utilisation. Drivers receive ongoing training and are rewarded for achieving lower fuel consumption targets.

Scope 2 emissions decreased by 6.4% due to the decreased electricity consumption of 13% to 362 417 MW/h (FY19: 418 345 MW/h and FY18: 379 096 MW/h). The reduction in electricity is due to a decrease in activities primarily in the Automotive Components, Integrated Bedding and Integrated Timber divisions as a result of Covid-19-related restrictions.

Ongoing initiatives are in place to reduce energy consumption, including the introduction of new technology. The recent introduction of new technology at the PG Bison eMkhondo operations resulted in a saving of 82 000 kWh per annum. In addition, PG Bison is installing a new dryer to replace two inefficient dryers, which will reduce emissions during the drying of wood fibre by an estimated 20%. In addition, the installation of a single-source energy plant will enable the drying process to run exclusively on biomass fuel. This project will be completed in 2022.

Given the diversity of our operations and projected growth, it is not practical to set a group carbon emissions reduction target. Where appropriate, targets are set at divisional and operational levels on a per unit of output basis.



Carbon emissions by division

Scope 1 and 2		FY20
38%	Contractual Logistics	354 465
26%	Polymers	244 612
18%	Integrated Timber	169 851
11%	Passenger Transport	101 480
4%	Automotive Components	36 433
2%	Integrated Bedding	17 357

Waste reduction

The various manufacturing operations are focused on monitoring, managing and reducing waste and, where appropriate, identifying opportunities to use more recycled products in their processes. PG Bison, for example, purchases the waste generated by sawmills to manufacture board products.

The Integrated Bedding division manufactures 90% of all components used in the manufacture of beds and has identified that recycled material presents a marketing opportunity. This year they launched a quilting fabric, SEAQUAL™, which is manufactured from PET bottles that have been collected from ocean waste and recycled into yarns.

> **"During the year, the Integrated Bedding division acquired Connacher, a textile recycling company that collects the waste from the clothing and textile industry and processes it into reusable fibre.**

During the year, the Integrated Bedding division acquired Connacher, a textile recycling company that collects the waste from the clothing and textile industry and processes it into reusable fibre. The reusable fibre is used in the manufacture of mattresses and is also supplied to KAP's automotive operations and various other industries. Over 9 600 tonnes of textiles were recycled during the past year.

Restonic is committed to eliminating waste and recycling in order to reduce raw material costs and to present their mattresses as an environmentally conscious brand.

Autoneum, one of the operations in the Automotive Components division, installed an oil separator in the course of the year. This enables the operation to separate used oil and water. Four thousand litres of this oil, which would previously have been disposed of as hazardous waste, is now reused.

All hazardous or non-hazardous waste is disposed of in accordance with environmental legislation.

Managing plastic waste

The benefits of plastic are well documented in terms of lightness, strength, durability and formability. Its benefits were again highlighted recently for use in sterile and hygienic applications to protect people from Covid-19. Plastic is found in many everyday products and can be reused and recycled almost indefinitely. Plastic outperforms many substitute products in terms of its environmental impact.

However, like other discarded materials, discarded plastic waste has a negative impact on the environment, and has become a global challenge. KAP is committed to working with industry, government and society to promote the reduction, reuse and recycling of plastic waste and more responsible management of plastic waste.

Safripol is taking a leading role in addressing plastic waste and developing a sustainable recycling model. Management is currently conducting trials to assess the feasibility of integrating polymer recycling into our manufacturing processes.

In addition to the Bophelo Recycling Project in Ermelo, which was funded by Safripol, a second recycling project was established with PETCO in the Thulamela municipality in Limpopo.

Safripol is engaging with role players across the industry. We hosted a sustainability conference where customers had the opportunity to participate and debate potential solutions with a variety of environmental and recycling experts.

Safripol also participated in a Plastics Colloquium hosted by the Minister of Environment, Forestry and Fisheries earlier in the year.

Safripol is an active participant in industry forums such as Packaging SA, PETCO, Polyco and Plastics SA, which all have recycling and waste management at their core. These industry forum initiatives include clean-up operations, education, training programmes, awareness campaigns and employment creation. They regularly engage with government, industry, local communities and retailers to address the environmental issues around discarded plastic.

Safripol's financial contribution to these industry forums is linked to production volumes. The Safripol management actively participates on the boards of these industry bodies and, where required, provides technical and operational assistance.

PETCO and Plastics SA have been successful in reducing plastic waste in the environment and increasing recycling in South Africa.

PETCO focuses on PET recycling. During the past year, 95 879 tonnes of post-consumer PET was recycled. PETCO achieved a 62% post-consumer recycling rate for PET, saving 594 448 m^3 of landfill and 144 000 tonnes of carbon emissions. Of the recycled PET, 57% went into polyester staple fibre ('PSF') and 36% was recycled to food-grade rPET. The balance was recycled into applications such as geotextiles and industrial strapping.

PETCO has created over 65 900 work opportunities in the recycling industry and also conducts several educational and community clean-up initiatives.

Safripol, with the help of their staff, together with Plastics SA, participated in several beach and community clean-ups in the past year.

During the past year

95 879

tonnes of post-consumer PET was recycled





Reducing and managing water usage

We acknowledge that water is a scarce and precious resource. We are committed to reducing, reusing and recycling water.

Water usage is measured at an operational level through our risk management structure. Our divisions actively monitor and manage water consumption. Rainwater is harvested, recycled and reused at several of the company's operations. The operations strive to minimise water withdrawals and alleviate pressure on the municipal water networks.

PG Bison is the biggest consumer of water in the group (86%) due, primarily, to the temporary irrigation activities used to preserve fire-damaged timber. After the forest fires in the southern Cape in 2017 and 2018, the fire-damaged timber was harvested and placed under an irrigation deck to preserve it. Water pumped from boreholes situated on PG Bison's property constantly sprays the timber on the irrigation deck in order to prevent insect damage and dry rot. This is a standard practice in the forestry industry after a fire has damaged trees. An environmental impact study was undertaken before operations began and an independent hydrogeologist routinely monitors the run-off and the quality of the water. An estimated 80% of the water naturally drains back into the soil. Once the timber on the wet decks has been processed, the water consumption will reduce. Other than this, water is used in the manufacturing process in areas such as chip washing, dust suppression, steam generation and evaporate cooling.

Most of the operations have acquired Water Use Licences ('WULs'), with applications pending for the balance of the operations. All waste water disposal is in line with legislation.

The importance of water and the potential impact on communities is best illustrated in the link to the following article. During an extended drought in the Eastern Cape, PG Bison assisted a local community with drinking water.

Air emissions

Air emissions from cooling stacks and boilers are measured annually by an independent accredited service provider. Results are analysed to ensure compliance with the limits imposed by the relevant air emissions licences ('AELs').

KAP continues to implement projects to reduce air emissions below AEL limits.

Supply chain

The KAP supplier code of conduct requires suppliers to comply with environmental legislation and to implement and maintain environmental policies to ensure that their actions are carried out in a socially and environmentally responsible way. The code also calls for suppliers to minimise the consumption of natural resources (including water), minimise waste generation, minimise the impact of operations on the environment (including GHG emissions), maximise recycling, and protect biodiversity.

Protecting the biodiversity of our forests

The long-term sustainability of timber supply is of strategic significance to PG Bison.

PG Bison is a member of the Forestry South Africa ('FSA') environmental management committee, which oversees the environmental standards for forestry in South Africa.

PG Bison's North East Cape Forest ('NECF') is Forest Stewardship Council ('FSC') certified (certificate number SGS-FM/COC-011207 and licence number FSC-C139494). The mission of the FSC is to promote environmentally appropriate, socially beneficial and economically viable management of the world's forests. Annual surveillance audits are undertaken and the certificate is valid for five years. The NECF accounts for 77% of PG Bison's plantations.

The NECF has a land area of 76 392 hectares of which 33 586 hectares are planted. The balance of 42 806 hectares consists of either protected biodiversity areas or is being used for other agricultural activities. Priority conservation areas have been identified and receive focused conservation management to support their biodiversity and ecosystem attributes.

Areas that are not protected or suitable for commercial forestry are used primarily for cattle farming. The NECF herd of 4 079 cattle is managed to protect the area's biodiversity. An effective grazing programme optimises conditions in the veld in terms of species richness and maintaining the optimum biodiversity within the plantations. The herd also plays an important role in reducing fire risk through grazing. Our employees, supported by local and state veterinarians, manage the cattle on a commercial basis.

PG Bison is also a member of the Timber Industry Pesticide Working Group, which regulates the use of chemicals and pesticides in the forestry industry and guides the way regarding best practice.

We are committed to reducing the spread of alien invasive species and, at the same time, minimising the use of chemicals. To do this, we actively monitor and address invasive species on our properties and monitor our chemical use, constantly striving to identify and implement non-chemical control methods. Target-driven chemicals (with the least impact on people and the environment) are only used when non-chemical methods are not possible. All staff are trained in the safe use of chemicals, and the use of protective equipment is constantly monitored. We work with several private landowners to eradicate alien invasive species off-site and provide guidance regarding alien control. We also collaborate with neighbours, government departments and NGOs to minimise the risk of fire, as well as to restore natural wetlands and critical biodiversity habitats.

Several species of wild animals previously common to the area have been reintroduced, while other species, including the Cape grysbok, have migrated naturally. The game forms part of an integrated environmental plan and includes species such as Burchell's zebra, blesbok and black wildebeest. We have identified and monitor Red Data species that reside in our plantations, including the wattled crane, grey crowned crane and blue crane. PG Bison also allows and monitors the local communities on the collection and use of medicinal plants to ensure their sustainable use.

In our southern Cape plantations, we participate in a forum, the Knysna Elephant Landowners which, together with the South African National Parks, assists in the research on the rare Knysna elephant. The southern Cape plantations are actively recovering after the 2017 and 2018 fires, ensuring that conservation actions are prioritised to address weed regrowth and protection of sensitive areas.

> **"PG Bison also allows and monitors the local communities on the collection and use of medicinal plants to ensure their sustainable use.**

The NECF has a land area of

76 392 hectares

of which

33 586 hectares

are planted

Our non-commercial forestry areas have been mapped using a vegetation mapping standard developed by the South African forestry industry. It records information on fauna and flora, rare and endangered species, as well as areas of special interest, such as archaeological, paleontological and historical sites. The conservation management plans also monitor and implement actions to mitigate and manage the impact on the environment in these special identified areas.

PG Bison's southern Cape estates consist of 10 251 hectares of mainly commercial pine plantations and 9 514 hectares of non-commercial land, predominantly indigenous forests and fynbos. All forestry operations are subject to an annual environmental audit to assess the environmental impact of activities in accordance with existing legislation and sustainable forestry practices. The indigenous forests are subject to a separate management plan and are maintained in accordance with high conservation value forests ('HCVF') principles, which are monitored annually.

The extensive mountain fynbos areas in the Outeniqua Mountain range and the foothills of the Tsitsikamma Mountain range, and a special fynbos area situated close to the coast, are also monitored and managed in accordance with a management plan.

All these activities are documented and prescribed in the Conservation Management Plan of the estate to ensure that the biodiversity of all natural areas is not only protected, but also improved.

HUMAN CAPITAL REPORT

We believe that a motivated and engaged workforce creates a sustainable competitive advantage. The company is committed to attracting and retaining the best people in the industry and creating a winning culture that embraces diversity.

We have a strategic, multifaceted approach to developing human capital and managing identified talent for the future. To achieve this strategic objective, our annual investment in terms of remuneration and benefits is R4.3 billion (FY19: R4.5 billion).

KAP employs over 18 500 permanent and seasonal employees both in South Africa and in neighbouring countries. Seasonal workers are employed primarily by the Contractual Logistics – Africa division, operating in the agricultural sector.

Improving diversity

We focus on developing and retaining our staff, but we also acknowledge the need to introduce new skills and experience to continuously refresh the culture in the organisation, and to expose ourselves to innovative thinking and eliminate 'group think'.

The importance of creating a diverse workforce is illustrated in the board's broad diversity policy, which was introduced at board level. During the past year, two new women directors joined the board. Women directors now represent 33% of the independent non-executive directors, while black women directors represent 18% of the total board composition, which is higher than the average for JSE-listed entities (as per the B-BBEE Commission's 2019 annual report).

Women play an important role and add significant value throughout the group, and we continue to pursue a healthier balance of women employees. Women represent 18% (FY19: 15.7% and FY18: 13.3%) of our permanent staff. Although progress has been made, several initiatives are planned to increase female representation across all operations and levels of management in the future.

A detailed assessment of all female middle management and senior staff was completed during the past year and succession candidates were identified for senior positions. Women occupy 31% of all critical and specialist positions across the group, in areas such as finance, tax and human capital. In the operations, women are currently employed as general managers, operations managers and key accounts and sales managers.

R4.3 billion
annual investment in remuneration and benefits

Female representation	FY20	FY19	FY18
Studying towards degree or diploma	**41%**	37%	33%
Staff participants in learnerships or apprenticeships	**26%**	27%	13%
External participants in learnerships or apprenticeships	**43%**	41%	34%
Senior and middle management	**26%**	22%	21%

B-BBEE score
level 6

90%
black employees

Black employees represent 84% of all staff studying towards a degree or diploma (FY19: 83%). Of the 139 study bursaries awarded, 89% were awarded to black employees. The group promoted 317 employees from within the organisation of whom 85% were black, while 20% of all promotions were women.

We proactively align day-to-day business practices with our B-BBEE and employment equity ('EE') commitments. Each division has submitted a three-year EE plan and target to the South African Department of Employment and Labour. The EE plans identify the skills and the targeted number of employees across all management levels required to balance the gender and race diversity levels within the organisation, to better reflect the demographics of our communities. Progress is measured against these plans in each division to ensure that we have a sustainable supply of talent for the future needs of the company, and that we achieve our gender and race diversity targets.

KAP also strives to create a balance of youth and experience in the workforce.

Of the workforce, 23% are older than 50, while 63% are between 30 and 49, and 14% are younger than 30 years. Despite the physical and industrial nature of the industries in which KAP operates, the group employs 134 (FY19: 54) employees with disabilities.

Staff turnover remained in line with industry standards.

KAP's B-BBEE score remained a level 6, with 90% of KAP's employees being black.

Employee engagement

We acknowledge the challenge of aligning diverse perspectives to a common purpose. We therefore strive to create an open, inclusive culture and an environment where staff are encouraged to voice their opinions and participate in building a unified organisational culture supported by common values. KAP's values are based on an ethical value system of fairness, accountability, transparency and ethical leadership exemplified by integrity, competence and responsibility – all values espoused by King IV™.

KAP

The impact of the Covid-19 Lockdown resulted in many employees having to work from home. Those that were able to work in essential service, were faced with a challenging work environment. Divisional CEOs established additional digitally enabled communication channels across all the divisions to support their staff. Our group CEO, GN Chaplin, initiated a number of webcasts that were available to all employees. The webcasts kept employees appraised of the actions being taken to minimise the impact of the Covid-19 Lockdown on the company. Employees were also given the opportunity to ask questions and voice their concerns and opinions.

A regular engagement forum, aimed at senior management employees across the various businesses, encourages interaction and creates a platform to share experiences and case studies. Senior management also receive training at these forums on relevant topics, for example ethics, ESG, competition law and leadership-related matters.

The various divisional managers provide regular feedback and communication to all levels of staff through a variety of mechanisms, including the established union structures, divisional CEO roadshows and plant-based meetings. All the operations have detailed grievance procedures, which enable all employees to raise grievances without fear of victimisation to ensure the ongoing respect of employees' rights. We endorse the democratic values of human dignity, equality and freedom as enshrined in the country's Constitution and the Bill of Rights.

"We proactively align day-to-day business practices with our B-BBEE and employment equity ('EE') commitments.

14 097
full-time employees in South Africa

Of the 14 097 full-time employees in South Africa, 55% are unionised. We are actively involved and prominent in all associated industry bargaining councils. The primary task of the bargaining councils is to determine industry terms and conditions of employment. The bargaining councils are regulated and require both labour and employer representation. A senior executive, with the assistance of the divisional human capital teams, is tasked with stakeholder engagement and works with the various bargaining councils. There is ongoing engagement with all the main unions represented in the various businesses, as well as other industry representatives. This engagement with union-elected representatives also takes place on the shop floor. Almost 95% of all the group's collective bargaining is conducted through centralised structures.

