KAP

BEING THE CHANGE

INTEGRATED REPORT 2023

INSPIRING PEOPLE.
ENABLING BUSINESS.
CREATING VALUE.

BEING THE CHANGE

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ABOUT THIS REPORT

SCOPE AND BOUNDARY

Our 2023 integrated report provides an overview of the group's ability to deliver on our strategy to achieve value-accretive growth for our stakeholders and fulfil our purpose of creating lasting economic and social value by owning and building exceptional businesses.

On 6 April 2023, the name of the company changed from KAP Industrial Holdings Limited to KAP Limited ('KAP').

The information in our integrated report relates to and includes financial and non-financial disclosures about the businesses we own ('divisions'), which are consolidated at a KAP level. We provide an overview of our group structure and detail the factors that influence our strategic response. We include a summary of the operational performance of our divisions during the 2023 financial year, as well as our sustainability efforts, and provide an outlook for our divisions and the group throughout the report. Our governance practices, and how these contributed to value creation, are also summarised, with more detail provided in a separate corporate governance report, which is available on our website (www.kap.co.za). We also include extracts from our annual financial statements ('AFS') in our discussion of financial performance.

While this report, together with our broader reporting suite, is aimed primarily at providers of financial capital, it provides all our key stakeholders with relevant information to assess our ability to live our purpose and create value over time.

We report primarily on the financial year from 1 July 2022 to 30 June 2023 ('FY23'), which is compared throughout the report to the previous financial year, from 1 July 2021 to 30 June 2022 ('FY22').

INTEGRATED REPORTING BOUNDARY

The scope and boundary of our integrated report covers outcomes that arise from the following:

- Material matters, page 23
- Operating environment, page 24
- Stakeholder engagement, page 31
- Risks and opportunities, page 35

Our stakeholders include:

- Investors, shareholders and debt providers
- Employees and trade unions
- Suppliers and service providers
- Customers and consumers
- Communities and society
- Government, regulators and industry bodies

Our key business inputs include:

- Financial capital
- Tangible assets
- Intangible assets
- Input materials
- Employees
- Other key stakeholder relationships

FINANCIAL REPORTING BOUNDARY

Aligns with our financial statements reporting boundary (including joint ventures and associates):

PG BISON | FELTEX | UNITRANS | RESTONIC | SAFRIPOL | optix

REPORTING SUITE, PRINCIPLES AND FRAMEWORKS

Report	Frameworks considered, aligned to or applied
Integrated report	• Global Reporting Initiative ('GRI') Framework • The International Reporting <IR> Framework • JSE Limited ('JSE') Listings Requirements • JSE Sustainability and Climate Disclosure Guidance • United Nations ('UN') Sustainable Development Goals ('SDGs')
Consolidated and company annual financial statements Read more	• Companies Act, No. 71 of 2008 of South Africa ('the Companies Act') • International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board ('IASB') in issue • SAICA Financial Reporting Guides as issued by the Accounting Practices Committee • Financial pronouncements as issued by the Financial Reporting Standards Council • JSE Listings Requirements • King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™')[1]
Corporate governance report Read more	• Companies Act • Companies Regulations, 2011 • JSE Listings Requirements • King IV™ • Other Good Practice Codes and Standards as espoused by institutions such as the Corporate Secretaries International Association ('CSIA'), the Chartered Governance Institute of Southern Africa ('CGISA') and the Institute of Directors South Africa ('IoDSA') • Organisation for Economic Co-operation and Development ('OECD') principles • United Nations Global Compact ('UNGC') principles • International Labour Organisation ('ILO') principles • Memorandum of incorporation ('MOI')

[1] *Copyright and trade marks are owned by the Institute of Directors in South Africa ('IoDSA') NPC.*

ABOUT THIS REPORT CONTINUED

MATERIAL MATTERS

Material matters are economic, social or environmental issues occurring in the internal or external operating environment that can impact, either directly or indirectly, the sustainability of the group and our ability to create value for shareholders and other stakeholders over time. Material matters therefore inform our KAP and divisional strategies.

Our material matters, listed below, are discussed throughout the report:

- M1 Allocating capital effectively and improving returns
- M2 Growth in a subdued macroeconomic environment
- M3 Business resilience
- M4 Effectiveness of government policy formulation and determination
- M5 Attracting, developing and retaining talent
- M6 Sustainability

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements about the group's financial condition, results, performance, operations and strategy, which are discussed in our CEO's review (page 21), our CFO's review (page 41) and our divisional review (page 51). Such forward-looking statements involve inherent risk and uncertainty as they relate to future events and circumstances and are based on assumptions related to such future events and circumstances. As a result, the group's actual future financial condition, results and performance may differ materially from these forward-looking statements. Any forward-looking statement contained herein has not been reviewed or reported on by the external auditors. The group furthermore undertakes no obligation to update any forward-looking statements.

BOARD RESPONSIBILITY STATEMENT

The board is of the view that this report addresses all material matters relevant to the group and that it is reflective of the group's performance over the period, as well as our strategic plans.

This report has been prepared by senior management, under the supervision of the board, which retains ultimate responsibility. The information included in this report was compiled from KAP and divisional board discussions and meetings, business plans and other internal and external documentation and information necessary to meet the information requirements guided by the <IR> Framework. This report has been subject to various internal and external assurance processes. Further detail can be found in the corporate governance report, published separately on our website, as well as in the relevant sections of this report.

The board approved the KAP AFS on 29 August 2023, on recommendation of the audit and risk committee, and the KAP integrated report on 31 October 2023, on recommendation of a special ad hoc committee of the board.

Signed on behalf of the board

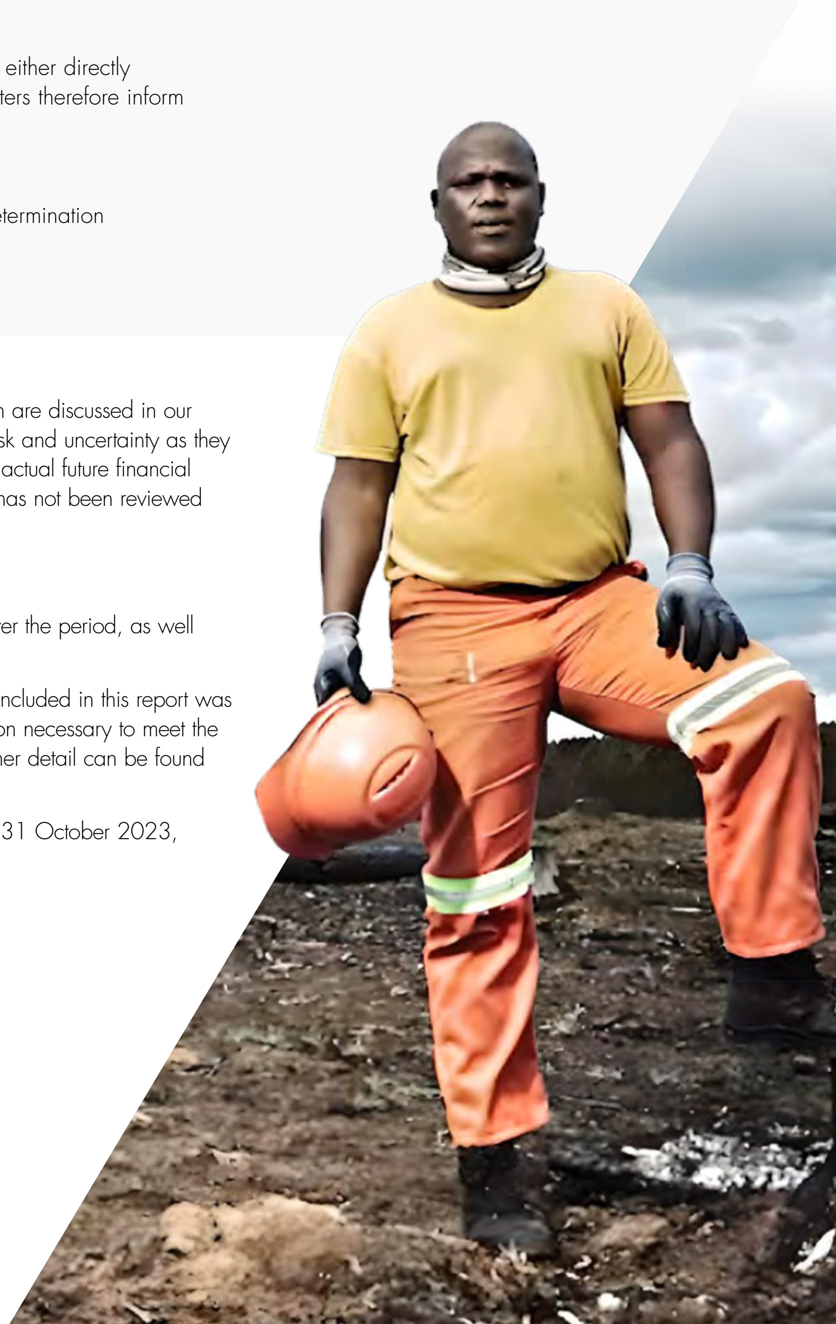
Patrick Quarmby
Chairperson

Gary Chaplin
Chief executive officer

Frans Olivier
Chief financial officer

FEEDBACK

We welcome any feedback on our integrated reporting suite. Please send any feedback to our investor relations executive, christina.steyn@kap.co.za.



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KAP AT A GLANCE

OVERVIEW

KAP owns a diversified portfolio of businesses that operate in the following industries: wood-based decorative panels, sleep products, automotive components, polymers, supply chain and road safety.

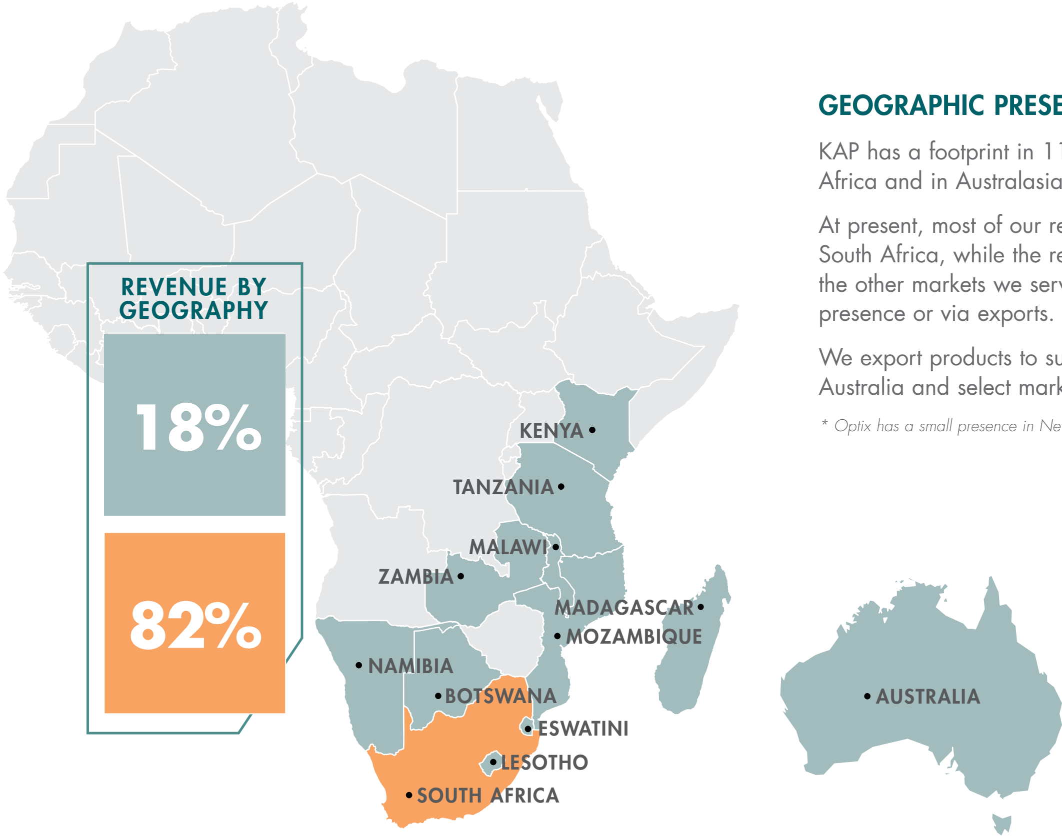
Our divisions have strong brands, are connected by our values and purpose, and follow the same business principles.

Read more: Vision, purpose, strategy and values, page 10

Our portfolio consists of the following divisions: PG Bison, Restonic, Feltex, Safripol, Unitrans and Optix, grouped under two main categories, Manufacturing and Logistics, which make up 65% and 35% respectively of group revenue.

Our divisions contribute to the manufacture or distribution of discretionary and non-discretionary products which are integrated into consumers' everyday lives.

Read more: Group structure, page 7



GEOGRAPHIC PRESENCE

KAP has a footprint in 11 countries in sub-Saharan Africa and in Australasia* via Optix.

At present, most of our revenue is generated in South Africa, while the remainder is generated in the other markets we serve, either through a direct presence or via exports.

We export products to sub-Saharan Africa, Australia and select markets in Europe.

** Optix has a small presence in New Zealand.*

KAP (corporate head office)

KAP
BEING THE CHANGE

KAP allocates capital, sets company and divisional strategies together with the divisions, supports divisions through functional expertise and governance frameworks, and monitors divisional strategy implementation.

Our divisions operate in a decentralised manner, implement divisional strategies and are responsible for day-to-day operational matters.

Manufacturing

PG BISON | SAFRIPOL | FELTEX | RESTONIC

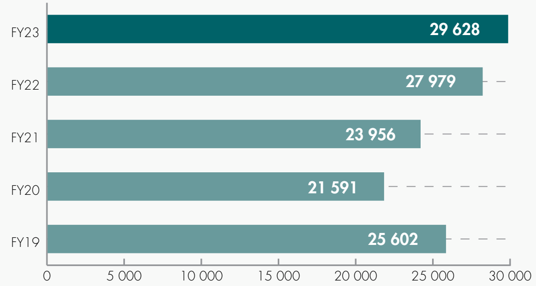
Logistics

UNITRANS | optix

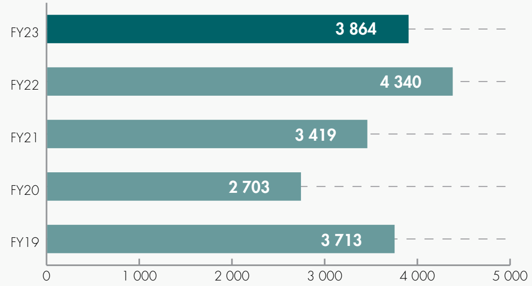
KAP AT A GLANCE CONTINUED

KEY FINANCIAL INDICATORS

Revenue (Rm)

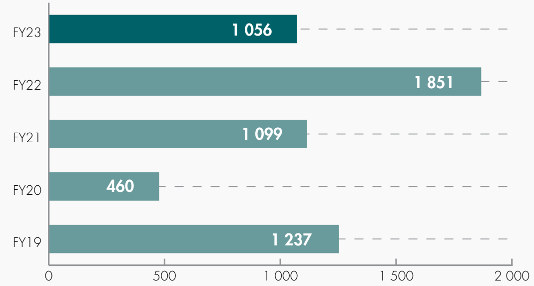


EBITDA (Rm)*

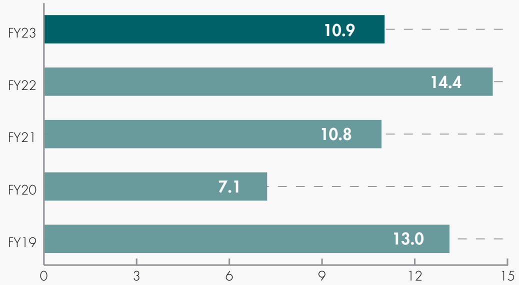


* *Operating profit before depreciation, amortisation and capital items*

Headline earnings (Rm)



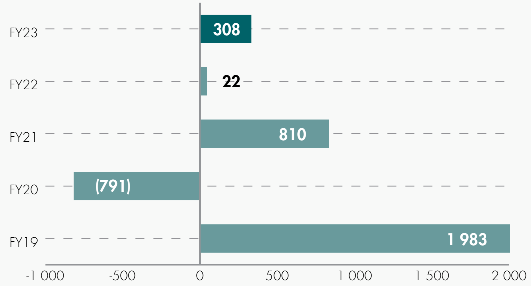
ROCE (%)^



^ *Operating profit divided by average net operating assets*

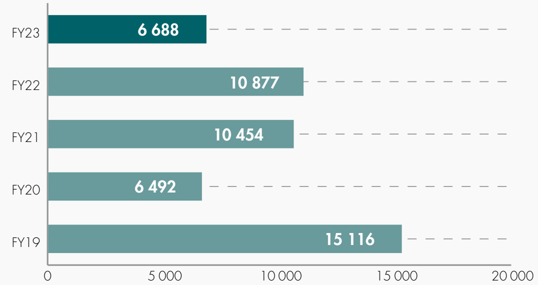
Note: Financial data from continuing operations

Free cash flow (Rm)#



\# *Before dividends*

Market value (Rm)



Source: Market value – Refinitiv Datastream and KAP calculations

WHAT DIFFERENTIATES KAP

Portfolio composition: We offer investors a vehicle to invest in a portfolio of quality, unlisted businesses, with well-known and respected brands. We are improving the quality of our portfolio by focusing on several initiatives to improve our returns, while executing on growth projects.

Leading market positions: Most of our businesses have leading market positions with a deep level of vertical integration and high barriers to entry, which support their market positions, lower costs, and enable a stable and sustainable supply chain.

Asset lifecycle: Our manufacturing businesses own assets with long useful lives and are equipped with the latest technology, enhancing their competitiveness and entrenching their market position.

Global competitiveness: The low-cost position, product quality and differentiation, and global competitiveness of most of our businesses support their ability to outperform competitors, and to grow via exports to selected African and international markets.

Local manufacturer advantage: Our manufacturing businesses work with customers to deliver products that meet their needs, contribute to government localisation targets, and promote sustainability efforts, positioning them ahead of importers.

Diversification: The diversified nature of revenue and cash flow generation in our portfolio supports risk mitigation and sustainable earnings growth over time.

Positioned for a recovery: Most of our revenue is generated in South Africa, which positions us favourably for a recovery in the local economy.

GROUP STRUCTURE

Our divisions operate in the business-to-business space, with customers ranging from medium-sized regional operators to large multinational organisations.

PG Bison produces wood-based decorative panels, which are used for interior applications, with the objective of inspiring and enabling beautiful living spaces.

PG BISON

FY23 contribution*

REVENUE **18%**

OPERATING PROFIT **39%**

NET OPERATING ASSETS **33%**

Inputs

Raw materials, sourced locally and imported, comprising mainly timber, urea, methanol and decorative melamine paper | Energy | People

Outputs

Particleboard used in the downstream manufacture of furniture, storage applications and kitchens | Medium-density fibreboard ('MDF') used in the downstream manufacture of higher-application furniture, kitchens, wall panels, display cabinets and storage applications

Customers

Resellers, kitchen and furniture manufacturers, trade retail chains, upgraders and shopfitters

Revenue drivers

Lifestyle and consumer aspirations | Residential and commercial renovation | Residential and commercial construction activity

Areas of differentiation

Largest decorative wood-panel business in Africa | Latest technology and competitive cost positioning relative to global peers | Integrated value chain, supporting sustainability and cost competitiveness | Innovative, high-quality value-added products that reflect global consumer and design trends

Restonic is a manufacturer of sleep products under the Restonic, iDream and Green Coil brands, as well as retail house brands for South African furniture and bedding retailers.

RESTONIC
SUPPORTING DREAMS SINCE 1938

FY23 contribution*

REVENUE **5%**

OPERATING PROFIT **3%**

NET OPERATING ASSETS **7%**

Inputs

Raw materials, sourced locally and imported, comprising mainly steel, timber, polypropylene ('PP'), polyester, yarn, recycled fabric, low-density polyethylene, toluene diisocyanate ('TDI') and polyol | Energy | People

Outputs

Sleep products | Flexible polyurethane foam | Knitted and woven mattress fabrics | Recycled fabrics

Customers

Group and independent furniture and mattress retailers | Furniture and mattress manufacturers

Revenue drivers

Population growth (including growing middle-class) and age profile | New home development and renovation

Areas of differentiation

Significant scale with new technology and automated processes to support efficiencies and cost competitiveness | National manufacturing and distribution footprint for cost-effective delivery | Well-established and respected brands | Integrated value chain, supporting sustainability and cost competitiveness

** Divisional contribution to revenue, operating profit from continuing operations and net operating assets*

GROUP STRUCTURE CONTINUED

Feltex manufactures automotive components designed and applied to enhance the comfort and style of new vehicles.

FELTEX

FY23 contribution*

REVENUE **8%**

OPERATING PROFIT **9%**

NET OPERATING ASSETS **6%**

Inputs

Raw materials, sourced locally and imported, comprising mainly TDI, methylene diphenyl diisocyanate ('MDI'), polyol, stainless steel, recycled fabric, PP, polyethylene terephthalate ('PET') and recycled PET ('rPET') | Energy | People

Outputs

Trim, e.g. carpets, underlay, wheel arch liners, inner dash and engine room insulators | Foam, e.g. seats, armrests and headrests | Loose-lay mats and tufted blankets | Nudge bars, roll bars, side steps and truck bars, tonneau and roller covers

Customers

Original equipment manufacturers ('OEMs') and automotive retailers

Revenue drivers

South African automotive assembly volumes | Light commercial vehicle ('LCV') and sport utility vehicle ('SUV') sales | Heavy commercial vehicle ('HCV') and extra heavy commercial vehicle ('EHCV') sales

Areas of differentiation

Market-leading position in select product categories | Light, bulky product range suited to local manufacturing | Long-standing OEM and Tier 1 relationships | Established technology partnerships providing access to the latest technology and global support | Plants in close proximity to OEMs to support higher service levels and minimise logistics costs | B-BBEE Level 3 credentials | Location of manufacturing plants across South Africa mitigate concentration risk

Safripol produces polymers that are used in a broad range of applications in sectors such as packaging, infrastructure, agriculture and homeware.

SAFRIPOL™ shaping your world, responsibly

FY23 contribution*

REVENUE **34%**

OPERATING PROFIT **32%**

NET OPERATING ASSETS **22%**

Inputs

Raw materials, sourced locally and imported, comprising mainly purified terephthalic acid ('PTA'), monoethylene glycol ('MEG'), ethylene and propylene | Energy | People

Outputs

PET: Polyethylene terephthalate typically used for water and carbonated soft drink bottles and food containers | HDPE: High-density polyethylene has a broad range of applications in packaging, pipes and containers | PP: Polypropylene has a broad range of applications in packaging and consumer and household goods

Customers

Injection and blow moulding converters, bottlers and brand owners

Revenue drivers

Growth in infrastructure and general consumption (consumer goods)

Areas of differentiation

Only producer of PET and HDPE in South Africa | One of two producers of PP in South Africa | Domestic manufacturing facilities mitigate risk from global supply chain disruptions | Globally competitive cost positioning | Competitive raw material supply contracts | Technical support to customers to ensure efficiencies during customers' conversion processes

** Divisional contribution to revenue, operating profit from continuing operations and net operating assets*

GROUP STRUCTURE CONTINUED

Unitrans is a supply chain and operational services business providing customised solutions to clients in a diverse range of sectors, including food, agriculture, petrochemical, mining and passenger transport.

UNITRANS

FY23 contribution*

REVENUE **33%**

OPERATING PROFIT **17%**

NET OPERATING ASSETS **29%**

Inputs

Specialised equipment sourced from key OEMs | Fuel and tyres | People | Operating systems

Outputs

Services and solutions provided to the following sectors: | Food | Agriculture | Petrochemical | Mining | Passenger transport

Customers

Food- and beverage-producing companies, mining companies, oil, gas and chemicals companies and local governments

Revenue drivers

General consumption (consumer goods and food) | Commodity prices | Economic activity

Areas of differentiation

Established track record of superior safety standards, drivers and specialised assets | Sector-specific technical and operational expertise and skill sets | Scale and capacity enable quick and effective execution of large contracts | B-BBEE Level 2 credentials in South Africa | Leading provider of petrochemical transportation in southern Africa | Largest supplier of sugar estate solutions in southern Africa | Largest supplier of fuel transportation solutions in Eswatini | End-to-end service offering across the full poultry value chain

Optix utilises leading global video telematics and predictive analytics to prevent road accidents and improve road safety. Its unique user interfaces provide real-time event-based interventions, business intelligence tools and driver support to improve fleet efficiency and reduce risk.

optix SAFELY HOME

Optix (previously DriveRisk) was acquired on 1 December 2021.

FY23 contribution*

REVENUE **2%**

OPERATING PROFIT **0%**

NET OPERATING ASSETS **3%**

Inputs

Hardware sourced from leading global technology principles | Artificial intelligence ('AI') and machine learning ('ML') data analytics services | In-house technology platform and user interfaces | Data storage and analytics | People

Outputs

A range of hardware, including DriveCam, Surfsight, DriveAlert and MobilEye, which is fully integrated into a single digital platform. This enables fleet operators to establish seamlessly structured solutions to improve management of driver behaviour and fleet efficiency, thereby promoting general road safety.

Customers

Logistics companies, mining companies, waste management companies, forestry companies and retail/FMCG companies

Revenue drivers

Escalating requirements of fleet owners to contribute to improved risk management (road safety) | Competitive environment encouraging efficiency improvements (time and cost) and better risk management | Low market penetration of advanced fleet management solutions

Areas of differentiation

Sole rights to distribute the Lytx DriveCam, an in-vehicle video-based risk management system, in Africa and Australasia | Ability to identify over 65 risky driver behaviours through AI | Unique driver training platform

** Divisional contribution to revenue, operating profit from continuing operations and net operating assets*

VISION, PURPOSE, STRATEGY AND VALUES

OUR VISION

Our vision is to be recognised as the most inspiring listed company in Africa.

OUR PURPOSE

Our purpose is to inspire people by building exceptional businesses that create lasting economic and social value.

OUR STRATEGY

Our strategy is to deliver sustainable, value-accretive growth for our stakeholders by building a portfolio of market-leading businesses, concentrating on areas where we can leverage our competitive strengths. Astute capital allocation underpins our strategy.

OUR VALUES

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

OUR INVESTMENT CRITERIA

Our investment criteria guide our capital allocation decisions in relation to our existing or new businesses:

Economically attractive and aligned with our sustainability* principles

- Investments should, or have the potential to, generate attractive financial returns and free cash flow.
- Investments should align with our values and contribute to fulfilling our purpose.

Market leadership and market share growth

- We prefer to own businesses that are, or have the potential to be, market leaders.
- Investments in our existing businesses should raise barriers to entry and enhance their market position.

Diversification

- Investments should support a level of diversification in our portfolio to mitigate risk and secure growth through economic cycles.

Additional value

- We endeavour to add value to our portfolio through strategy development and corporate support.

** As measured through environmental, social and governance ('ESG') metrics*

OUR CAPITAL ALLOCATION PRIORITIES

Our capital allocation priorities, which aim to optimise our returns and protect our balance sheet, are summarised below:

Priority	Philosophy
Debt	Maintain debt at a level that provides balance sheet resilience
Maintenance and replacement capex	Maintain our asset base to ensure sustainability of our operations
Efficiency and resilience capex	Efficiency improvements and increased resilience to enhance our competitive advantage and ensure continued supply to our customers, despite potential disruptions in the operating environment
Capacity expansions, acquisitions, share buy-backs and dividends	Expansion and acquisition opportunities subject to our investment criteria and considered relative to dividends and buy-backs

VISION, PURPOSE, STRATEGY AND VALUES CONTINUED

OUR PRINCIPLES, FINANCIAL OBJECTIVES AND NEAR-TERM PRIORITIES

Business principles

Our divisions follow the below principles to enable the achievement of our financial objectives:

Value-add: We endeavour to develop products and services with high value-add, where practical, to meet and exceed consumer and customers' needs and expectations.

Operational excellence: We invest in processes, technology, channels to market, backward integration, sustainable business practices and innovation to deliver high-quality products and/or services at the lowest cost.

Best people: We employ the best people, in the right roles, across the group to instil a culture of excellence and to implement our strategies.

Strategic stakeholder relationships: We nurture strategic stakeholder relationships to support the continuity and resilience of our operations as well as future growth.

These principles enable us to offer our customers fully integrated, fit-for-purpose products and services that are differentiated from our competitors, raise barriers to entry, and protect our revenue and margins.

Read more: Material matters, page 23 Stakeholder engagement, page 31 Divisional review, page 51

Financial objectives

To deliver on our strategy and purpose, we have the following objectives:

- Grow revenue
- Enhance margins
- Increase earnings
- Improve returns
- Reduce net debt

FY24 strategic priorities and focus areas

We are prioritising the following initiatives to strengthen our business, improve returns, support attractive cash flow generation and reduce debt and position us favourably for future growth.

- Execution of major capital projects, the largest being PG Bison's MDF expansion
- Consolidation, rationalisation and restructuring of Unitrans to improve the quality of the business and returns
- Ongoing portfolio review to exit low-return and/or strategically misaligned businesses
- No material acquisitions
- Collectively, our divisions will focus on:
  - » Market share gains and growth into export markets
  - » Price adjustments to recover raw material and other cost escalations
  - » Targeted cost reductions
  - » Curtailment of non-essential capital expenditure and optimising working capital
  - » Effective utilisation of existing assets, including discontinuation of underperforming activities and disposal of low-return assets

LIVING OUR PURPOSE

Sustainability is embedded in our purpose and aligned with our values. We integrate sustainability into our operational strategies and capital allocation decisions.

As a signatory to the United Nations Global Compact ('UNGC'), we are aligned to the 17 UN SDGs. Although we make an impact on most of the SDGs through our business activities, we prioritise the following, as we believe this is where we can make the most impact through our activities:

- Our water usage in our operations
- Creating a decent workplace for our employees
- How we produce and manage waste
- Community development
- Greenhouse gas ('GHG') emissions
- Local municipality capacity and service delivery.

Our priority SDGs

Read more: Our sustainability review, page 64

VALUE-CREATING BUSINESS MODEL

Our business model describes how we preserve and create value for our key stakeholders through the use of our key resources and relationships.

1 OUR KEY BUSINESS INPUTS

Our key business inputs are summarised below:

Key resources and relationships

Financial capital

We have a healthy balance sheet, good cash generation across the group and access to diverse and flexible sources of capital and funding. Our equity capital amounts to R11 705 million (FY22: R11 750 million) and our debt capital to R9 096 million (FY22: R8 730 million).

Availability and quality

While we have sufficient access to capital, competition for and the cost thereof is increasing.

Tangible assets

We have an operational footprint across 11 countries in sub-Saharan Africa and in Australasia. We own and operate 31 manufacturing plants, of which five are large scale and globally competitive facilities, and 4 398 vehicles. We also own 44 747 ha of forestry land, which serves as a raw material resource, and we provide road safety solutions in over 40 countries globally.

Availability and quality

Our manufacturing facilities are equipped with state-of-the-art equipment that uses the latest technology, while the availability and cost of vehicles required for our logistics operations remain acceptable.

Intangible assets

We have recognised and respected brands, research and development capabilities, favourable supplier relationships, well-established systems and processes, strong corporate governance and good ethical conduct.

Availability and quality

We have policies and frameworks to ensure good governance and guide ethical conduct. We continue to innovate and invest in technology to differentiate our products and services from our competitors and to support growth.

Input materials

We use raw materials (timber and chemicals), energy, fuel and water across our various businesses to produce and deliver our products, and/or to provide services to our customers.

Availability and quality

While we have adequate access to raw materials, we rely on local and global supply chains, which are at risk of disruption at times. As natural resources are finite, we work towards reducing our environmental impact.

Employees

We have 13 857 employees in South Africa, and 4 225 permanent and seasonal employees outside South Africa. Their well-being, knowledge, experience and skills enable us to deliver on our strategy and purpose.

Availability and quality

Competition for critical and scarce skills is increasing. Our human capital strategy is focused on developing and growing talent from within the group, as well as attracting and retaining skills.

Other key stakeholder relationships

We have a number of other key stakeholders, including shareholders, equity and debt investors, suppliers, customers, consumers, communities, society, government, regulators and industry bodies, which play a role in our success and sustainability.

Availability and quality

We have constructive relationships with our key stakeholders and are committed to maintain and enhance the quality of our relationships through regular engagements.

VALUE-CREATING BUSINESS MODEL CONTINUED

2 OUR KEY BUSINESS ACTIVITIES

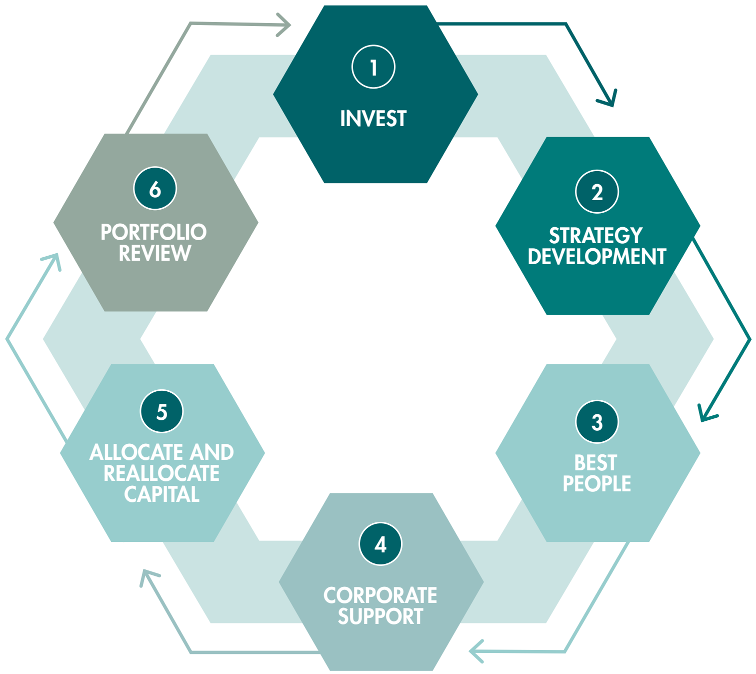
CREATING AND PRESERVING VALUE

Through our business activities, we aim to create and preserve value for our stakeholders by:

- acting within the framework of our purpose, strategy and values;
- proactively identifying and managing risks;
- regularly engaging with our key stakeholders to understand their needs and concerns;
- fostering innovation and maintaining a learning culture; and
- contributing to the fulfilment of our priority UN SDGs.

We apply the above through the adjacent process, with clearly defined strategic and financial objectives, which will repeat itself to sustain growth and value over the long term.

Our key business activities are summarised below:



Our financial objectives:

1. We invest in new businesses according to our investment criteria and our capital allocation priorities.
2. We work with our businesses to develop strategies that will enable them to establish, grow or maintain market leadership positions and build competitive advantages.
3. We employ the best executive management teams to implement, at a business level, the strategies we develop.
4. We provide strategic and corporate support to our businesses to ensure effective strategy implementation.
5. We allocate and reallocate capital to our businesses to maximise our returns, grow earnings and protect our balance sheet, according to our investment criteria and capital allocation priorities.
6. We continuously review our portfolio of businesses according to our investment criteria either to remain invested or to exit.

Read more: Vision, purpose, strategy and values, page 10

OUR KEY BUSINESS OUTPUTS

The output of our key inputs is a diverse portfolio of market-leading businesses that deliver products and services that contribute to the manufacture or distribution of products that are integrated into consumers' everyday lives, namely wood-based decorative panels, sleep products, automotive components, polymers, supply chain and road safety solutions. Read more: Group structure, page 7

VALUE-CREATING BUSINESS MODEL CONTINUED

3 OUR KEY BUSINESS OUTCOMES

Investors, shareholders and debt providers

We aim to offer investors a vehicle to invest in a portfolio of quality unlisted businesses that have leading market positions, strong sustainability values and collectively contribute to value-accretive growth in KAP. We are committed to returning cash to shareholders according to our capital allocation priorities.

Our measure of success

- Headline earnings per share ('HEPS') growth > GDP growth + CPI
- Return on capital employed ('ROCE') > 16%*^
- EBIT margin > 10%
- Operating cash flow conversion > 90%
- A strong balance sheet

Stakeholder outcome in FY23

» Revenue: R29 628 million (FY22: R27 979 million)*
» Operating profit ('EBIT'): R2 367 million (FY22: R2 936 million)*
» Headline earnings: R1 056 million (FY22: R1 851 million)*
» HEPS: 42.7 cents (FY22: 74.4 cents)*
» Free cash flow: R308 million (FY22: R22 million)#
» Investment in growth: R1 363 million (FY22: R1 519 million)
» ROCE: 10.9% (FY22: 14.4%)*^
» Dividends paid: R751 million (FY22: R394 million)
» Interest paid: R847 million (FY22: R556 million)
» Net debt/EBITDA: 2.1 times (FY22: 1.7 times)
» Credit rating (long-term national scale): A+(za) (unchanged)

* *From continuing operations*
^ *FY27 target*
\# *Before dividends*

Actions to maintain or improve outcomes

- Our divisions will continue to focus on several activities that we anticipate will support group performance and returns.
- Additionally, we are driving the delivery of three material items, namely the completion of major capital projects in FY24, with the largest being PG Bison's MDF expansion in Mkhondo; the consolidation of Unitrans; and the reduction in net debt from FY25.
- We will continue to review our portfolio to exit low-return or strategically misaligned businesses.

Read more: Vision, purpose, strategy and values, page 10

Employees and trade unions

We are committed to providing our employees with a safe, zero-harm work environment, adequate training and development to support their growth and development and to recognise and reward outstanding performance.

Our measure of success

- Providing a safe, zero-harm work environment
- Providing adequate training and development opportunities for our employees
- Recognising and rewarding outstanding performance
- Maintaining a diverse, inclusive and engaged workforce
- Fostering constructive, mutually beneficial relationships with organised labour

Stakeholder outcome in FY23

» Annual employee remuneration: R5 114 million (FY22: R5 105 million)*
» Training and development expenditure: R131 million (FY22: R153 million)
» Employees in training programmes: 1 122 (FY22: 1 100)
» Employee fatalities: 0 (FY22: 3)
» Disabling Injury Frequency Rate: 1.0 (FY22: 1.2)
» Trade union membership: 58% (FY22: 53%)
» Black employees and managers: 89% and 59%^
» Female employees and managers: 20% and 27%#

* *From continuing operations*
^ *Permanent and temporary/seasonal employees*
\# *Reference to permanent South African employees, junior managers and above*

Actions to maintain or improve outcomes

- The implementation of our human capital strategy is progressing well. The strategy is broadly aimed at creating a safe and supportive environment for our employees to grow and excel and ensure that outstanding performance and stewardship are recognised and rewarded

VALUE-CREATING BUSINESS MODEL CONTINUED

3 OUR KEY BUSINESS OUTCOMES CONTINUED

Suppliers and service providers

Our suppliers and service providers are important to the sustainability of our group. In order to be globally competitive, and deliver world-class products and solutions, we require sustainable, high-quality suppliers and service providers.

Our measure of success

- Contributing to the growth of sustainable suppliers in South Africa, especially in the context of enterprise and supplier development ('ESD')
- Adhering to our supplier code of conduct to ensure ethical business dealings and practices
- Collaborating with our suppliers to secure the sustainability of the supply chain and to deliver products with a lower environmental footprint

Stakeholder outcome in FY23

» Preferential procurement (qualifying spend*) on suppliers of B-BBEE Level 4 and higher: 77% (FY22: 75%)
» Contribution to enterprise development: R29 million (FY22: R35 million).
» Contribution to supplier development: R45 million (FY22: R52 million).

* *Only South Africa, excluding imports*

Actions to maintain or improve outcomes

- We engage and collaborate with our suppliers to secure the sustainability of the supply chain and to deliver products with a lower environmental footprint.
- We continue to expand our ESD initiatives with a focus on areas in which we can have an impact.

Customers and consumers

We aspire to be a collaborative partner to our customers, focused on creating prosperity and collective benefit throughout the value chain. We deliver innovative, fit-for-purpose products and services that meet our customers' needs and exceed their expectations.

Our measure of success

- Providing leading brands that customers and consumers respect and support
- Delivering innovative, high-quality, fit-for-purpose products and solutions that meet our customers' needs and exceed their expectations
- Growing our market share profitably
- Working with our customers to develop products that lower their environmental footprint

Stakeholder outcome in FY23

» Expansion capital expenditure: R1 326 million (FY22: R1 127 million).
» Replacement capital expenditure: R871 million (FY22: R1 067 million).
» We continued to develop innovative solutions and products for our customers, such as rPET, increased use of recycled materials in the sleep products and automotive sectors, and integrated farming solutions that reduce fertiliser use and increase yield for farmers.
» We continued to stimulate decorative wood-based panel product demand, indirectly channelling sales to our customers.
» Our road safety business provided solutions that lower road user fatalities, improve efficiencies and reduce costs for fleets.

Actions to maintain or improve outcomes

- We are accelerating our business resilience efforts to ensure continued supply to our customers, despite potential disruptions in the operating environment.
- The expansion of PG Bison's MDF capacity will increase local supply and reduce customers' reliance on imports.
- We will continue to work with our customers on innovative products and solutions that support their sustainability objectives.
- Our leading industry positions enable us to drive positive change that benefits our customers and consumers.

VALUE-CREATING BUSINESS MODEL CONTINUED

3 OUR KEY BUSINESS OUTCOMES CONTINUED

Communities and society

By creating a culture of sustainability, we leverage our purpose-led businesses to create positive social and environmental change. We provide socioeconomic development ('SED') to our communities, support critical municipal infrastructure and create employment opportunities through our operations.

Our measure of success

- Maintaining engaged and constructive relationships with our communities
- Providing SED that has a positive and lasting impact on the communities in which we operate
- Continuously reducing the impact of our operations on the environment
- Supporting and contributing to transformation in society

Stakeholder outcome in FY23

- Employee remuneration that contributed to the support of communities: R5 114 million (FY22: R5 105 million)
- Contribution to SED: R24 million (FY22: R25 million)
- We provided support to municipalities in select areas where our businesses operate.
- Safripol's 'Let's plastic responsibly' campaign educated consumers about the responsible use of plastics and encouraged them to remove plastic waste from the environment.
- Due to sustainable management practices the northeastern and southern Cape plantations were net absorbers of carbon.
- B-BBEE rating: Level 4 (FY22: Level 4)

Actions to maintain or improve outcomes

- We continue to work with various government departments and local municipalities in areas where our businesses operate to support the provision of basic municipal services, maintenance of existing infrastructure and investment in new bulk infrastructure to enable municipalities to retain and attract businesses, create jobs and invest in community development.
- In order to have the most meaningful SED impact, we are in the process of consolidating our activities into a number of key focus areas.
- We are committed to reducing our environmental footprint and are implementing energy, water and waste strategies to deliver on this commitment.

Government, regulators and industry bodies

We work with government, regulatory and industry bodies to support our strategic objectives, support government's localisation policies and drive positive socioeconomic change in South Africa.

Our measure of success

- Establishing and maintaining engaged and constructive relationships with government, regulators and industry bodies to support positive and lasting economic and social change.

Stakeholder outcome in FY23

- We adhered to regulatory requirements and maintained strong governance policies and procedures.
- We have invested in local manufacturing capacity (MDF plant), which will support government's industrialisation strategy and localisation policy objectives and create jobs across both the forestry and furniture industry value chains.
- Corporate taxes paid to government: R467 million (FY22: R803 million)

Actions to maintain or improve outcomes

- We continue to drive government partnership and industry leadership.
- Through Optix, we endeavour to deploy technology and business intelligence to improve road safety in support of the objectives of government's transport agencies.
- We continue to provide support to critical infrastructure in dysfunctional municipalities where some of our businesses operate.

KEY TRADE-OFFS

The board and executive management continuously evaluate available resources and information to make decisions that support our strategy to deliver sustainable, value-accretive growth for our stakeholders. At times, this may result in near-term trade-offs between our resources and relationships.

Our key trade-offs during the year are described below:

1 BALANCING SHORT-TERM CASH FLOWS AND RETURNS AGAINST LONG-TERM VALUE CREATION

Most of our businesses are capital intensive in nature. Operating on a globally competitive basis requires large-scale investments for some of our businesses, which often extend over more than one financial period. At 30 June 2023, our capital work-in-progress investments, which are not yet revenue producing, amounted to R1 486 million (FY22: R830 million). While there are several examples of this in the group, the most material one relates to PG Bison. The division continued with the construction of its new Mkhondo MDF plant during the year, due for commissioning in July 2024. While this investment negatively impacted our financial capital (cash flows and returns), on completion, it will increase our tangible asset base, provide permanent employment opportunities and improve our employee, community, and government relationships. In addition, we expect the plant to provide future growth opportunities for PG Bison, supported by the increased competitiveness of the Mkhondo site following commissioning of the plant, with an improvement in earnings, cash flows and returns over time.

Read more: Divisional review, page 51

2 BALANCING SHORT-TERM CASH FLOWS AND RETURNS WITH BUILDING RESILIENCE

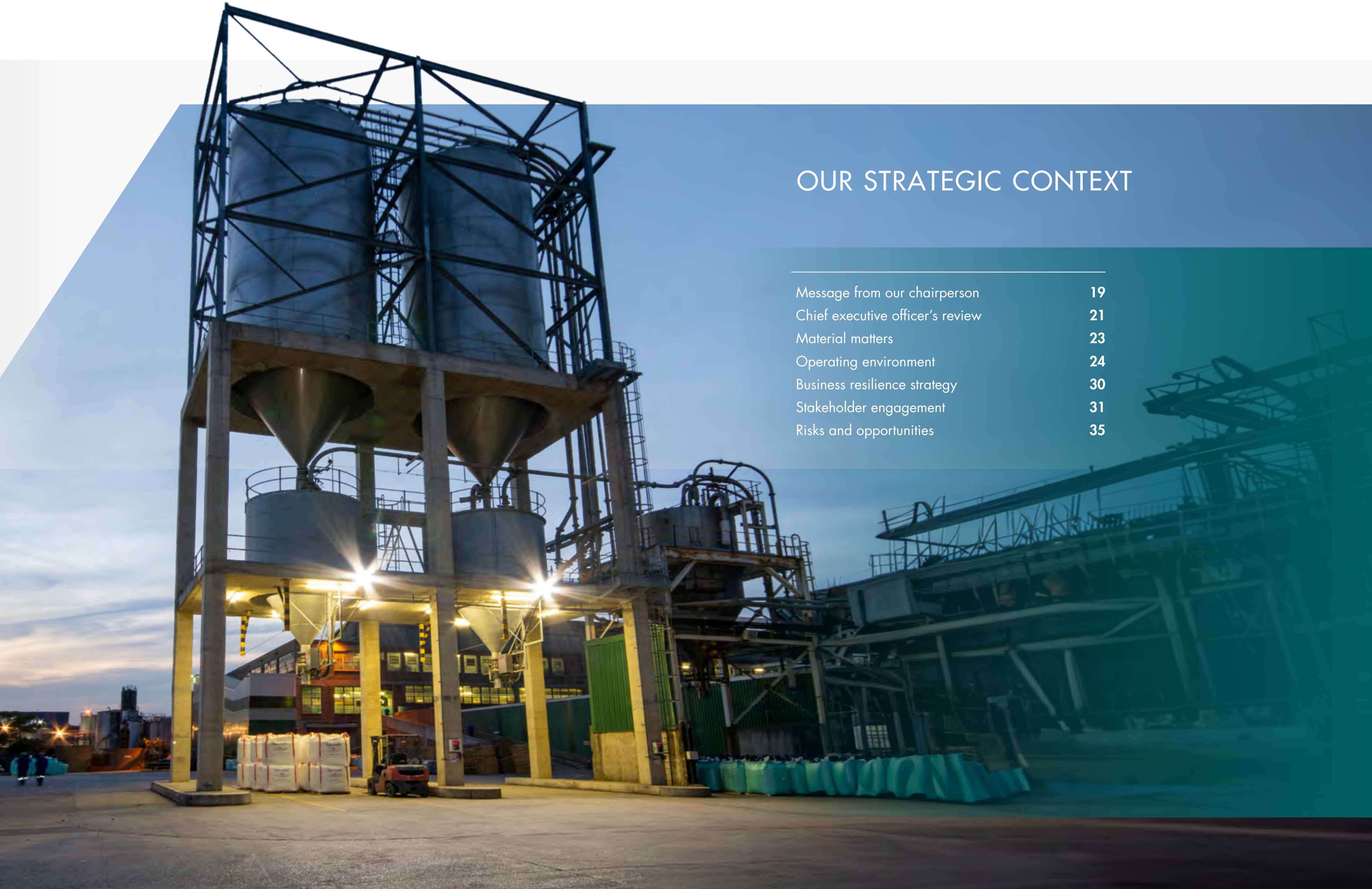
Our business resilience strategy is aimed at addressing specific South African risks, particularly related to energy, infrastructure and service disruptions, as well as other unforeseen disruptive events, to avoid business interruption and the potential damages and costs associated with such events. In certain instances, building resilience will negatively impact our financial capital over the near term. However, benefits will accrue over the longer term. An example is the increase in renewable energy capacity in the group. In the period, we invested in 10 MWp solar photovoltaic ('PV') capacity of R145 million, of which R112 million was spent in the prior year. These investments will not only mitigate electricity interruptions and non-supply, allowing our divisions to maintain reliable supply to their customers, but also result in cost savings and promote our sustainability efforts.

Read more: Business resilience strategy, page 30

3 BALANCING GROWTH WITH PROTECTING OUR BALANCE SHEET

The sustainable growth and development of our businesses, which requires continued investment to remain competitive, is primarily funded through internal cash generation and debt. Maintaining a healthy balance sheet over the long term remains a key objective of the board and executive management, especially in relation to net debt levels and serviceability metrics. Our net debt/EBITDA was 2.1 times in FY23, within our financial covenant of < 3.2 times. While we have headroom on our debt levels, we will continue to be responsible with our capital allocation, to balance the needs to maintain and grow our portfolio of businesses and return cash to shareholders with a resilient balance sheet. In light of the increased uncertainty and volatility in our external operating environment, we prefer to have a comfortable margin of safety on our debt levels. We have therefore embarked on a debt reduction process and we expect to reduce debt from FY25 once our major projects are concluded in FY24.

Read more: CEO's review, page 21 CFO's review, page 41



OUR STRATEGIC CONTEXT

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MESSAGE FROM OUR CHAIRPERSON

'Our board is prioritising initiatives to ensure the long-term sustainability of the group and to enhance the value delivered to our shareholders.'

Patrick Quarmby
Independent non-executive chairperson

KEY MESSAGES

- » We believe we have the right strategy and culture to perform in a challenging operating environment.
- » We have made changes to our remuneration policy to address shareholder concerns and improve alignment between management compensation and shareholder interests.
- » We continue to pursue diversity at a board level and have a board succession process to deliver progress in this regard.

INTRODUCTION

Our 2023 financial year was a challenging one, characterised not only by macroeconomic headwinds, but also by an increasingly difficult operating environment for us and our customers due to deteriorating state infrastructure and services. Against this backdrop, our performance for the year was lower than the result delivered in FY22, which was a record year. While we do not expect these challenges to dissipate in the near term, I am pleased that the group has been proactive in mitigating the risks and pursuing available opportunities to support stability and performance.

INVESTING IN SOUTH AFRICA

As a board, we continue to support KAP's investment in South Africa. Over the past 10 years, KAP has spent R8.5 billion in expanding capacity and delivering organic growth, and R4.1 billion on acquisitions (net of disposals). A further R1.3 billion will be spent on material capital projects in FY24, including a 33% increase in PG Bison's capacity. These investments are directed at building large-scale businesses with entrenched market leadership positions and global competitiveness.

We are concerned about the South African operating environment. National and municipal infrastructure is deteriorating and the economy is caught in a low-growth trap, while the formulation and implementation of policies to stimulate growth remain slow. I am encouraged by the vigour with which the group has approached these challenges. We are implementing a resilience strategy (discussed on page 30), which follows a multifaceted, stakeholder-inclusive approach to ensure not only the continuity of our operations and our ability to supply customers, but also to support future growth. The group's focus on being the lowest-cost producer/service provider with the best products and services stands us in good stead to withstand these challenges.

BOARD PRIORITIES

In light of the difficult operating environment during the past year, we identified three key priorities for FY23 and the coming year. We are:

- focused on reducing the group's net debt to prudent levels in the subdued macroeconomic environment and elevated interest rates. Further commercial, operational and financial aspects regarding this are detailed in our CEO's and CFO's review;
- committed to ensuring the successful implementation of the group's major capital projects in FY24, which will support group earnings and cash generation and result in lower debt; and
- evaluating the group's capital allocation priorities to enhance the value delivered to our shareholders and ensure our long-term sustainability.

Further focus areas are detailed in our corporate governance report, which is available on our website.

We are comfortable with KAP's strategy and approach to building market-leading businesses and believe that these priorities will increase the resilience of the group, position us for future growth and strengthen our investment proposition.

REFINING OUR REMUNERATION POLICY

We believe in constructive engagement with our shareholders and value their feedback.

At our November 2019 annual general meeting ('AGM'), our remuneration policy received less than 75% support from shareholders. Following engagement with dissenting shareholders, our human capital and remuneration committee ('the committee') recommended significant changes to our incentive schemes. These were accepted by the board and implemented for FY20 and FY21. These changes received shareholder support of 88.25% and 91.96% at our AGMs on 18 November 2020 and 18 November 2021 respectively.

At our November 2022 AGM, we received less than 75% support for the same remuneration policy and the implementation report. Following engagement with the dissenting shareholders, the committee recommended changes to the remuneration policy and implementation report to address these shareholder concerns. The committee has also applied its discretion to amend the measurement criteria for executive directors' and divisional executives' FY24 annual incentive bonus ('AIB') to ensure that the group's debt levels and covenants remain at budgeted levels, aligned with our board priorities, despite the subdued macroeconomic outlook and significant capital expenditure required to complete our major capital projects in FY24.

MESSAGE FROM OUR CHAIRPERSON CONTINUED

We believe that the recommendations and changes to the remuneration policy will result in improved alignment between management compensation and shareholder interest, as discussed in our remuneration review on page 87.

CHANGES TO THE BOARD

After serving on the board for 10 years, Jaap de Vos du Toit resigned and retired as a director at the conclusion of the company's AGM on 21 November 2022. Johan Holtzhausen was appointed as an independent non-executive director to the board on 1 March 2023. Johan was also appointed to the investment committee, nomination committee and human capital and remuneration committee on 17 March 2023. We thank Jaap for his service and invaluable contribution to the board. We welcome Johan to the board and look forward to his contribution. I am confident that we have a well-balanced, independent and diverse board with a wide range of skills and industry experience both to discharge our governance and oversight role and to steer and set the strategic direction of the group.

In line with our board diversity policy, which we adopted in 2021, we continue to pursue race and gender diversity at board level. We have a planned board succession process in place to ensure a responsible transition of the board and our committees as long-serving board members retire.

DIVIDEND

After taking into consideration the subdued and uncertain macroeconomic outlook, major capital projects due for completion in FY24 and KAP's elevated net debt levels, the board decided not to declare a dividend. As we have a flexible dividend policy, the board will continue to evaluate the best way to reward shareholders when considering the capital allocation opportunities available to the group.