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Across all the operations, staff participate in a number of other formal forums, such as the employment equity and safety forums.

The culture of open communication in the business is further encouraged through staff climate surveys. Where applicable, staff can access KAPREF, an independently managed, confidential reporting hotline. All incidents reported on the hotline are investigated in detail and reported to the social and ethics committee and divisional audit and risk committees.

Board and board subcommittee succession

In line with the recommendations of King IV™, the board is committed to the establishment of a succession plan for its membership and the membership of its subcommittees. As a result, during the next four years, the board, through the nomination committee, plans to implement a structured process to manage board and board subcommittee leadership succession to ensure an orderly transition of the top leadership in the group. This process will entail implementing appropriate and proactive processes to recruit qualified candidates in a number sufficient to generate and maintain a robust pool of potential candidates across the balance of representation and qualifications in line with the board's broad diversity policy. The main focus of the board succession plan is to achieve continuity through a smooth succession of directors (including board and board subcommittee leadership) that balances fresh perspectives and independence with experience and institutional memory. The board believes this is healthy for the company and will bring fresh energy and perspectives to the deliberations of the board, which is in the best interest of the company. The board recognises that careful planning of board succession is necessary to effectively manage the inherently dynamic business environment, the increasing regulatory obligations, the requirement for diversity, and a broader set of skills to support changes in the company..

Executive succession

To ensure KAP's long-term growth and to maintain operational stability in light of the inherently dynamic business and regulatory environment, a comprehensive and structured executive succession plan is in place. Succession candidates for all top and critical leadership positions have been identified and will be regularly assessed and further developed in line with the predefined skills and competency matrix for all critical executive positions. The objective of the succession process is to ensure that KAP has leadership depth, skills and competences to ensure sustainable growth and long-term operational stability.

To demonstrate the success of the current executive succession planning strategy, three of the divisional CEO appointments in the past 18 months were made from internal candidates, who have been identified and developed as part of the succession planning process.

Leadership development

We recognise that effective leadership is essential in creating an innovative, growing and sustainable business.

The ongoing development and personal growth of our top leaders creates a high-performance culture in the organisation and maintains operational stability through well-structured succession plans.

The leadership development programmes support the execution of the strategic growth drivers with a focus on the customer, product, people and operational excellence.

An intensive top and senior management leadership development programme is in place and is continually refined. Detailed individual and team assessments using the Gallup Institute CliftonStrengths methodology have been completed for all the senior teams. Since the assessments, the individuals and teams have received ongoing coaching to develop their strengths and to create a culture of cohesion, diversity and inclusion.

Taking into account the strategic needs of the operations, a skills gap analysis is conducted and updated annually. Potential succession candidates are then identified from the pool of divisional executives and middle management. Based on the outcome of the individual development plans, customised training and development is provided to potential successors. If suitable successors do not exist internally, outside candidates are identified for employment.

KAP invested R5.5 million (FY19: R5.2 million) in leadership development initiatives during the year.

Training and development

We see enormous value in the training and development of our employees at all levels. Despite the impact of the Covid-19 Lockdown, which reduced training opportunities, KAP still invested R130 million (FY19: R154 million) in training and developing staff. The training spend was allocated as follows:

Training spend	FY20 Rm	FY19 Rm
Skills development levy	30.5	35.2
Bursaries and institution-based training	3.5	2.3
Internships, learnerships and apprenticeships	41.7	53.4
Work-integrated learning	5.9	8.4
Informal training	5.7	7.0
Training staff salaries and overheads	42.2	47.4
Total training spend	129.5	153.7

A total of 8 545 (FY19: 7 305 and FY18: 6 475) employees received training during the course of the year. KAP encourages staff to further develop themselves by creating a positive environment through either financial assistance and/or time off to pursue degree or diploma courses. At present, 166 employees are studying towards a degree or diploma.

We have 868 internships, learnerships and apprenticeships as part of our human capital development programme. These internships, learnerships and apprenticeships are offered to both employees and unemployed learners. Black participants represent 93% of all the participants in the programme. The 631 unemployed interns, learners and apprentices provide a pipeline of potential skilled artisans for our operations. The learnership programmes provide both a theoretical and practical learning environment.

KAP invested
R5.5 million
in leadership development initiatives

KAP invested
R130 million
in training and developing staff

SUSTAINABILITY REVIEW

When positions become available in the company, candidates are first sourced from this pool of learners.

KAP strives, where applicable, to employ people from the local communities.

Responsible employment

KAP subscribes to the principles of the United Nations Global Compact ('UNGC'), the recommendations of the International Labour Organisation and the Organisation for Economic Co-operation and Development ('OECD'). We support the core values around human rights, labour standards and anti-corruption of the UNGC. We annually measure the group's own practices against the applicable principles of the Compact and the OECD to benchmark our compliance.

KAP's code of ethics provides employees with the core principles of the group on some of the most important ethical issues in a business environment, including compliance with laws, ethical dealings, labour practices, human rights, and gender and race diversity. We recognise the right of employees to freedom of association, organisation and collective bargaining. KAP also meets or exceeds all minimum wage requirements as legislated in South Africa.

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> **"KAP and its divisions diligently pursue a target of zero harm.**

A total of

8 545

employees received training during the course of the year

Furthermore, our staff voluntarily participate in both medical and health schemes. Membership of a retirement scheme is compulsory for permanent employees. Overtime is strictly monitored and reported on by each business unit to ensure that we remain compliant with all relevant labour laws.

The Covid-19 Lockdown had a significant impact on our operations and their ability to trade. Management was required to take decisive actions to protect the long-term sustainability of the company, some of which had a significant impact on the staff. All non-bargaining unit staff salaries were reduced by 20% for a period of three months. Consultations were held with affected staff and the reasons for the salary cuts were explained. In general, the staff supported the salary reductions, illustrating the positive corporate culture and the commitment of employees. We were able to reduce the impact of the salary cuts by assisting staff to claim Temporary Employer/Employee Relief Scheme ('TERS') benefits from the unemployment insurance fund. Details of the salary sacrifices were published on the company's website and on SENS.

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Creating a safe place to work

We diligently pursue a target of zero harm. A culture of safety is an inextricable part of our organisational culture.

KAP conducts operations across a number of industries, including manufacturing, forestry and logistics. Significant improvements were made in reducing injuries and fatalities across the organisation. These statistics are reported to the social and ethics committee, audit and risk committee and the board.

The KAP injury statistics for the past financial year are summarised as follows:

FY20	Lost Time Injuries (LTI)	Occupational Diseases (ODI)	COID No Lost Time Injuries (NLTI)	Total COID	Fatalities
Employees	235	5	139	379	2
Contractors	5	Not measured	Not measured	5	–
Total	**240**	**5**	**139**	**384**	**2**

FY19	Lost Time Injuries (LTI)	Occupational Diseases (ODI)	COID No Lost Time Injuries (NLTI)	Total COID	Fatalities
Employees	379	5	233	617	7
Contractors	36	Not measured	Not measured	36	–
Total	**415**	**5**	**233**	**653**	**7**

Total employee-related COID incidents decreased to 379 (FY19: 617). This is due to a reduction in man-hours worked as a consequence of the Covid-19 Lockdown restrictions and the increased focus, measures and safety culture implemented by management.

Tragically, there were two staff fatalities in the reporting year, both within the Contractual Logistics – Africa division. The fatalities occurred in two separate incidents, where our drivers were involved in road accidents. We extend our condolences to their families, friends and colleagues. The incidents were recorded and remedial actions were taken and reported to the relevant authorities and regulatory bodies.

Road safety is one of our top priorities and the divisions continuously conduct training and roll out road transport safety campaigns. The logistics division has invested in technology which monitors drivers' behaviour and fatigue. This has seen a significant improvement in reducing traffic violations, near misses and accidents.

The company's health and safety policy is embodied in the code of ethics and applies to all staff, as well as contractors working on site. The CEO, GN Chaplin, is ultimately responsible for health and safety within the organisation, which responsibility he has delegated throughout the organisation to specific individuals. Each business identifies, measures and reports to the board on health and safety matters. A continuously evolving process exists with a legal register, risk register, incident register and risk management plan with regular hazard identification and risk assessments, internal audits, safety training, management reviews and third-party audits undertaken on both existing businesses and any new projects. In-depth investigations are conducted of all incidents, and mitigation procedures are continuously reviewed. Targets are set by each business against which their performance is measured. Senior executives are measured on their divisional health and safety targets.

> **"Road safety is one of our top priorities and the divisions continuously conduct training and roll out road transport safety campaigns.**

> **"The company's health and safety policy is embodied in the code of ethics and applies to all staff, as well as contractors working on site.**

Safety representatives are appointed from the shop floor in accordance with the Occupation Health and Safety Act. We continuously train staff and contractors in health and safety. During the period under review, 9 534 (FY19: 9 148) people were trained or had safety interventions.

Within KAP's divisions, various safety management systems, processes and procedures have been adopted. The Automotive Components division has implemented ISO 14001 in Feltex. The Polymers division has implemented OSH 18001 in Sasolburg. The Contractual Logistics – South Africa

division has ISO 9001, 14001, 45001, RTMS and SQAS accreditation. The Passenger Transport division implemented an integrated safety, health and environment management system that conforms to ISO 45001 and 14001. All management systems, processes and procedures include employees and contractors.

The company was able to respond rapidly to the health risks posed by the Covid-19 pandemic. Best practice protocols and procedures were adopted and effectively implemented to protect employees. We acknowledge that Covid-19 is still a risk, and safety protocols continue to be followed in line with published guidelines. Unfortunately, one employee succumbed to Covid-19 during the year. We extend our sincere condolences to his family, friends and colleagues. Infection rates, recoveries and employee Covid-19-related deaths continue to be monitored daily and reported to the executive.

KAP is regularly audited by accredited independent specialists to ensure compliance with statutory and legal requirements.

Programmes are also in place to ensure the health of our employees. HIV/Aids is addressed in divisional policies, and divisions have holistic and comprehensive programmes in place to promote awareness, prevention, voluntary testing and support. Policies cover aspects of confidentiality, non-discrimination and commitment to implement programmes relevant, and of value, to each division and their employees. Where applicable, local communities are involved in initiatives such as World Aids Day. HIV/Aids education is ongoing.

Where appropriate, certain businesses have invested in on-site occupational and primary healthcare clinics for their staff. The clinics play a crucial role in dealing with injury on duty cases and offer first aid assistance. The clinics have qualified nursing staff, assisted by doctors, to provide workplace health risk assessments, chronic disease screening, including the monitoring of TB, industrial hygiene and medical surveillance.

The clinics also offer primary healthcare medication and family planning guidance.

Where there is no clinic on site, an occupational health practitioner is contracted to perform medical surveillance.

Within our transport environment, mobile clinics are available on the main routes. These clinics test for chronic conditions and dispense chronic and other primary care medication.

Creating an ethical culture

The KAP code of ethics was reviewed and recently updated by the social and ethics committee. The code of ethics, as published on the company's website, is specific in terms of the behaviour expected from KAP employees. It is explained and supplied to all employees as part of the group's induction process.

KAP subscribes to the principles of free and fair competition, as embodied in the relevant competition laws applicable to KAP. There is ongoing training on competition law and the changing competition regulations for senior and selected middle management across all the operations.

Management are measured on B-BBEE targets, health and safety, succession planning, internal audit compliance and ESG targets.

Suppliers are expected to comply with the group's supplier code of conduct. It sets out the principles and expectations of the group of how existing and new suppliers of goods and services are to conduct business with KAP, including ethical dealings, labour practices, human rights and protecting the environment. In addition, any supplier, employee or representative providing on-site services at a KAP facility, is required to adhere to KAP safety standards and site rules. The supplier code of conduct is available to all suppliers on the company's website.

The company is focused on providing sustainable value to all its stakeholders, as is evidenced by the value-added statement below:

Value-added statement 30 June 2020	FY20 Rm	%	FY19[1] Rm	%
Revenue	22 218		25 765	
Net cost of raw materials, goods and services	(15 266)		(17 643)	
Wealth created by trading operations	6 952		8 122	
Capital items	(3 276)		(149)	
Income from investments	46		89	
Total wealth created	3 722	100.0	8 062	100.0
Distributed as follows				
Employees				
Benefits and remuneration	4 273	114.8	4 487	55.7
Governments				
Taxation	226	6.1	250	3.1
Providers of capital	1 377	37.0	1 429	17.7
Finance costs	703	18.9	773	9.6
Distributions to shareholders	619	16.6	618	7.7
Distributions to non-controlling interests	55	1.5	38	0.5
Retained for growth	(2 154)	(57.9)	1 896	23.5
Depreciation and amortisation	1 365	36.7	1 190	14.8
Deferred taxation	(700)	(18.8)	272	3.4
Profit attributable to the owners of the parent[2]	(2 809)	(75.5)	415	5.1
Profit attributable to non-controlling interests[3]	(10)	(0.3)	19	0.2
	3 722	100.0	8 062	100.0

[1] Prior year has been restated to disclose deferred taxation separately.
[2] Profit for the year attributable to owners of the parent less dividends paid.
[3] Profit for the year attributable to non-controlling interests less dividends paid.

SUSTAINABILITY REVIEW

CORPORATE GOVERNANCE REVIEW

CORPORATE GOVERNANCE REPORT

The ultimate responsibility for ensuring full and effective control of the group's businesses rests with the KAP board.

The company has adopted a decentralised approach to the management of our day-to-day divisional operations, subject to compliance by the divisions with the company's control and approvals framework and the systems and governance policies set by the board.

The defined reporting lines from divisional management level to the board facilitate the board's effective monitoring of our divisions' compliance with group and divisional policies. Unless pre-approved materiality levels apply, decisions on material matters are reserved for the board, including, but not limited to, decisions on the allocation of capital resources, the authorisation of capital expenditure, property transactions, borrowings and investments. Decisions made by our board are taken in the best interest of the company, and take into account the legitimate interests and expectations of our stakeholders and the sustainability of the company's operations.

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The detailed responsibilities and powers of the board are contained in a formal charter, which is available on the company's website, with the corporate governance report. There is a clear balance of power and authority at board level.

The board committees that support the board of directors include the audit and risk, human capital and remuneration, nomination, social and ethics and the investment committees. The board committees, in turn, are supported by corporate committees and divisional structures to ensure continuous oversight. The divisions are governed by divisional boards of directors and divisional board subcommittees, including audit and risk and human capital and remuneration subcommittees. These divisional structures are in place for all significant subsidiaries. The robust committee and reporting structures in place across the group underpin our commitment to sound corporate governance and afford our stakeholders the assurance that the group's businesses are managed responsibly.

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The company applies the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™'), which operates on an 'apply and explain' basis. The corporate governance report, which is available on the company's website, provides a narrative explanation of how the company has applied the 16 King IV™ principles across its operations.

KAP has met its reporting requirements relating to King IV™, the Listings Requirements of the JSE Limited and the Companies Act, No. 71 of 2008, as amended together with the Companies Regulations, 2011.

Compliance with laws and regulations

The KAP directors have confirmed that, to the best of their knowledge, KAP complied with the provisions of the Companies Act of South Africa and operated in accordance with its memorandum of incorporation during the year under review.

Directors	
Executive	18%
Independent non-executive	82%

	Years with group or relevant divisional businesses
Executive management	
Chief executive officer	
GN Chaplin	23
Chief financial officer	
FH Olivier	14
Information and communication technology executive	
LM Besteiro	15
Group financial manager	
K Gey von Pittius	7
Treasury and legal executive	
RH Louw	5
Human capital executive	
SP Lunga	15
Investor relations and sustainability executive	
GM van der Merwe	29
Divisional CEO – Integrated Timber	
G Victor	23
Divisional CEO – Automotive Components	
U Frigerio	30
Divisional CEO – Integrated Bedding	
M Metz	46
Divisional CEO – Polymers	
N van Niekerk	32
Divisional CEO – Contractual Logistics – South Africa	
T Bantock	4
Divisional CEO – Contractual Logistics – Africa	
R Hayworth	20
Divisional CEO – Passenger Transport	
N Boshoff	25

A decentralised structure supports the development and retention of expertise in a diversified group. Each division has specialised industry and market experience that supports its ability to grow sustainable earnings.