APPRECIATION

I am indebted to my colleagues on the board for their valued contribution, guidance and advice over the past year, and to the executive management team, led by Gary Chaplin, our CEO. Their continued commitment, focus and leadership enable us to pursue our strategy to deliver value-accretive growth.

I thank our employees for continuing to show remarkable resilience under difficult circumstances. Their well-being, knowledge, experience and skills enable us to deliver on our strategy and purpose.

Finally, my deep gratitude to our shareholders, funders and all our stakeholders, who play such a significant role in our sustainability and success.

Patrick Quarmby
Independent non-executive chairperson

CHIEF EXECUTIVE OFFICER'S REVIEW

'We have made good progress in positioning the group for improved performance and returns in future and will continue to do so in the coming year.'

Gary Chaplin
Chief executive officer

KEY MESSAGES

» Although the South African operating environment is challenging and is expected to remain so, we are confident that the strategies we have in place will enable us to perform.

» We have exciting organic growth opportunities, the most material being the PG Bison Mkhondo MDF expansion, which will support our future performance.

» Our sharpened capital allocation focus and plans to improve group returns and strengthen our balance sheet will enhance the value we deliver to our shareholders.

INTRODUCTION

Our approach to building businesses has been applied consistently over several years. We seek to invest in sectors and industries that we believe have growth potential, and design and implement strategies to assume market leadership positions in those sectors and industries, on a globally competitive basis. We focus on technology, innovation, people, process and product, to change the structure of these sectors or industries and thereby extract value for our stakeholders.

Our financial objectives are to grow earnings and generate sufficient cash flows to support appropriate debt levels and a high level of self-funded growth at attractive returns. To enhance the value delivered to our shareholders, we are in the process of optimising our portfolio by allocating and reallocating capital to higher-return businesses and/or opportunities. In considering this, our businesses remain subject to the following criteria. They need to:

- be economically attractive and aligned with our ESG principles;
- be market leaders or have the potential to assume market leadership positions; and
- provide diversification benefits to our portfolio.

Importantly, we endeavour to add value to the businesses we own, whether it is through leveraging our balance sheet capability, applying our experience across multiple industries to provide strategic input, providing a governance framework with specialist centralised services or through driving growth in existing markets and expansion into new markets.

NAVIGATING A CHALLENGING OPERATING ENVIRONMENT

As a company that earns most of our revenue and profits in South Africa, we are exposed not only to the fluctuations in the local macroeconomic environment, but also to the availability and quality of state infrastructure and services. The FY23 trading environment has been particularly challenging due to specific macroeconomic factors, including elevated inflation and higher interest rates and deteriorating state infrastructure, including the increased frequency of electricity loadshedding at higher stages. These factors affected our divisions to varying degrees with the collective impact being subdued domestic demand resulting in reduced volumes across the group. This, together with the effect of higher interest rates on the group's debt, contributed to a lower financial performance for FY23, compared with the record results achieved in FY22.

Group revenue increased by 6% to R29.6 billion, with price increases adequately offsetting raw material cost escalations. EBITDA decreased by 11% to R3.9 billion, while operating profit before capital items decreased by 19% to R2.4 billion. HEPS declined by 43% to 42.7 cents and earnings per share declined by 76% to 16.7 cents, largely due to an impairment of Unitrans' intangible assets. Cash flow from operations decreased by 5% with a lower investment in working capital partly offsetting the reduced EBITDA. Net interest-bearing debt increased by R568 million to R8 billion, largely due to lower earnings and capital expenditure to complete committed expansion projects. Our FY23 performance is discussed in more detail in our CFO's review.

We have made good progress during the year to position the group for improved performance and returns and will continue to do so in the coming year. Our divisions will continue to focus on the following three aspects to navigate the current challenging macroeconomic environment:

- Sales and marketing initiatives

  We continue to pursue the recovery of raw material and other cost escalations through price increases and, together with this, our sales and marketing teams are driving the development of new products and markets, and continued investments in our brands, to support sales volume growth. These include the development of select export markets to supplement domestic sales at favourable margins. Examples of product and market developments include Safripol's first rPET product, ASPIRE® T84, which includes post-consumer resin, PG Bison's use of marketing collateral and demand creation activities to stimulate demand at a consumer and converter level and PG Bison's increased exports to Australia and its first exports to Greece.

- Operational initiatives

  We are implementing various initiatives to deliver cost savings and improve operational efficiencies across the group. This supports not only our principle of being the lowest-cost producer in our respective industries, which enables local and

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

global competitiveness, but also our sustainability efforts. Some of these initiatives will lower our environmental footprint, such as the installation of solar PV plants and the incorporation of the latest processing technology to improve efficiencies and reduce or re-use waste materials. We are also executing our business resilience strategy to ensure that our divisions are able to operate efficiently and continuously despite deteriorating state infrastructure and services.

- Asset utilisation and working capital management initiatives

  We are re-evaluating the performance of our current activities and assets with the intention of ensuring optimal utilisation of assets and discontinuation or disposal of those that will no longer meet our required return hurdles. Additionally, we are curtailing non-essential capital expenditure and optimising working capital levels, without compromising efficiency or revenue, in order to support free cash flow generation and reduced debt.

We follow several principles to ensure that we outperform the sectors in which we operate. This includes mitigating the cyclicality of the South African economy and the global polymers market, to which c. 34% of our group revenues are exposed through Safripol. These principles include:

- delivering superior quality products and services with high value-add;
- maintaining the lowest cost positions through investments in processes, technology, channels to market, backward integration, sustainable business practices and innovation;
- employing the right people in the right roles; and
- nurturing key stakeholder relationships.

Safripol's efforts to optimise raw material procurement, which included renegotiating certain raw material supply contracts, reducing the procurement-to-sales cycle, and transitioning its product basket to higher value-add polymers, resulted in reduced cyclicality in its margins. However, this was partially masked by the effects of the PET plant breakdown in the first half of the financial year. Without these efforts, Safripol's FY23 performance would have been materially lower.

INCREASING GROUP RETURNS AND STRENGTHENING OUR BALANCE SHEET

We measure our returns based on return on equity ('ROE') and ROCE. From a remuneration policy perspective, ROE and ROCE are included as performance metrics in our KAP and divisional long-term incentive schemes, respectively (from FY19), and are linked to our cost of capital.

Our group returns over the past five years have not met our weighted average cost of capital, primarily due to deliberate and continued capital investments to entrench our market leadership position in select industries and to support future growth. Structural changes in the logistics industry, coupled with a slowing macroeconomic environment, have significantly affected Unitrans' and the group's performance.

Our objective is to improve our group ROCE to above 16% (from 10.9%). The rationalisation and restructuring of Unitrans, which commenced during the year, forms a key part of this objective. Unitrans contributed 29% of group net operating assets in FY23 yet delivered a ROCE of only 5.6%. We are confident that the rationalisation and restructuring currently in progress will result in Unitrans being a better-quality, more profitable business, with materially improved returns. In addition to this, we expect that improved utilisation of existing assets and the completion of major capital projects in FY24, with the PG Bison Mkhondo MDF expansion being the largest, will further support improved group returns. Capital work-in-progress was R1 486 million at year-end (FY22: R830 million), illustrating the impact of continued investment on group returns. These capital work in progress projects will be completed and brought into production during the second half of FY24. We will also continue to review our portfolio of businesses with the intention of exiting low-return or strategically misaligned assets or businesses.

We expect the above not only to improve our returns, but also to result in stable net debt levels in FY24 and a reduction from FY25, as we do not have any major capital expenditure or acquisitions planned beyond FY24. While we have headroom on our debt levels, we would like to lower our net debt levels as we believe this to be prudent in a volatile external operating environment.

LOOKING AHEAD

We expect the South African operating environment to remain tough in the coming year. The global polymers market is also in a cyclical downturn due to increased global capacity and slower-than-expected global growth. We therefore expect that trading conditions for KAP will remain challenging in FY24.

Despite this, we are positive about the outlook for the group beyond this. As described above and elaborated on throughout this integrated report, we have initiatives in place to navigate the current operating environment, which will enable us to:

- grow market share locally and in export markets;
- improve margins and returns; and
- reduce net debt levels from FY25.

This will position us favourably to consider returning cash to shareholders via share buy-backs or dividends, once debt levels have been appropriately reduced and depending on the capital allocation opportunities available to us at that time.

APPRECIATION

Although the FY23 trading environment has been particularly challenging, our employees have remained tenacious, contributing their skills to achieve operational excellence in the execution of our strategy. I am deeply grateful to them, to the board and executive management for their proactive leadership, to our customers and suppliers for their loyalty and support, and for the significant role our key stakeholders, including shareholders, bondholders, and banking partners, have played in sustaining our business.

CONDOLENCES

While we had no employee fatalities during the year, two contractors passed away, in two separate incidents, while working on our sites. I am deeply saddened by the loss of life and would like to extend my sincere condolences to their families, friends, and colleagues.

Gary Chaplin
Chief executive officer

MATERIAL MATTERS

Our capital allocation decisions and divisional operational strategies are influenced by our material matters, which are those issues that have the most significant impact on our ability to create value for our stakeholders over the short, medium and longer term.

We determine our material matters by assessing our internal and external context, including the resources and relationships we rely on, our risks and opportunities, and our understanding of our stakeholder needs and expectations. While our material matters apply to the group, they may vary in terms of importance for each of our divisions. Our material matters and why they are important are discussed below:

M1 ALLOCATING CAPITAL EFFECTIVELY AND IMPROVING RETURNS

The increasingly volatile and uncertain operating environment creates a complex environment in which to allocate capital. In addition, our group ROCE is below our FY27 target of > 16% primarily due to investments in assets with a long useful life, most notably PG Bison, and fragmentation in certain sectors of the logistics industry to which Unitrans is exposed.

Resources and relationships affected: Financial capital; Tangible assets; Employees; Other key stakeholder relationships

M2 GROWTH IN A SUBDUED MACROECONOMIC ENVIRONMENT

The subdued South African macroeconomic environment presents significant headwinds for businesses to grow as it affects consumer confidence and disposable income, and higher stages of loadshedding put strain on some of our customers' operations.

Resources and relationships affected: Financial capital; Tangible assets; Employees; Other key stakeholder relationships

M3 BUSINESS RESILIENCE

The increased frequency in external shocks, extreme weather events and risks specific to South Africa present a risk to the sustainability of our operations and the safety of our employees.

Resources and relationships affected: Financial capital; Tangible assets; Intangible assets; Input materials; Employees; Other key stakeholder relationships

M4 EFFECTIVENESS OF GOVERNMENT POLICY FORMULATION AND DETERMINATION

Policy uncertainty affects our ability to create value as it detracts from the economic growth outlook, creates an uncertain environment in which to allocate capital, increases the cost of capital, and may potentially hinder access to capital.

Resources and relationships affected: Financial capital; Tangible assets; Employees; Other key stakeholder relationships

M5 ATTRACTING, DEVELOPING AND RETAINING TALENT

The successful execution of our strategy is dependent on our people. The deteriorating and uncertain South African macroeconomic and political environment has escalated the risk of loss of key personnel to competitors, other industries and emigration.

Resources and relationships affected: Financial capital; Intangible assets; Employees

M6 SUSTAINABILITY

Investors, consumers and regulators have increased expectations for businesses to adopt sustainable business practices. Additionally, sustainable business practices are crucial to enable our businesses to achieve lowest cost and global competitiveness and support the long-term growth and viability of our group.

Resources and relationships affected: Financial capital; Tangible assets; Intangible assets; Input materials; Employees; Other key stakeholder relationships

OPERATING ENVIRONMENT

Our operating environment is largely shaped by five **MACROECONOMIC** and three **INDUSTRY THEMES** that inform our material matters and key risks and opportunities. Importantly, we have considered the social, economic and commercial factors in our operating environment that influence – either positively or negatively – our ability to create value over the short, medium and long term.

MACROECONOMIC THEMES

Each of the five macroeconomic themes discussed below is introduced by a brief assessment of the opportunities or challenges it poses in the specific context in which we operate:

1. **Subdued South African economic growth environment**
2. **Slowing global growth and trade**
3. **Sociopolitical uncertainty and instability**
4. **External shocks**
5. **Monomer and polymer prices**

1 SUBDUED SOUTH AFRICAN ECONOMIC GROWTH ENVIRONMENT

82% of FY23 group revenue came from South Africa, hence the group's performance is linked to that of the South African economy.

Material matters

M1 M2 M6

Resources and relationships affected

Financial capital; Tangible assets; Employees; Other key stakeholder relationships

Risks and opportunities

Macroeconomic environment; Market demand; Infrastructure disruptions

The following five economic indicators illustrate the subdued national growth expectations from 2022 to 2024:

Selected South African economic indicators

	2022	2023	2024
GDP growth	1.9%	0.7%	1.6%
Unemployment rate	33.5%	32.9%	32.8%
Inflation	6.9%	5.8%	4.8%
Interest rate	10.5%	11.8%	11.0%
Average R/USD exchange rate	16.35	18.08	17.53

Note: Reference to calendar years
Source: Absa South Africa Q3 23 Quarterly Perspectives

The economic growth of 1.9% over the 2022 calendar year has placed the South African economy just beyond pre-pandemic levels. Economic growth is, however, expected to slow in 2023 due to infrastructure disruptions and failures related to electricity supply and rail and port logistics, rising inflation and interest rates, and a less favourable global growth environment. Absa economists expect South Africa's GDP growth to improve gradually from 2024, with an average growth of c. 1.8% from 2025 to 2027.

Impact on KAP

Domestic consumer and customer demand softened sharply during 3Q FY23, which was marked by persistent loadshedding at higher levels. This necessitated exports for Safripol and PG Bison, at lower margins, to manage inventory levels and supplement lower domestic demand. The increase in interest rates to contain South Africa's inflation negatively affected our net interest costs by R224 million.
We expect domestic customer and consumer demand to remain under pressure in FY24 and therefore for challenging trading conditions to persist.

OPERATING ENVIRONMENT CONTINUED

SUBDUED SOUTH AFRICAN ECONOMIC GROWTH ENVIRONMENT CONTINUED

Our strategic response

In order to facilitate growth in a subdued market, we are prioritising the below, supported by our principles of value-add, operational excellence, best people and strategic stakeholder relationships:

Local market share gains: Although we have leading market positions in most of our businesses, there is room to capture market share from local competitors and/or importers.

PG Bison: Imports of MDF more than doubled over the past five years, largely due to the shortage of local capacity. Following the commissioning of its MDF plant in July 2024, the division will be able to replace MDF imports. | **Restonic:** The division has an opportunity to increase market share at its retail customers through range extension and demand-creation activities. | **Feltex:** Market share gains can come from selling more components per vehicle, mostly by replacing imported components, and securing work from new models. | **Safripol:** Imports of HDPE, PET and PP are more than 200 000 tonnes per annum, providing scope for the replacement of imports. | **Unitrans:** The division's focus to improve returns may result in market share losses in the near term as it discontinues underperforming activities. | **Optix:** Market penetration of video telematics is small locally, providing Optix with opportunity to grow by increasing penetration.

Growth into export markets: PG Bison and Safripol are able to compete in the export markets due to the nature of their products and global competitiveness.

PG Bison has, until recently, largely supplied the local market due to strong demand. The softening in demand in 2H23 opened capacity to increase exports to sub-Saharan Africa, Australia and select European markets. | **Safripol** supplements local sales with exports in a softer market, although at lower margins. It also has an opportunity to produce recycled and higher value-add polymers for both the local and export markets.

Stakeholder engagement: As part of our business resilience strategy, we engage with government, directly and through participation in various industry bodies, to contribute to and engage on policies that may stimulate growth in key sectors relevant to us.

Cost savings and asset optimisation: Our divisions are driving cost savings, price adjustments to recover cost escalations and improving asset utilisation, including the discontinuation of underperforming activities and disposal of low-return assets.

Read more: Vision, purpose, strategy and values, page 10 Divisional review, page 51

2 SLOWING GLOBAL GROWTH AND TRADE

Where necessary, exports supplement local sales to ensure optimal utilisation of our manufacturing facilities. Until recently, local demand was sufficient to fill or outstrip our capacity. In addition, Feltex's sales volumes (8% of group revenue) are linked to vehicle exports, which rely on consumer demand in Europe and other markets.

Material matters

M2 M6

Resources and relationships affected
Financial capital; Input materials; Other key stakeholder relationships

Risks and opportunities
Macroeconomic environment

The following key global economic indicators illustrate the subdued growth expectations for advanced versus developing economies from 2022 to 2024:

Selected global economic indicators

	2022	2023	2024
GDP growth – advanced economies	2.6%	1.5%	1.4%
GDP growth – emerging market and economies	4.1%	4.0%	4.0%
GDP growth – sub-Saharan Africa	4.0%	3.3%	4.0%
Global trade volume growth (good and services)	5.1%	0.9%	3.5%

Note: Reference to calendar years
Source: International Monetary Fund ('IMF') World Economic Outlook, October 2023

The IMF expects a slowdown in global economic growth in 2023 and 2024, compared to 2022, largely due to a pronounced slowdown in advanced economies with lower resultant global trade volumes. They anticipate that the economic growth of advanced economies will recover post-2024 (average GDP growth of c. 1.9% from 2025 to 2026). The expected slowdown in economic growth is due to the continuing effects of the Covid-19 pandemic, the Russia-Ukraine war, and high levels of inflation and vulnerabilities in the financial sector, aggravated by a rapid escalation in interest rates to contain inflation. The IMF believes that further financial sector stress would pose particular risks to the growth of advanced economies.

OPERATING ENVIRONMENT CONTINUED

SLOWING GLOBAL GROWTH AND TRADE CONTINUED

Impact on KAP*

The softer global growth environment negatively impacted the global demand for polymers in FY23, which contributed to lower polymers margins. In addition, a slowdown in global growth could result in a more challenging export environment for PG Bison and Safripol products, as well as South African vehicle exports (relevant for Feltex).

* *Excludes the impact on South African economic growth, which are factored into the aforementioned South African economic growth numbers and forecasts.*

Our strategic response

In order to facilitate growth in the export market, we are prioritising the below, supported by our principles of value-add, operational excellence, best people and strategic stakeholder relationships:

Global competitiveness: Through our principle of operational excellence, we invest in processes, technology, channels to market, backward integration, sustainable business practices and innovation to deliver high-quality, fit-for-purpose products at the lowest cost to ensure our products are globally competitive.

Increase export market penetration: As our current penetration of the export market is small, we are actively targeting and developing select profitable export markets, beyond our traditional export markets.

Stakeholder engagement: Through our principle of strategic stakeholder relationships and as part of our business resilience strategy, we engage with government, both directly and through our memberships of industry bodies, to support the growth and sustainability in the sectors in which we operate, such as the vehicle assembly sector (relevant for Feltex).

Read more: Vision, purpose, strategy and values, page 10

3 SOCIOPOLITICAL UNCERTAINTY AND INSTABILITY

We employ 18 082 people (permanent and temporary), who are key to our success. We rely on seamless transport to deliver our products to our customers. A stable sociopolitical environment is conducive to economic growth and development.

Material matters

M3 M5 M6

Resources and relationships affected
Financial capital; Tangible assets; Intangible assets; Employees; Other key stakeholder relationships

Risks and opportunities
Political (emerging risk)

The July 2021 civil unrest in South Africa caused significant damage to infrastructure and resulted in the tragic loss of life. However, the financial impact on the group has not been material.

Although an event similar to the July 2021 unrest has not recurred, protests and incidents of unrest continue. According to the Institute of Security Studies, 928 incidents were recorded during the year (FY22: 1 060). Infrastructure and service delivery failures, corruption, rising crime, unemployment and inequality are contributing to the rising discontent of especially underserved communities. Based on the current instability of political coalitions across several municipalities, the potential formation of national political coalitions post-2024 general elections may result in policy uncertainty and hinder the implementation of the structural reforms necessary to address the issues contributing to social unrest.

Impact on KAP

While we did not experience a direct impact in FY23, increased social unrest could affect our and our customers' operations and the safety of our employees and their families.

Our strategic response

Stakeholder engagement: As part of our business resilience strategy, we actively drive community engagement and partner with government to drive socioeconomic change and support critical infrastructure investments in the areas in which our businesses operate. We believe this will reduce the probability and risks associated with social unrest.

Improved security: Also part of our business resilience strategy, we are in the process of strengthening security levels across the group.

Read more: Business resilience strategy, page 30

OPERATING ENVIRONMENT CONTINUED

4 EXTERNAL SHOCKS

The frequency and intensity of external shocks appear to be increasing and have consequently prompted discussions about deglobalisation in the world economy. We source raw materials, used as inputs to produce our products, from local and global suppliers.

Material matters

M1 M3

Resources and relationships affected
Financial capital; Tangible assets; Input materials; Employees; Other key stakeholder relationships

Risks and opportunities
Supply chain

Over the past four years, the global economy has experienced the Covid-19 pandemic and the Russia-Ukraine war (both caused a disruption of global trade, commodity price volatility and escalations), an energy crisis in Europe, and vulnerabilities in the financial sector. According to the World Bank, global macroeconomic shocks are now a major contributing factor to commodity price volatility.

Impact on KAP

Global supply chain disruptions have raised commodity prices and escalated price volatility. We endeavour to pass along commodity price increases to our customers. However, because there is a lag for most of our businesses, it has resulted in margin pressure in FY23.

Commodity price volatility and supply chain disruptions may increase due to supply shocks brought about by external events, such as pandemics, war and extreme weather. Deglobalisation could negatively affect global trade and hence our ability to export, but could also support local manufacturing.

Our strategic response

Raw material sourcing: As part of our business resilience strategy, we are increasing our raw material security, and optimising procurement-to-sales cycles to reduce margin pressure associated with commodity price volatility.

Stakeholder engagement: Also part of our business resilience strategy, we engage with government directly and through participation in various industry bodies to contribute to and engage on policies that may stimulate growth in key sectors relevant to our businesses.

Read more: Business resilience strategy, page 30 Risks and opportunities, page 35

5 MONOMER AND POLYMER PRICES

Safripol contributed 34% of FY23 group revenue. Safripol's monomer and polymer pricing are based on global indices, which are influenced by supply and demand, the oil price and the rand/US dollar exchange rate, which may be volatile and unrelated to domestic market conditions.

Material matters

M2 M3

Resources and relationships affected
Financial capital; Input materials; Other key stakeholder relationships

Risks and opportunities
Exchange rate and commodity margin exposure

Global capacity growth in HDPE, PP and PET is expected to outstrip demand growth over 2023 and 2024, against a backdrop of expected slower global growth. The Energy Information Administration expects Brent crude oil prices, which influence polymer prices, to decrease from c. US$101 per barrel ('bbl') in 2022 to US$88 per bbl in 2024. However, there is uncertainty about global growth, which influences oil demand and pricing.

Impact on KAP

Safripol's polymer margins declined in FY23, relative to the temporary highs of FY22, due to an easing in global supply chains (following the pandemic), increased global polymer capacity and slower global growth, and a return to the extended cyclical low.

Our strategic response

Raw material sourcing: We aim to maintain the procurement-to-sales cycle related to PET at a level where we minimise index mismatches between raw material cost and polymer prices to reduce margin volatility.

Value-add: We are transitioning our sales mix to more durable, higher-specification, higher-margin polymers to beat consistently indexed polymer prices and margins.

Production curtailment: We will mitigate the impact on inventory by reducing production when we are unable to export profitably.

Read more: Risks and opportunities, page 35

OPERATING ENVIRONMENT CONTINUED

INDUSTRY THEMES

Our businesses operate across multiple industries. Three industry themes, discussed below, could have a material effect on specific segments of our business: PG Bison, Restonic, Feltex, Safripol, and Unitrans.

1. South Africa Sector Masterplans
2. Industry fragmentation
3. Environmental sustainability

1 SOUTH AFRICA SECTOR MASTERPLANS

The South African Department of Trade, Industry and Competition has Masterplans – policies aimed at stimulating employment and value chains – in several sectors relevant to our businesses, including Forestry, Furniture, Automotive, Plastics and Transport. The Masterplans are longer-term in nature and, if successfully executed, should support growth in these sectors.

What this means for KAP

Forestry Sector Masterplan: Some of the focus areas of the Masterplan include increased investment in new afforestation and the return of unproductive plantation land to production. PG Bison uses wood fibres to manufacture its products and the increased investment in afforestation will support its access to timber.

Masterplan for the South African Furniture Industry: The primary objectives of the Masterplan are to increase local manufacturing and support demand for locally manufactured, finished furniture. Key focus areas include the replacement of imported finished furniture through the selective use of trade remedies and the investment in the competitiveness of the local industry. PG Bison supplies local furniture manufacturers and Restonic local retailers.

South African Automotive Industry Masterplan 2035 ('SAAM'): The Masterplan endeavours to grow local vehicle production to 1% of global production, increase local content in locally assembled vehicles, implement a transition to the localisation of new energy vehicles (NEVs) and components, implement measures to retain and grow global export market share post-2025, and develop regional markets. Feltex is a key supplier of vehicle components to local OEMs.

Plastics Masterplan: The Masterplan broadly targets increased localisation, increased recycling, a reduction in plastics waste, replacement of imports, development of exports markets, and supporting the competitiveness of local manufactures. Safripol supplies polymers to local plastics converters.

The National Transport Masterplan 2050: The Masterplan is a framework for the implementation of a comprehensive, multi-modal and integrated road transport strategy. Its primary objectives include providing an improved and appropriately funded public transport system, improved mobility options for commuters and the implementation of technology to improve road safety standards, compliance and road infrastructure. Unitrans' passenger transport business provides commuter transport and most of its businesses are involved in road transport.

2 INDUSTRY FRAGMENTATION

The furniture manufacturing, retail and road logistics industries relevant to some of our businesses are fragmenting with a shift in spending from formal to informal markets and an increase in smaller, independent companies competing against larger, brand-affiliated companies noticeable.

What this means for KAP

Increased fragmentation in the furniture manufacturing industry is positive for PG Bison. Together with its consumer demand activation, customer enablement activities and presence in the informal markets, the division provides opportunities to extract growth from South Africa's formal and informal markets.

Restonic may lose market share if its customers in the furniture retail industry lose sales volumes due to increased fragmentation. Restonic does not currently have a direct presence in the informal markets. However, it is actively exploring the channel to market to ensure that it remains relevant in a fragmenting market.

Unitrans' ability to compete and earn adequate returns in certain market segments has significantly eroded due to increased fragmentation in these segments. This has contributed to the restructuring and rightsizing of the business which commenced during the year.

OPERATING ENVIRONMENT CONTINUED

3 ENVIRONMENTAL SUSTAINABILITY

As awareness of the impact of human activity and consumption patterns on the planet continues to grow, consumers may seek more products that are sustainably produced and/or recyclable. In addition, globally, governments are implementing policies to promote environmental sustainability, such as green taxes on harmful activities, new environmental standards and loans or grants for green investments.

What this means for KAP

While environmental sustainability is relevant to all our divisions, and integrated in their operational strategies to deliver lowest cost products and/or services, they also have exposure to certain current sustainability trends, as summarised below:

PG Bison: PG Bison's plantations absorb carbon while the wood-based panels it produces store carbon permanently. PG Bison should therefore benefit as demand for more sustainable building materials and furniture, which use less waste and are recyclable, increases.