Management teams have the autonomy to employ the appropriate people to implement group strategy in a way that best aligns with their businesses. Management teams are supported by human capital, risk, health and safety, social and ethics and information and communication technology ('ICT') committees that monitor legal, regulatory and best practice compliance across all operations.

Formulation of strategic intent → **Board of directors**

Governance and compliance → **Board committees**

Strategy development → **Executive committee**

Strategy implementation → **Divisional management teams Divisional committees**

Holding company

KAP

Holding company

Board committees support the board of directors with regard to specific functions. These formal board committees are constituted in accordance with the recommendations of King IV™, the JSE Listings Requirements and the requirements of the Companies Act.
Each committee's responsibility is described in the corporate governance report.

Committees for the review period include:

- Audit and risk committee
- Human capital and remuneration committee
- Nomination committee
- Social and ethics committee
- Investment committee
- Treasury and banking subcommittee

Material subsidiaries

- PG Bison Proprietary Limited
- KAP Automotive Proprietary Limited
- KAP Bedding Proprietary Limited
- Safripol Proprietary Limited
- Unitrans Holdings Proprietary Limited
- Unitrans Supply Chain Solutions Proprietary Limited
- Unitrans Africa Proprietary Limited
- Unitrans Passenger Proprietary Limited

Divisional structure

- Diversified industrial
- Diversified chemical
- Diversified logistics

Supported by operational committees, including:

- BEE Exco
- ICT steering committee
- Compliance committee

Operational structure

- Integrated Timber
- Automotive Components
- Integrated Bedding
- Polymers
- Contractual Logistics – South Africa
- Contractual Logistics – Africa
- Passenger Transport

Supported by:

- Divisional boards
- Divisional audit and risk committees
- Divisional human capital and remuneration committees
- Employment equity forums
- ICT committees
- Divisional Excos

BOARD OF DIRECTORS as at 30 June 2020

Social and ethics committee
Audit and risk committee
Human capital and remuneration committee
Nomination committee
Investment committee
C Chairperson of committee
C KAP board

Executive directors

Independent non-executive directors

GN (Gary) Chaplin (50)

CA(SA)

Chief executive officer

Gary qualified as a chartered accountant in 1995 after completing his articles with Deloitte. In 1996, he joined a private company in the timber industry, which was later acquired by Steinhoff Africa Holdings Proprietary Limited ('Steinhoff'). Gary held various positions and fulfilled numerous roles in Steinhoff's South African timber and furniture manufacturing operations. He then joined PG Bison Proprietary Limited ('PG Bison'), where he was later appointed to the board in August 2006, and as chief executive officer in November 2011. In June 2012, KAP Industrial Holdings Limited acquired PG Bison, whereupon Gary was appointed to the KAP executive committee. He later assumed full responsibility for KAP's diversified industrial segment and was appointed as the chief executive officer of KAP in November 2014.

FH (Frans) Olivier (41)

CA(SA)

Chief financial officer

Frans qualified as a chartered accountant in 2004, after completing his articles at KPMG in Johannesburg. In 2005, Frans joined Riso Africa Proprietary Limited as the financial manager. He joined Steinhoff Africa Holdings Proprietary Limited as a financial manager in 2006. Frans then joined PG Bison Proprietary Limited ('PG Bison') in 2009 as the group financial manager and was appointed as chief financial officer in 2010. In 2012, KAP Industrial Holdings Limited acquired PG Bison. Frans was promoted to the position of chief financial officer for the diversified industrial segment of KAP in 2015, and in April 2016, he was appointed as the chief financial officer of KAP.

J de V (Jaap) du Toit (66)

BAcc, CA(SA), CTA, CFA

Independent non-executive chairman

Jaap was appointed as senior general manager of the Trust Building Society in 1984, financial director at SMK Securities Proprietary Limited in 1988, and as their portfolio director in 1990. He was a founder member of PSG Group Limited in 1996, and acted as a director until mid-2016. He acted as chairman of PSG Konsult from its formation in 1998 until 2013, and is still a director of that board. In August 2012, Jaap was appointed as the lead independent non-executive director for PSG Group Limited (until mid-2016). Jaap has served, and currently serves, as chairman of various national committees and boards. He was appointed as chairman of KAP Industrial Holdings Limited in 2012, and in 2013, as chairperson of the nomination committee.

KJ (Jo) Grové (71)

AMP (Oxford)

Independent non-executive deputy chairman

Jo has more than 20 years' experience in the financial and banking industry. In 1976, he founded Medical Leasing Services – a company providing specialised financial services to medical doctors. In 1987, the business was sold to the Absa Group, the name was changed to MLS Bank, and Jo was appointed chief executive officer – a position he held until 1995. Jo established Imperial Bank and served on the main board of Imperial Holdings until he joined Unitrans Limited as chief executive officer in September 1998. Following the approval and implementation of Steinhoff's acquisition of the majority shareholding in Unitrans Limited, he was appointed as a non-executive director of Steinhoff International Holdings Limited ('Steinhoff'). Subsequently, he became a non-executive alternative director on the Steinhoff board from December 2007, until he resigned from this position in December 2015. In 2012, Jo was appointed as chief executive officer of KAP Industrial Holdings Limited. He stepped down from this position and was appointed executive chairman in November 2014. From January 2017, he fulfilled the role of non-executive deputy chairman until February 2020, when he was recategorised as an independent non-executive director, following an appropriate cooling-off period.

Z (Zellah) Fuphe (52)

BSocSci

Zellah obtained a Bachelors' degree in Social Sciences from the University of Cape Town and completed the GIBS Global Executive Development Programme in 2015, as well as various other leadership and finance programmes. She is also certified as a Chartered Director (SA) by the Institute of Directors in South Africa. She started her career with Engen Limited ('Engen'), where she served the company in various roles. Zellah served in various executive positions, including as managing director of Plessey South Africa Proprietary Limited, managing director of the then Worldwide African Investment Holdings Proprietary Limited and as the chief executive officer of Afric Oil Proprietary Limited. She is the executive director of corporate governance for Dimension Data Middle East and Africa ('Dimension Data') and is responsible for legal services, risk, compliance, company secretariat, governance and ethics. She is a member of the Dimension Data board and represents the company on a number of its subsidiary boards across the region.

Until recently, Zellah served on the board of AECI Limited and was a member of the company's risk committee and chaired its social and ethics committee. She also previously served as a non-executive director on the boards of Engen (chairperson of its social and ethics committee), Afric Oil (chairperson), Oceana Group Limited (chairperson of its transformation committee), 18th World Petroleum Council 2005 (chairperson), Worldwide Coal Carolina (chairperson) and the Unisa School of Business Leadership. Zellah was appointed as an independent non-executive director of KAP Industrial Holdings Limited on 1 March 2020.

KT (Ken) Hopkins (65)

BCom (Hons), CA(SA)

Ken obtained his BCom (Hons) from the University of Cape Town and became a CA(SA) in 1978. He was a partner at Deloitte & Touche and KPMG for more than 30 years, where he specialised in auditing and advising financial institutions. Ken is technically up to date with IFRS, the Companies Act, King IV™ and taxation.

As a retired auditor and full-time professional director, Ken chairs the board of Ewandle Properties Proprietary Limited and serves in a non-executive capacity on the boards of Old Mutual Finance RF Proprietary Limited, Real People Investment Holdings Limited, Infiniti Holdings Limited and 27Four Holdings Limited, where he also chairs the audit and risk committees. Ken is also a member of the social and ethics and remuneration committees of some of these companies. Ken was appointed as an independent non-executive director of KAP Industrial Holdings Limited on 6 December 2019.

**From 1 September 2020, Ken serves as the chairperson of the audit and risk committee.*

CORPORATE GOVERNANCE REVIEW

Social and ethics committee | Audit and risk committee | Human capital and remuneration committee | Nomination committee
Investment committee | C Chairperson of committee | C KAP board

Independent non-executive directors (continued)





V (Viv) McMenamin (57)

MSc (Economics) (London)

Viv obtained her undergraduate degree from the University of Cape Town, and an MSc Economics degree and a Banking and Finance diploma from the University of London. She completed the Advanced High-Performance Leadership Executive Programme at the International Institute for Management Development in Switzerland. In her early career, Viv served as the secretary general of NUSAS. In mid-2000, she served on the President's Economic Advisory Panel and on the Anglo American Plc Transformation Committee. In 1992, she received the Helen Suzman Award for Leadership. She has been a member of various not-for-profit boards, including serving as the deputy chair of the South African Association for Marine Biological Research for the protection of the East Indian Ocean for more than a decade. In 2012, she was elected as South Africa's Most Influential Woman in Business and Government in the Environment, Waste, Forestry and Paper category.

Viv is the chief executive officer of Mondi South Africa, where she earlier held a number of executive positions over a 17-year period. She is a member of the Mondi Plc Executive Committee. She has experience in the industrial and forestry sectors. Viv was appointed as an independent non-executive director of KAP Industrial Holdings Limited on 12 December 2019.

IN (Ipeleng) Mkhari (46)

BSocSci

Ipeleng holds a Bachelor of Social Science degree from the University of Natal. She completed the Executive Development Programme at the University of the Witwatersrand in 2004 and is also an Archbishop Tutu Fellow. Ipeleng co-founded Motseng Investment Holdings Limited in 1998 and she is the chief executive officer. Ipeleng co-founded Delta Property Fund – a company that listed on the Johannesburg Stock Exchange in 2012. She also serves as a non-executive director on the boards of South African Property Owners Association, Attacq and Revego, and is a trustee of the Women's Property Network Education Trust. Ipeleng was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2004.

SH (Steve) Müller (59)

BAcc (Hons), CA(SA), Sanlam EDP

Steve qualified as a chartered accountant and worked at KPMG from 1983 to 1992. In 1992, he was appointed as senior credit manager at Rand Merchant Bank and, in 1995, joined Genbel Investments. Over the next 13 years, Steve functioned in various capacities within the group, including chief operating officer: Equities of Genbel Securities Limited, as well as executive director of Gensec Bank Limited. He also served as a non-executive director and member of the audit and remuneration committees of various investee companies within the Genbel Securities Group. In 2008, he left the group to pursue his own interests. Steve served as an independent non-executive director and chairman of the audit committee of SACOIL Limited from 2013 to 2016. In January 2018, he was appointed as an independent non-executive director of the Phumelela Gaming and Leisure Limited board and as chairman of the company's audit committee. In August 2017, Steve became an independent non-executive director of Pepkor Holdings Limited, serving as chairman of the human resources and remuneration committee and as a member of the audit committee. In 2012, Steve was appointed as an independent non-executive director of KAP Industrial Holdings Limited and, in 2014, as chairperson of the KAP human capital and remuneration committee.

SH (Sandile) Nomvete (47)

EDP (Wits), Prop Dev Prog (UCT)

Sandile is a graduate of the Property Development Programme of the University of Cape Town Graduate School of Business. He also holds an Executive Development Programme and Finance for Non-financial Managers diploma from the Wits Business School. He co-founded Delta Property Fund in 2002, where he served as CEO until his resignation in August 2020. Delta Property Fund listed on the Johannesburg Stock Exchange in 2012. Sandile serves as a director of a number of listed entities and has more than a decade's experience in executive and non-executive positions. He was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2004.

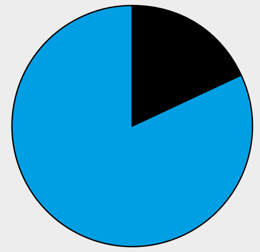
PK (Patrick) Quarmby (66)

CA(SA) (Hons)

Patrick was a partner at Ernst & Young until he relocated overseas in 1987. During his time abroad, he was employed in the Corporate Finance Department of Schroders in London. Patrick became one of the founding directors of Standard Bank in London and established Standard Bank's presence in Hong Kong. On his return to South Africa in 1996, Patrick was appointed as director of Dimension Data Holdings Limited, responsible for the global expansion of the group. He retired from this position in 2014. Patrick acted as non-executive chairman of Datacraft Asia, an IT services company listed in Singapore, until it delisted in 2008, and as independent non-executive director of Unitrans Limited until the Steinhoff acquisition in 2007. He was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2012.

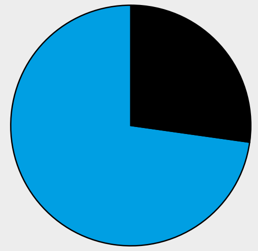
**Patrick served as the chairperson of the audit and risk committee until 31 August 2020.*

With effect from 18 November 2020, he will assume the role of KAP's lead independent non-executive director.



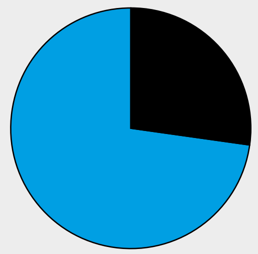
Board composition

Executives	18%
Non-executives	82%



Gender diversity
Female representation

Female	3
Male	8



Race diversity
Black representation

Black	3
White	8

Tenure

16 – 20 years	2
11 – 15 years	–
6 – 10 years	5
1 – 5 years	1
0 – 1 years	3

Age

66 and older	3
56 and older	3
46 and older	4
36 – 45 years	1

Jaap du Toit

Independent non-executive chairman

Nomination committee chairperson

The nomination committee's key functions and responsibilities are:

to ensure that the board and its committees are appropriately structured and resourced; and

to ensure that appointments to the board and its committees are made through a formal, comprehensive and transparent process.

The nomination committee composition and attendance

	20/08 2019	8/11 2019	26/02 2020
J de V Toit	●	●	●
IN Mkhari	●	●	●
PK Quarmby	●	●	●

NOMINATION COMMITTEE REPORT

The nomination committee ('the committee') of KAP Industrial Holdings Limited ('the company') operates under a mandate from the board of directors ('the board') and in accordance with the duties as set out in the formal terms of reference, which are aligned with the provisions of the company's memorandum of incorporation, the Companies Act of South Africa and the Companies Regulations, the Listings Requirements of the JSE Limited and the recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™'). The terms of reference were reviewed during the past financial year.

The key function of the committee is to ensure that the board and its committees are appropriately structured and resourced to enable them to fulfil their duties efficiently according to their terms of reference or charter (as the case may be).

The committee ensures that appointments to the board and its committees are made through a formal, comprehensive and transparent process. Details of the duties of the committee and its specific responsibilities are set out in the corporate governance report, which is available on the company's website.

READ MORE

During the review period, the committee met on 20 August 2019 and 8 November 2019. During February 2020, it held a teleconference, which resulted in written resolutions on 26 February 2020. At all of these meetings, changes to the composition of the board and its committees received focused attention.

As a result of recommendations made to the board, the following key changes to the composition of the board and its committees were implemented:

- KT Hopkins was appointed to the board and the audit and risk committee with effect from 6 December 2019;
- V McMenamin was appointed to the board and the social and ethics committee with effect from 12 December 2019; and
- Z Fuphe was appointed to the board, as well as to the audit and risk committee and the social and ethics committee, with effect from 1 March 2020.

These board appointments will be presented to shareholders for confirmation at the company's annual general meeting ('AGM') in November 2020.

Following expiry of his three-year cooling-off period at the end of February 2020 as a non-executive director, the committee formally assessed and recategorised KJ Grové. The board agreed that he should serve on the board and its committees in an independent capacity. He continues to fulfil his role of deputy chairman on the board.

Having considered the recommendation of King IV™ in respect of the role and position of the chairman of a company's board and the need to appoint a lead independent non-executive director ('LINED'), the committee concluded, and the board agreed, to appoint PK Quarmby as LINED with effect from 18 November 2020. Notwithstanding this earmarked appointment, the committee also recommended that the existing position of deputy chairman on the board be retained.

Subsequent to year-end, the committee met on 19 August 2020. At this meeting, the rotation and election/re-election of directors at the forthcoming AGM in November 2020 were considered, as well as the membership of each of the board committees. The meeting also addressed the categorisation of directors. The non-executive directors were categorised as required by the JSE Listings Requirements and in accordance with the recommendations of King IV™.

- Following a formal, robust assessment of the independence of the two long-serving non-executive directors, IN Mkhari and SH Nomvete, and taking into account their experience, valuable contributions and conduct, the committee recommended, and the board concurred, that both directors may continue to serve on the board and its committees in an independent capacity.
- The committee recommended the directors for re-appointment to the audit and risk committee, being PK Quarmby, SH Müller, KT Hopkins and Z Fuphe. SH Nomvete has indicated that he may not stand for re-election to the committee.
- The committee similarly recommended the directors for re-appointment to the social and ethics committee, being IN Mkhari, V McMenamin and Z Fuphe, as well as SH Müller and GN Chaplin.
- In addition, the committee also recommended the directors, who were eligible and made themselves available for re-election to the board, to retire by rotation at the AGM in November 2020, being KJ Grové, SH Müller and J de V du Toit be re-appointed.

> **"During the review period, the board adopted a broad diversity policy, incorporating both race and gender, for appointments to the board.**

During the review period, the board adopted a broad diversity policy, incorporating both race and gender, for appointments to the board. The committee duly applied this policy in recommending new director appointments. This resulted in an enhanced race and gender ratio target of 30% in board composition.

The prior year performance assessment of the committee confirmed that the committee continues to operate effectively, and that the duties of the committee have been carried out efficiently in accordance with their terms of reference.

The composition of the committee meets the recommendations of the JSE Listings Requirements, King IV™ and the Companies Act, and there is an appropriate mix of knowledge, skills, experience, diversity and independence. More details of the composition of the board and its committees are recorded in the corporate governance report, which is available on the company's website.

READ MORE

Jaap du Toit

Nomination committee chairperson

Ipeleng Mkhari
Independent non-executive director
Social and ethics committee chairperson

The social and ethics committee's key functions and responsibilities are:

to assist the board with the oversight of social and ethical matters relating to the KAP Group; and

to monitor KAP's activities with regard to the duties that are attributed to it by regulation 43(5) of the Companies Act.

The social and ethics committee composition and attendance

	13/08 2019	19/05 2020
IN Mkhari	●	●
SH Müller	●	●
GN Chaplin	●	●
V McMenamin	n/a	n/a
Z Fuphe	n/a	●

SOCIAL AND ETHICS COMMITTEE REPORT

The operations of the KAP social and ethics committee ('the committee') are guided by formal terms of reference containing provisions which are in line with the requirements of the Companies Act, No. 71 of 2008, as amended and the Companies Regulations, 2011 (collectively 'the Companies Act'), as well as the Listings Requirements of the JSE Limited ('JSE LRs') and the recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™'). The terms of reference of the committee were approved by the KAP board of directors ('the board') and were updated in 2019 with the latest King IV™ recommendations. The terms of reference are reviewed annually for relevance.

The committee is both a statutory committee and a board committee in respect of other duties assigned to it by the board.

The committee enjoys the support and cooperation and draws on the competencies and experience of the members serving on the audit and risk committee, the human capital and remuneration committee, the executive committee and the BEE Exco in exercising certain overlapping duties in the areas of KAP's integrated reporting, remuneration, human capital, employment equity ('EE'), broad-based black economic empowerment ('B-BBEE'), and other aspects of the company's business.

Objective and scope

The role of the committee is to assist the board with the oversight of social and ethical matters relating to the KAP Group. The overall objectives of the committee are as follows:

- to monitor activities with regard to the duties that are attributed to it by the Companies Act, the JSE LRs and King IV™, with a specific focus on those duties stated in regulation 43(5) of the Companies Act, relating to:
  - social and economic development;
  - the prevention of fraud and corruption and the promotion of ethical behaviour;
  - good corporate citizenship;
  - the environment, health and public safety;
  - public relations and consumer relationships;
  - employment and labour relations;
  - compliance with applicable legislation;
  - the impact of the company's activities, products and services on communities;
- to draw matters within its mandate to the board's attention as required; and
- to report to the company's shareholders on the matters within its mandate.

Overview of duties fulfilled

The committee has discharged all its responsibilities as contained in its terms of reference, the Companies Act, the JSE LRs and King IV™. These are presented below as an overview, and should not be regarded as an exhaustive list of all duties carried out.

Among others, the committee received and considered reports relating to:

- the company's standing in terms of the goals and purposes of the 10 Principles as set out in the United Nations Global Compact ('UNGC'), in the areas of human rights, labour, the environment and anti-corruption;
- the instruments of the Organisation for Economic Co-operation and Development ('OECD') aimed at combating the fight against corruption and averting the solicitation of bribes and extortion;
- the instruments of the OECD aimed at promoting economic and social well-being of people;
- the protocol and recommendations of the International Labour Organisation ('ILO') on decent work and working conditions, freedom of association, the right to collective bargaining, elimination of forced or compulsory labour and discrimination in the workplace;
- the company's employment relationships with its employees and the labour unions;
- the company's contribution towards the educational development of its employees and other employee benefits;
- compliance with:
  - the Employment Equity ('EE') Act;
  - the Broad-Based Black Economic Empowerment ('B-BBEE') Act and the Codes of Good Practice;
  - the Occupational Health and Safety Act ('OHASA'); and
  - other relevant and applicable legislation in the areas of labour, the environment, health and public safety, insider trading, etc.

The committee reviewed the company's position in terms of the goals and purposes of each of the above-mentioned aspects and management's actions in applying them across the business operations of the company. It was concluded that:

- Practices are aligned with the principles and guidelines of the UNGC, the OECD, as well as those recommended by the ILO.
- Controls are sufficient to mitigate the risks of fraud, bribery and extortion.
- The application of a politically exposed persons ('PEPs') interest declaration across the business has enhanced the monitoring of risks associated with business dealings with PEPs.
- The company has filed its statutory EE reports with the Department of Employment and Labour. Progress towards achieving the three-year EE targets set and agreed with the Department is monitored on an ongoing basis and is materially on track.
- Transformation progress is monitored on a regular basis by, among others, the various divisional human capital and remuneration committees, the BEE Exco and the executive committee.
- Stakeholder and labour relationships with key government institutions, regulatory authorities, industry associations, communities and local authorities were well managed.
- Business development and, in particular, contracts with institutional customers and suppliers benefited from the Unitrans Supply Chain Solutions B-BBEE transaction concluded in the prior year.
- Management's efforts to provide affordable medical access to all its employees was commendable, as was its annual review of and endeavours to maximise employees' benefits in respect of retirement, disability and insurance.
- Compliance with relevant health, safety and environmental regulations was well managed and reported quarterly to divisional audit and risk committees, with no concerns of a material nature, except the environmental incident at the Durban Safripol plant during August 2019. Due to a valve failure which occurred during planned maintenance, steam and Therminol VP-1 were accidentally released into the atmosphere in the form of a vapour cloud. While all investigations by the Department of Employment and Labour and the Department of Environment, Forestry and Fisheries have not been concluded yet, evidence indicates that Safripol did not transgress any health or safety regulations and acted procedurally correctly and responsibly at all stages before, during and after the incident. Relations between Safripol and the affected community were recently strengthened by means of a memorandum of understanding.

With advice and guidance from the committee, management succeeded in improving the company's overall B-BBEE score to a level 6 contributor status. KAP's latest B-BBEE certificate is available on the company's website.

The committee has reinforced numerous controls and safeguards regarding conflicts of interests, ethics, codes of conduct, as well as the awareness of corruption and fraud. Ethical conduct is enforced through the code of ethics for employees. The company also applies a supplier code of conduct in terms of which suppliers of goods and services are expected to operate with values comparable to those of the company and in a manner that is consistent with good corporate governance. Conversely, the company also complies with relevant ethical standards set by its customers. The code of ethics deals with a comprehensive range of issues, including competition law, confidentiality of information, health, safety and the environment, human rights, labour practices and other ethical behaviours across a wide spectrum. Fraud prevention is reinforced by an independent hotline (KAPREF) through which unethical actions are reported anonymously for investigation by independent investigators. Fraud and corruption are combatted via awareness campaigns, as well as through training at human capital induction sessions.

For the year under review, no material incidents of non-compliance with the code of ethics, fines or prosecutions for non-compliance with regulations or legislation were recorded. Overall, indications are that the code of ethics has been embedded deeply into the daily operations and lives of the company's employees. A subsidiary of KAP is involved in legal proceedings with the Competition Commission of South Africa relating to allegations of price-fixing or anti-competitive behaviour in the period between 2009 and 2016. A comprehensive explanation of the matter is available on the company's website.

As stipulated by the committee, the company follows a consistent approach in actively pursuing and prosecuting perpetrators of fraudulent or other illegal activities across its business operations. In the prior year, several employees and third parties, who colluded in committing fraud in the Integrated Bedding division, were prosecuted and jailed. Criminal investigations and legal action are ongoing against other suspected transgressors.

KAP has published various important documents on its website for wider stakeholder communication, such as the group's HIV approach, its code of ethics, the promotion of access to information guide, its broad diversity policy at board level, its environmental policy, the board charter, its value-added statement, as well as an overview of its contributions to socio-economic development, training and development.

In terms of good corporate citizenship, the committee monitored:

- the promotion of equality across the company's operations;
- the prevention of unfair discrimination;
- the company's contribution to the development of the communities in which its activities are predominantly conducted and where its products and services are marketed; and
- the sponsorship and donations of the company to various communities.

The committee reviewed and endorsed the company's corporate social investment ('CSI') and socio-economic development ('SED') approach. CSI and SED are managed in terms of enterprise development projects, direct donations and humanitarian activities by each division in the communities in which the company conducts its business. KAP's CSI policy is primarily focused on child well-being, health and education. The committee endorsed the giving of donations, financial assistance and goodwill to alleviate poverty, combat crime, and enhance community development, education, health, art and agriculture.

Under the guidance of the committee, the following policies were adopted for application across KAP's operations, while some were updated and revised during the review period:

- a communications policy which, in particular, makes provision for 'crisis communication';
- a communications policy for financial analysts;
- a CSI policy, including the company's donations policy;
- a social media policy;
- an environmental policy and strategy;
- a hotline policy for prevention of fraud, crime and unethical behaviour;
- a board diversity policy; and
- a number of sustainability-related plans and guidelines focused on enhancing triple bottom-line and corporate governance aspects to support the company's business strategy.

The committee reviewed the social and ethics-related information that was publicly disclosed in KAP's 2019 integrated report and concluded that the integrity of the non-financial information was reliable and beyond reproach. The committee chairperson was appointed to an ad hoc board committee to oversee the production and publication of a suite of reports for KAP's 2020 integrated report.

FTSE4Good Index Series status

In collaboration with the JSE and FTSE Russell, and following an independent assessment of KAP's publicly disclosed information in respect of its environmental, social and governance ('ESG') consciousness, the company, for the third consecutive year, improved its overall rating to 3.3 out of a maximum 5. Its scores for 2020 also improved relative to the subsector average for Diversified Industrials and for the industry average for Industrials. The company again achieved an excellent rating in the subsector 'corporate governance'. For future reporting to stakeholders, KAP's divisions have been directed to define parameters to monitor and measure waste, recycling and emissions, and link these to improved productivity. The committee considers ESG compliance as fundamentally about long-term sustainability. As it is fast becoming an investment prerequisite for many fund managers, the company will endeavour to enhance its public disclosures on an ongoing basis with a view of improving its ESG rating.

Performance effectiveness assessment

The effectiveness of the committee was evaluated against the relevant King IV™ principles in the prior year and the performance of the committee was viewed as functional and efficient. The members are of the view that the committee maintained a high level of effectiveness during the past year.

Membership

The committee comprises five members, four of whom are independent. The composition of the committee satisfies the requirements of the Companies Act and its regulations and meets the higher composition requirements of King IV™, as the majority of its members are independent non-executive directors.

During the year, on 12 December 2019, V McMenamin, an independent non-executive director, was appointed as a member of the committee, while Z Fuphe, also an independent non-executive director, became a member of the committee on 1 March 2020.

At the date of this report, the committee members were:

- IN Mkhari (independent chairperson and member of the human capital and remuneration committee and the nomination committee);
- SH Müller (independent non-executive director and chairperson of the human capital and remuneration committee and a member of the audit and risk committee and the investment committee);
- GN Chaplin (chief executive officer and member of the investment committee);
- V McMenamin (independent non-executive director); and
- Z Fuphe (independent non-executive director and member of the audit and risk committee).

The committee is satisfied that it, as a whole, is appropriately diverse and has the required knowledge, experience and skills to discharge its responsibilities effectively. As recommended by King IV™, it has appropriate cross-membership with other committees in order to minimise fragmented functioning and to ensure a balanced distribution of power across committees, so that no single individual has the ability to dominate decision-making and no undue reliance is placed on any one person.

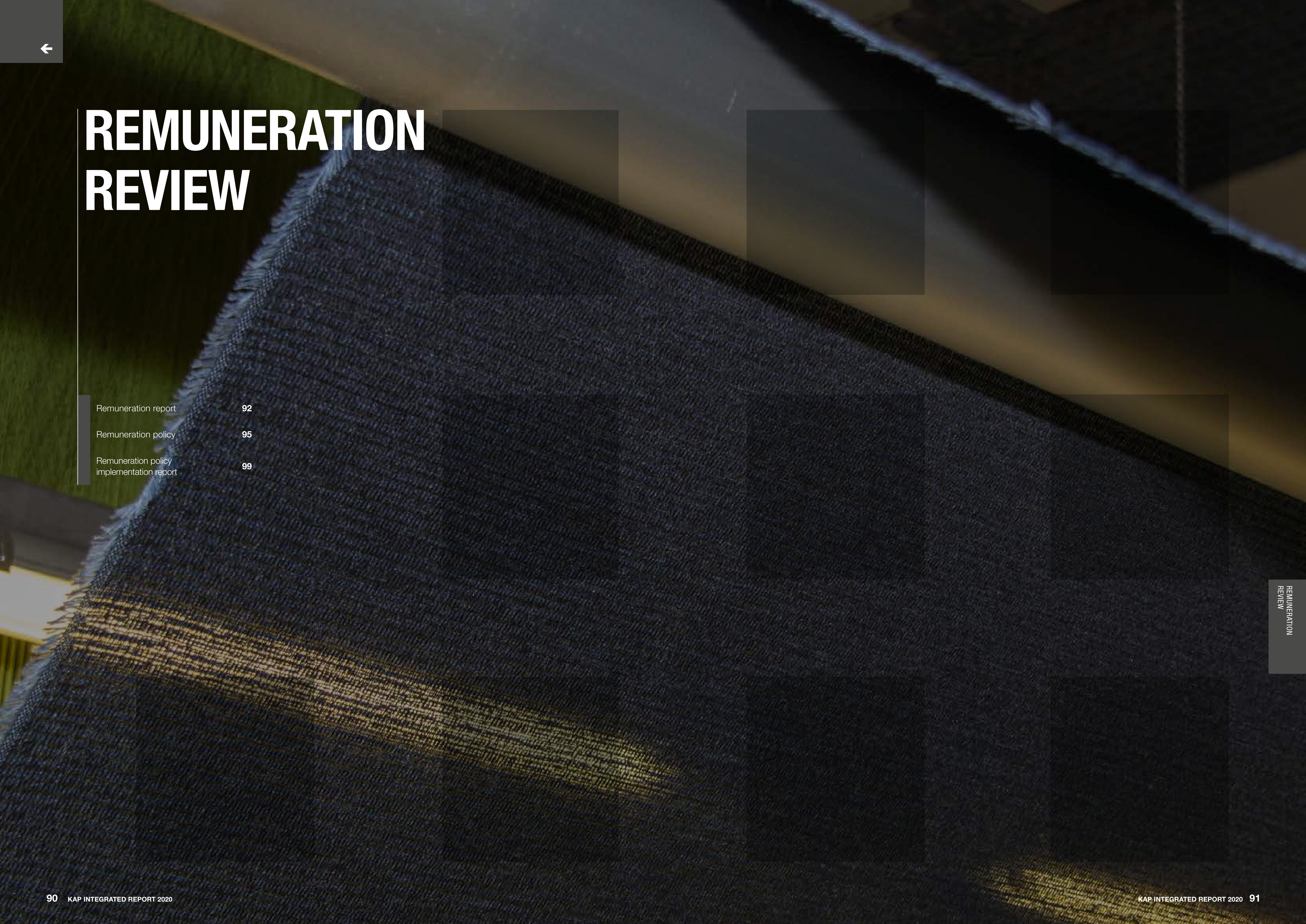
The committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act, and there were no instances of material non-compliance to disclose.