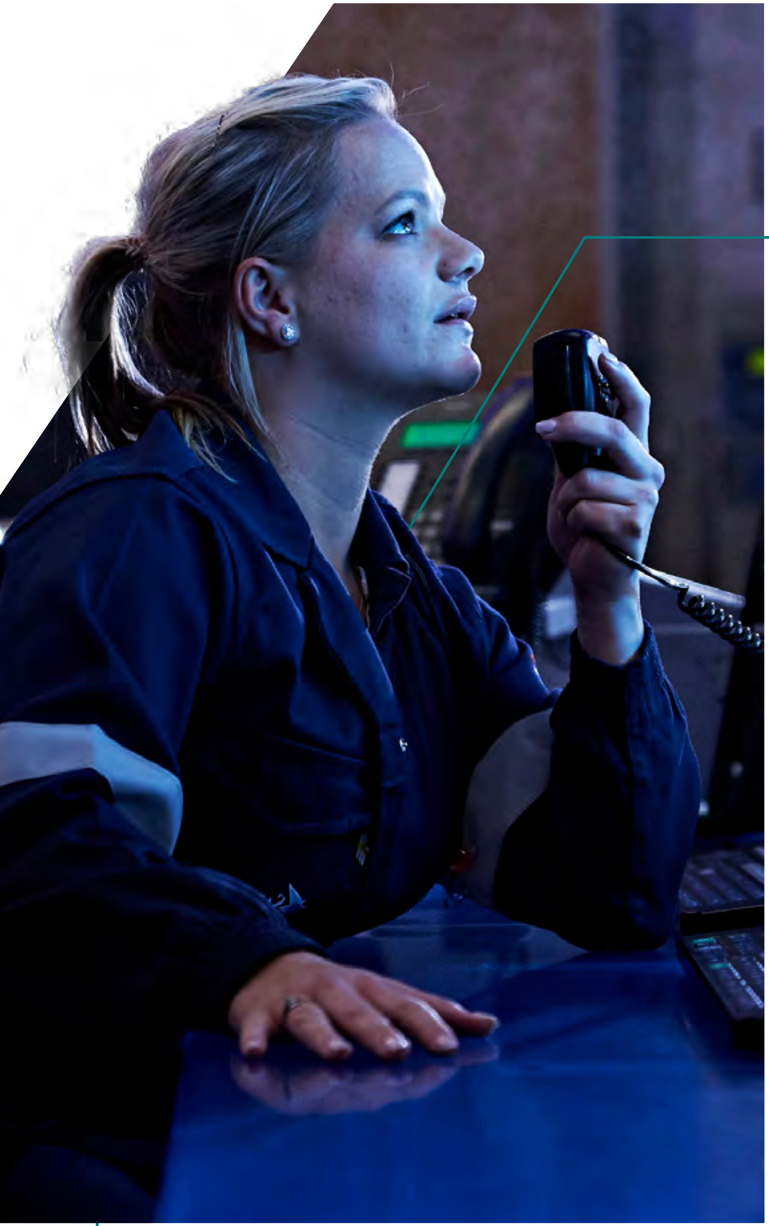
Safripol: About 60% of Safripol's total production of polymers is used to produce packaging for the food sector. The remaining 40% is largely used to produce durable goods for the infrastructure and industrial sectors. Consumers may choose to reduce their use of plastic packaging, particularly that which is non-recyclable. Safripol's 'Let's plastic responsibly' campaign educates consumers about the value and responsible use of plastic. Additionally, Safripol is increasing its production of polymers that contain post-consumer recycled content; it currently produces two rPET grades, which contains either 15% or 25% recycled PET (ASPIRE® 15 and 25 grades). Safripol's rPET grades have been approved for food-grade applications by the Fraunhofer Institute in Germany. Safripol is also making progress in establishing strategic partnerships to enable the marketing and production of rHDPE and rPP.

Feltex: The global automotive industry will invest US$515 billion* to facilitate the transition to NEVs and support decarbonisation of the industry. Due to the increased requirements for noise cancellation, NEVs could result in increased demand for Feltex's products. Conversely, there is a risk that South African OEMs may lose some exports due to Euro 7 emission standards and regulation to ban internal combustion engines in Europe. However, indications are that the latter may be relaxed. We are engaging with government directly and through industry bodies on the policy framework to stimulate local NEV demand and investment.

Unitrans: Freight transportation makes up c. 8% of global GHG emissions^ and therefore has an important role to play in reducing emissions. Unitrans is the largest emitter of GHG emissions in the group due to the diesel used in its transportation activities. Unitrans is working on a number of initiatives to reduce its emissions, including the incorporation of buses that use compressed natural gas, and the deployment of automated route planning and technology that promotes fuel-efficient driving.

* *Source: Automotive Business Council ('NAAMSA')*
^ *Source: Massachusetts Institute of Technology Supply Chain Initiative*

BUSINESS RESILIENCE STRATEGY



Our business resilience strategy was developed in response to the increasingly volatile global and local operating environment. It comprises seven elements: government partnership and industry leadership, business retention and expansion ('BRE'), community engagement, security, energy, water and raw materials.

1. **Government partnership and industry leadership:** We take an active leadership position in the industries in which we operate and collaborate with government to drive socioeconomic change to support the delivery of our strategic priorities.
2. **BRE programme:** Some of our manufacturing operations are located in communities with poor municipal infrastructure. This affects our ability to operate efficiently, attract new talent and improve the quality of life of the communities and our employees who reside there. Through the BRE programme, we partner with municipalities to improve issues relating to socioeconomic development.
3. **Community engagement:** Our community engagement framework enables our businesses to strengthen engagement with communities, proactively manage community relations, and address issues raised by community members. Strong relationships with our communities mitigate potential community unrest close to our operations.
4. **Security:** We have launched an independent security review of our sites to identify potential gaps in our group security levels. In addition, we plan to participate in security partnerships with community structures and local government to improve security levels in communities in which our businesses operate.
5. **Energy strategy:** Our energy strategy is aimed at reducing consumption, mitigating interruptions and non-supply, self-generation, cogeneration and storage. Our first major self-generation project, a 10MWp PV plant, was commissioned in June 2023 at the Safripol Sasolburg site. We have commenced with the construction of two additional PV plants, one at PG Bison Boksburg and another at PG Bison Mkhondo.
6. **Water strategy:** Our water strategy is aimed at optimising consumption and mitigating interruptions and non-supply.
7. **Raw material security:** Our operations have embarked on a process to ensure sustainability of raw material supply. It includes an assessment of the sustainability of current suppliers, investigating a broader supplier base to reduce concentration risk and maintaining strategic inventory.

STAKEHOLDER ENGAGEMENT

Sustainable value creation is influenced by the successful engagement with our key stakeholders at both group and divisional level. We aim to improve continuously our relationships with them by engaging with them on a proactive and consistent basis, to identify key areas of interest and concern. The social and ethics committee, which supports our board in fulfilling its governance role, oversees stakeholder engagement across the group.

The following stakeholder groups have been identified as key to the group based on their influence on us and our impact on them:

- **Investors, shareholders and debt providers**
- **Employees and trade unions**
- **Suppliers and service providers**
- **Customers and consumers**
- **Communities and society**
- **Government, regulators and industry bodies**

SELF-ASSESSMENT OF OUR LEVEL OF ENGAGEMENT

H **HIGH:** We inform stakeholders about relevant matters pertaining to the group and, through regular two-way engagement, consult with them on key areas of interest to the group. We endeavour to address their concerns and/or meet their legitimate needs, and collaborate with them to develop solutions that are mutually beneficial.

M **MEDIUM:** We inform stakeholders about relevant matters pertaining to the group and, through regular two-way engagement, consult with them on key areas of interest to the group. We endeavour to address their concerns and/or meet their legitimate needs.

L **LOW:** We inform stakeholders about relevant matters pertaining to the group, primarily through general communications, but have minimal two-way engagement with them.

INVESTORS, SHAREHOLDERS AND DEBT PROVIDERS

LEVEL OF ENGAGEMENT H

Why we engage

We engage to understand their expectations and concerns, ensure we are transparent and clear in our communications and reporting, and enhance trust in our business. We believe this will improve our access to capital.

How we engage

- Annual and interim results presentations
- Annual general meeting ('AGM')
- Annual integrated report
- Broker and industry conferences and events
- JSE Stock Exchange News Service ('SENS') announcements
- KAP website
- One-on-one meetings with KAP executive management
- Perception surveys
- Site visits

Areas of interest and our response

Focus areas and topics of interest

- Balance sheet resilience
- Capital allocation priorities
- Share price performance
- Earnings and returns improvement potential
- Sustainability
- Remuneration

Our response

» We are optimising our portfolio by reallocating capital from low-return businesses and activities to higher-return businesses and activities.
» We have curtailed non-essential capital expenditure to increase our balance sheet resilience in an uncertain macroeconomic environment.
» We continue to improve our market communications and disclosure.
» We hosted our first site visit to the PG Bison Mkhondo site in FY23.
» We have appointed a sustainability executive to drive our sustainability efforts.
» We have engaged with dissenting shareholders that voted against our FY22 remuneration policy and/or implementation report.

STAKEHOLDER ENGAGEMENT CONTINUED

EMPLOYEES AND TRADE UNIONS

LEVEL OF ENGAGEMENT **H**

Why we engage

Our employees are integral to the implementation of our strategy. We engage with them to identify areas of concern, to build trust, to create a sense of belonging and shared purpose, and to build our desired organisational culture.

How we engage

- Employee climate surveys
- Employment equity forums
- Meetings between employees and line managers
- Trade union interaction in our operations and through industry bargaining councils
- CEO webcasts and engagement forums
- Performance reviews and exit interviews
- Independently managed 24/7 confidential KAPREF reporting hotline

Areas of interest and our response

Focus areas and topics of interest

- Diversity and inclusion
- Employee engagement and culture
- Health, safety and mental well-being
- Personal development and career growth
- Role clarity and alignment
- Succession planning and leadership development

Our response

» Our human capital strategy prioritises our values and culture, leadership and succession, role/personal strength profile alignment, diversity and inclusion.

» We have set targets for B-BBEE, employment equity, and health and safety, and we measure management against their delivery on these.

» We have embarked on a process to implement a wellness programme across the group.

» We provide apprenticeships, learnerships, technical skills training and leadership development programmes for our employees.

SUPPLIERS AND SERVICE PROVIDERS

LEVEL OF ENGAGEMENT **M**

Why we engage

Our suppliers contribute to the sustainability of our businesses. By engaging with our suppliers, we build trust and provide opportunities to develop innovative ideas that benefit not only our business, but also society.

How we engage

- Collaboration on product innovation and development
- Communication of our supplier code of conduct
- Meetings with procurement teams
- Service-level agreement ('SLA') monitoring
- Service delivery feedback

Areas of interest and our response

Focus areas and topics of interest

- Quality and sustainability of raw material supply
- Cost savings
- Diversity and inclusion
- Environmental footprint

Our response

» We regularly review supplier SLAs and costings.

» We have various supplier development initiatives in place, including unsecured loans and operational support.

» We have widened our suppliers of raw materials.

STAKEHOLDER ENGAGEMENT CONTINUED

CUSTOMERS AND CONSUMERS

LEVEL OF ENGAGEMENT **H**

Why we engage

We believe that our success is dependent on the success and growth of our customers. As a key supplier to many industries, we believe we have a responsibility to innovate continuously and remain competitive in order to support sustainably the growth of our customers and their industries.

How we engage

- Customer and consumer training
- Digital communications and marketing campaigns
- Meetings between sales teams and direct or indirect customers
- Workshops and events

Areas of interest and our response

Focus areas and topics of interest

- Market and product development
- Operational execution to support industry sectors
- Differentiation and quality of our products and services
- Impact of loadshedding on our customers' operations
- Responsibility as the largest supplier in certain sectors
- Sustainability and growth of our customers' industries and operations

Our response

» We develop and invest in our products to meet our customers' needs.
» We hold annual competition law training for sales and senior executives.
» We invest in the latest technologies to ensure that we offer competitive products and solutions.
» We participate actively in industry forums to facilitate industry growth.
» We create and promote market-leading brands.
» We strive to create sustainable products.

COMMUNITIES AND SOCIETY

LEVEL OF ENGAGEMENT **M**

Why we engage

We acknowledge that, in order to ensure our sustainability, we have a responsibility to engage positively with the communities and environment in which we operate. We are committed to making a positive impact on society with regular, proactive engagements to help us achieve this goal.

How we engage

- Community forums
- Community liaisons
- Municipality local economic development forums
- Community outreach programmes
- Employee forums (most of our employees are members of communities)

Areas of interest and our response

Focus areas and topics of interest

- Education in communities
- Enterprise and supplier development ('ESD')
- Impact of waste on communities and society
- Initiatives to support critical municipal infrastructure
- Sustainability, health and well-being of communities

Our response

» We offer learnerships, training and development programmes to the community.
» We fund several school and university programmes.
» We implement several ESD initiatives and support local businesses.
» We promote the responsible use of plastics and participate in waste clean-up initiatives.
» We work actively to minimise our environmental footprint.
» We work with several government departments, associations and local municipalities in areas where our businesses operate to support critical municipal infrastructure maintenance and investment.
» We work with recognised non-governmental and non-profit organisations ('NPOs') and educators to implement SED plans to support education and nutrition initiatives.

STAKEHOLDER ENGAGEMENT CONTINUED

GOVERNMENT, REGULATORS AND INDUSTRY BODIES

LEVEL OF ENGAGEMENT **H**

Why we engage

It is important for us to work with government and regulators, both directly and through industry bodies, to participate in conversations that shape continental, regional and national trade and industrial policy outcomes to support our strategy.

How we engage

- Membership of relevant industry bodies and associations with several KAP and divisional executives serving on the boards of some of these to provide thought leadership
- Direct meetings with various government departments and regulatory bodies, including the National Treasury, the dtic[1], DAFF[2], CoGTA[3], SALGA[4] and local municipalities in areas where our businesses operate
- Through participation at government-organised summits and events
- Industry events

Areas of interest and our response

Focus areas and topics of interest

- Promoting and supporting growth in the sectors in which we operate
- Compliance with regulations relevant to our various businesses
- Infrastructure disruptions and failures

Our response

» Our membership of the relevant industry bodies and associations enables us to:
  – participate in various Sector Masterplans to facilitate the achievement of the government's industrialisation strategy and trade policy objectives; and
  – support the implementation of South Africa's climate strategy and environmental and waste management legislation.

» We work with several government departments, associations and local municipalities in the areas where our businesses operate to support critical municipal infrastructure maintenance and investment.

» Our government relations strategy enhances our interactions with government and regulatory institutions.

» We are fully compliant with applicable legislation.

1 *Department of Trade, Industry and Competition*
2 *Department of Agriculture, Land Reform and Rural development*
3 *Department of Cooperative Governance and Traditional Affairs*
4 *South African Local Government Association*

RISKS AND OPPORTUNITIES

Risks are those events that influence our ability to deliver on our strategy to create sustainable, value-accretive growth for our stakeholders. Some of these risks also present us with opportunities to grow our market share, strengthen stakeholder relationships and pursue new growth avenues. As we report only our material strategic risks, some of these risks feature under our material matters themes.

RISK MANAGEMENT APPROACH

Our objectives with regard to risk management are to:

- identify and manage all material risks that may prevent the group from achieving our value-creation objectives through prevention, mitigation and effective risk treatment;
- detect and rectify any weaknesses in our control environment designed to avoid risk; and
- create a culture of risk-intelligent decision-making.

We address risk management in the group through our governance framework, as reported through this integrated report, the corporate governance report, and the audit and risk committee report in the AFS, which is available on our website. Ultimately, the board is accountable for risk management, sets the risk management policy, and determines risk tolerance and appetite levels. The audit and risk committee oversees the ongoing governance of risk management, which includes processes to ensure the effectiveness of risk management within the group.

We set the policy and methodology for risk management centrally, with divisional management responsible for the implementation. We monitor their compliance with risk tolerance and appetite and the effectiveness of their implementation of the risk management framework through our governance structures and the use of our combined assurance framework.

Risk tolerance: The boundaries of risk-taking beyond which the group is not prepared to venture to deliver on its strategy.
Risk appetite: The amount and type of risks the group is willing to pursue or accept given the current context of the organisation.

Below is an update on the group's risk management maturity improvement journey:

Focus areas	Comment
FY23 priorities update	
Increase risk management visibility in management structures	Progress has been made in the use of risk management data to steer discussions at various group management forums
Apply updated risk tolerance and appetite levels at a divisional level	The concepts of risk tolerance and appetite are well established and applied in all forums where risk data is reported
Improve the quality of risk management data and reporting	Significant progress has been made in the quality and completeness of risk registers and reports
Embed risk management in the strategy-setting process	The annual divisional strategy updates are stress-tested by means of a risk assessment and any risks emanating from strategic plans are included in the overall risk landscape for each division
Develop business resilience capabilities	Major resilience programmes have been implemented, most notably in the areas of energy security and IT

Focus areas	Comment
FY24 priorities*	
Further improve group resilience capabilities	The FY23 work will continue with the scope of resilience work widening to include water, gas and physical security
Improve risk scanning capabilities to respond to emerging risks earlier	Continuous scanning across industry, peer group companies and both the local and global economic environment enables proactive rather than reactive risk responses
Improve combined assurance mapping to better identify areas of risk where assurance on key mitigating controls can be improved	Work has commenced and is expected to mature over the year ahead
Implement additional assurance programmes on controls for key risks	This will be undertaken in conjunction with current assurance providers including internal and external audit
Maintain focus on improving operational risk management and control environment	Work in this area is also crucial in securing the sustainability of the group's insurance programmes

* *The list above highlights a number of focus areas. However, work to increase the group's overall risk management maturity is done continually across all aspects of the risk management framework.*

RISK TRANSFER AND INSURANCE

We maintain an insurance programme, including a degree of self-insurance, which provides financial protection against unwanted and unforeseen events that could result in material financial loss. The insurance programme includes an operational risk mitigation programme to avoid and minimise losses.

RISKS AND OPPORTUNITIES CONTINUED

RISK IMPACT SCALE

Insignificant | Minor | Moderate | Major | Severe

GROUP RISKS AND OPPORTUNITIES

Our risks and opportunities are similar to the prior year, with an added risk related to increased balance sheet debt and cost of debt and domestic polymer market demand.

We note the trend in these risks, which indicates whether either the likelihood or severity of the risk is increasing, decreasing or unchanged compared with the prior year. Our risk impact scale indicates the risk issues impact on our ability to deliver on our strategic objectives.

External risks

MACROECONOMIC ENVIRONMENT

MAJOR IMPACT TREND Δ

Opportunities to create value: A favourable cost positioning and differentiated products and services support market share gains. Increased exports expand our international footprint and could support longer-term growth.

M2 Growth in a subdued macroeconomic environment

Our businesses earn 82% of their revenue from South Africa, which has a challenging economic growth outlook, as discussed under Operating environment, page 24.

Response and risk mitigation areas

- Our divisional strategies target a low-cost position through investment in processes, technology and business innovation.
- Our divisions' sales mix includes value-added products and services (differentiation).
- PG Bison and Safripol export products (although at lower margins) to selected markets to supplement local demand and ensure their manufacturing facilities are utilised optimally.
- We have a government relations and policy advocacy strategy, and engage both directly with government and through participation in various industry bodies, to contribute to and engage on policies that may stimulate growth in key sectors.

INFRASTRUCTURE FAILURES

MAJOR IMPACT TREND Δ

Opportunities to create value: Through our actions, we can strengthen community, government and employee relations, revive rural communities and support a future talent pool. Being a reliable local supplier entrenches our position with our customers, which supports market share gains. Self-generation provides us with a high-return capital allocation opportunity.

M3 Business resilience

Deteriorating national and municipal infrastructure related to electricity, water, roads and telecommunications in areas in which we have significant operations poses a risk to the continued successful operation of our businesses, our ability to attract talent to these areas and, in some instances, the quality of life of our employees.

To date, the most material of the above issues has been electricity supply. While our large manufacturing sites procure electricity with curtailment arrangements from Eskom or municipalities (which provides us with the flexibility to reduce consumption without being cut off completely), repeated short-notice disruptions of electricity supply result in business interruptions, which not only affect our ability to produce products and supply our customers, but also increase wear and tear of our equipment. In addition, our customers' ability to operate becomes severely constrained at higher loadshedding stages.

Response and risk mitigation areas

- We work with several government departments, associations and local municipalities in areas where our businesses operate to support the provision of basic municipal services, maintenance of existing infrastructure and investment in new bulk infrastructure.
- We are implementing an energy strategy that aims to mitigate supply risks and future cost escalations, reduce consumption and allow us to become energy independent to ensure sustainability of our operations.
- We have completed a 10 MWp PV plant at Safripol Sasolburg and commenced with the construction of a 5 MWp PV plant at PG Bison Boksburg and the phased construction of a 11 MWp PV plant at PG Bison Mkhondo.
- We are evaluating several other projects that, together with the above projects, could provide self-generation of c. 50% of our current peak electrical energy demand by 2026.

RISKS AND OPPORTUNITIES CONTINUED

RISK IMPACT SCALE
Insignificant | Minor | Moderate | Major | Severe

SUPPLY CHAIN

MODERATE IMPACT TREND ⊳

Opportunities to create value: Being a reliable local supplier against the backdrop of a volatile supply chain entrenches our position with our customers and supports market share gains. Reviewing and widening our supplier base also provides opportunities for cost savings.

M3 Business resilience

We have material concentration risk emanating from dependence on and potential disruptions of key supplies of raw materials. Local and international geopolitical, environmental, social and economic events have the potential to exacerbate the risk to supply chains of not only our divisions' manufacturing processes but also those of key divisional customers. Disruptions at key logistical points like Durban harbour and deteriorating conditions for inland transport by both road and rail are additional sources of supply chain risk.

Response and risk mitigation areas

- We are implementing business development initiatives to broaden our supplier base and lessen dependence on key contracts, while also pursuing contract negotiations to ensure the security of key raw materials.
- We hold strategic raw material inventory to mitigate potential shortages that may arise due to supply chain disruptions to ensure our plants operate without interruptions.

INCREASED BALANCE SHEET DEBT AND COST OF DEBT

MODERATE IMPACT TREND Δ

Opportunities to create value: Lowering our debt levels will reduce our balance sheet risk in an uncertain and volatile environment, lower our net finance costs, positively impact earnings, and create balance sheet flexibility to capitalise on value-accretive investment opportunities.

M1 M3 Allocating capital effectively and improving returns; Business resilience

South Africa's prime interest rate has increased by 350 basis points over the financial year, which has increased our net finance costs by 59% from the prior year. The group's net interest-bearing debt also increased by R568 million to R8 billion due to lower earnings and capital expenditure to complete committed expansion projects. Interest rates are expected to remain at higher levels over the near term.

Response and risk mitigation areas

- We are focused on the execution of major capital expansion projects that, once commissioned, will support cash flow generation.
- We are targeting cost savings across the group.
- We are curtailing non-essential capital expenditure and optimising utilisation of existing assets, which includes disposing of low-return assets.
- We are optimising working capital monthly by managing inventory, debtors' and suppliers' terms.
- We are pursuing the finalisation and collection of outstanding insurance claims.

RISKS AND OPPORTUNITIES CONTINUED

Operational risks

Operational risks are identified, analysed and managed by divisional management using the enterprise risk management framework. The following risks, emanating from our divisional risk registers, are material at group level:

PG Bison

Project execution

The delivery of the Mkhondo MDF expansion project on time and within budget.

Controls

- The division has a strong project management team with a solid execution track record.
- Project risk management principles are well entrenched in the division's daily operations with a continuous focus on securing the necessary infrastructure and utility supply and successful delivery and installation of equipment.
- Further focus areas include the employment and training of key production and technical employees and community liaison.

Significant forest fires

There is a risk of severe damage to the division's forestry assets from fires caused by either extreme weather conditions or arson.

Controls

- The division invests in fire detection and firefighting capabilities and implements and operates standard forestry fire prevention practices.
- The standing timber is insured.
- As there is a risk of reduced availability of raw materials in the short term due to a significant fire, the division continues to look for opportunities to increase its resource base.
- The division invests in community relations and education initiatives related to forest fires.

Safripol

Failure of key raw material supply

The division procures ethylene and propylene from a single supplier.

Controls

- Ethylene and propylene are contractually secured on a long-term (evergreen) basis.
- Raw materials are procured from more than one source where possible.
- Business interruption insurance is maintained.

Exchange rate and commodity margin exposure

Prices of key raw materials and polymer products are impacted by global commodity prices and fluctuating supply and demand, which make the industry cyclical. Furthermore, prices are determined in US dollars, which expose the division's margins to exchange rate risk.

Controls

- The division does not hedge this exposure.
- Risk is managed by optimising key raw material procurement, minimising the procurement-to-sales cycle, and increasing value-add by selling more durable and non-commodity grades.
- The division's ethylene and propylene supply contracts moderate an element of the cyclicality in margins.
- Diversification of risk is provided by the product mix of the three polymers and four primary raw materials.

Market demand

Softer domestic demand may result in the division exporting polymer products, at reduced margins, to ensure optimal utilisation of the plants. There is a risk that export markets may be unprofitable due to global polymer pricing dynamics.

Controls

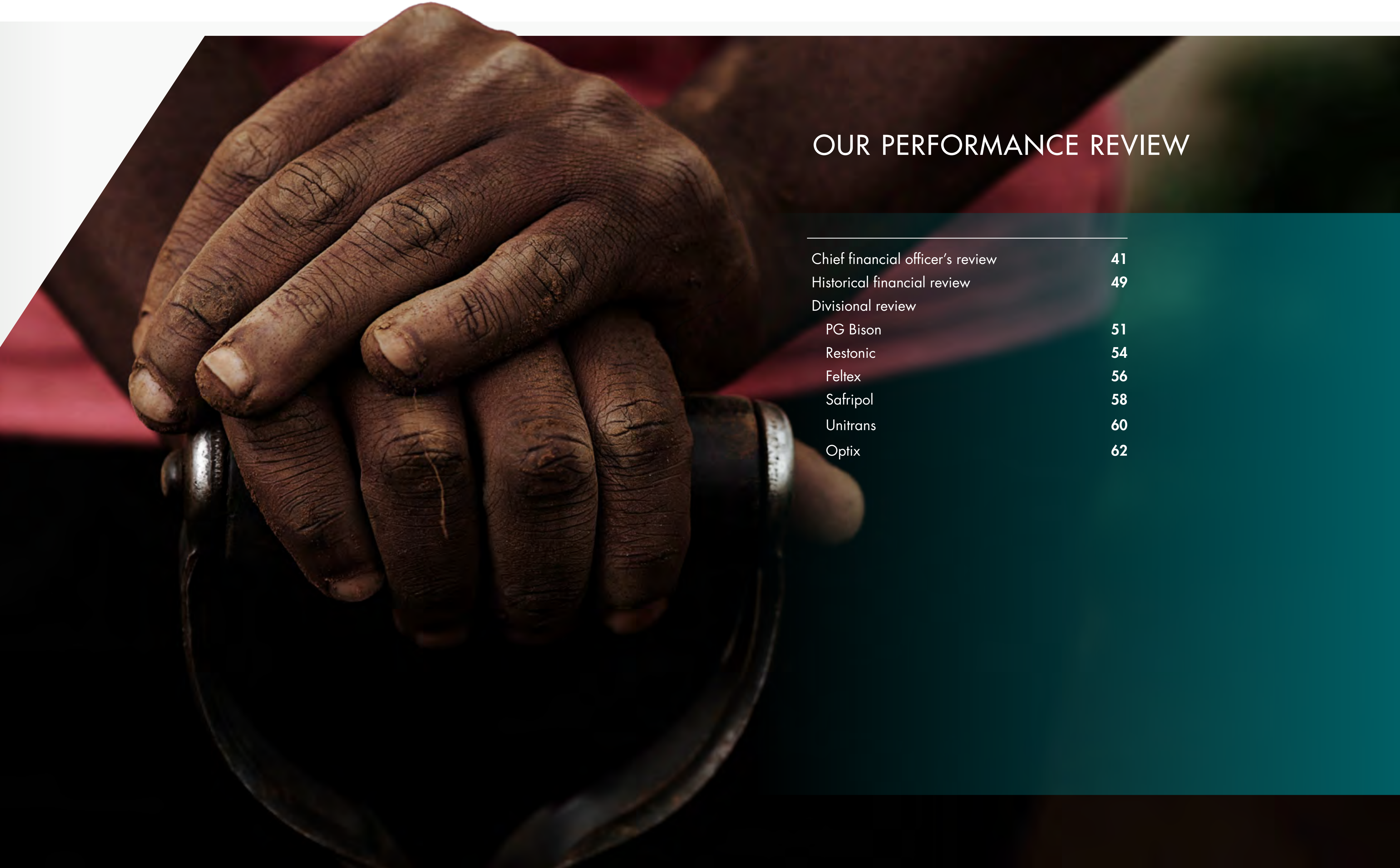
- Inventory levels are managed in line with domestic and export demand conditions to avoid inventory build and the losses incurred on short-notice exports in the current year, which were required to turn excess inventory.
- Should the division not be able to export profitably, production will be lowered to minimum utilisation levels, with commercial shutdowns if necessary.