"The committee has reinforced numerous controls and safeguards regarding conflicts of interests, ethics, codes of conduct, as well as the awareness of corruption and fraud. Ethical conduct is enforced through the code of ethics for employees.

Meetings and attendance

The committee convenes once every calendar year (unless circumstances dictate otherwise) and met on 13 August 2019 and 19 May 2020, at which meetings all invited members were in attendance. Attendance at meetings by other directors, officers or advisors is by way of invitation. The company secretary is the secretary of the committee and formal minutes are recorded.

Ipeleng Mkhari
Social and ethics committee chairperson



REMUNERATION REVIEW

REMUNERATION REPORT

KAP's remuneration philosophy is to remunerate employees fairly and responsibly in a balanced approach, in order to attract, retain and motivate competent individuals, who can contribute meaningfully to the sustainable growth of the company.

KAP applies the recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™') and endorses King IV™'s inclusive, interconnected approach to corporate governance and its recognition of the importance of ensuring sustainability over the longer term. Fair, responsible and balanced remuneration is viewed as a key factor in ensuring the sustainability of the company.

Human capital and remuneration committee

KAP's human capital and remuneration committee ('the committee') operates within defined terms of reference and with authority granted to it by the KAP board. The board therefore oversees the implementation and execution of the remuneration policy through the committee. The committee comprises three independent non-executive directors, one of whom is appointed as chairperson. The chief executive officer and certain executive managers attend parts of the meetings by invitation.

In terms of the recommendation by King IV™, board committees should have cross membership to ensure a balanced distribution of power and to enhance effective collaboration. In line with this, SH Müller, the chairperson of the committee, is also a member of the social and ethics committee, the audit and risk committee and the investment committee. Of the two remaining members of the committee, IN Mkhari is also a member of the social and ethics committee and the nomination committee, while KJ Grové is also a member of the investment committee.

This committee meets formally at least once a year and more often on an ad hoc basis, should this be required. During the year under review, the committee met formally on 13 August 2019 and all the members were present.

The committee is satisfied that it has fulfilled its responsibilities during the year under review. Key areas of focus of the committee during the past year included:

- a review of the strategic drivers of human capital and remuneration and the alignment thereof to the vision and strategy of the company;
- a review of the remuneration policy, which is presented annually for a non-binding advisory vote by shareholders;
- a review of the measurement criteria in relation to the annual and long-term incentive schemes in order to ensure that they remain appropriate and act as drivers of the business strategy;
- a review and approval of the remuneration packages of executives, including annual and long-term incentives schemes;
- a review of the group's initiatives and progress in relation to gender diversity and employment equity;
- the fulfilment of delegated responsibilities in relation to the share-based incentive scheme;
- a review of the human capital management practices in place across the group to ensure fairness, responsibility, transparency, alignment with King IV™ and compliance with the specific requirements of the relevant labour legislation; and
- as recommended by King IV™, a 'reflection' by the committee on its prior year self-assessment outcomes, to determine whether the identified shortcomings from the assessments have been addressed appropriately.

After year-end, the committee met formally as scheduled on 13 August 2020. In addition to the above-mentioned points, it considered the group's approach to the Covid-19 pandemic and Lockdown, and its impact on our employees in terms of remuneration and restructuring. All members were present at this meeting.

Divisional human capital and remuneration committees

Due to the group's decentralised management structures, the committee has established divisional human capital and remuneration subcommittees ('the divisional subcommittees'). The divisional subcommittees are responsible for all human capital management and employee remuneration matters at divisional level, within the parameters set by the group's remuneration policy.

The divisional subcommittees are supported by established human capital practitioners at group, divisional and business unit level and hold the responsibility for the implementation and management of human capital and remuneration strategies, policies and practices in line with those set by the committee. The divisional subcommittees comprise the KAP chief executive officer ('CEO'), chief financial officer ('CFO') and human capital executive, and the divisional CEO and human capital executive. The KAP CEO chairs these subcommittees.

Key considerations of the divisional subcommittees include a review of the divisional:

- talent management and succession planning;
- leadership development and training;
- performance management systems and processes;
- employment equity;
- employee relations management;
- pay structures and equitable base salary increases for all employees;
- performance incentive schemes; and
- long-term incentive schemes.

Due to the Covid-19 Lockdown imposed by the South African government on 27 March 2020, the divisional subcommittees did not meet formally as scheduled during May 2020, and will only meet formally during October/November 2020.

"As KAP has grown into industry-leading positions, we have become increasingly exposed to and are benchmarked against global best practice.

Although KAP is a South Africa-based company, we earn approximately

16%

of our revenue from outside South Africa.

"We expect our executives to have knowledge and experience across international borders and to be internationally mobile.

Alignment with strategy

KAP's strategic objective is to be an industry leader in our chosen markets, which requires us to invest consistently in industry-leading products, processes, systems and equipment. This implies a requirement to attract and retain the best people in the industry, and to improve their skills consistently as markets and technologies evolve.

As KAP has grown into industry-leading positions, we have become increasingly exposed to and are benchmarked against global best practice. Although KAP is a South Africa-based company, we earn approximately 16% of our revenue outside South Africa. We trade with 32 different countries, and we import a significant proportion of our inputs from outside South Africa, with a significant proportion of our inputs globally indexed in foreign currencies. We have international shareholders of certain business units who actively participate in the relevant businesses, and we have several technology agreements with international companies. At a listed level, 19% of our shareholding is owned by foreigners.

As a result, we expect our executives to have knowledge and experience across international borders and to be internationally mobile. KAP therefore competes for management and specialist skills and succession talent in a challenging global marketplace. As a result, our approach to remuneration needs to remain competitive and encourage retention. The sustainable success of our business is critically dependent on our people in order to maintain quality products and high standards of service to customers in very competitive sectors.

Service contracts

Executives' contracts are subject to terms and conditions of employment as governed by the Labour Relations Act of South Africa. The contracts of the top executives or any other executive directors do not contain termination packages or excessive notice periods. In view of the scarcity of executive skills in South Africa, and in order to make provision for an orderly hand over to successors, the committee recommended that the CEO and CFO's notice periods be extended to six calendar months, while the rest of the executive committee's notice periods be extended to three months. These changes were implemented during the year and provide the company with a degree of protection in the event of the resignation of any senior executives.

Non-executive directors' remuneration

Independent surveys are obtained from expert consultants to assist the committee with its annual review of non-executive directors' fees. The committee submitted its proposals to the board for the forward-looking fees payable for the period from the date of the forthcoming annual general meeting ('AGM') in November 2020 to the 2021 AGM. The proposed fee structure includes a principle amendment to provide for an hourly compensation to non-executives for their input required on an ad hoc basis, outside formal meetings, from time to time. In addition, in view of the escalating regulatory obligations on listed companies, the audit and risk committee will now meet four times per annum, previously it met twice per annum, and the fees proposed for audit and risk committee members have been increased accordingly. The position of lead independent non-executive director has been filled with effect from the November 2020 AGM with appropriate fees proposed for this role. In view of management's decision not to provide for inflationary increases for FY21 for all non-bargaining unit staff as a result of the Covid-19 Lockdown, the committee recommended that the non-executive directors' fees for FY21 also do not provide for an inflationary increase.

The non-executive directors receive fees for services rendered to the company. Their remuneration is not linked to the company's share price, its share performance or its results. Non-executive directors are not participants in and therefore do not qualify for shares in terms of the KAP Performance Share Rights Scheme and do not hold share rights under this scheme.

Non-binding advisory vote and shareholder engagement

Following the introduction of King IV™, in addition to the statutory requirement to obtain shareholder approval for the payment of fees to the non-executive directors, the remuneration policy and implementation report will be tabled each year for separate non-binding advisory votes by shareholders at the AGM. In the event that shareholders vote against either the remuneration policy or the implementation report by 25% or more of the total voting rights exercised at the AGM, the committee will issue an invitation to dissenting shareholders to engage with them in order to address legitimate and reasonable concerns.

At the AGM on 13 November 2019, the remuneration policy received support of 68.54% and the implementation report received support of 58.01% by way of separate non-binding advisory votes by shareholders. As a result of receiving less than 75% support, the company provided a platform to engage with dissenting shareholders. This engagement was via an invitation released on the Stock Exchange News Service ('SENS') on 29 November 2019, inviting dissenting shareholders to submit recommendations in writing in relation to the remuneration policy and implementation report, for consideration by the committee.

Changes to the remuneration policy

Following the company's AGM and engagement with shareholders, the committee conducted a peer comparison in relation to remuneration policies and incentive schemes. In line with these peer comparisons, and taking into account the recommendations of shareholders, the committee recommended significant changes to the company's incentive schemes, which were accepted by the board and implemented for FY21.

The changes made to the incentive schemes were primarily to provide transparency in terms of executive targets, to better align these targets with those criteria which will drive shareholder value creation and to incentivise the various levels of management on factors under their control. While the previous incentive schemes were based primarily on the performance against budget and contained a high proportion of non-financial measures, the amendments made to the incentives schemes provide for measurement against transparent targets of earnings growth, returns and cash generation, with a lower proportion of non-financial measures and the removal of 'retention' as a criterion for incentive vesting. These measurement criteria are fully documented in the remuneration policy.

REMUNERATION POLICY

The KAP Industrial Holdings Limited ('KAP' or 'the company') board of directors ('the board') carries ultimate responsibility for the remuneration policy. The human capital and remuneration committee ('the committee') operates in terms of a board-approved mandate. The committee therefore functions as a subcommittee of the board in terms of an agreed mandate and evaluates and monitors the company's remuneration philosophy and practices to ensure consistency with governance principles and corporate strategy.

The committee implements a remuneration policy, which is approved by the board, to assist in the achievement of the company's strategy and objectives. The remuneration policy is reviewed on an annual basis and is aligned with the recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™'), based on the following principles:

- Remuneration practices throughout the company are aligned with the applicable business vision and strategy.
- Remuneration is set at levels that are competitive and appropriate within the specific markets, geographic areas and industries in which the company operates.
- Incentive-based remuneration, which is applicable to management involved in determining and implementing the strategy of the company and/or divisions of the company, is determined with reference to financial performance targets, strategy execution, broad-based black economic empowerment targets, environment, social and governance ('ESG') targets, internal control and compliance measures, as well as individual key performance indicators ('KPIs').
- Executive remuneration is fair, responsible and transparent in the context of the overall remuneration of the company.

Elements of remuneration

Benchmarking of the remuneration of executive managers and executive directors is undertaken annually, utilising the services of independent experts, in order to ensure that remuneration in all forms accruing to employees at all levels is market-related and equitably awarded under the remuneration systems and practices in place.

The committee will seek to ensure an appropriate balance between the guaranteed and performance-related elements of managerial remuneration, and also between short-term performance and long-term sustainable stakeholder value creation. The committee will consider each element of remuneration relative to the market and, in determining its quantum, will take into account the performance of the company and/or division, the management team and the individual concerned.

The remuneration policy covers two elements of remuneration:

Guaranteed salary ('salary')

The salary element of remuneration incorporates all guaranteed cash benefits on a total cost to company ('CTC') basis and is intended to provide employees with a competitive level of remuneration. The salary is subject to annual review and is intended to be competitive, with reference to market practice in companies comparable in size, market sector, business complexity and geographic location, as well as equally graded positions. A global grading system is applied across the group in order to ensure uniform employee grading. Company performance, individual performance, general inflation and changes in responsibilities are also taken into consideration when determining annual base salaries.

The amount of the salary package is determined, with effect from 1 July each year, based on parameters approved by the board. Pay levels are based on individual and market factors, as follows:

Job profiles are compiled for each approved position in the company and these are graded using the global grading system.

A competency profile is also determined for each approved position.

Performance reviews of employees against these profiles may lead to an employee receiving merit increments from time to time, which may result in an individual earning remuneration above the market median, but within market norms.

The remuneration levels of key management categories are benchmarked annually, using the market median of independent salary surveys as reference.

Inflationary remuneration adjustments are considered annually, taking into account relevant consumer price inflation indices.

The remuneration of employees, other than union and other bargaining structure represented employees, is contracted on a 'total cost to company package' basis, which includes basic salary, allowances and contributions by the company to retirement savings, risk insurance and medical schemes. In terms of this arrangement, a minimum level of healthcare cover is a condition of employment at certain levels. The company does not provide post-retirement healthcare benefits for employees. Employees throughout the group are able to contribute to various independently administered defined contribution retirement schemes.

The company encourages union membership and collective bargaining among its employees in order to provide for responsible and structured engagement. In relation to employees represented by trade unions or similar bargaining structures and similarly graded positions, their wages and substantive conditions of employment are negotiated from time to time with the applicable bargaining structures, preferably via collective bargaining processes. Changes to remuneration and benefits are negotiated in one, two or three-year arrangements. Multi-year arrangements are favoured in terms of promoting stability and consistency in industrial relations. Access by these employees to suitable medical, retirement and associated insured benefits is also facilitated by the company where appropriate.

Payments on termination of employment, sign-on, retention or restraint payments, commissions and allowances are limited to contractual, legal and/or negotiated obligations and any deviations from this policy in relation to senior executives requires appropriate motivation and the specific approval of the committee.

Variable performance-related incentives ('incentives')

A principle underlying this policy is that senior executives and managers of the company are required to assume more business risk in relation to corporate returns and sustainable performance than their subordinates, and to place more of their remuneration at risk in relation to the achievement of certain targets. Consequently, they are offered a combination of guaranteed and variable pay to incentivise performance on a sustainable long-term basis.

Variable pay is designed to incentivise and reward both team and individual effort and serves as a tool to attract, motivate and retain staff of the calibre required to achieve the objectives of the business. This policy is also intended to ensure that top management are duly motivated to achieve organisational goals and strategic objectives to ensure the long-term sustainability of the company in a balanced and socially and environmentally responsible manner.

Annual incentive bonus ('AIB') scheme

The AIB is intended to incentivise short-term performance on an annual basis and is summarised as follows in terms of the measurement criteria, the weightings of these criteria and the participation levels of executives and senior management.

The following criteria are applicable to KAP Corporate Services executives and senior management and are based on the performance of KAP:

	Measurement	Proportion		Participation levels
KAP Corporate	Core HEPS growth > GDP growth+CPI*	15%	Applied on a linear basis to participation levels	
	Core HEPS growth > GDP growth+CPI+1%*	15%		CEO and CFO at 200% CTC capped
	Core HEPS growth > GDP growth+CPI+2%*	15%		Executives at 75 – 100% CTC capped
	Core HEPS growth > GDP growth+CPI+3%*	15%		Management at 50% CTC capped
	EBITDA cash flow conversion ≥ 90%	20%		Staff at 25% CTC capped
	B-BBEE score against budget	10%		
	Internal audit and compliance	10%		
		100%		
	*A polymer index is included together with GDP growth and CPI requirements in relation to Polymers proportion of HEPS			

The following criteria are applicable for divisional executives and are based on the performance of the divisions, independent from the performance of KAP:

	Measurement	Proportion		Participation levels
KAP Divisional	Core operating profit growth > GDP growth+CPI*	15%	Applied on a linear basis to participation levels	
	Core operating profit growth > GDP growth+CPI+1%*	15%		Divisional CEO 150% CTC capped
	Core operating profit growth > GDP growth+CPI+2%*	15%		Divisional CFO/COO at 100% CTC capped
	Core operating profit growth > GDP growth+CPI+3%*	15%		Divisional Exco at 50 – 75% capped
	EBITDA cash flow conversion ≥ 90% (Logistics ≥ 95%)	20%		
	B-BBEE score against budget#	10%		
	Internal audit and compliance	10%		
		100%		
	*Polymers division includes a relevant polymer index together with GDP growth and CPI requirements			
	#Contractual Logistics – Africa will replace B-BBEE measurement with the following: 'New revenue contracts secured > 8% of annual revenue'			

The inclusion of a polymer index in the measurement criteria is to protect shareholders from excessive management incentives during a polymer up-cycle and to protect management from forfeiting incentives in a polymer down-cycle, thereby rewarding management only for factors under their control. The polymer index eliminates the effect of movements in specific dollar-based raw material margins and exchange rates.