RISKS AND OPPORTUNITIES CONTINUED

Emerging risks

The following are seen as emerging risks within our operating environment. While these risks do not yet have a material impact on the group, there is a possibility that they may in future. We are therefore monitoring these closely:

Water security	Natural gas security	Key raw materials	Climate change	Political risk	Organised crime
There have been no major production disruptions due to water interruptions or the water quality provided by the various municipalities and water authorities thus far. However, this remains a risk that is being actively monitored.	In addition to water and electricity, the group uses a variety of other utilities in its production processes. One of the most critical to production is natural gas for process heating. Natural gas is mostly sourced from a single source or single supplier. It is estimated that constraints on future supply may result in alternative sources for process heating and/or significant increases in natural gas prices.	Our plants are dependent on key raw materials that are, in some cases, sourced from single, critical regional suppliers. Should these suppliers transition their business models, it would have implications for the availability of key raw materials in future.	Our operations and employees are at risk of being directly impacted by climate change-induced events such as extreme weather, wildfires, water constraints and increased temperatures. These may also affect our customers and suppliers. In addition, we are at risk of being impacted indirectly by climate change through potential increases in carbon taxes and the potential legislation of net-zero targets.	The increase in coalitions in local and, possibly, national government post-2024 general elections, may increase existing political instability and ineffectiveness of government policy determination. We manage this risk by engaging with government directly and through our membership of the relevant industry bodies to facilitate growth in the sectors in which we operate and address business-critical issues, such as infrastructure disruptions and failures.	South Africa is affected by pockets of seemingly uncontrolled organised crime in certain economic sectors such as construction and the minibus taxi industry. These developments, as well as government efforts to address the problem, are closely monitored for potential spillover into other sectors of the economy, most notably transport.



OUR PERFORMANCE REVIEW

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CHIEF FINANCIAL OFFICER'S REVIEW

'We are focused on reducing net debt in the current operating environment.'

Frans Olivier
Chief financial officer

INTRODUCTION

During the past year, the South African operating environment was characterised by rising interest rates and inflation, subdued consumer confidence and continued infrastructure disruptions, including increased levels of electricity loadshedding. These factors affected the group's performance during the year in the following ways:

- lower domestic sales volumes, as the frequency of loadshedding beyond Stage 4 contributed to lower customer and consumer demand;
- increased export sales at lower margins required to normalise inventories;
- equipment damage due to unplanned infrastructure disruptions; and
- increased finance costs.

Following the record result achieved in the previous year, the group delivered a lower result for FY23, with improved performances from PG Bison, Restonic and Feltex being insufficient to offset lower performances from Safripol and Unitrans.

Revenue increased by 6% to R29.6 billion, with price increases adequately offsetting raw material cost escalations. EBITDA decreased by 11% to R3.9 billion, while operating profit before capital items decreased by 19% to R2.4 billion.

HEPS declined by 43% to 42.7 cents, primarily due to the decline in operating profit before capital items and a 59% increase in net finance costs relating mainly to higher interest rates. Earnings per share, from continuing operations, declined by 76% to 16.7 cents, largely due to a R570 million non-cash impairment of Unitrans' intangible assets, net of taxation.

Cash flow from operations decreased by 5% with a lower investment in working capital partly offsetting the reduced EBITDA. The elevated working capital levels reported at 31 December 2022 were corrected in the second half to 30 June 2023 with R2.2 billion being released. Net interest-bearing debt increased by R568 million to R8 billion, largely due to lower earnings and capital expenditure to complete committed expansion projects. The group remained within its financial covenant ratios during the year.

While we expect the trading environment to remain challenging over the near term, we are confident that the diversity, scale and positioning of the group will continue to prove resilient. We have made significant progress during the year in rationalising and restructuring underperforming activities and operations, which are not yet fully reflected in the results. Further benefit from this is expected in FY24. We anticipate that this, together with the completion of our major capital projects and our initiatives to outperform the sectors in which we operate, will support improved returns and a reduction in debt from FY25.

Key metrics from continuing operations	FY23	FY22	% change
Revenue (Rm)	29 628	27 979	6
EBITDA (Rm)	3 864	4 340	(11)
Operating profit before capital items (Rm)	2 367	2 936	(19)
Headline earnings (Rm)	1 056	1 851	(43)
Headline earnings per share (cents)	42.7	74.4	(43)
Basic earnings per share (cents)	16.7	70.3	(76)
Cash generated from operations (Rm)	3 889	4 081	(5)
Free cash flow before dividends (Rm)	308	22	> 100

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

FINANCIAL PERFORMANCE

Revenue from continuing operations increased by 6% to R29 628 million (FY22: R27 979 million). All divisions increased revenue, as illustrated below:

Revenue	Year ended 30 Jun 2023 Audited Rm	Year ended 30 Jun 2022 Audited Rm	% change
Diversified industrial	9 235	8 259	12
PG Bison	5 349	4 876	10
Restonic	1 632	1 612	1
Feltex	2 301	1 809	27
Interdivisional eliminations	(47)	(38)	
Diversified chemical	10 310	10 120	2
Safripol	10 310	10 120	2
Diversified logistics	10 052	9 757	3
Unitrans South Africa	5 383	5 754	(6)
Unitrans Africa	2 433	2 147	13
Unitrans Passenger	2 271	1 895	20
Interdivisional eliminations	(35)	(39)	
Road safety	523	242	> 100
Optix	523	242	> 100
	30 120	28 378	6
Intersegmental eliminations	(492)	(399)	
	29 628	27 979	6

EBITDA from continuing operations decreased by 11% to R3 864 million (FY22: R4 340 million). Operating profit before capital items from continuing operations decreased by 19% to R2 367 million (FY22: R2 936 million) and operating margin decreased to 8.0% (FY22: 10.5%). The operating profit and margin performance were mainly due to Safripol returning to a guided through-the-cycle margin range and Unitrans performing lower than the prior year. This is reflected as follows:

Operating profit and margin %	Year ended 30 Jun 2023 Audited Rm	30 Jun 2023 margin %	Year ended 30 Jun 2022 Audited Rm	30 Jun 2022 margin %	Operating profit change %	Margin change %
Diversified industrial	1 225	13.3	936	11.3	31	2.0
PG Bison	933	17.4	831	17.0	12	0.4
Restonic	81	5.0	69	4.3	17	0.7
Feltex	211	9.2	36	2.0	> 100	7.2
Diversified chemical	764	7.4	1 400	13.8	(45)	(6.4)
Safripol	764	7.4	1 400	13.8	(45)	(6.4)
Diversified logistics	385	3.8	578	5.9	(33)	(2.1)
Unitrans South Africa	146	2.7	382	6.6	(62)	(3.9)
Unitrans Africa	29	1.2	48	2.2	(40)	(1.0)
Unitrans Passenger	210	9.2	148	7.8	42	1.4
Road safety	(7)	(1.3)	22	9.1	(> 100)	(10.4)
Optix	(7)	(1.3)	22	9.1	(> 100)	(10.4)
	2 367	8.0	2 936	10.5	(19)	(2.5)

The operating profit includes R343 million in insurance income, of which R178 million related to the business interruption caused by the KwaZulu-Natal floods in April 2022 and R148 million related to plant stoppages at Safripol Durban in January and February 2022. Safripol, Feltex and Unitrans South Africa recognised insurance income in relation to these events amounting to R216 million, R80 million and R30 million respectively in the year. The claims relating to the major equipment failure at the Safripol Durban plant during the year and the flooding in Mozambique are being quantified for insurance purposes and are expected to be finalised in FY24.

Safripol's operating profit for the prior year included R91 million related to retrospective ethylene price adjustments applicable to FY21.

The Unitrans South Africa revenue and operating profit include R18 million in relation to a R125 million early termination penalty on a major food retail contract. The remaining R107 million of the penalty was recognised in 2H22.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Capital items from continuing operations of R816 million (FY22: R109 million) are made up as follows:

Capital items	Unitrans Rm	Other Rm	FY23 Gross Rm	FY23 Net* Rm
Impairments	787	26	813	641
Goodwill	51	–	51	51
Intangible assets	662	3	665	521
Property, plant and equipment	74	23	97	69
Loss on disposal of property, plant and equipment	38	10	48	35
Insurance income	(28)	(17)	(45)	(34)
Total capital items	797	19	816	642

* *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. Impairments mainly comprise a R713 million impairment of trademarks and goodwill relating to the Unitrans division. This is the result of the muted outlook for South Africa's economic growth, structural changes in the South African logistics industry, the loss of a major food contract and the resultant decline in Unitrans' performance. In addition, in terms of the above-mentioned rationalisation process taking place in Unitrans, involving the closure of underperforming operations and contracts and the disposal of related assets, Unitrans impaired affected logistics assets by R74 million.

The prior year's impairment comprises mainly an R80 million impairment of goodwill relating to the Maxe business unit, which forms part of the Feltex division.

The effective tax rate from continuing operations of 38.9% (FY22: 24.6%) was elevated due to the impairments of R704 million (trademarks of R653 million and goodwill of R51 million) which are not tax deductible. The tax rate was also impacted by the reduction in the South African corporate taxation rate from 28% to 27% in the current year.

Headline earnings per share from continuing operations decreased by 43% to 42.7 cents (FY22: 74.4 cents) and adjusted HEPS decreased by 32% to 42.2 cents (FY22: 62.3 cents) after taking into account material and non-trading items which affected the results.

Adjusted headline earnings per share from continuing operations	FY23 Cents	FY22 Cents	% change
Reported	42.7	74.4	(43)
Safripol ethylene price adjustment	–	(2.6)	
Unitrans termination penalty	(0.5)	(3.1)	
Safripol section 12I tax allowance	–	(2.7)	
Change in corporate tax rate*	–	(3.7)	
Adjusted	42.2	62.3	(32)

* *Effect of the South African tax rate reduction to 27% on 30 June 2022 deferred tax balances.*

Basic earnings per share from continuing operations decreased by 76% to 16.7 cents (FY22: 70.3 cents).

STATEMENT OF FINANCIAL POSITION

The group's balance sheet remains strong despite net interest-bearing debt increasing by R568 million compared to the prior year, due to lower earnings and continued capital expenditure to complete committed projects. The group remained within its financial covenants during the year.

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

Asset base from continuing operations	FY23 Rm	% of total	FY22 Rm	% of total
Plant and machinery	5 624	29	5 451	29
Long-haul vehicles and buses	4 848	25	4 974	26
Land and buildings	2 870	15	2 762	14
Intangible assets	1 728	9	2 363	12
Biological assets	1 536	8	1 491	8
Capital work in progress	1 486	8	830	4
Goodwill	662	3	683	4
Right-of-use assets	390	2	426	2
Other assets	266	1	113	1
	19 410	100	19 093	100

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Intangible assets include predominantly supplier relationships, patents and trademarks. These intangible assets secure access to strategic raw material inputs, create barriers to entry, and secure market leadership. Disclosures of operating assets, operating liabilities and net operating assets per division, grouped by division, allow stakeholders to understand divisional performances and returns, such as ROCE. Net operating assets and ROCE by division are illustrated below:

Net operating assets/(liabilities) and ROCE (excl B-BBEE cost)	Year ended 30 Jun 2023 Rm	30 Jun 2023 ROCE %	Year ended 30 Jun 2022 Rm	30 Jun 2022 ROCE %	ROCE change %
Diversified industrial	10 097	12.8	9 108	10.6	2.2
PG Bison	7 137	13.8	6 336	13.5	0.3
Restonic	1 652	5.1	1 528	4.8	0.3
Feltex	1 308	16.5	1 244	3.0	13.5
Diversified chemicals	4 948	15.7	4 791	30.6	(14.9)
Safripol	4 948	15.7	4 791	30.6	(14.9)
Diversified logistics	6 403	5.6	7 321	8.3	(2.7)
Unitrans South Africa	3 327	4.0	4 059	10.1	(6.1)
Unitrans Africa	2 289	1.2	2 384	2.1	(0.9)
Unitrans Passenger	787	25.2	878	16.6	8.6
Road safety	709	(1.1)	605	–	–
Optix	709	(1.1)	605	–	–
Corporate, consolidation and elimination	(259)		(270)		
	21 898	10.9	21 555	14.4	(3.5)

ROCE is a key management focus area. It decreased from 14.4% to 10.9% and remains lower than our targeted rate of more than 16%. Capital work-in-progress of R1 486 million (FY22: R830 million), which relates to projects not brought in-to use, impacted ROCE negatively. ROE decreased to 9.2% from 17.2%. We remain focused on completing our various expansion projects with the objective of growing earnings, enhancing returns, and generating free cash flow.

Replacement capital expenditure is managed over time in relation to the annual depreciation charge. Depreciation and amortisation (excluding right-of-use asset depreciation) from continuing operations for the year amounted to R1 370 million (FY22: R1 298 million), while replacement capital expenditure amounted to R871 million (FY22: R1 067 million) net of proceeds from disposal, insurance proceeds and government grants received. Expansion capital expenditure of R1 326 million (FY22: R1 127 million), net of government grants received, was invested in the group's asset base to drive growth and efficiency benefits.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

The split of capital expenditure per division is illustrated below:

Total capital expenditure	FY23 Rm	% of total	FY22 Rm
Diversified industrial	1 200	55	846
PG Bison	831	38	597
Restonic	240	11	106
Feltex	129	6	143
Diversified chemical	332	15	257
Safripol	332	15	257
Diversified logistics	610	28	1 074
Unitrans South Africa	310	14	584
Unitrans Africa	213	10	452
Unitrans Passenger	87	4	38
Road safety	54	2	17
Optix	54	2	17
Corporate consolidation and eliminations	1	–	–
	2 197	100	2 194

The group completed various capital projects in FY23, including PG Bison's Boksburg value-add expansion and Safripol's 10 MWp PV plant, both of which are important in executing our energy strategy. In addition, the group will complete a number of capital projects in FY24, the largest being PG Bison's MDF expansion in Mkhondo, which is progressing according to schedule, at a total capital expenditure of R1.9 billion (R661 million spent to date, with R1.2 billion due in FY24 and R57 million due in FY25), with commissioning planned for July 2024. In addition, Safripol is planning to commission its HDPE conversion by March 2024.

Net working capital levels increased by R26 million compared to the prior year. Inventory and accounts receivable increased by R63 million and R83 million respectively, offset by an increase in accounts payable of R120 million. Net working capital was increased by higher raw material and operating costs, and higher selling prices of finished goods and services. However, these inflationary impacts on net working capital were effectively mitigated by higher inventory turn and reduced debtor days.

Significant focus was placed on working capital management in the second half of FY23 to remedy the impact of weak market demand and resultant lower sales volumes in 1H23. This resulted in a decrease of R2 193 million in net working capital from 31 December 2022 to 30 June 2023. In the current environment, increased focus has been placed on optimising net working capital. This involves aligning production and inventory levels with demand and accessing alternative markets in a more structured manner.

Net working capital is inflated by R258 million in insurance claims receivable, most of which was received after year-end. Management aims to receive the balance by 31 December 2023.

The net asset value per share decreased by 1% to 461 cents (FY22: 466 cents), mainly due to the impairments recognised during the year.

STATEMENT OF CASH FLOWS

Cash generated from operations of R3 889 million (FY22: R4 081 million) is R192 million less than the prior year, comprising R667 million less cash generated from trading and R475 million less cash invested in working capital.

The cash conversion ratio of EBITDA to cash flow from operations ended at 101%, above our internal target of 90%. Free cash flow (before dividends paid) of R308 million is R286 million above the prior year, mainly due to R192 million less cash generated from operations, and R279 million more net finance costs paid, offset by R438 million less spent on investing activities.

Dividends of R751 million (FY22: R394 million) were paid during the year.

CAPITAL STRUCTURE

We are committed to maintaining a sound capital structure with appropriate levels of gearing and ensuring access to sufficient funding to sustain our operations and facilitate growth. Our debt funding is 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 within our internal targeted debt serviceability ratios.

No shares were repurchased or cancelled during the year. In the prior year, the company repurchased and cancelled 65 million ordinary shares. The total value of the share buy-back transactions amounted to R310 million.

Net interest-bearing debt of R8 027 million increased by R568 million compared to the prior year, resulting in the net interest-bearing debt to equity (gearing) ratio increasing to 70% from 65% in the prior year. Net interest-bearing debt decreased by R1 893 million since 31 December 2022, mainly due to the reduction of net working capital. Debt serviceability ratios for the year of net debt/EBITDA at 2.1 times and EBITDA/interest cover at 4.5 times remained within our financial covenants of < 3.2 times and > 3.5 times, and within our internal target of < 2.5 times and > 4.5 times respectively.

During the year, bonds to the value of R1 504 million were settled and new funding of R1 800 million was raised through bond issuances with maturities of up to five years, at more favourable interest rates.

Global Credit Rating Co. Proprietary Limited reviewed KAP's credit rating in November 2022 and confirmed its rating as A+(za) with a stable outlook.

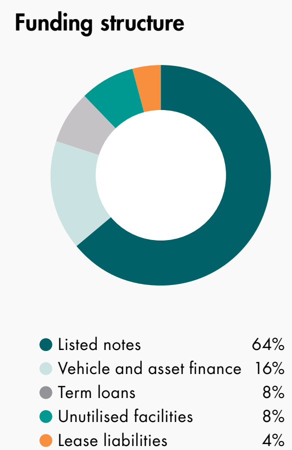
CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

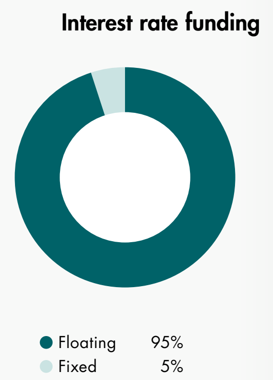
The debt structure, movement in net interest-bearing debt and financial covenant ratios are reflected as follows:

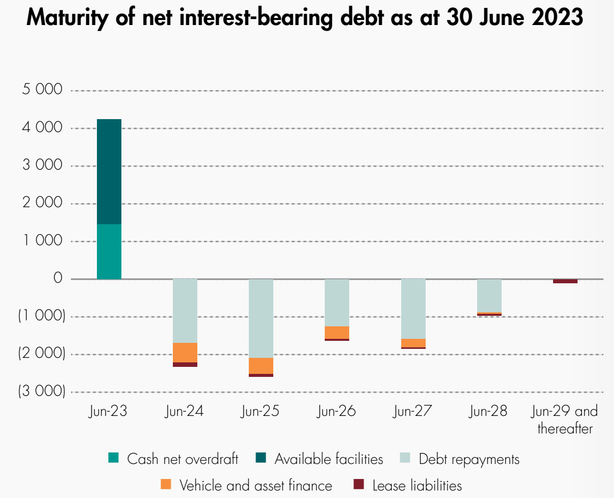
Debt structure and capacity ratios	30 Jun 2023 Audited Rm	30 Jun 2022 Audited Rm
Loans and borrowings non-current	6 849	6 681
Loans and borrowings current	2 247	2 049
Lease liabilities non-current	323	372
Lease liabilities current	126	106
Non-interest-bearing loans and borrowings	(65)	(57)
Bank overdrafts	–	38
Cash and cash equivalents	(1 453)	(1 730)
Net interest-bearing debt	8 027	7 459
Movement in net interest-bearing debt		
Balance at the beginning of the year excluding lease liabilities	6 981	6 133
Net interest-bearing loans and borrowings	309	1 743
Increase in accrued interest on loans and borrowings	43	17
Net decrease/(increase) in cash and cash equivalents	276	(965)
Net acquisition of subsidiaries	6	74
Effects of exchange rate translations on cash and cash equivalents	(37)	(21)
Net interest-bearing debt excluding lease liabilities	7 578	6 981
Lease liabilities	449	478
Net interest-bearing debt	8 027	7 459
EBITDA[1, 2]	3 864	4 340
Net finance costs including capitalised interest[2]	851	529
EBITDA: interest cover (times) > 3.5[3]	4.5	8.2
Net debt: EBITDA (times) < 3.2[3]	2.1	1.7
Gearing %	70	65

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

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:







CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

The group has sufficient facilities to settle near-term debt maturities. Management will continue to refinance the group's debt from time to time through a combination of bank-term debt and corporate bonds.

DIVIDENDS

In view of the current economic environment, interest rates, net debt levels and committed capital projects, the board of directors has decided not to declare a dividend for the current reporting period. In the prior year, a dividend of 29 cents per share was declared and paid to shareholders on 26 September 2022.

CORPORATE ACTIVITY

The group continued with strategic corporate activities to enhance the group's quality of earnings and our sustainability into the future. In line with our key investment criteria, the group concluded the following transactions during the year:

- Effective 1 July 2022, Safripol Proprietary Limited acquired 51% of the shares and loan claims in Xuba Compounders Proprietary Limited ('Xuba') for R13 million. Xuba is a manufacturer and compounder of polymer materials that are supplied to the automotive, appliance and electrical components sectors. The acquisition is in line with Safripol's strategy to develop higher-margin, higher-specification polymers.
- Effective 1 July 2022, Optix Africa Proprietary Limited acquired a 100% shareholding in Viewmetrics Proprietary Limited for R14 million and a 100% shareholding in Vantage Soft Proprietary Limited for R14.5 million. Also effective 2 December 2022, SingRisk Services Private Limited acquired a 100% shareholding of AVT Cabling Solutions Proprietary Limited for a consideration of R13 million. These small bolt-on acquisitions will support the development and deployment of Optix's technology solutions.
- Effective 1 July 2022, Restonic Proprietary Limited ('Restonic') acquired 50% of the shareholding in iDream Limited ('iDream') for R10 million. On 31 October 2022, both shareholders subscribed for additional shares in equal proportions. Restonic paid a subscription price of R13 million for the additional shares. The group assessed that, as it has significant influence over this investment, it therefore accounts for this as an investment in an associate.

GOVERNANCE

Our decentralised business model allows our divisions to operate autonomously and to cultivate an entrepreneurial culture within a centrally controlled governance framework. It is through this framework that 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, in terms of both governance and providing effective support to enable divisional management to grow their businesses. The following key elements of our governance structure received focused attention during the year:

Internal audit, as an assurance provider, is a key component of our governance framework. In light of the escalating regulatory and reporting requirements, the speed of technological advancement, the increasingly specialised nature of internal audit, and the scale and complexity of the group, we decided to outsource our internal audit function to an independent specialist, effective 1 September 2022. Outsourcing internal audit has been very successful in strengthening our combined assurance model.

We acknowledge the importance of technology and the benefits that are unlocked through visibility of accurate information, as well as the improved control environment that is related to robust systems. Our divisions all operate on separate operating systems appropriate to their businesses; however, in the prior year, we initiated a strategic project to develop divisional digital strategies incorporating process and capability improvements, intelligent use of data and appropriate system architecture. The implementation of the project is progressing according to plan. We regularly invest in upgrading these systems to ensure that they remain effective.

We receive detailed divisional management accounts within five business days of month-end, providing enhanced insight into the divisional results. The consolidation reporting system improves the reliability and accuracy of the group's financial reporting.

We operate a centralised treasury function, which raises funding according to the group's requirements. The divisional funding structures and 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 that it provides daily visibility of all bank accounts in the group.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

LOOKING AHEAD

We expect the challenging macroeconomic environment experienced during the year to continue into FY24. In this environment, our divisions will continue to focus on the following activities, which we anticipate will support group performance and returns:

- growing domestic market share and targeting select export markets at favourable margins;
- increasing selling prices to recover raw materials and other cost escalations;
- reducing costs and improving operational efficiencies;
- curtailing non-essential capital expenditure and optimising working capital;
- discontinuing underperforming activities and disposing of low-return assets; and
- finalising outstanding insurance claims.

In addition, we are committed to executing successfully the following material items:

- Completion of major capital projects: The group will complete a number of capital projects in FY24, with the largest being PG Bison's MDF expansion in Mkhondo. The capacity expansion is aimed at displacing imports, growing local market share and leveraging existing export markets. The plant will result in a 33% increase in PG Bison's production capacity, on a basis that is globally competitive.
- The consolidation of Unitrans: Following the consolidation of the three divisions into a single business, the rationalisation and restructuring of the division will be driven in 1H24 and will further address underperforming operations and disposal of related assets, and a reduction in operating costs targeted at more than R100 million. A restructuring specialist has been appointed to assist management in this process. Our objective is to reposition Unitrans as a smaller, better-quality business with materially improved returns.
- Reduction of net debt: Management is focused on reducing net debt in the current operating environment.

We expect the aforementioned activities to support stable net debt levels during FY24 and expect the group to de-gear from FY25 as the capital expenditure profile tapers off alongside the expected positive contribution from the PG Bison Mkhondo MDF plant. We believe that the steps we are taking to optimise our portfolio, together with the completion of our major capital projects and our initiatives to outperform the sectors in which we operate, will support improved returns and a reduction in debt from FY25.