At operational level, each division will have incentive schemes applicable to middle and junior management, which are aimed at achieving project, production, sales and similar operational targets.

Incentives are determined and paid in the financial year following that to which the performance relates and are disclosed in the company's remuneration policy implementation report with the applicable performance targets.

The committee retains discretion in terms of the award of all AIB incentives, which will only be exercised in exceptional circumstances and will accordingly be reported in the annual remuneration policy implementation report.

Long-term incentive schemes

KAP competes for management skills and talent and our approach to remuneration takes into account the need to retain key management over the long term. Long-term incentives are awarded with the primary aim of promoting the sustainability of the company through business cycles, aligning performance of key management with the interests of stakeholders, and retaining key management over the long term.

The long-term incentives are achieved through a shareholder-approved share rights scheme ('SRS'). Participation in the SRS is determined by the committee on an annual basis in terms of the rules of the scheme. It applies to individuals who are key to determining and implementing the long-term vision and strategy of the company and/or its divisions.

The measurement criteria, the weightings of these criteria and the participation levels of executives and senior management in the SRS are summarised as follows in relation to KAP Corporate Services staff:

	Measurement	Proportion		Participation levels
KAP Corporate	Core HEPS growth > GDP growth+CPI*	37.5%	Applied on a linear basis to participation levels	
	ROE > KAP WACC	37.5%		CEO and CFO at 167% CTC
	Achievement of individual KPIs	25.0%		Executives at 133% CTC
		100.0%		Management at 33% – 67% CTC
	*A polymer index is included together with GDP growth and CPI requirements in relation to Polymers proportion of HEPS			

The measurement criteria, the weightings of these criteria and the participation levels of executives and senior management in the SRS are summarised as follows in relation to divisional staff:

	Measurement	Proportion		Participation levels
KAP Divisional	Core operating profit growth > GDP growth+CPI*	37.5%	Applied on a linear basis to participation levels	
	ROCE ≥ KAP WACC + 30%	37.5%		Divisional CEO 133% CTC
	Achievement of individual KPIs	25.0%		Divisional Exco at 67 – 100% CTC
		100.0%		Divisional management at 33% – 67% CTC
	*Polymers division includes a relevant polymer index together with GDP growth and CPI requirements			

The inclusion of a polymer index into the measurement criteria is intended to protect shareholders from excessive management incentives during a polymer up-cycle and to protect management from forfeiting incentives in a polymer down-cycle, thereby rewarding management only for factors under their control. The polymer index eliminates the effect of movements in specific dollar-based raw material margins and exchange rates.

The performance criteria in relation to the SRS are measured over a three-year period, on a cumulative basis.

Minimum shareholding requirements

In order to promote the long-term alignment of executives with the vision and strategy of the company and the interests of shareholders, executives who participate in the SRS will be required to maintain a minimum shareholding of KAP shares as a condition of participation in the scheme. Participants will be required to retain any shares that vest in terms of the KPI measurement criteria of the scheme until such time as the following minimum shareholdings are met:

- KAP CEO: three times annual CTC
- KAP CFO and divisional CEOs: twice annual CTC
- Other executives: once annual CTC

Malus and clawback

To the extent that the measurement criteria of either the AIB or SRS are achieved as a result of intentional fraud, misstatement, misrepresentation or non-compliance with relevant legislation by any participant of these schemes, the effect of this fraud, misstatement, misrepresentation or non-compliance will be reversed in the consideration of whether the relevant qualifying criteria have been achieved. In addition, any participant directly involved in the fraud, misstatement, misrepresentation or non-compliance will not qualify for an incentive.

The company will pursue legal action for the recovery of any incentives paid as a result of intentional fraud, misstatement, misrepresentation or non-compliance with relevant legislation by any participant of these schemes. In addition, the company will pursue disciplinary action.

REMUNERATION POLICY IMPLEMENTATION REPORT

The remuneration policy was applied without deviation during the 2020 financial year.

Guaranteed salary ('salary')

The salaries of executive management were benchmarked by an external service provider, with reference to market practice by companies comparable in size, market sector, business complexity and geographic location, in order to ensure that they provide a competitive level of remuneration. Salary increases were awarded based on inflation, except where changes in responsibilities and roles warranted higher adjustments. Due to the impact of the Covid-19 pandemic and the related Lockdown on the company, management recommended and the board approved a 20% salary reduction for all non-bargaining unit employees for a period of three months during the year. Salary adjustments for executive directors and management are therefore reflected as follows:

Executive directors	Covid-19 adjusted actual salary R	Approved guaranteed salary FY20 R	Guaranteed salary FY19 R	Increase in guaranteed salary %
GN Chaplin	7 451 799	7 844 000	7 400 000	6
FH Olivier	4 531 500	4 770 000	4 500 000	6
Total	**11 983 299**	**12 614 000**	11 900 000	

The increase in salaries paid to other executive committee ('Exco') members is based on inflation, additional responsibilities, market benchmarks and an increase in the number of Exco members. There were changes in the executive structure during the year.

	Covid-19 adjusted actual salary R	Approved guaranteed salary FY20 R	Guaranteed salary FY19 R	Increase in guaranteed salary %
Other executive committee members	34 519 277	36 469 017	35 138 882	4

Salary increases were awarded to all non-bargaining unit employees based on inflation, except where changes in responsibilities and roles warranted higher increases. Salary increases were determined for bargaining unit and similarly graded employees through the relevant bargaining structures.

Management further recommended and the board approved that, as a result of the Covid-19 Lockdown, no inflationary salary increases would be granted to non-bargaining unit employees for FY21.

Annual incentive bonus ('AIB')

FY19

AIBs paid during FY20 were determined in line with the remuneration policy in place for FY19 and were awarded based on the following criteria in relation to FY19:

	Measurement	Proportion	Participation levels
KAP Divisional	Core HEPS vs budget Cash from operations, less net cash finance cost, less cash taxation, (less)/add any capex and investment (over)/underspend vs budget	75%	Participation starts at 90% of budget up to the following limits:
	B-BBEE against budget	15%	CEO and CFO at 50% CTC
	Internal audit and compliance	10%	Executive at 50% CTC
			Management at 25 – 50% CTC
		100%	Staff at 25% CTC
			Executives share in 20% of HEPS over budget in proportion to CTC, uncapped

The group did not meet its financial budget for the year ended 30 June 2019. As a result, executives did not earn incentives related to these measures. The group did, however, achieve its B-BBEE budget, which represents 15% of the incentive weighting, and received an acceptable rating in terms of internal audit and compliance, which represents 10% of the incentive weighting. As such, the executive directors received incentives of 25% of their respective participation levels, strictly in terms of the rules of the scheme.

Certain divisions of the group achieved their financial targets. In view of the outstanding performance of these specific divisions, the committee applied its discretion to increase the incentive payments to the relevant divisional CEOs, from those determined by a strict application of the measurement criteria of the AIB schemes. Executives of those divisions which did not achieve their financial budgets received incentives only in relation to achievement of either the B-BBEE targets, or internal and audit compliance targets, or both.

The incentives paid on this basis in relation to FY19 are reflected as follows:

Executive directors	Total bonuses FY20 R
GN Chaplin	**925 000**
FH Olivier	**562 500**
	1 487 500
Other executive committee members	**8 106 143**

FY20

In relation to the year ended 30 June 2020, the committee and the board accepted a recommendation by management that, as a result of the effects of the Covid-19 Lockdown on the company, no AIBs would be paid to any employees in relation to FY20.

Long-term incentives

FY19

The committee reviewed the performance of the company and individuals against the measurement criteria of the long-term incentive schemes for the December 2016 grant and determined that the measurement criteria were not met. The rights relating to these incentives lapsed and were cancelled. As such, the long-term incentives did not vest and the relevant provisions and reserves related thereto were released through the income statement at 30 June 2019.

FY20

In addition, in relation to FY20, the committee and the board accepted a recommendation by management that, as a result of the effects of the Covid-19 Lockdown on the company, no long-term incentives would be paid to any employees in relation to FY20. As such, the relevant provisions and reserves related thereto were released through the income statement at 30 June 2020.

Long-term incentives were awarded during the year in line with the remuneration policy and stipulated allocation levels. Outstanding share rights of the executive directors at 30 June 2020 are reflected as follows:

Executive directors	Offer date	Vesting date	Number of rights as at 30 June 2019	Number of rights (exercised)/(expired)/awarded during the year	Number of rights as at 30 June 2020	Market value of rights at grant date	Market value of rights on vesting	Market value of rights at 30 June 2020
GN Chaplin	Dec-17	Dec-20	1 198 565	(1 198 565)	**–**	–	–	**–**
	Nov-18	Nov-21	1 578 289	(789 145)	**789 144**	6 352 609	–	**1 964 969**
	Dec-19	Dec-22	–	1 013 892	**1 013 892**	4 207 652	–	**2 524 591**
			2 776 854	(973 818)	**1 803 036**	10 560 261	–	**4 489 560**
FH Olivier	Dec-17	Dec-20	588 636	(588 636)	**–**	–	–	**–**
	Nov-18	Nov-21	959 770	(479 885)	**479 885**	3 863 074	–	**1 194 914**
	Dec-19	Dec-22	–	616 556	**616 556**	2 558 707	–	**1 535 224**
			1 548 406	(451 965)	**1 096 441**	6 421 781	–	**2 730 138**
			4 325 260	(1 425 783)	**2 899 477**	16 982 042	–	**7 219 698**

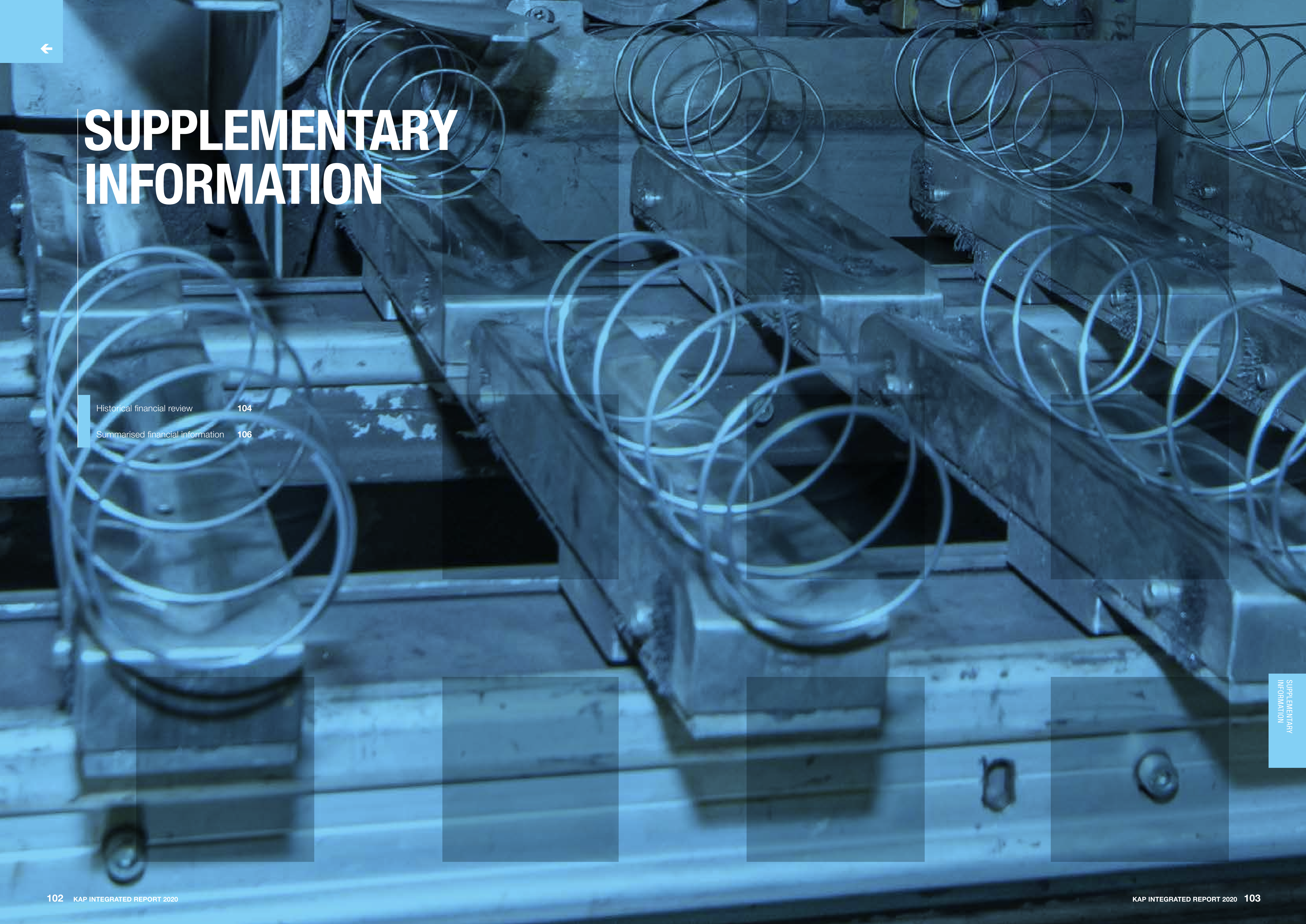
Non-executive directors' fees

Non-executive directors' fees were paid in line with the approvals granted by shareholders at the relevant AGMs, with the exception of fees paid for board and subcommittee meetings held during April, May and June 2020. Due to the impact of the Covid-19 Lockdown on the company, the board implemented a 20% reduction in fees for meetings during this period. This was in line with the 20% reduction in non-bargaining unit salaries, which was implemented across the company for the same period.

Non-executive directors' fees (excluding VAT)	FY20 R	FY19 R
TLR de Klerk[1, 2]	**–**	319 270
LJ du Preez[1, 2]	**–**	319 270
J de V du Toit	**936 581**	1 060 225
Z Fuphe	**284 082**	–
KJ Grové	**956 679**	855 178
KT Hopkins	**576 476**	–
V McMenamin	**317 046**	–
IN Mkhari	**532 127**	700 040
SH Müller	**1 056 791**	1 086 966
SH Nomvete	**538 491**	660 307
PK Quarmby	**1 092 270**	1 091 481
DM van der Merwe[2, 3]	**–**	159 547
CJH van Niekerk[3]	**–**	226 644
	6 290 543	6 478 928

[1] *On 3 April 2019, TLR de Klerk and LJ du Preez resigned from the board as non-executive directors.*
[2] *Paid to subsidiary companies of Steinhoff International Holdings N.V.*
[3] *DM van der Merwe and CJH van Niekerk did not make themselves available for re-election at the company's AGM on 13 November 2018. They were consequently not re-appointed to the board.*

As a result of the effects of the Covid-19 Lockdown on the company, the committee recommended and the board endorsed that the fees of the non-executive directors to be approved at the AGM in November 2020, should not be increased for inflation when compared to the fees paid to them in the prior period.



SUPPLEMENTARY INFORMATION

HISTORICAL
FINANCIAL REVIEW

Eight-year review	Financial definitions	Eight-year CAGR %	FY20[1] Rm	FY19 Rm	FY18 Rm	FY17 Rm	FY16 Rm	FY15 Rm	FY14 Rm	FY13 Rm	FY12 Rm
Extracts from income statement – continuing operations											
Revenue		10	**22 166**	25 602	22 813	19 783	16 047	15 664	14 471	13 513	10 481
EBITDA	1	6	**2 707**	3 713	3 944	3 361	2 797	2 450	2 230	2 050	1 727
Operating profit	2	3	**1 344**	2 527	2 901	2 499	1 997	1 666	1 480	1 309	1 098
B-BBEE cost			**3**	196	–	–	–	–	–	–	–
Net finance costs			**676**	707	697	515	312	289	327	364	381
Taxation			**(471)**	533	520	510	487	361	309	272	218
Headline earnings		(3)	**388**	1 237	1 646	1 431	1 172	969	801	658	485
Extracts from statement of financial position											
Goodwill and intangible assets			**2 687**	5 242	5 392	5 333	2 078	1 598	1 290	1 311	1 311
Property, plant and equipment and investment property			**12 630**	12 536	12 513	11 832	8 128	7 129	6 633	6 394	6 129
Right-of-use assets			**438**	–	–	–	–	–	–	–	–
Consumable biological assets			**1 754**	1 900	1 919	1 978	1 890	1 824	1 875	1 761	1 656
Net working capital	3		**1 911**	1 132	1 330	623	(27)	352	170	267	689
Net operating assets	4	9	**19 420**	20 810	21 154	19 766	12 069	10 903	9 968	9 733	9 785
Gross interest-bearing debt			**8 042**	6 273	7 878	7 712	4 635	3 456	3 504	4 269	4 143
Interest-bearing loans and borrowing			**7 576**	6 273	7 878	7 712	4 635	3 456	3 504	4 269	4 143
Lease liabilities			**466**	–	–	–	–	–	–	–	–
(Cash) and bank overdrafts			**(1 001)**	(1 785)	(2 151)	(1 935)	(2 566)	(1 367)	(828)	(1 179)	(603)
Net interest-bearing debt			**7 041**	4 488	5 727	5 777	2 069	2 089	2 676	3 090	3 540
Equity attributable to owners of the parent		7	**9 566**	12 825	12 155	11 035	8 667	7 761	6 709	6 166	5 564
Extracts from statement of cash flows											
Cash generated from operations			**2 076**	4 033	3 308	2 958	3 285	2 275	1 888	2 249	1 906
Cash flow from investing activities[2]			**(1 939)**	(1 142)	(1 723)	(6 083)	(2 285)	(871)	(828)	(1 159)	(617)
Expansion capital expenditure			**(671)**	(420)	(811)	(1 050)	(735)	(509)	(403)	(594)	(419)
Replacement capital expenditure			**(1 241)**	(811)	(837)	(1 190)	(965)	(683)	(653)	(470)	(346)
(Acquisition)/disposal of investments			**(13)**	101	(29)	(3 781)	(573)	328	276	(38)	43
Other investing activities			**(14)**	(12)	(46)	(62)	(12)	(7)	(48)	(57)	105
Free cash flow before dividends	5		**(791)**	1 983	594	(4 006)	417	913	600	584	847
Key information											
Headline earnings per share (cents)		(6)	**15**	46	62	56	48	41	34	28	24
Dividends per share (cents)			**–**	23	23	21	18	15	12	8	6
Net asset value per share (cents)		6	**372**	474	454	415	355	320	286	263	238
Weighted average number of shares (million)		3	**2 630**	2 696	2 671	2 574	2 433	2 384	2 346	2 342	2 019
Shares in issue (million)		1	**2 571**	2 704	2 678	2 662	2 441	2 423	2 346	2 346	2 337
Ratios											
Operating margin[3] – %	6		**6.1%**	10.6%	12.7%	12.6%	12.4%	10.6%	10.2%	9.7%	10.5%
EBITDA margin[3] – %	7		**12.2%**	15.3%	17.3%	17.0%	17.4%	15.6%	15.4%	15.2%	16.5%
Effective tax rate – %	8		**(18.2%)**	31.2%	24.1%	26.0%	28.8%	26.9%	27.1%	27.8%	26.9%
Cash conversion ratio[3]	9		**77%**	105%	85%	89%	118%	93%	85%	107%	110%
Gearing %	10		**74%**	35%	47%	52%	24%	27%	40%	50%	64%
Gearing % – gross debt	11		**84%**	49%	65%	70%	53%	45%	52%	69%	74%
EBITDA: interest cover (times)			**4.0**	5.3	5.7	6.5	9.0	8.5	6.8	5.6	4.5
Net debt: EBITDA (times)			**2.6**	1.2	1.5	1.7	0.7	0.9	1.2	1.5	2.0
Gross debt: EBITDA (times)			**2.8**	1.7	2.0	2.3	1.7	1.4	1.6	2.1	2.4
RONA % (return on net assets)[3]	12		**6.7%**	13.0%	14.2%	15.7%	17.4%	16.0%	15.0%	13.4%	12.4%
ROE % (return on equity)[3]	13		**3.3%**	10.8%	13.8%	14.2%	14.2%	13.3%	12.3%	11.6%	10.3%

[1] *IFRS 16 was adopted on 1 July 2019 on a forward-looking basis.*
[2] *Cash flow from investing activities has been restated from 2012 to 2016 to include capitalised interest in net finance costs. It was previously included in additions to property, plant and equipment.*
[3] *Excluding B-BBEE cost.*

Financial definitions

1. EBITDA – operating profit before depreciation, amortisation and capital items.
2. Operating profit before capital items.
3. Net working capital – consists of inventories, trade and other receivables, trade and other payables, employee benefits and provisions excluding assets and liabilities held for sale.
4. Net operating assets – consists of goodwill, intangible assets, property, plant and equipment, investment properties, right-of-use assets, consumable biological assets and net working capital.
5. Free cash flow before dividends – cash flow from operations plus dividends received less net finance costs, taxation paid and cash flow from investing activities.
6. Operating margin % – operating profit (before B-BBEE cost) from continuing operations divided by revenue from continuing operations.
7. EBITDA margin % – EBITDA (before B-BBEE cost) from continuing operations divided by revenue from continuing operations.
8. Effective tax rate % – taxation expense from continuing operations divided by profit before tax from continuing operations.
9. Cash conversion ratio % – cash flow from operations divided by EBITDA (before B-BBEE cost) from continuing and discontinued operations.
10. Gearing % – net interest-bearing debt divided by equity attributable to owners of the parent.
11. Gearing – gross debt % – gross interest-bearing debt divided by equity attributable to owners of the parent.
12. RONA % – operating profit (before B-BBEE cost) from continuing operations divided by average net operating assets.
13. ROE % – headline earnings (before B-BBEE cost) from continuing and discontinued operations divided by average equity.

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SUMMARISED FINANCIAL INFORMATION

Summarised consolidated income statement

	Notes	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm	% change
Revenue	1	**22 166**	25 602	(13)
Operating profit before depreciation, amortisation, B-BBEE cost and capital items		**2 710**	3 909	(31)
Depreciation and amortisation		**(1 363)**	(1 186)	
Operating profit before B-BBEE cost and capital items		**1 347**	2 723	(51)
B-BBEE cost		**(3)**	(196)	
Capital items	2	**(3 284)**	(144)	
Operating (loss)/profit		**(1 940)**	2 383	(181)
Net finance costs		**(676)**	(707)	
Share of profit of associate and joint venture companies		**21**	30	
(Loss)/profit before taxation		**(2 595)**	1 706	(252)
Taxation		**471**	(533)	
(Loss)/profit for the year from continuing operations		**(2 124)**	1 173	(281)
Loss for the year from discontinued operations	3	**(21)**	(83)	
(Loss)/profit for the year		**(2 145)**	1 090	(297)
(Loss)/profit attributable to:				
Owners of the parent		**(2 190)**	1 033	(312)
Non-controlling interests		**45**	57	
(Loss)/profit for the year		**(2 145)**	1 090	(297)
Headline earnings attributable to ordinary shareholders				
(Loss)/earnings attributable to owners of the parent		**(2 190)**	1 033	(312)
Adjusted for:				
Capital items	2	**3 276**	149	
Taxation effects of capital items		**(724)**	(26)	
Non-controlling interests' portion of capital items (net of taxation)		**(1)**	–	
Headline earnings		**361**	1 156	(69)
B-BBEE cost (net of taxation)		**3**	196	
Core headline earnings		**364**	1 352	(73)

(Loss)/earnings from continuing operations per ordinary share	Cents	Cents	% change
Basic (loss)/earnings	**(82.5)**	41.4	(299)
Basic (loss)/earnings – diluted	**(82.4)**	41.3	(300)

Summarised consolidated statement of financial position

	30 Jun 2020 Audited Rm	30 Jun 2019 Audited Rm
Assets		
Non-current assets		
Goodwill and intangible assets	**2 687**	5 242
Property, plant and equipment and investment property	**12 630**	12 536
Right-of-use assets	**438**	–
Consumable biological assets	**1 754**	1 900
Investments in associate and joint venture companies	**77**	75
Investments and loans	**1**	2
Deferred taxation assets	**49**	46
Inventories	**35**	62
	17 671	19 863
Current assets		
Inventories	**2 262**	2 376
Trade and other receivables	**3 367**	3 950
Loans receivable	**2**	13
Taxation receivable	**58**	49
Cash and cash equivalents	**1 001**	1 785
	6 690	8 173
Assets held for sale	**–**	68
	6 690	8 241
Total assets	**24 361**	28 104
Equity and liabilities		
Capital and reserves		
Stated share capital	**8 364**	8 908
Reserves	**1 202**	3 917
Total equity attributable to owners of the parent	**9 566**	12 825
Non-controlling interests	**204**	217
Total equity	**9 770**	13 042
Non-current liabilities		
Loans and borrowings	**5 309**	5 013
Lease liabilities	**363**	–
Deferred taxation liabilities	**2 715**	3 389
Other liabilities and provisions	**32**	66
	8 419	8 468
Current liabilities		
Loans and borrowings	**2 295**	1 298
Lease liabilities	**103**	–
Trade and other payables	**3 476**	4 809
Other liabilities and provisions	**245**	381
Taxation payable	**36**	60
Bank overdrafts and short-term facilities	**17**	–
	6 172	6 548
Liabilities held for sale	**–**	46
	6 172	6 594
Total equity and liabilities	**24 361**	28 104

Summarised consolidated statement of cash flows

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
Operating profit before capital items	**1 344**	2 527
Depreciation and amortisation	**1 363**	1 186
B-BBEE cost	**3**	196
Operating loss before depreciation, amortisation and capital items from discontinued operations	**(28)**	(78)
Net fair value adjustments of consumable biological assets[1]	**149**	20
Other non-cash adjustments	**(14)**	24
Cash generated before working capital changes	**2 817**	3 875
Decrease/(increase) in inventories	**170**	(315)
Decrease in trade and other receivables	**649**	37
(Decrease)/increase in trade and other payables	**(1 560)**	436
Changes in working capital	**(741)**	158
Cash generated from operations	**2 076**	4 033
Dividends received	**16**	18
Dividends paid	**(674)**	(656)
Net finance costs	**(685)**	(717)
Taxation paid	**(259)**	(209)
Net cash inflow from operating activities	**474**	2 469
Additions to property, plant and equipment and investment property[2]	**(1 912)**	(1 231)
Additions to intangible assets	**(14)**	(14)
Additions to consumable biological assets	**(3)**	(1)
Net cash (outflow)/inflow on acquisition/disposal of subsidiaries and businesses	**(13)**	101
Other investing activities	**3**	3
Net cash outflow from investing activities	**(1 939)**	(1 142)
Net cash (outflow)/inflow from operating and investing activities	**(1 465)**	1 327
Shares repurchased	**(544)**	–
Transactions with non-controlling interests	**–**	(82)
Increase/(decrease) in loans and borrowings	**1 284**	(1 610)
Decrease in lease liabilities	**(101)**	–
Increase in bank overdrafts and short-term facilities	**17**	–
Net cash inflow/(outflow) from financing activities	**656**	(1 692)
Net decrease in cash and cash equivalents	**(809)**	(365)
Cash and cash equivalents at beginning of the year	**1 785**	2 151
Effects of exchange rate translations on cash and cash equivalents	**25**	(1)
Cash and cash equivalents at end of the year	**1 001**	1 785

[1] Includes decrease due to harvesting and sale of livestock.
[2] Net of proceeds on disposal of property, plant and equipment and investment property, government grants received and insurance proceeds.

Summarised consolidated statement of comprehensive income

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
(Loss)/profit for the year	**(2 145)**	1 090
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**119**	(9)
Total other comprehensive income/(loss) for the year	**119**	(9)
Total comprehensive (loss)/ income for the year	**(2 026)**	1 081
Total comprehensive (loss)/income attributable to:		
Owners of the parent	**(2 074)**	1 024
Non-controlling interests	**48**	57
Total comprehensive (loss)/income for the year	**(2 026)**	1 081

SUPPLEMENTARY INFORMATION

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Summarised consolidated statement of changes in equity

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
Balance at beginning of the year	**13 042**	12 477
Recognition of leases under IFRS 16	**–**	–
Recognition of expected credit losses under IFRS 9	**–**	(23)
Adjusted balance at beginning of the year	**13 042**	12 454
Changes in stated share capital		
Net shares (repurchased)/issued	**(544)**	117
Changes in reserves		
Total comprehensive (loss)/income for the year attributable to owners of the parent	**(2 074)**	1 024
Dividends paid	**(619)**	(618)
Share-based payments	**(30)**	5
B-BBEE cost	**3**	196
Other reserve movements	**5**	(31)
Changes in non-controlling interests		
Total comprehensive income for the year attributable to non-controlling interests	**48**	57
Dividends paid	**(55)**	(38)
Shares purchased from non-controlling interests	**(9)**	(124)
Other non-controlling interests movements	**3**	–
Balance at end of the year	**9 770**	13 042
Comprising:		
Stated share capital	**8 364**	8 908
Distributable reserves	**4 493**	7 297
Share-based payment reserve	**457**	484
Reverse acquisition reserve	**(3 952)**	(3 952)
Other reserves	**204**	88
Non-controlling interests	**204**	217
	9 770	13 042

Segmental analysis of continuing operations

	Note	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm	% change
Revenue				
Diversified industrial		**6 205**	7 777	(20)
Integrated Timber		**3 208**	4 031	(20)
Automotive Components		**1 725**	2 202	(22)
Integrated Bedding		**1 286**	1 551	(17)
Interdivisional revenue eliminations		**(14)**	(7)	
Diversified chemical		**7 301**	8 690	(16)
Polymers		**7 301**	8 690	(16)
Diversified logistics		**8 967**	9 433	(5)
Contractual Logistics – South Africa		**4 954**	5 144	(4)
Contractual Logistics – Africa		**1 865**	2 011	(7)
Passenger Transport		**2 179**	2 382	(9)
Interdivisional revenue eliminations		**(31)**	(104)	
		22 473	25 900	(13)
Intersegmental revenue eliminations		**(307)**	(298)	
	1	**22 166**	25 602	(13)
Operating profit before depreciation, amortisation and capital items				
Diversified industrial		**894**	1 574	(43)
Integrated Timber		**488**	962	(49)
Automotive Components		**184**	336	(45)
Integrated Bedding		**222**	276	(20)
Diversified chemical		**344**	910	(62)
Polymers		**344**	910	(62)
Diversified logistics		**1 467**	1 424	3
Contractual Logistics – South Africa		**654**	560	17
Contractual Logistics – Africa		**444**	465	(5)
Passenger Transport		**369**	399	(8)
Corporate, consolidation and elimination		**5**	1	
		2 710	3 909	(31)
B-BBEE cost		**(3)**	(196)	
		2 707	3 713	(27)
Operating profit before capital items				
Diversified industrial		**582**	1 311	(56)
Integrated Timber		**323**	806	(60)
Automotive Components		**88**	266	(67)
Integrated Bedding		**171**	239	(28)
Diversified chemical		**160**	751	(79)
Polymers		**160**	751	(79)
Diversified logistics		**605**	661	(8)
Contractual Logistics – South Africa		**225**	161	40
Contractual Logistics – Africa		**214**	283	(24)
Passenger Transport		**166**	217	(24)
		1 347	2 723	(51)
B-BBEE cost		**(3)**	(196)	
		1 344	2 527	(47)