Frans Olivier
Chief financial officer

HISTORICAL FINANCIAL REVIEW

	Financial definition	10-year CAGR %[a]	2023 Rm	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
Extracts from income statement – continuing operations													
Revenue		8	29 628	27 979	23 956	21 591	25 602	22 813	19 783	16 047	15 664	14 471	13 513
EBITDA	1	7	3 864	4 340	3 419	2 703	3 713	3 944	3 361	2 797	2 450	2 230	2 050
Operating profit	2	6	2 367	2 936	2 102	1 419	2 527	2 901	2 499	1 997	1 666	1 480	1 309
B-BBEE cost			–	13	3	3	196	–	–	–	–	–	–
Net finance costs			794	499	466	654	707	697	515	312	289	327	364
Taxation expense/(benefit)			310	578	506	(395)	533	520	510	487	361	309	272
Headline earnings		5	1 056	1 851	1 099	460	1 237	1 646	1 431	1 172	969	801	658
Extracts from statement of financial position													
Goodwill and intangible assets			2 390	3 046	2 669	2 687	5 242	5 392	5 333	2 078	1 598	1 290	1 311
Property, plant and equipment and investment property			15 094	14 130	12 957	12 630	12 536	12 513	11 832	8 128	7 129	6 633	6 394
Right-of-use assets[b]			390	426	358	438	–	–	–	–	–	–	–
Consumable biological assets			1 536	1 491	1 565	1 754	1 900	1 919	1 978	1 890	1 824	1 875	1 761
Net working capital[c]	3		2 488	2 462	1 925	1 911	1 132	1 330	623	(27)	352	170	267
Net operating assets	4	8	21 898	21 555	19 474	19 420	20 810	21 154	19 766	12 069	10 903	9 968	9 733
Gross interest-bearing debt			9 480	9 189	7 281	8 042	6 273	7 878	7 786	4 671	3 459	4 024	4 410
Interest-bearing loans and borrowings			9 031	8 711	6 884	7 576	6 273	7 878	7 786	4 671	3 459	4 024	4 410
Lease liabilities[b]			449	478	397	466	–	–	–	–	–	–	–
Cash and cash equivalents			(1 453)	(1 730)	(751)	(1 001)	(1 785)	(2 151)	(2 009)	(2 602)	(1 370)	(1 348)	(1 320)
Net interest-bearing debt			8 027	7 459	6 530	7 041	4 488	5 727	5 777	2 069	2 089	2 676	3 090
Equity attributable to owners of the parent		6	11 428	11 531	10 250	9 566	12 825	12 155	11 035	8 667	7 761	6 709	6 166
Extracts from statement of cash flows													
Cash generated from operations			3 889	4 081	3 485	2 076	4 033	3 308	2 958	3 285	2 275	1 888	2 249
Cash flows from investing activities[d]			(2 298)	(2 736)	(1 807)	(1 939)	(1 142)	(1 723)	(6 083)	(2 285)	(871)	(828)	(1 159)
Expansion capital expenditure			(1 326)	(1 127)	(899)	(671)	(420)	(811)	(1 050)	(735)	(509)	(403)	(594)
Replacement capital expenditure			(871)	(1 067)	(918)	(1 241)	(811)	(837)	(1 190)	(965)	(683)	(653)	(470)
(Acquisition)/disposal of investments			(37)	(392)	–	(13)	101	(29)	(3 781)	(573)	328	276	(38)
Other investing activities			(64)	(150)	10	(14)	(12)	(46)	(62)	(12)	(7)	(48)	(57)
Free cash flow before dividends	5		308	22	810	(791)	1 983	594	(4 006)	417	913	600	584

[a] *Compound annual growth rate*
[b] *IFRS 16 was adopted on 1 July 2019 on a forward-looking basis.*
[c] *Prior year segmental net working capital has been represented to include non-current derivative financial instruments to reflect more accurately the nature thereof.*
[d] *Cash flow from investing activities has been restated from 2013 to 2016 to include capitalised interest in net finance costs. It was previously included in additions to property, plant and equipment.*

HISTORICAL FINANCIAL REVIEW CONTINUED

	Financial definition	10-year CAGR %[a]	2023 Rm	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
Key information													
Headline earnings per share (cents)		4	42.7	75.1	37.9	13.7	42.9	59.8	54.2	47.8	40.2	33.8	29.1
Headline earnings per share (cents) – continuing operations		4	42.7	74.4	43.0	17.5	45.9	61.6	55.6	48.2	40.6	34.1	28.1
Dividends per share (cents)			–	29	15	–	23	23	21	18	15	12	8
Net asset value per share (cents)		6	461	466	405	372	474	454	415	355	320	286	263
Weighted average number of shares (million)		1	2 475	2 487	2 555	2 630	2 696	2 671	2 574	2 433	2 384	2 346	2 342
Shares in issue (million)		1	2 477	2 472	2 531	2 571	2 704	2 678	2 662	2 441	2 423	2 346	2 346
Ratios													
Operating margin – %[e]	6		8.0%	10.5%	8.8%	6.6%	10.6%	12.7%	12.6%	12.4%	10.6%	10.2%	9.7%
EBITDA margin – %[e]	7		13.0%	15.6%	14.3%	12.5%	15.3%	17.3%	17.0%	17.4%	15.6%	15.4%	15.2%
Effective tax rate – %	8		38.9%	24.6%	29.8%	(17.0%)	31.2%	24.1%	26.0%	28.8%	26.9%	27.1%	27.8%
Cash conversion ratio[e]	9		101%	94%	106%	77%	105%	85%	89%	118%	93%	85%	107%
Gearing %	10		70%	65%	64%	74%	35%	47%	52%	24%	27%	40%	50%
Gearing % – gross debt	11		83%	80%	71%	84%	49%	65%	71%	54%	45%	60%	72%
EBITDA: interest cover (times)			4.5	8.2	7.3	4.1	5.3	5.7	6.5	9.0	8.5	6.8	5.6
Net debt: EBITDA (times)			2.1	1.7	1.9	2.6	1.2	1.5	1.7	0.7	0.9	1.2	1.5
Gross debt: EBITDA (times)			2.5	2.1	2.1	3.0	1.7	2.0	2.3	1.7	1.4	1.8	2.2
Return on capital employed (ROCE) – %[e]	12		10.9%	14.4%	10.8%	7.1%	13.0%	14.2%	15.7%	17.4%	16.0%	15.0%	13.4%
Return on equity (ROE) – %	13		9.2%	17.2%	9.8%	3.3%	10.8%	13.8%	14.2%	14.2%	13.3%	12.3%	11.6%
Weighted average cost of capital (WACC) – %[e]	14		13.3%	12.7%	13.0%	12.1%	10.0%	11.3%	11.2%	11.6%	9.5%	9.7%	8.0%
Dividend cover (times)	15		–	2.6	2.5	–	1.9	2.6	2.6	2.7	2.7	2.8	3.6

[a] *Compound annual growth rate*
[e] *Excluding B-BBEE cost*

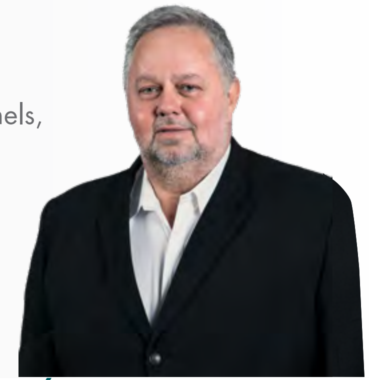
Definitions

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, provisions, net derivative financial instruments 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 generated 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/(benefit) from continuing operations divided by profit before tax from continuing operations.
9. Cash conversion ratio % – cash generated 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. ROCE % – 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.
14. WACC % – weighted average cost of capital based on target gearing ratio.
15. Dividend cover – headline earnings per share divided by dividends per share.

DIVISIONAL REVIEW

PG BISON

PG BISON produces wood-based decorative panels, which are used for interior applications, with the objective of inspiring and enabling beautiful living spaces.



Gerhard Victor
Chief executive officer

FY23 PERFORMANCE REVIEW

Operating environment

- Slowdown in consumer spending due to higher interest rates and inflation, exacerbated by the effects of loadshedding
- Efficiency of downstream conversion negatively affected by higher stages of loadshedding
- Escalations in key raw material prices

Highlights

- » Price increases recovered raw material cost in escalations
- » Gallery 4 roadshow, to launch new product range, supported customer demand creation
- » Local market share gained following an increase in capacity
- » Exports increased from 11% to 18% of total sales, triggered by lower domestic demand

Lowlights

- » Customer demand negatively affected by higher stages of loadshedding, particularly in Q3 FY23

Key metrics

REVENUE	OPERATING PROFIT	OPERATING PROFIT MARGIN	ROCE
R5 349 MILLION	R933 MILLION	17.4%	13.8%

Results discussion

PG Bison delivered a good performance for the year, supported by market share gains following a 14% expansion in total annual raw board capacity to 830 000 m^3, completed in March 2022. The division was also successful in implementing price increases during the year to offset the impact of higher raw material costs.

Domestic demand for the division's products was robust during the first half of the year. However, it softened in the third quarter as the increased frequency of higher stages of loadshedding negatively affected downstream customer operations. Demand improved towards the end of the fourth quarter, as loadshedding reverted to lower stages. Sales volumes increased by 7% for the year, as the division was able to supplement lower domestic sales with exports. Export sales increased from 11% to 18% of total sales volumes, supported by the global competitiveness of our products. Exports are an important element of PG Bison's strategy to operate its plants consistently at full capacity and to support expansion. While exports were at positive margins, these were lower than domestic sales as primarily raw (non-upgraded) board was exported. This resulted in the division's operating profit margin being slightly below our long-term guidance of 18% to 20%.

The division's board production plants operated near full capacity throughout the year, showing a 6% increase in production volumes. The value-add production and sales volumes were slightly lower than the prior year due to reduced upgrading plant availability in the first half of the year and softer domestic demand in the third quarter.

DIVISIONAL REVIEW CONTINUED

PG BISON

Operational metrics	FY23	FY22	% change
Production volumes (m^3)	**815 452**	767 381	6
Sales volumes (m^3)	**769 918**	721 104	7
Value-add sales ratio (%)	**62**	67	(5)
Financial metrics			
Revenue (Rm)	**5 349**	4 876	10
EBITDA (Rm)	**1 139**	1 007	13
EBITDA margin (%)	**21.3**	20.7	0.6
Operating profit (Rm)	**933**	831	12
Operating profit margin (%)	**17.4**	17.0	0.4
Net working capital (Rm)	**970**	906	7
Cash flow (Rm)*	**959**	885	8
Net operating assets (Rm)	**7 137**	6 336	13
ROCE (%)	**13.8**	13.5	0.3

* *Cash flow from operations less replacement capital expenditure*

Operating profit includes a biological assets revaluation of R24 million, compared with a R77 million devaluation in the prior year. The devaluation in FY22 related to a plantation fire for which insurance income of R49 million was recognised in the same year.

Net working capital was well managed, with a 7% increase reported over the period, following increased production and sales. Cash flow was in line with last year as the increase in profitability offset the increased net working capital. ROCE was flat at 13.8%, below our FY27 target range of 15% to 17%. Capital work-in-progress of R798 million, mainly related to the construction of the new MDF plant at Mkhondo, negatively impacted returns.

RAW MATERIAL SECURITY

Our plantations are essential in securing sustainable timber supplies as a key raw material. We sourced 37% of our timber requirements from our own sustainably managed plantations during the year and the balance from sustainable suppliers through a mix of long-term contracts and spot purchases. Our strategy with regard to timber raw material supply to our Mkhondo site is to own plantations that provide one third of our requirement, lease plantations that provide one third and have one third on long-term supply contracts. For the MDF expansion at Mkhondo, additional timber resources of c. 342 000 tonnes per annum are required. The division purchased 1 090 ha of commercial plantations during the year.

LOOKING AHEAD

We anticipate that consumer disposable income and demand will remain constrained in FY24 and that higher stages of loadshedding will, at times, disrupt customer operations.

Our focus for FY24 remains to grow market share from our competitors (local suppliers and imports) by increasing our raw board and value-add capacity and intensifying our consumer demand creation and customer enablement activities. We will continue to export products to supplement local sales by concentrating on select markets where we can export at favourable margins.

The commissioning of the new R1 875 million MDF plant at Mkhondo is progressing well, and we expect it to be commissioned, on time and within budget, in July 2024 with a capacity of 274 000 m^3, a 33% increase in our total capacity. This expansion will enable us to gain market share in MDF from imports and local competitors. It will also enable us to produce thinner panels at our existing Boksburg MDF line to target the traditional hardboard market, which we do not currently supply. We anticipate that it will take three to four years to ramp the new MDF plant up to full capacity, in line with domestic demand growth and the establishment of sustainable export markets. However, we will endeavour to accelerate this process.

DIVISIONAL REVIEW CONTINUED

PG BISON

CASE STUDY

THE RATIONALE FOR PG BISON'S CAPACITY AND VALUE-ADD EXPANSIONS

Between 2012 and 2024, our estimated investment in PG Bison will amount to c. R4 billion. PG Bison is now nearing the end of its major investment cycle with the Mkhondo MDF plant expected to be commissioned in July 2024. No material capacity expansions are expected post-commissioning. A summary of PG Bison's capacity and value-add expansions is shown below:

2012
KAP: acquired PG Bison and restructured the panel operations

2013
Boksburg: Replacement MDF plant commissioned

2014
Ugie: Additional MFB upgrading press commissioned

2015
Mkhondo: Paper treatment plant commissioned

2017
Mkhondo: Particleboard continuous press and additional MFB upgrading press commissioned

2019
Boksburg: Gloss-coating line commissioned

2021
Mkhondo: Additional MFB upgrading press commissioned

2022
Mkhondo: Particleboard line front-end capacity upgrade
Boksburg: Second gloss-coating line commissioned

2023
Boksburg: Additional MFB upgrading press commissioned

Note: PG Bison assets at the time of the KAP acquisition included Ugie (1 000 m³/day particleboard plant, commissioned in 2008), Mkhondo (600 m³/day particleboard plant, commissioned in 1984) and Boksburg (180 m³/day MDF plant, commissioned in 1983), three MFB upgrading presses and a resin plant (c. 123 000 tonnes of resin per annum).

Following the commissioning of the Mkhondo MDF plant, PG Bison's capacity will be: Ugie: 1 000 m³/day particleboard, Boksburg: 400 m³/day MDF, Mkhondo: 1 000 m³/day particleboard and 780 m³/day MDF, together with a resin plant and paper treatment facility. Upgrading capacity has been increased to seven MFB presses and two coating lines.

Reference to calendar years

The investments at PG Bison relate to:

- technology upgrades;
- increased vertical integration; and
- increased raw board and value-add product capacity.

The investments have resulted in PG Bison's products being globally competitive on both price and quality. Together with the division's consumer demand creation and enterprise development activities and general market growth of c. 3% CAGR, the investments have enabled PG Bison to achieve solid growth from FY12 to FY23 with the CAGR reflected as follows:

TOTAL SALES VOLUMES*	VALUE-ADD SALES VOLUMES	REVENUE	OPERATING PROFIT
4%	7%	8%	12%

* *Raw board and value-add sales volumes*

We expect the new Mkhondo MDF plant to further enhance PG Bison's competitiveness. Post-commissioning, the Mkhondo site will have a resin plant, paper treatment plant, particleboard plant, MDF plant and three MFB presses, in close proximity to timber resources. Approximately 58% of the Mkhondo site's total product costs (rolling three-year average) are related to raw materials, illustrating the scale benefits presented by the additional MDF capacity.

Historically, PG Bison's growth has been largely from South Africa. While we see further opportunities for growth and market share gains in South Africa, we also see growth opportunities in Africa as well as select regions in Europe and Australia.

DIVISIONAL REVIEW CONTINUED

RESTONIC
SUPPORTING DREAMS SINCE 1938

RESTONIC is a manufacturer of sleep products under the Restonic, iDream and Green Coil brands, as well as retail house brands for South African furniture and bedding retailers.

Michael Borcherds
Chief executive officer

FY23 PERFORMANCE REVIEW

Operating environment

- Slowdown in consumer spending due to higher interest rates and inflation, exacerbated by the effects of loadshedding
- Increase in loadshedding reduced retail store footfall and consumer demand
- Escalations in key raw material prices

Highlights

- Benefits realised from restructuring of operations
- Price increases recovered raw material cost escalations
- Market share maintained at key customers

Lowlights

- Lower consumer demand and hence volumes negatively affected internal efficiencies

Key metrics

REVENUE	OPERATING PROFIT	OPERATING PROFIT MARGIN	ROCE
R1 632 MILLION	R81 MILLION	5.0%	5.1%

Results discussion

Restonic delivered an improved result, supported by restructuring of its operations to focus on more profitable products and market segments, improved process efficiencies, and reduced operating costs. The division also successfully implemented price increases to offset the impact of higher raw material costs.

Domestic demand was lower for the year as a result of a combination of pressure on consumer disposable income due to higher inflation and interest rates as well as lower retail store footfall due to loadshedding. Therefore, sales volumes for bedding units dropped by 7%, returning to more normalised pre-pandemic (FY19) levels. Sales volumes of foam and textile products, key raw materials for the bedding and furniture manufacturing industry, declined by 9% and 5% respectively.

While an improved result compared to the previous year, the division's performance remains below our expectations relative to history and our long-term operating profit margin guidance of 13% to 15%. We expect further benefits related to the restructuring initiatives in progress to be realised in FY24.

Net working capital management improved during the year despite increased raw material costs and selling prices. Cash flow improved materially due to the increased profitability and working capital.

DIVISIONAL REVIEW CONTINUED

Operational metrics

	FY23	FY22	% change
Bedding units (number)	823 100	883 284	(7)
Foam (tonnes)	5 435	5 999	(9)
Textile (thousand metres)	7 101	7 460	(5)
Financial metrics			
Revenue (Rm)	1 632	1 612	1
EBITDA (Rm)	140	120	17
EBITDA margin (%)	8.6	7.4	1.2
Operating profit (Rm)	81	69	17
Operating profit margin (%)	5.0	4.3	0.7
Net working capital (Rm)	164	203	(19)
Cash flow (Rm)*	165	(11)	> 100
Net operating assets (Rm)	1 652	1 528	8
ROCE (%)	5.1	4.8	0.3

* *Cash flow from operations less replacement capital expenditure*

LOOKING AHEAD

We anticipate that consumer demand will remain under pressure over the near term. We will focus on range extension to drive market share gains in this environment. Additionally, we expect to realise further margin benefits related to the restructuring activities concluded in the year.

DIVISIONAL REVIEW CONTINUED

FELTEX manufactures automotive components designed and applied to enhance the comfort and style of new vehicles.

Ugo Frigerio
Chief executive officer

FY23 PERFORMANCE REVIEW

Operating environment

- Escalations in key raw material prices
- Strong recovery in South African vehicle assembly volumes, following constraints and disruptions in the prior year

Highlights

- Sales volume recovery in line with local OEM vehicle build
- Successful recoveries of raw material cost escalations
- Insurance income recognised in relation to the April 2022 KwaZulu Natal floods
- Reduction in net working capital (excluding insurance receivables), despite increased volumes

Lowlights

- Global supply chain disruptions in the early part of the financial year impacted operations and some OEM customers
- Strike at Transnet negatively impacted operations at the Durban port and hence vehicle exports

Key metrics

REVENUE	OPERATING PROFIT	OPERATING PROFIT MARGIN	ROCE
R2 301 MILLION	R211 MILLION	9.2%	16.5%

Results discussion

Feltex's performance for the year was pleasing, supported by a recovery in industry vehicle assembly volumes, insurance income and price adjustments/recoveries related to raw material cost escalations.

South African vehicle assembly volumes increased by 32% with domestic LCV and SUV sales increasing by 16% and 27% respectively. Prior year vehicle assembly was constrained by global supply chain disruptions and semiconductor chip shortages, and the impact of significant flooding in KwaZulu-Natal in April 2022. The division's sales volumes improved largely in line with industry assembly volumes.

Operating profit includes R80 million in insurance income (R47 million relates to FY22; the remainder to FY23) relating to business interruption due to the prolonged effects of the KwaZulu-Natal floods.

Although total industry assembly volumes increased during the year, offtake of OEMs remained inconsistent, thereby introducing operational complexity and contributing to an operating profit margin slightly below our long-term guidance of 10% to 12%. Offtake from OEMs has since stabilised and NAAMSA forecasts a further recovery in industry assembly volumes in FY24.

Net working capital management improved during the year. Included in net working capital is R30 million relating to insurance claims. Cash flow improved materially due to the increased profitability.

DIVISIONAL REVIEW CONTINUED

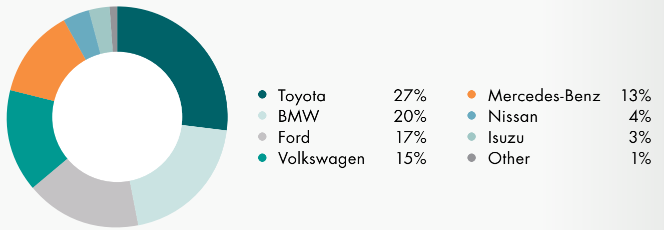
FELTEX

Operational metrics*

	FY23	FY22	% change
OEM vehicle build	605 789	460 541	32
LCV sales	148 603	127 842	16
SUV sales	161 905	127 909	27
Financial metrics			
Revenue (Rm)	2 301	1 809	27
EBITDA (Rm)	306	116	> 100
EBITDA margin (%)	13.3	6.4	6.9
Operating profit (Rm)	211	36	> 100
Operating profit margin (%)	9.2	2.0	7.2
Net working capital (Rm)	183	157	17
Cash flow (Rm)^	197	14	> 100
Net operating assets (Rm)	1 308	1 244	5
ROCE (%)	16.5	3.0	13.5

* *Industry statistics; indicative of changes in Feltex's production and sales volumes*
^ *Cash flow from operations less replacement capital expenditure*
Source: NAAMSA

Customer mix by revenue



LOOKING AHEAD

The policy framework for the South African automotive sector remains supportive under SAAM. The programme is designed to enable automotive component manufacturers to grow their value-adding capabilities to support the creation of additional employment throughout the value chain. With its Level 3 B-BBEE credentials, Feltex is well positioned to take advantage of the localisation opportunities presented by this programme.

South African new automotive assembly volumes are expected to recover further in FY24, supported by new model introductions for exports. NAAMSA expects a 10.6% increase in automotive assembly volumes for the 2023 calendar year and 7.0% for the 2024 calendar year. This should benefit both our vehicle component manufacturing and aftermarket accessories operations.

DIVISIONAL REVIEW CONTINUED

SAFRIPOL
shaping your world, responsibly

SAFRIPOL produces polymers that are used in a broad range of applications in sectors such as packaging, textiles, infrastructure, agriculture and homeware.

Nico van Niekerk
Chief executive officer

FY23 PERFORMANCE REVIEW

Operating environment

- Slowdown in consumer spending due to higher interest rates and inflation, exacerbated by the effects of loadshedding
- Efficiency of downstream conversion negatively affected by higher stages of loadshedding
- Easing of global supply chain constraints, increased global polymer capacity and slower global growth, resulting in a cyclical low
- 17% weakening of the rand relative to the US dollar
- 5% weakening in the US dollar Brent crude oil price

Highlights

» Net working capital and cash flow well managed in 2H23, following rapid market weakness
» Insurance income related to PET plant stoppages in FY22

Lowlights

» Lower domestic sales volumes due to softer customer and consumer demand
» Material cyclical decline in PP raw material margins
» PET plant breakdown in 1H23

Key metrics

REVENUE	OPERATING PROFIT	OPERATING PROFIT MARGIN	ROCE
R10 310 MILLION	R764 MILLION	7.4%	15.7%

Results discussion

Following a record performance in the prior year, we expected a contraction in Safripol's operating profit for the year as global polymer margins retracted from temporary previous year highs. The result was, however, below our expectations, largely due to softer domestic demand, PP margins being weaker than anticipated and the effects of a major equipment failure at the Durban PET plant.

Domestic sales volumes declined by 11% as a result of lower consumer demand and reduced offtake from certain customers due mainly to their inability to operate efficiently at higher loadshedding stages (beyond Stage 4). Exports were targeted to supplement domestic sales and increased to 19% of total sales volumes compared with 9% in the prior year.

Polymer pricing in US dollar terms declined during the year largely due to an easing of global supply chains, increased global polymer capacity and slower global growth. Safripol's average sales basket price (average PET, HDPE and PP domestic and export sales) declined by 12% in US dollar terms. However, it was marginally up in rand terms due to the 17% weakening of the rand relative to the US dollar.

DIVISIONAL REVIEW CONTINUED

SAFRIPOL shaping your world, responsibly

Operational metrics

	PET		HDPE		PP		Total	
	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22
Production volumes (tonnes)	**203 082**	195 860	**139 014**	146 457	**117 933**	118 363	**460 029**	460 680
Sales volumes (tonnes)	**193 027**	203 993	**143 370**	142 472	**122 046**	117 603	**458 443**	464 068

Note: Production and sales volumes exclude compounded polymers.

Financial metrics

	FY23	FY22	% change
Revenue (Rm)	**10 310**	10 120	2
EBITDA (Rm)	**943**	1 590	(41)
EBITDA margin (%)	**9.1**	15.7	(6.6)
Operating profit (Rm)	**764**	1 400	(45)
Operating profit margin (%)	**7.4**	13.8	(6.4)
Net working capital (Rm)	**920**	964	(5)
Cash flow (Rm)*	**735**	1 100	(33)
Net operating assets (Rm)	**4 948**	4 791	3
ROCE (%)	**15.7**	30.6	(14.9)

* *Cash flow from operations less replacement capital expenditure*

Safripol's operating profit margin of 7.4% was within our through-the-cycle guidance of 7% to 9%, although lower than the extraordinary prior year margin of 13.8%. The operating profit margin was largely impacted by:

- increased export sales executed on a spot basis at negative margin, required to normalise inventories;
- materially lower rand-based PP index margins due to normalisation in US/Western Europe PP margins; and
- increased operating costs, demurrage costs and the margin impact resulting from the PET plant breakdown.

The increased exports were targeted to turn excess inventory reported at 31 December 2022, which largely resulted from weak domestic demand, into cash. Ongoing exports are generally executed on a contractual basis at favourable margins.

The division's polymer plants operated at 89% capacity utilisation throughout the year. Utilisation in the first half of the year was negatively affected by a major equipment failure at the PET plant in October 2022 and a 38-day shutdown for repairs. The failure was the result of regular unscheduled stoppages from unplanned external events, including inconsistent electricity supply and quality. A claim relating to the failure is being quantified for insurance purposes. The Durban site has largely been de-risked with the installation of multiple standby generators. During the second half of the year, production levels were reduced to accommodate the softer local demand and manage inventory levels.

Operating profit includes insurance income of R216 million related to PET plant stoppages due to various external factors in FY22, including electricity disruptions and the KwaZulu-Natal floods in April 2022. The prior year operating profit also included a R91 million positive ethylene price adjustment related to FY21.

Net working capital was well managed, considering that R191 million relating to insurance claims was outstanding at year-end, and was supported by increased exports in the second half of the financial year to reduce inventory levels. Cash flow was 33% below last year; the decrease in profitability was slightly offset by a working capital release of R44 million. ROCE reduced to 15.7% from 30.6% due to the lower profitability.

LOOKING AHEAD

We anticipate a challenging outlook for FY24 due to the slowdown in the global economy and increased global polymer capacity, which we expect may prolong the cyclical downturn in the polymers industry. While we expect domestic demand to be stable to slightly softer, it depends on consistent electricity supply to enable our customers to operate economically. Against this backdrop, we will continue to export through targeted export programmes to ensure favourable margins, adjust production in line with demand where necessary, increase our focus on higher-specification polymers and stimulate demand for recyclable polymers, such as PET.

We have previously conducted a feasibility study on a potential expansion of our Sasolburg PP plant by 60 000 tonnes per annum, together with downstream value-add, which would have targeted import replacement of higher-specification products. However, due to a shift in our strategic objectives to reduce debt levels and challenges in securing sufficient raw materials, we will no longer pursue this expansion.

DIVISIONAL REVIEW CONTINUED

UNITRANS is a supply chain and operational services business providing customised solutions to clients in a diverse range of sectors, including food, agriculture, petrochemical, mining and passenger transport.

Terry Bantock
Chief executive officer

FY23 PERFORMANCE REVIEW

Operating environment

- Increase in inflation and interest rates impacting consumer disposable income and demand
- Increase in loadshedding negatively affecting customers' operations
- Adverse weather events in Mozambique and Malawi

Highlights

- Completion of a single strategy and management structure, as part of the Unitrans consolidation process
- Good performances from Mining and Passenger Transport operations

Lowlights

- Effects of lost major food retail contract evident in the period
- Disappointing performance by the Agriculture operations due to adverse weather
- Impairment of intangible assets

Key metrics

REVENUE	OPERATING PROFIT	OPERATING PROFIT MARGIN	ROCE
R10 052 MILLION	R385 MILLION	3.8%	5.6%

Results discussion

A process to consolidate the three Unitrans divisions – Unitrans South Africa, Unitrans Africa and Unitrans Passenger – into a single organisation, with a single strategy and management structure, commenced during the year. The consolidation is designed to increase focus, scale and expertise predominantly in the following core sectors: food, agriculture, petrochemical, mining and passenger transport.

The outcome of this process is expected to improve the quality of revenue, achieve significant cost savings and improve asset and infrastructure utilisation, which will ultimately improve margins and returns.