Segmental analysis of continuing operations (continued)

	Notes	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm	% change
Operating assets				
Diversified industrial		**9 176**	9 686	(5)
Integrated Timber		**6 382**	6 481	(2)
Automotive Components		**1 304**	1 695	(23)
Integrated Bedding		**1 491**	1 511	(1)
Interdivisional eliminations		**(1)**	(1)	
Diversified chemical		**5 935**	8 873	(33)
Polymers		**5 935**	8 873	(33)
Diversified logistics		**8 153**	7 549	8
Contractual Logistics – South Africa		**4 452**	4 015	11
Contractual Logistics – Africa		**2 413**	2 143	13
Passenger Transport		**1 320**	1 423	(7)
Interdivisional eliminations		**(32)**	(32)	
Corporate, consolidation and elimination		**(91)**	(42)	
	6	**23 173**	26 066	(11)
Operating liabilities				
Diversified industrial		**1 039**	1 575	(34)
Integrated Timber		**561**	822	(32)
Automotive Components		**293**	479	(39)
Integrated Bedding		**186**	275	(32)
Interdivisional eliminations		**(1)**	(1)	
Diversified chemical		**1 474**	2 140	(31)
Polymers		**1 474**	2 140	(31)
Diversified logistics		**1 121**	1 474	(24)
Contractual Logistics – South Africa		**678**	866	(22)
Contractual Logistics – Africa		**249**	289	(14)
Passenger Transport		**226**	351	(36)
Interdivisional eliminations		**(32)**	(32)	
Corporate, consolidation and elimination		**119**	67	
	7	**3 753**	5 256	(29)
Net operating assets				
Diversified industrial		**8 137**	8 111	–
Integrated Timber		**5 821**	5 659	3
Automotive Components		**1 011**	1 216	(17)
Integrated Bedding		**1 305**	1 236	6
Diversified chemical		**4 461**	6 733	(34)
Polymers		**4 461**	6 733	(34)
Diversified logistics		**7 032**	6 075	16
Contractual Logistics – South Africa		**3 774**	3 149	20
Contractual Logistics – Africa		**2 164**	1 854	17
Passenger Transport		**1 094**	1 072	2
Corporate, consolidation and elimination		**(210)**	(109)	
		19 420	20 810	(7)

Additional information

	Goods Rm	Services Rm	Total Rm
Note 1: Revenue			
30 June 2020			
Integrated Timber	**3 617**	**–**	**3 617**
Automotive Components	**1 725**	**–**	**1 725**
Integrated Bedding	**1 446**	**–**	**1 446**
Polymers	**7 381**	**–**	**7 381**
Contractual Logistics – South Africa	**98**	**4 856**	**4 954**
Contractual Logistics – Africa	**–**	**1 865**	**1 865**
Passenger Transport	**–**	**2 179**	**2 179**
Gross revenue	**14 267**	**8 900**	**23 167**
Variable consideration	**(649)**	**–**	**(649)**
Intergroup elimination	**(30)**	**(322)**	**(352)**
	13 588	**8 578**	**22 166**
30 June 2019			
Integrated Timber	4 511	–	4 511
Automotive Components	2 203	–	2 203
Integrated Bedding	1 734	–	1 734
Polymers	8 764	–	8 764
Contractual Logistics – South Africa	90	5 054	5 144
Contractual Logistics – Africa	–	2 011	2 011
Passenger Transport	–	2 382	2 382
Gross revenue	17 302	9 447	26 749
Variable consideration	(738)	–	(738)
Intergroup elimination	(27)	(382)	(409)
	16 537	9 065	25 602

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
South Africa	**18 590**	21 036
Rest of Africa	**2 838**	2 916
Europe	**126**	194
Middle East	**94**	174
Americas	**509**	1 065
Other	**9**	217
	22 166	25 602

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
Note 2: Capital items		
From continuing operations:		
Loss on disposal of property, plant and equipment and investment property	**(34)**	(21)
Impairments[1]	**(3 255)**	(132)
Other	**5**	9
	(3 284)	(144)
From discontinued operations:		
Profit on disposal of property, plant and equipment and investment property	**2**	2
Profit on disposal of subsidiaries and businesses	**–**	25
Impairments[1]	**5**	(32)
Other	**1**	–
	8	(5)
	(3 276)	(149)

[1] *Impairment of goodwill, intangible assets and property, plant and equipment.*

SUPPLEMENTARY INFORMATION

Additional information (continued)

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
Note 3: Loss for the year from discontinued operations		
Revenue	**60**	197
Operating loss before depreciation, amortisation and capital items	**(28)**	(78)
Depreciation and amortisation	**(2)**	(4)
Operating loss before capital items	**(30)**	(82)
Capital items	**8**	(5)
Operating loss	**(22)**	(87)
Net finance costs	**(2)**	(7)
Loss before taxation	**(24)**	(94)
Taxation	**3**	11
Loss for the year from discontinued operations	**(21)**	(83)

	Year ended 30 Jun 2020 Audited Cents	Year ended 30 Jun 2019 Audited Cents
Note 4: (Loss)/earnings and headline earnings per ordinary share		
From continuing and discontinued operations:		
Basic (loss)/earnings	**(83.3)**	38.3
Basic (loss)/earnings – diluted	**(83.2)**	38.2
Headline earnings	**13.7**	42.9
Headline earnings – diluted	**13.7**	42.8
From continuing operations:		
Basic (loss)/earnings	**(82.5)**	41.4
Basic (loss)/earnings – diluted	**(82.4)**	41.3
Headline earnings	**14.8**	45.9
Headline earnings – diluted	**14.7**	45.8
Headline earnings – core[1]	**14.9**	53.2

[1] *Core headline earnings per share exclude the effect of the B-BBEE cost. This measure of earnings is specific to the group and is not required in terms of International Financial Reporting Standards or the JSE Listings Requirements.*

	Number of shares m	Number of shares m
Ordinary shares in issue at beginning of the year	**2 704**	2 678
Shares issued	**–**	26
Shares repurchased and held as treasury shares	**(36)**	–
Shares repurchased and cancelled	**(97)**	–
Ordinary shares in issue	**2 571**	2 704
Weighted average ordinary shares in issue	**2 630**	2 696

	Fair value hierarchy	Fair value as at 30 Jun 2020 Audited Rm	Fair value as at 30 Jun 2019 Audited Rm
Note 5: Fair values of financial instruments			
Derivative financial assets	Level 2	**32**	10
Derivative financial liabilities	Level 2	**(23)**	(33)

Level 2 financial instruments consist of foreign exchange contracts that are valued using techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. These inputs include foreign exchange rates.

	30 Jun 2020 Audited Rm	30 Jun 2019 Audited Rm
Note 6: Operating assets per segmental analysis		
Goodwill and intangible assets	**2 687**	5 242
Property, plant and equipment and investment property	**12 630**	12 536
Right-of-use assets	**438**	–
Consumable biological assets	**1 754**	1 900
Inventories	**2 297**	2 438
Trade and other receivables	**3 367**	3 950
	23 173	26 066
Note 7: Operating liabilities per segmental analysis		
Trade and other payables	**3 476**	4 809
Other liabilities and provisions	**277**	447
	3 753	5 256

Selected explanatory notes

Statement of compliance

The summarised consolidated financial information has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS'), the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee, the financial pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, the information as required by IAS 34 – *Interim Financial Reporting* and the requirements of the South African Companies Act, No. 71 of 2008. The summarised consolidated financial information has been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the consolidated financial statements for the year ended 30 June 2019.

Basis of preparation

The abridged summarised consolidated financial statements are prepared in millions of South African rand (Rm) on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost, and derivative financial instruments and consumable biological assets, which are stated at their fair values. The preparation of the summarised consolidated financial statements for the year ended 30 June 2020 was supervised by Frans Olivier CA(SA), the group's chief financial officer.

Accounting policies

The accounting policies and methods of computation of the group have been consistently applied to periods presented in the summarised consolidated financial statements.

During the current year, the group adopted all the new and revised standards issued by the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2019.

New IFRS standards applied with a material effect on the summarised financial statements are as follows:

IFRS 16 – Leases

IFRS 16 – *Leases* sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

IFRS 16 replaces existing leases guidance, including IAS 17 – *Leases*, IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*, SIC-15 – *Operating Leases – Incentives* and SIC-27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The group has elected to apply IFRS 16 using the modified retrospective approach whereby the cumulative effect of initial application is recognised in retained earnings at 1 July 2019, with no restatement of comparative information. There was no adjustment to the group's opening retained earnings balance on 1 July 2019. The group has reassessed all leases to determine if it meets the definition of a lease in terms of IFRS 16.

At transition, the group recognised a lease liability and a corresponding right-of-use asset for leases that were previously classified as operating leases under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments discounted at the incremental borrowing rate as at 1 July 2019. The weighted average incremental borrowing rates applied to lease liabilities on 1 July 2019 ranged between 8.50% and 12.25%. In addition, the transition option to recognise the right-of-use asset as equal to the lease liability at 1 July 2019, adjusted by any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application, has been applied.

In applying IFRS 16 for the first time, the group has elected the following practical expedients permitted by the standard:

- Leases with lease terms ending within 12 months have been accounted for in the same way as short-term leases.
- Leases of low-value items have not been capitalised.
- Reliance was placed on the assessment for onerous lease contracts instead of performing an impairment assessment, and right-of-use assets were adjusted with any onerous lease provisions recognised in the statement of financial position immediately before the date of initial application.
- Initial direct costs have been excluded from the measurement of the right-of-use asset at the date of initial application.
- Hindsight was applied in determining the lease terms where contracts contain options to extend or terminate the lease.
- The group does not separate lease and non-lease components, and accounts for both as a single lease component.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 – *Impairment of Assets*.

Until 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period, which results in a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Selected explanatory notes (continued)

The following tables provide a summary of the effect of the adoption of IFRS 16 on the summarised financial statements:

	30 Jun 2019 Rm	IFRS 16 Rm	1 Jul 2019 Rm
Non-current assets			
Right-of-use assets	–	395	**395**
Non-current liabilities			
Lease liabilities	–	322	**322**
Operating lease liabilities	5	(5)	**–**
Provisions	16	(1)	**15**
Current liabilities			
Provisions	94	(1)	**93**
Trade and other payables	4 809	(4)	**4 805**
Lease liabilities	–	84	**84**

In applying IFRS 16 to all leases, the group:

- recognised right-of-use assets and the related lease liabilities;
- derecognised the operating lease liabilities of R9 million, of which R4 million was included in trade and other payables; and
- derecognised the onerous lease provisions of R2 million related to the leases capitalised.

The adoption of IFRS 16 had no impact on the group's ability to comply with financial covenants.

Lessor accounting remains unchanged following the adoption of IFRS 16.

The right-of-use asset recognised on 1 July 2019 per class of asset and segment is presented below:

	Land and buildings Rm	Plant and machinery Rm	Total 1 Jul 2019 Rm
Diversified industrial	**45**	**12**	**57**
Integrated Timber	**1**	**8**	**9**
Automotive Components	**32**	**2**	**34**
Integrated Bedding	**12**	**2**	**14**
Diversified chemical	**51**	**133**	**184**
Polymers	**51**	**133**	**184**
Diversified logistics	**126**	**11**	**137**
Contractual Logistics – South Africa	**57**	**11**	**68**
Contractual Logistics – Africa	**10**	**–**	**10**
Passenger Transport	**59**	**–**	**59**
Corporate, consolidation and elimination	**17**	**–**	**17**
	239	**156**	**395**

The following table provides a reconciliation of the undiscounted operating lease commitments as at 30 June 2019 to the lease liabilities recognised on 1 July 2019 in terms of IFRS 16:

	1 Jul 2019 Rm
Operating lease commitments disclosed at 30 June 2019	**731**
Discounted using the incremental borrowing rate as at 1 July 2019	**532**
Less: short-term leases	**(31)**
Less: low value leases	**(1)**
Add: non-lease components	**10**
Less: adjustments related to the treatment of extension or termination options	**(41)**
Less: adjustments relating to changes in the index or rate affecting variable payments	**(63)**
Lease liabilities recognised as at 1 July 2019	**406**
Current portion of lease liabilities	**84**
Non-current portion of lease liabilities	**322**

Financial statements

The consolidated financial statements for the year, which have been audited by Deloitte & Touche, and their unmodified audit report as well as their unmodified audit report on this set of summarised financial information are available on the company's website. Any reference to future financial information has not been audited or reviewed. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information, which is available on the company's website at **www.kap.co.za** or at the issuer's registered address. The results were approved by the board of directors on 19 August 2020.

Business combinations

Effective 1 December 2019, the group acquired 75% of the shares and loan claims of Connacher (Natal) Proprietary Limited and Recyclotex Proprietary Limited for a purchase price of R31 million. Goodwill to the value of R12 million was recognised.

Post-balance sheet events

No significant events have occurred in the period between the end of the period under review and the date of this report.

Changes to the board, board committees and reclassification of a director

At the company's AGM in November 2019, shareholders resolved not to fill the vacancies left by TLR de Klerk and LJ du Preez, who resigned from the KAP board during April 2019, and the number of board members was reduced for the time being. Following a comprehensive identification, screening and selection process by the KAP nomination committee, the board appointed KT Hopkins as an independent non-executive director and as a member of the KAP audit and risk committee with effect from 6 December 2019. On 12 December 2019, V McMenamin was appointed as an independent non-executive director and as a member of the KAP social and ethics committee. In addition, on 1 March 2020, Z Fuphe was appointed as an independent non-executive director and as a member of the KAP social and ethics and audit and risk committees. The aforementioned appointments are subject to shareholder endorsement at the AGM in November 2020.

Following his retirement as a former executive director of KAP, KJ Grové gained non-executive status in January 2017. Recently, a formal assessment was carried out by the KAP nomination committee, which confirmed that there was no observable interest, position, association or relationship that, when judged from the perspective of a reasonable and informed third party, was likely to influence unduly or cause bias in KJ Grové's decision-making. Based thereon and on his actual impartial conduct at meetings, the board concluded that, with immediate effect, KJ Grové may serve in an independent capacity on the KAP board and its committees.

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SHAREHOLDERS' DIARY

Annual general meeting 2020	Wednesday, 18 November 2020
Announcement of interim results	Third week of February 2021
Announcement of year-end results	Third week of August 2021
Annual general meeting 2021	November 2021

CORPORATE INFORMATION

KAP Industrial Holdings Limited

Business address
Unit G7
Stellenpark Business Park
Cnr R44 and School Road
Jamestown
Stellenbosch 7600

Postal address
PO Box 18
Stellenbosch 7599

Telephone
+27 21 808 0900

Facsimile
+27 21 808 0901

E-mail
investors@kap.co.za

Website
www.kap.co.za

Registered address
3rd Floor, Building 2
The Views
Founders Hill Office Park
18 Centenary Street
Modderfontein
Johannesburg 1645

PO Box 2766
Edenvale 1610

Registration number
1978/000181/06

Share code
KAP

ISIN
ZAE000171963

Company secretary
KAP Secretarial Services Proprietary Limited
3rd Floor, Building 2
The Views
Founders Hill Office Park
18 Centenary Street
Modderfontein
Johannesburg 1645

PO Box 2766
Edenvale 1610

External auditors
Deloitte & Touche

Equity sponsor
PSG Capital Proprietary Limited
First Floor, Ou Kollege Building
35 Church Street
Stellenbosch 7600

PO Box 7403
Stellenbosch 7599

Telephone
+27 21 887 9602

Facsimile
+27 21 887 9624

Second Floor, Building 3
11 Alice Lane
Sandhurst
Sandton 2196

PO Box 650957
Benmore 2010

Debt sponsor
Nedbank Limited, acting through its Nedbank Corporate and Investment Banking division
(registration number 1951/000009/06)
135 Rivonia Road
Sandton 2196

PO Box 1144
Johannesburg 2000

Telephone
+27 10 234 8710

Bankers
Absa Bank Limited
FirstRand Bank Limited
Investec Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

Private Bag X9000
Saxonwold 2132

Telephone
+27 11 370 5000

Facsimile
+27 11 688 7710