Unitrans delivered a disappointing performance for the year, primarily due to poor performances by the Agriculture and Food operations, with operating profit margin well below our long-term guidance of 8% to 10%. The Agriculture operations were negatively impacted by above-average rainfall in the first quarter and by flooding in the third quarter, for which an insurance claim has been registered. These factors resulted in an extension of the harvesting season, with associated increased maintenance and operating costs and reduced estate services, which offset a 13% increase in sugar cane volumes. The Food operations were negatively affected by the early termination of a major food retail contract. An early termination penalty of R125 million was received with R107 million recognised in FY22 and R18 million in FY23. The assets related to this contract were largely redeployed internally to reduce capital expenditure or disposed of during 2H23.

DIVISIONAL REVIEW CONTINUED

UNITRANS

Operational metrics

	FY23	FY22	% change
Vehicles	4 398	4 734	(7)
Distance travelled (million km)*	265	292	(9)
Financial metrics			
Revenue (Rm)	10 052	9 757	3
EBITDA (Rm)	1 294	1 464	(12)
EBITDA margin (%)	12.9	15.0	(2.1)
Operating profit (Rm)	385	578	(33)
Operating profit margin (%)	3.8	5.9	(2.1)
Net working capital (Rm)	427	425	–
Cash flow (Rm)^	907	928	(2)
Net operating assets (Rm)	6 403	7 321	(13)
ROCE (%)	5.6	8.3	(2.7)

* *FY23 includes one month of the lost food retail contract compared with 12 months in FY22.*
^ *Cash flow from operations less replacement capital expenditure*

The Mining operations performed well, supported by increased volumes. Passenger Transport also delivered a good performance due to increased activity, rationalisation and cost optimisation and renegotiation of certain loss-making contracts. Petrochemicals delivered a satisfactory performance due to an increase in petroleum, chemical and explosives volumes in South Africa.

Net working capital was managed well throughout the year. Cash flow deteriorated slightly on lower profitability, offset by improved working capital.

The Unitrans consolidation process has resulted in the closure of underperforming operations and the sale of the related assets. These contracts and activities incurred operating losses of R107 million for the year. In addition, non-recurring restructuring costs of R27 million were incurred for the year. This rationalisation and restructuring process continued into FY24, with the focus shifting towards achieving material cost savings related to the lower revenue base. Due to the rationalisation and restructuring, together with the muted outlook for South African economic growth, structural changes in the South African logistics industry and the loss of the major food retail contract, the value of Unitrans' intangible assets was impaired by R713 million.

LOOKING AHEAD

Following the consolidation of the three divisions into a single business, with the creation of a single strategy and management structure concluded in the year, the rationalisation and restructuring of the division will continue in 1H24. This will include further closure of underperforming operations, disposal of related assets and a reduction in operating costs targeted at more than R100 million. A change and integration specialist has been appointed to assist with this process. We expect to reposition Unitrans as a better-quality business with materially improved returns.

DIVISIONAL REVIEW CONTINUED

OPTIX utilises leading global video telematics and predictive analytics to prevent road accidents and improve road safety. Its unique user interfaces provide real-time event-based interventions, business intelligence tools and driver support to improve fleet efficiency and reduce risk.

Steve Ford
Chief executive officer

FY23 PERFORMANCE REVIEW

Operating environment

- 17% weakening of the rand relative to the US dollar

Highlights

» Optix experienced growth in the Australasian mining sector

Lowlights

» Stock availability issues
» Rapid weakening in the exchange rate

Results discussion

Optix's performance was disappointing, primarily due to a rapid weakening in the US dollar/rand exchange rate and unavailability of sufficient stock to fulfil its orders. This mainly affected the South African operations and has since been resolved. The Australasian operations performed well, supported by growth in the mining sector.

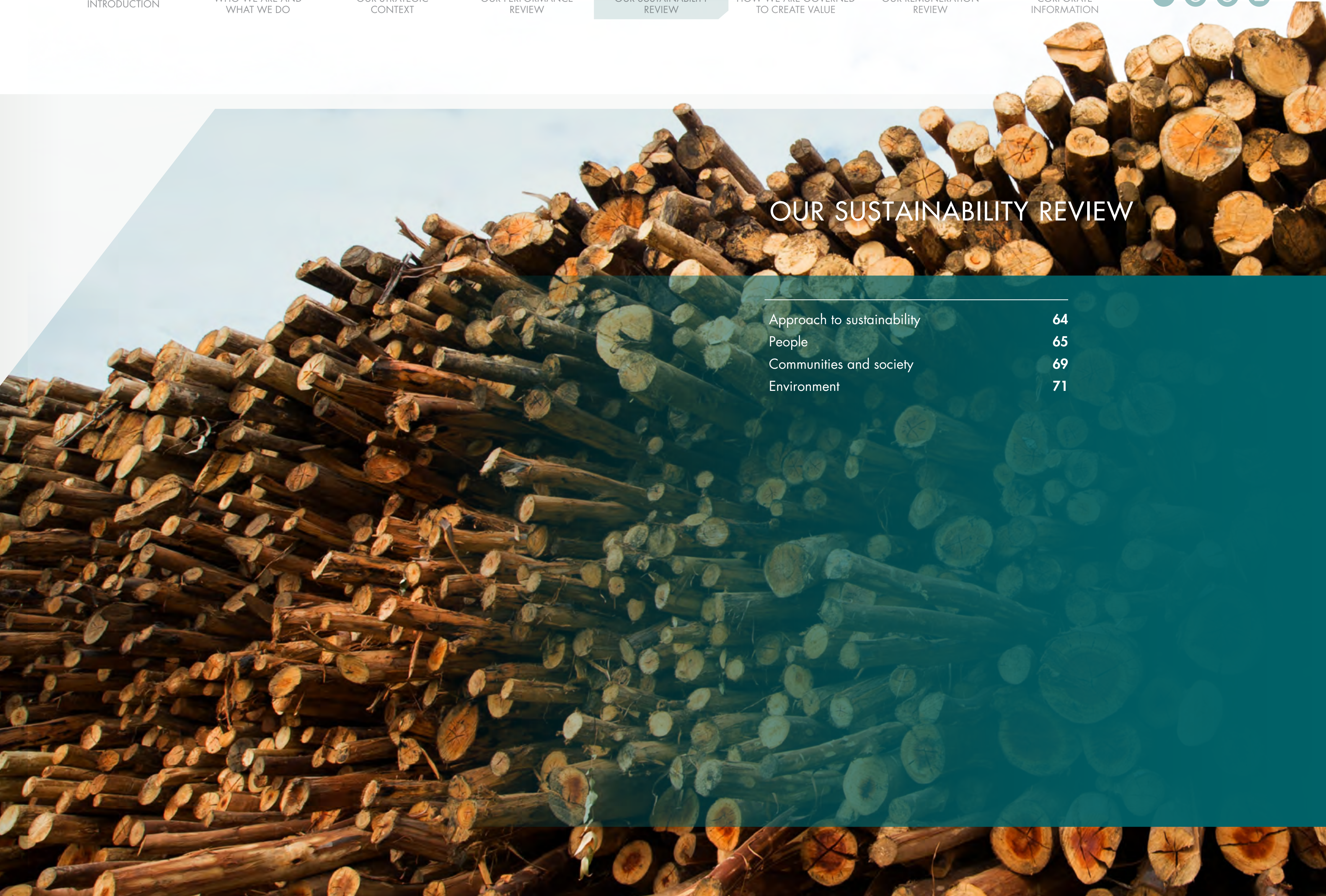
LOOKING AHEAD

Interest in the Optix product offering and the sales pipeline remains strong, providing compelling prospects for this business.

Operational metrics

	FY23	FY22*	% change
Subscriptions – South Africa (units)	50 703	42 195	20
Subscriptions – Australasia (units)	9 059	8 812	3
Financial metrics			
Revenue (Rm)	523	242	> 100
EBITDA (Rm)	35	38	(8)
EBITDA margin (%)	6.7	15.7	(9.0)
Operating profit (Rm)	(7)	22	(> 100)
Operating profit margin (%)	(1.3)	9.1	(10.4)
Net working capital (Rm)	99	81	22
Cash flow (Rm)^	14	8	75
Net operating assets (Rm)	709	605	17
ROCE (%)	(1.1)	–	–

* *Not representative of full year*
^ *Cash flow from operations less replacement capital expenditure*



OUR SUSTAINABILITY REVIEW

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APPROACH TO SUSTAINABILITY

Sustainability is embedded in our purpose to inspire people by building exceptional businesses that create lasting economic and social value, and is aligned with our values: to lead responsibly, to respect society, to value the environment, to embrace diversity, to respect our people, and to innovate relentlessly.

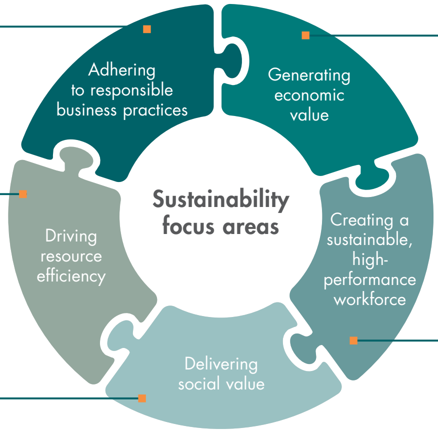
RESPONSIBILITY FOR SUSTAINABILITY

Our board is ultimately responsible for sustainability in the group and delegates the oversight and monitoring of sustainability matters to the social and ethics committee. The relevant focus areas, policies and frameworks pertaining to sustainability matters are set at a KAP (corporate) level and, with their support, are adopted by our divisions. Read more in our corporate governance report on our website.

OUR APPROACH TO SUSTAINABILITY

Our interlinked purpose outcomes are to build economically sustainable businesses; contribute to developing thriving communities; and minimise our environmental impact.

Sustainability principles are integrated into the commercial strategies of our divisions to support an integrated approach to sustainability. They are considered in our capital allocation decisions and enable our purpose. The adjacent interlinked sustainability focus areas are aligned with our purpose and our strategy to deliver value-accretive growth for our stakeholders.



- Acting according to our values
- Ethical business dealings across the value chain
- Good corporate governance
- Identification, management and mitigation of sustainability risks and incidents

- Market-leading businesses with strong competitive positionings
- Superior customer service and satisfaction
- Product quality and safety
- Technology and innovation
- Good and responsible stakeholder relations
- Astute capital allocation

- Environmental compliance
- Environmental stewardship
  - » Renewable energy and energy efficiency
  - » Water and waste management
  - » Recycling and recyclable products
  - » Responsible sourcing and procurement

- Being an employer of choice
- Employee well-being, health and safety
- Recognising and rewarding outstanding performance
- Providing opportunities to grow and excel
- Diversity and inclusion

- Enterprise and supplier development
- Nutrition, education and poverty alleviation
- Supporting local municipal capacity and service delivery

UN SDGS

In October 2020, we became a signatory to the UNGC, signalling our intent to support the creation of an inclusive, prosperous and sustainable society for all. Although our group activities are aligned with most of the SDGs, we focus our efforts on those that have the greatest potential to drive positive change through our activities. These include:

- » Our water usage in our operations
- » Creating a decent workplace for our employees
- » How we produce and manage waste
- » Community development
- » GHG emissions
- » Local municipality capacity and service delivery

ESG RATINGS

We use the FTSE4Good assessment as our ESG benchmark. Our 2023 score was 3/5 (unchanged from 2022) based on information that was in the public domain as of December 2022. We scored 3.9/5 for governance, 2.2/5 for environment and 3.3/5 for social, resulting in a total score of 3/5. Our overall score remains above the industrial sub-sector average, as well as the South African average for industrial companies.

IMPROVING SUSTAINABILITY DISCLOSURES AND PERFORMANCE

We are in the process of developing and refining a sustainability reporting framework, which aligns with our sustainability focus areas and material matters, as well as the requirements of key sustainability reporting frameworks. In conjunction with this, we are reviewing the maturity, reliability and availability of our sustainability data, to identify areas for improvement and to provide a baseline for future targets. Additionally, we aim to develop a robust data management system which, with time, will enable appropriate levels of assurance of our sustainability performance.

PEOPLE

We believe that a motivated and engaged workforce creates a sustainable competitive advantage for our business and benefits society. We are committed to attracting, developing and retaining the best people, providing a safe work environment for them, and creating a winning culture that embraces their diversity and celebrates their contribution.

HIGHLIGHTS

- » We paid R5.1 billion in remuneration and benefits (FY22: R5.1 billion)
- » Number of employees in talent development/training programmes: 1 122 (FY22: 1 100)
- » Number of employees receiving leadership development: 124 (FY22: 338)
- » We invested R131 million in training and development (FY22: R153 million)
- » We have a Level 4 B-BBEE rating (FY22: Level 4)
- » 89% of our permanent employees are black (FY22: 90%)
- » Number of employee fatalities while on duty at place of work: 0 (FY22: 3)
- » Compensation for Occupational Injuries and Diseases ('COID'): 329 (FY22: 369)

Our priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

HUMAN CAPITAL STRATEGY

Our human capital strategy aims to create a conducive workplace environment to attract and retain the best people, and foster a high-performance culture which engages, motivates and equips our employees. To achieve this objective:

- We focus on understanding and addressing the gap between our aspirational people-strategy objectives and the current employee experience.
- We ensure that the right people are in the right roles performing the right level of work with clear accountability.
- We attract, retain and develop talent through a comprehensive talent management process, which identifies and maps our current internal talent, identifies key skills and competencies required in the group, matches internal and external talent with organisational requirements, provides leadership and technical skills development at all levels of the organisation, and establishes appropriate reward and recognition incentives to retain the best talent.

RESPONSIBLE EMPLOYMENT

As a group, we subscribe to the principles outlined in the UNGC, the recommendations of the International Labour Organisation ('ILO'), and the regulatory framework defined by the OECD. We measure annually the group's practices against these benchmarks. We meet or exceed all minimum wage requirements as legislated in South Africa and all the countries in which our businesses operate. Our employees have the option to participate voluntarily in both medical and health schemes, while membership of a retirement scheme is compulsory for permanent employees. We comply with the provisions of the Basic Conditions of Employment Act (No. 75 of 1997) and other labour laws, which prohibit forced labour, regulate hours of work, rest periods and overtime work, and we do not employ children under the age of 18 years. Our divisions monitor and report on overtime work to ensure that we have a healthy workforce and create a safe working environment for our employees.

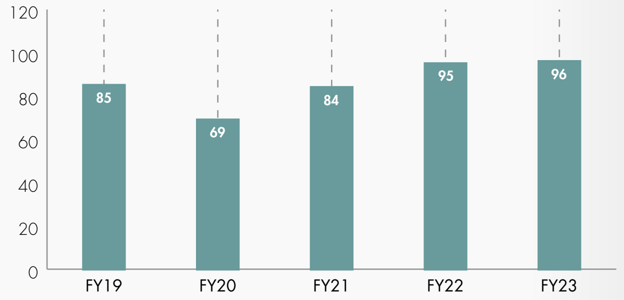
CREATING AN ETHICAL CULTURE

The creation of an ethical culture is supported by:

- The KAP code of ethics is explained to all our employees as part of their induction process. It provides employees with information about the core principles of the group, including legal compliance, 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.
- The KAP fraud policy applies at every level of the group, across all our divisions, and extends to all employees and directors as well as suppliers, contractors and/or any third parties with whom we do business. The purpose of the fraud policy is to raise awareness of:
  - » behaviour that constitutes fraud, in order to prevent fraud;
  - » how instances of fraud should be reported; and
  - » the appropriate responses to fraud.
- KAPREF is an anonymous ethics hotline available 24 hours a day, seven days a week, which forms part of the process of monitoring our ethics. The service is a confidential, non-retaliatory mechanism which allows anyone to report illegal or unethical behaviour, including mismanagement, discrimination, harassment, vandalism, corruption, violence and theft. KAPREF is available to both national and international callers. It is available to our employees, suppliers and the communities in which we operate. Hotline activities are reported to our social and ethics committee, audit and risk committee and board.

PEOPLE CONTINUED

Number of incidents reported through KAPREF



KAPREF incidents	FY23	FY22
Number of incidents reported	98	95
Incidents investigated (%)	100	100
Incidents found to be valid (%)	51	60
Cases in progress (%)	32	6
Unfounded cases (%)	17	31

There has been a slight increase in the total number of cases reported in FY23 which, we believe, is due to increased awareness of KAPREF. Incidents of theft were most common in FY23, followed by fraud and misconduct. Every reported incident is logged and then investigated by an internal investigation team. Where the incidents are found to be valid, appropriate actions are taken or referred to relevant law enforcement agencies in accordance with the law. The outcomes of incident investigations are communicated internally and reported to the social and ethics committee, the audit and risk committee and the board.

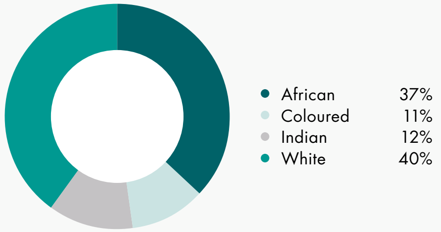
DIVERSITY AND INCLUSION

We value diversity and inclusion and are committed to creating a diverse workforce. We are fully compliant with the provisions of the Employment Equity Act (No. 55 of 1998) and have implemented our code of ethics and human rights policy, which prohibit discrimination and harassment in the workplace on the basis of race, religion, gender, colour, creed, age, political opinion and affiliation, social status, sexual orientation or disability. We also comply with the provisions of the B-BBEE Act, as well as with the B-BBEE Amended Codes of Good Practice. As a group, we have a Level 4 B-BBEE rating, with divisions being rated individually between Levels 2 and 6. Our B-BBEE verification process is conducted independently by AQRate.

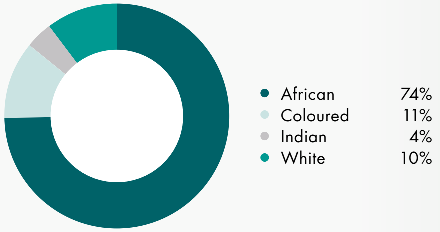
Our permanent workforce comprises 89% black employees and 59% of management is comprised of permanent black employees.

We have internal targets to increase black representation across all managerial levels in line with the prescribed Economically Active Population statistics in terms of the provisions of the Employment Equity Act. Key managerial positions are becoming increasingly difficult to fill, irrespective of race, highlighting the increasing risk related to skills shortages in South Africa.

Managerial positions – junior management and higher*



Composition of workforce*



** Refers to permanent workforce (South African citizens). Percentages have been rounded.*

Of our permanent workforce, 73% is 35 years of age and above, while 27% are below 35.

Gender diversity remains a key focus for us. We aim to improve gender diversity in leadership positions over the next five years, and to improve female representation across all operations. Women comprise 20% (FY22: 19%) of our total permanent staff complement and hold 27% (FY22: 26%) of managerial positions (junior management and higher).

We are also committed to providing an enabling and accommodating work environment for people with disabilities. This includes ensuring that our office facilities are accessible to those with limited mobility. Our employees include 45 people with disabilities (FY22: 103).

PEOPLE CONTINUED

TRAINING AND DEVELOPMENT

Our divisions engage in a continual process of identifying and tracking their scarce and critical skills and investing appropriately in technical training and development initiatives. Scarce skills are those in the organisation where there is a shortage of qualified and experienced people, currently or anticipated in the future (such as engineering or technical skills), while critical skills refer to specific key or crucial skills such as problem-solving, language and literacy and IT. For example, engineering skills were identified as a scarce skill in Feltex. A strategic initiative was implemented to enhance and grow the availability of these skills within Feltex from graduate level through to experienced senior levels.

We encourage our employees' ongoing development by providing either financial assistance or time off to pursue degree or diploma courses.

Training and development expenditure	FY23 Rm	FY22 Rm	FY21 Rm
Actual training spend	131.3	152.5	125.1
Bursaries and institution-based training	5.9	5.6	8.2
Internships, learnerships and apprenticeships	74.6	55.9	54.5
Work-integrated learning	5.4	6.8	6.1
Informal training	8.7	9.9	5.7
Other in-house related training cost	36.7	74.3	50.6
Leadership training (included in actual training spend)	3.6	2.5	3.1

Our expenditure on training and development was R131.3 million during the year compared to R152.5 million in the previous year. The number of employees in talent development and training programmes increased from 1 100 to 1 122, and we offered internships, learnerships and apprenticeships worth R74.6 million to both employees and unemployed learners as part of our human capital development programme.

The learnership programmes provide both a theoretical and a practical learning environment, and all these programmes provide a pipeline of potential skilled artisans for our operations. We offer both on-site and off-site training by accredited training providers. When positions become available in the group, candidates are sourced first from this pool of learners. Wherever possible and applicable, we employ people from local communities.

LABOUR RELATIONS

We nurture the belief that constructive engagement with our employees is critical to the sustainability of our business. We comply with the provisions of applicable labour and employment legislation in all the countries in which our businesses operate. We have established the employment and labour standards compliance committee as part of our combined assurance framework to develop and implement the controls, systems and processes necessary to ensure labour and employment legislative compliance.

We have sound relationships with our key stakeholders, including industry organisations and trade unions, and we create an environment conducive to achieving mutually beneficial outcomes and collective agreements with these unions. We also play a meaningful role in industry structures, including the bargaining council structures and employer associations in the industries in which our divisions operate. Trade union representation in our operations remains stable and continues to form a solid base for employee engagement with approximately 58% of our South African workforce belonging to collective bargaining units.

HEALTH AND SAFETY

Injuries and fatalities

Our CEO is ultimately responsible for health and safety within the group, a responsibility he has delegated to specific individuals at divisional level. We are committed to a zero-harm environment for all our employees and contractors. Our efforts to instil a safety-first culture are evident in the significant decrease in reportable injuries in terms of the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993) ('COID') over the last three years, from 516 to 329. In particular, we have continued to provide training for our employees and contractors, have tracked health and safety statistics at site, divisional, group and board subcommittee (audit and risk committee) level, and ensured that we follow up on implementing learnings from root cause analyses after incidents.

Our divisions continue to focus on preventing workplace injuries, illnesses and fatalities by mitigating hazards and continually improving workplace conditions, processes and systems, in line with our zero-harm target.

At an operational level, we have comprehensive safety management systems, processes and procedures in place aligned with the Occupational Health and Safety Act (No. 85 of 1993). Each business identifies, measures and reports on health and safety matters. Compliance is reported quarterly at the divisional audit and risk committee meetings. We continuously train employees and contractors in health and safety procedures applicable to their work environment. All employees and contractors undergo general health and safety training during induction and annual refresher training.

Our divisions are regularly assessed by internal health and safety representatives. Where required, assessments by accredited, external, independent assurance providers ensure compliance with relevant health and safety statutory and legal requirements. The frequency of assessments depends on the statutory, legal or programme requirements specific to their facilities and operations. For example, Safripol conducts quarterly occupational health and safety ('OHS') legal registry audits and annual integrated ISO 9001, 14001 and 45001 certification audits by external specialists.

Our OHS procedures include a risk management plan that is supported by a legal, risk and incident register, which allows for the identification of hazards, as well as regular risk assessments, internal audits, safety training, management reviews and third-party audits. These are undertaken on both existing business and new projects. Targets are set by each business and their performance is measured against these. In-depth investigations of all OHS incidents are conducted, and mitigation procedures are reviewed regularly.

PEOPLE CONTINUED

Because the equipment and certain raw materials used at some of our manufacturing facilities can potentially be dangerous to our employees, they are trained to adhere strictly to all required health and safety regulations. Specific training, such as working at heights or in confined spaces, lockout and safe work procedures is given to specific employees and contractors who encounter these environments, in accordance with a training plan which is tracked and monitored. In our logistics operations, road accidents present the most material risk to the safety of our employees. To reduce road accidents, we conduct driver training and roll out broad-based road transport safety campaigns for our truck drivers. Optix focuses on improving safety on our roads by deploying video telematics and predictive analytics.

Occupational injuries and diseases		FY23	FY22	FY21	FY20
Employees	Lost-time injuries ('LTI')	**236**	273	339	235
	Occupational diseases	**–**	9	37	5
	COID (no lost time)	**93**	87	140	139
	Total COID	**329**	369	516	379
Contractors	LTI	**15**	17	11	5
Total		**344**	386	527	384

There were no employee fatalities at our employees' place of work during the reporting year compared with three in the previous year. Unfortunately, two contractors lost their lives during the reporting period compared with one in the prior year. One contractor at PG Bison was struck by lightning while the other sustained fatal injuries during the movement of harvesting equipment. A thorough investigation was conducted into each fatal incident, and risk mitigation measures were put in place.

Health and well-being

We have invested in on-site occupational and primary healthcare clinics for our employees at the majority of our manufacturing sites. In cases where these are unavailable, we ensure that our employees and contractors have access to healthcare facilities nearby. The clinics offer first aid and play a crucial role in dealing with injuries on duty. They are run by qualified nursing staff, who are assisted by medical doctors. The services they offer include workplace health risk assessments, chronic disease screening and management (including for tuberculosis and HIV), industrial hygiene and medical surveillance. They also offer primary healthcare medication and family planning guidance. Where there is no on-site clinic, an occupational health practitioner is contracted to perform medical surveillance.

In our logistics environment, mobile clinics are available on the main routes we use. These clinics test for chronic conditions and dispense chronic and primary care medication.

HIV/Aids is addressed in all divisional policies, and each division has a comprehensive, holistic programme in place to promote awareness, prevention and voluntary testing, as well as to provide support. Policies cover issues such as confidentiality and protection against discrimination. We are committed to implementing programmes that are relevant and valuable to our employees in each division. Where applicable, local communities are involved in initiatives such as World Aids Day and HIV/Aids education.

COMMUNITIES AND SOCIETY

We aim to support the development of thriving and resilient communities in the areas in which our businesses operate, by way of focused socioeconomic development delivered through strategic programmes and partnerships with key stakeholders. In doing so, we also increase the long-term sustainability of our business.

HIGHLIGHTS

- We contributed R24 million to SED projects (FY22: R25 million)
- We invested R74 million in ESD programmes (FY22: R87 million)
- We invested 77% of local procurement in suppliers with Level 4 B-BBEE rating and better (FY22: 75%)

Our priority SDGs

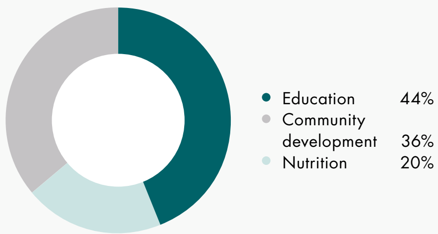
SOCIOECONOMIC DEVELOPMENT

We work with several organisations to enhance our community development activities. Our focus is on childhood nutrition, education and enterprise development, with the objective of reducing poverty and unemployment. Importantly, some of our manufacturing businesses operate in communities that are negatively affected by unemployment, poverty, poor service delivery and related socioeconomic issues. As many of our employees live in these communities, we are deeply committed to ensuring that they are stable and sustainable. Our commitment goes beyond financial investment. We endeavour to build relationships with our communities that are mutually beneficial, respectful and lasting through an approach of transparency, social justice, integrity and accountability.

We have formal structures to manage engagement with our communities in an open and collaborative way.

Our SED spend was R24 million in FY23 compared to R25 million in the previous year. We have initiated a process to consolidate our SED activities to focus our impact and deliver on our key objectives.

Contribution to SED



ENTERPRISE AND SUPPLIER DEVELOPMENT

As a large manufacturing company in South Africa, we strive to have a meaningful impact on the sustainable growth of small businesses, on community development and job creation through our ESD programmes.

Over the past year, we invested R74 million (FY22: R87 million) in ESD programmes to support small and black-owned businesses. We remain committed to supporting suppliers with the necessary B-BBEE credentials. Seventy-seven per cent (FY22: 75%) of our local procurement of R12.5 billion was directed to suppliers with a Level 4 B-BBEE rating and better.

MUNICIPAL SUPPORT AND CAPACITY BUILDING

Many municipalities in South Africa are dysfunctional and unable to provide communities with adequate basic services such as electricity, water and sanitation or maintain roads and storm water drainage. The PG Bison operations in Mkhondo and Elundini, as well as the Safripol PP and HDPE operations in Metsimaholo, are situated in districts within dysfunctional municipalities. These areas present a risk to the long-term sustainability of our operations due to potential social unrest and service delivery-related disruptions. To mitigate this risk, we work in partnership with businesses, government institutions and surrounding community structures in these municipal districts to support infrastructure investment and maintenance through BRE and Small-Town Regeneration ('STR') programmes.

The BRE and STR programmes support municipalities with the provision of basic municipal services, maintenance of existing infrastructure, and investment in new bulk infrastructure to enable them to retain and attract businesses, create jobs and invest in community development.

HUMAN RIGHTS

Our group subscribes to the principles of human rights as expressed through the Bill of Rights in the Constitution of the Republic of South Africa (Chapter 2), and in line with the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights) and the principles concerning fundamental rights set out in the ILO Declaration on Fundamental Principles and Rights at Work. We follow the OECD Guidelines for Multinational Enterprises and are a signatory to the UNGC. Where national law and international human rights standards differ, we follow the higher standard.

COMMUNITIES AND SOCIETY CONTINUED

SED PROGRAMMES

EDUCATION, NUTRITION AND COMMUNITY DEVELOPMENT

The sani2c Community Development Trust, which provides children with access to education from pre-primary to tertiary level, funds school infrastructure and study materials. It also assists entrepreneurs through ESD activities.

The Infundo education programme in Ugie focuses on school infrastructure, learning materials and teacher support for both primary and high school learners. Infundo is working with PG Bison to integrate their crèches into the programme to ensure that the educational interventions across the child's whole education journey from preschool to high school are aligned. Infundo has completed the needs analysis in Mkhondo, where PG Bison has several long-term and ad hoc nutrition and education (pre- and high school) support programmes. These interventions will be consolidated into a structured district model similar to the Ugie programme.

Safe-Hub, the biggest programme PG Bison supports, provides children in the Knysna area with nutrition and access to education from pre-primary to tertiary level. Safe-Hub has a dedicated youth development programme which focuses on engaging youth in sport, education and training pathways to work and leadership.

Judea Hope's programmes focus on vulnerable children in rural areas, under-resourced regions, and informal settlements across the country. They currently run PG Bison's feeding scheme at eight crèches in Ugie and provide early childhood development ('ECD') training for crèche teachers. As part of our enterprise development initiatives, they train community members in vegetable production in our vegetable tunnels, which supply the crèches with fresh produce. This initiative was launched in Mkhondo following a detailed needs analysis and collaboration with Infundo.

Unitrans has a partnership with FoodForward SA, who collect and repackage surplus food from manufacturers, wholesalers and retailers for distribution to ECD organisations, women's empowerment groups and day-care centres, reaching 1 295 at-risk individuals, including 983 under the age of 19. Unitrans maintains the FoodForward SA vehicles on an ongoing basis.

In partnership with INANI Startwell Foundation, Safripol is supplying protein-rich cereal daily to feed children in ECD centres. The programme aims to address childhood stunting, one of the major causes being nutritional deficiencies. The cereals are supplied to the schools using rigid containers produced from Safripol's HDPE resin. The containers are returned and refilled for subsequent use. The focus areas of the programme are the Durban South Basin and Zamdela in Sasolburg. The programme benefited 1 100 children in FY23 (FY22: 855).

The YES programme is a joint initiative between the private sector and government to assist South Africa's youth to gain work experience through employment placement. In FY23, Safripol placed 375 YES youth in small businesses that are aligned with the circular economy.

ENVIRONMENT

We drive resource efficiency in our operations and adopt strategies, practices and technologies to use natural resources in a responsible and sustainable manner and to minimise our impact on the environment. This not only ensures the long-term sustainability of our operations, but also enables us to deliver fit-for-purpose products and services at the lowest cost.

HIGHLIGHTS

- Our Scope 1 and 2 emissions for the year were 935 995 tCO_2e (FY22: 978 737 tCO_2e)
- PG Bison's operations* absorbed 557 511 tCO_2e for the 2022 calendar year
- Our electricity consumption for the year was 379 280 MWh (FY22: 391 847 MWh)
- Our diesel consumption for the year was 118 million litres (FY22: 128 million litres)
- We withdrew 6 220 megalitres of water (FY22: 6 296 megalitres)
- We disposed of 11 864 tonnes of waste (FY22: 12 252 tonnes)
- We purchased 11 713 tonnes of waste for internal use (FY22: 9 642 tonnes)

Our priority SDGs

6 CLEAN WATER AND SANITATION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

** Through its plantations and production of wood-based panels.*

GOVERNANCE

The ultimate responsibility for environmental matters resides with our board, who have collective responsibility and accountability for legislative and regulatory compliance, including the management of environmental risks and opportunities. Our divisional boards are responsible for environmental matters at a divisional level. Our group environmental policies and procedures are supported by environmental management systems including, where relevant, ISO certification for some divisions. The identification and management of environmental risks are integrated into our groupwide ERM framework, which is overseen by our audit and risk committee, a board subcommittee.

ENERGY AND CLIMATE

Energy

Energy strategy

Our energy strategy is aimed at mitigating supply risks and future cost escalations, becoming energy independent (where possible) to ensure sustainability and evaluating opportunities to create value from our energy generation. Read more in Risks and opportunities on page 35. This will support a lowering in our energy costs and GHG emissions over time. During the year, we focused on the following initiatives:

Improved energy measurements systems: We concluded the implementation of digital measuring of electricity for all our material sites, which has resulted in an improvement in the accuracy of our energy measurements. We have also commenced with the installation of meters to measure steam and natural gas usage, utilising the same electronic platform.

Energy-efficiency programmes: We have appointed an independent specialist to conduct energy-efficiency studies on our material sites with the objective of identifying opportunities to reduce consumption. This includes the deployment of technology to improve the quality of electricity supplied to our sites, which improves energy efficiency and reduces consumption. While good progress has been made with our energy-efficiency programmes, we anticipate that it will take 12 to 24 months to implement all identified opportunities.

Renewable energy: Our progress to increase our renewable energy capacity and usage includes the following:

- completion and commissioning of a 10 MWp PV plant at Safripol Sasolburg;
- commencement of the construction of a 5 MWp PV plant at PG Bison Boksburg; and
- commencement of the phased construction of an 11 MWp PV plant at PG Bison Mkhondo.

Sustainable energy supply: We have designed microgrids for each of our major sites to facilitate a blended supply of energy from available sources for sustainable and economic energy supply.

ENVIRONMENT CONTINUED

Electricity and diesel consumption

Our electricity consumption for the year was 379 280 MWh, a 3% reduction compared to last year. PG Bison and Safripol consume the most electricity in the group, accounting for 40% and 46% of consumption respectively. The reduction in electricity consumption during the year was mainly due to lower production at Safripol, including the 38-day shutdown of the PET plant, and the impact of loadshedding on some of our operations. The 9% decrease in electricity consumption from FY19 to FY23 was largely due to lower production at Safripol and the upgrade of the PG Bison Mkhondo particleboard plant, which resulted in improvements in energy efficiency.

We did not make use of renewable energy during the period as the PV plants mentioned above were not yet in production.

Diesel consumption across our divisions was 118 million litres for the year, a 9% reduction from the prior year, mainly due to lower volumes and kilometres travelled by Unitrans. Unitrans also lost a major contract in the prior year. The 29% reduction in group diesel consumption since FY19 is largely attributable to a continued decline in volumes at Unitrans with a resultant decrease in kilometers travelled from 384 million kilometres in FY19 to 265 million kilometres in FY23.

Unitrans is the biggest consumer of diesel in our group (96% of our total consumption) and is pursuing a reduction in its fuel consumption by:

- using routing algorithms and real-time data analysis to ensure optimal delivery routes and thus improved fuel consumption;
- employing driver training programmes to enhance driver skills in fuel-efficient driving practices; and
- using data visibility systems to monitor fleet fuel consumption.

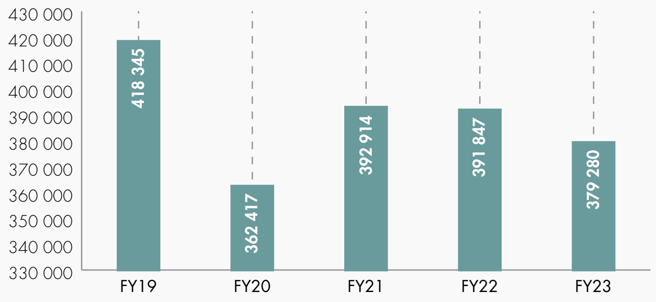
CLIMATE CHANGE

We recognise the impact of climate change on the planet, and support the global climate change goals outlined in the United Nations Framework Convention on Climate Change and the Paris Agreement, which aim to stabilise GHG concentrations at a level that would significantly reduce the risks and impacts of climate change. Climate change-related risks have the potential to impact our operations and employees through extreme weather events (droughts and floods), increased wildfires, water constraints and increased temperatures.

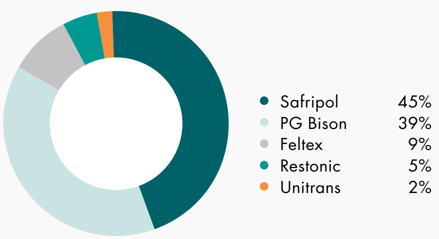
We are committed to managing responsibly the reduction of our Scope 1 and 2 emissions by investing in renewable energy and technology that can improve our energy efficiency and fuel consumption. We are also in the process of improving our understanding of our climate change risks.

Read more: Risks and opportunities, page 35

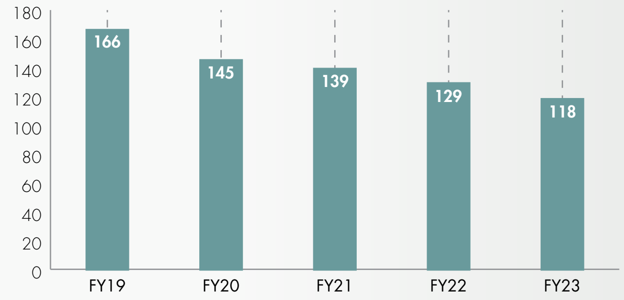
Group electricity consumption (MWh)



Divisional contribution to group electricity consumption



Group diesel consumption (kilolitres)



ENVIRONMENT CONTINUED

GHG EMISSIONS

Our carbon footprint is determined in line with the GHG Protocol Corporate Accounting and Reporting Standard. We use emission factors from the Intergovernmental Panel on Climate Change 2006 Guidelines and the 2021 Technical Guidelines for Monitoring, Reporting and Verification of Greenhouse Gas Emissions by Industry of the Department of Forestry, Fisheries and Environment ('DFFE'). Our GHG emissions are verified each year by an independent third-party.

Our Scope 1 and 2 emissions for the year were 935 995 tCO_2e compared to 978 737 tCO_2e in FY22. The lower emissions are largely a result of lower overall production volumes due to the negative effect on our customers' operations of increased frequency of higher stages of loadshedding and softer consumer demand.

Scope 1 emissions make up 50% of our carbon footprint. At 79% of emissions, Unitrans is the biggest contributor to our Scope 1 emissions, due to the diesel used in its transport fleet.

Scope 2 emissions make up 50% of our carbon footprint, with Safripol and PG Bison contributing the majority of the emissions due to the electricity consumption at their plants.

Carbon absorption

PG Bison's plantations are net absorbers of carbon. The division quantifies the carbon absorbed by its plantations and submits these metrics to the DFFE for approval for carbon tax purposes. The DFFE has approved the 157 332 tCO_2e of carbon absorbed for the 2022 calendar year compared with 193 764 tCO_2e in the 2021 calendar year. In addition to this, the carbon stored in our wood-based decorative panels produced at our operations in the 2022 calendar year was 400 179 tCO_2e compared with 378 438 tCO_2e in the 2021 calendar year. PG Bison's carbon emissions were therefore fully offset by the carbon absorbed and stored through its own operations.

WATER MANAGEMENT

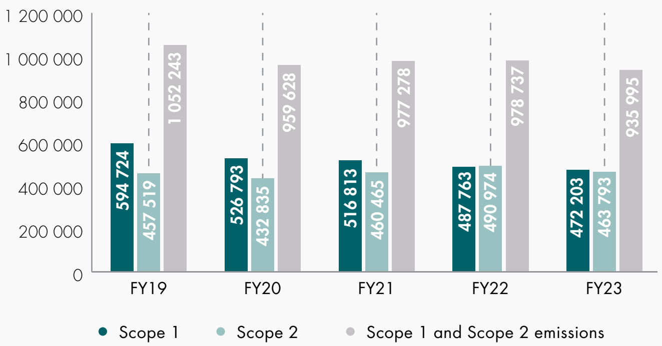
Water strategy

Most of our operations require process water for production. Our water strategy aims to optimise the consumption of water in our operations, to mitigate non-supply, and to increase the recycling of water.

Reliable measurement is a key element of our water strategy. We have made good progress over the period to improve the measurement and reporting on our water withdrawal and discharges and have developed water management plans at all our operations. Our initiatives during the year included:

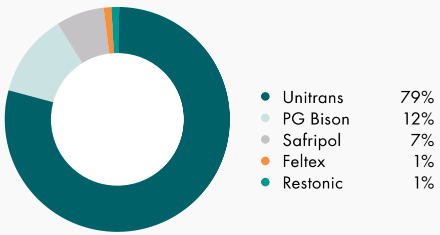
- the installation of water meters and automated water measurement to establish reliable water balances;
- the completion of water reticulation plans at all operations;
- the recovery of water (and energy) from condensate steam and rainwater;
- installation of water storage facilities; and
- increased access to groundwater by drilling boreholes.

Group GHG emissions (tCO_2e)

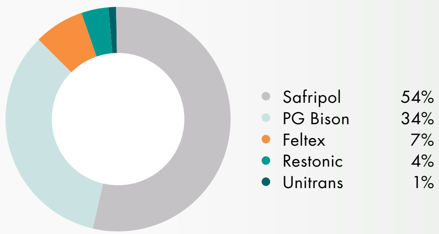


Note: We have adjusted our historical Scope 2 emissions data upwards due to the use of an improved emission factor for purchased steam, used in the calculation of GHG emissions. The improved emission factor has resulted in a c. 9% increase in our annual Scope 2 emissions and a c. 4% increase in our annual Scope 1 and Scope 2 emissions over the period FY19 to FY22. Numbers have been rounded.

Divisional contribution to Scope 1 GHG emissions



Divisional contribution to Scope 2 GHG emissions



ENVIRONMENT CONTINUED

Water withdrawals

Our water withdrawals were largely unchanged from FY22, with PG Bison and Safripol withdrawing the most water at 83% and 14% respectively. Our water withdrawals have decreased by 14% since FY21. In FY18, PG Bison implemented a remediation process after the fires that affected the southern Cape in 2017. This water-deck remediation programme entailed packing the fire-affected logs in stacks and continually spraying the timber with water to prevent fungi and fauna from entering and damaging the timber. The water required was sourced from groundwater via boreholes. The water-deck remediation programme ended in FY21, and the water withdrawal returned to normal levels in FY22.

Water withdrawal by source	FY23	FY22	FY21
Surface water (rain, wetland, river, lake)	297 654	269 507	288 730
Groundwater/borehole (geological formation aquifer)	4 359 324	4 410 080	5 421 073
Municipal	1 081 075	1 131 953	1 111 351
Third-party supply	98 020	96 303	91 467
Reused process water (produced/entrained)	383 806	388 444	362 338
Total water withdrawals (kl)	**6 219 879**	6 296 287	7 274 959

WASTE MANAGEMENT

Waste strategy

Our waste management strategy aims to reduce, reuse and recycle waste to reduce the amount of waste disposed of, with our target being zero waste to landfill.

Waste generation and disposal

Our divisions produce hazardous and non-hazardous waste in their production processes, approximately 90% being non-hazardous. A significant proportion of the non-hazardous waste generated is reused internally, with the remainder sent to third-party recyclers or disposed of at landfill sites or other facilities. During the year, we disposed of 11 864 tonnes of waste in an environmentally responsible manner, a 3% reduction from the prior year. An increase in the internal reuse of waste at some sites contributed to the reduction in waste disposed. We also purchased 11 713 tonnes of waste (from external and internal suppliers), a 21% increase on the prior year, which we either used internally or processed for further use internally and externally.

The following initiatives illustrate our commitment to reduce, reuse and recycle waste:

- PG Bison purchases waste biomass for use in its products and uses its internally generated waste biomass to generate energy (heat and steam) used in the production of its products. The excess biomass is sent to third parties to provide energy or produce compost.
- Connacher, part of Restonic, purchases textile waste from the clothing and textile industries and processes the waste into reusable fibres used in the sleep products and automotive sectors. During the reporting period, Connacher purchased 7 474 tonnes of waste (FY22: 7 631 tonnes), that may otherwise have been sent to landfill. Restonic and Feltex purchased fibres from Connacher during the year.
- Safripol launched its first recycled content polymer range, ASPIRE® 15 and ASPIRE® 25, containing 15% and 25% post-consumer recycled resin respectively. Safripol's ASPIRE® range enables upcycling for bottle-to-bottle applications, thereby maximising the value of post-consumer PET.

ENVIRONMENT CONTINUED

BIODIVERSITY

We value the biodiversity of sensitive ecosystems and are committed to avoiding or minimising biodiversity impacts in the areas where we operate through our sustainable stewardship of resources.

PG Bison's northeastern and southern Cape plantations are adjacent to areas of high biodiversity value. The division implements sustainable forestry practices and is committed to the sustainable management of the wildlife that resides in and adjacent to its plantations. PG Bison owns 96 157 hectares of land (FY22: 96 157 hectares), of which 44 747 hectares (FY22: 43 755 hectares) are cultivated forestry land. The remaining area is either used for agricultural activities or forms part of our protected biodiversity areas. We purchased 1 090 ha of plantations during the year, with the land still in the process of being transferred.

PG Bison's northeastern Cape plantation accounts for 77% of its plantation area and is certified by the Forest Stewardship Council ('FSC'). Our southern Cape plantation is also FSC certified. PG Bison is also a member of Forestry South Africa, which oversees the environmental standards for forestry in South Africa.

ENVIRONMENTAL INCIDENTS

An environmental incident is an event that may cause harm or potential harm to an environmental receptor such as air, water, land, wildlife or a local ecosystem; or where our operational practices do not comply with applicable environmental legislation, regulations, standards and applicable codes of practice.

We had three environmental incidents during the year:

- Unitrans South Africa received two contravention notices following diesel spillages as a result of an overturned vehicle, which resulted in a broken fuel line. One matter has been closed, while the other is still in progress.
- Safripol Durban received an odour complaint from the local community in January 2023, via the eThekwini Environmental Health Services. The matter was independently investigated with no material findings, and subsequently resolved.

Number of environmental incidents

Type of incident	FY23	FY22	FY21
Unauthorised waste disposal	–	1	–
Air emissions (including dust and gases)	1	1	–
Spills	2	–	–
Legal and regulatory compliance	–	1	2
Total	3	3	2

We prioritise the investigation of environmental incidents, followed by the implementation of corrective actions and the strengthening of the control environment. Where necessary, we use learnings to drive behavioural changes at an operational level. We treat incidents that are not resolved as ongoing matters, track the incidents in an environmental compliance register and address these at our divisional audit and risk committee meetings. These incidents are also reported at our compliance committee meetings with a view to ensuring oversight of actions taken.

SUPPLY CHAIN

We recognise the importance of sourcing materials and services responsibly, in line with our commitments to ethical labour practices, human rights and environmental performance. Our sourcing practices are guided by our supplier code of conduct, which sets out our principles and expectations regarding how existing and new suppliers of goods and services are to conduct business with us. Our divisions include the supplier code of conduct in their suppliers' contracts, and some also include it in tender documentation or as an onboarding requirement.

ENVIRONMENTAL CERTIFICATIONS AND ACCREDITATIONS

PG Bison

- Our panel production lines are ISO 9001 certified.
- Our southern Cape and northeastern Cape plantations are accredited by the FSC (certificate numbers SGSCH-FM/COC-012032 and SGSCH-FM/COC-011207).

Restonic

- Our Marvelous Middle® and iDream product ranges are endorsed by the Chiropractic Association of South Africa.
- iDream and DesleeMattex have products that are certified by SEAQUAL®. SEAQUAL® is a high-quality 100% post-consumer recycled polyester yarn containing upcycled marine plastic.
- DesleeMattex products are ISO 9001: 2015 certified.

Feltex

- Our plants have a number of ISO certifications and 15 of our 16 plants also have IATF 16949 certification.

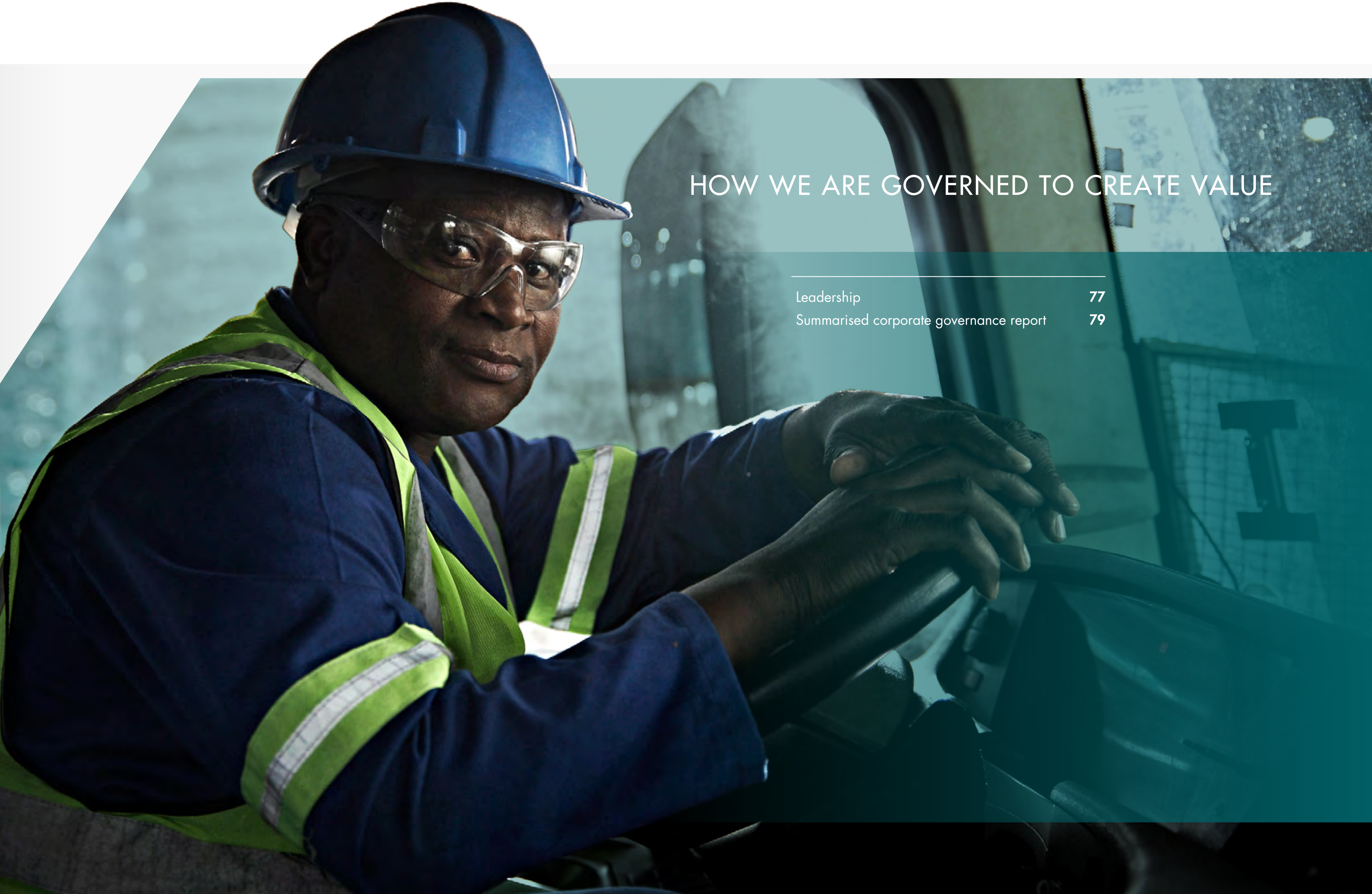
Safripol

- Our plants are ISO 9001, ISO 14001 and ISO 45001 certified.
- Our plants are Responsible Care® certified.

Unitrans

Unitrans has certifications and accreditations according to the standards for relevant industries/sectors in which it operates, including:

- ISO 9001 – Quality Management System
- ISO 14001 – Environmental Management System
- ISO 45000 – Occupational Health and Safety System
- ISO 22000 – Food Safety Management System
- ISO 9000 and NOSA – Certified driver and operator training programmes
- RTMS – Road Transport Management System for road-use self-regulation
- AFMA – Animal Feed Manufacturers Association for agricultural transportation protocols
- SQAS – CAIA accreditation for chemical transportation protocols



HOW WE ARE GOVERNED TO CREATE VALUE

Leadership 77
Summarised corporate governance report 79

LEADERSHIP

BOARD OF DIRECTORS AS AT 30 JUNE 2023

EXECUTIVE DIRECTORS

GN (Gary) Chaplin (53)
CA(SA)
Chief executive officer

FH (Frans) Olivier (44)
CA(SA)
Chief financial officer

SP (Penwell) Lunga (48)
BJuris, LLB, MBA, MSc (HR)
Corporate affairs executive

- A – Audit and risk committee
- S – Social and ethics committee
- H – Human capital and remuneration committee
- N – Nomination committee
- I – Investment committee
- Chairperson of committee
- Full director CVs can be viewed on our website.

INDEPENDENT NON-EXECUTIVE DIRECTORS

PK (Patrick) Quarmby (69)
CA(SA) (Hons)
Independent non-executive chairperson

KJ (Jo) Grové (74)
AMP (Oxford)
Lead independent non-executive director

TC (Tamara) Esau-Isaacs (47)
CA(SA)
Independent non-executive director

Z (Zellah) Fuphe (55)
BSocSci, CD(SA), GIBS GEDP
Independent non-executive director

JA (Johan) Holtzhausen (53)
B.Iuris, LLB HDip Tax
Independent non-executive director

KT (Ken) Hopkins (68)
BCom (Hons), CA(SA)
Independent non-executive director

V (Viv) McMenamin (60)
MSc (Economics)
Independent non-executive director

SH (Steve) Müller (62)
BAcc (Hons), CA(SA), Sanlam EDP
Independent non-executive director

Board diversity – age
Executive and independent non-executive directors

41 – 50 years	27%
50 – 60 years	37%
> 60 years	36%

Board diversity – gender
Executive and independent non-executive directors

Male	72.7%
Female	27.3%

Board diversity – race
Independent non-executive directors

White	75%
Black	25%

Board diversity – tenure
Independent non-executive directors

0 – 3 years	25%
3 – 6 years	37.5%
> 9 years	37.5%

LEADERSHIP CONTINUED

EXECUTIVE MANAGEMENT AS AT 30 JUNE 2023

GN (Gary) Chaplin (53)
CA(SA)
Chief executive officer

FH (Frans) Olivier (44)
CA(SA)
Chief financial officer

SP (Penwell) Lunga (48)
BJuris, LLB, MBA, MSc (HR)
Corporate affairs executive

Full executive management CVs can be viewed on our website.

LML (Mike) Besteiro (54)
MSc (Industrial Engineering)
IT executive

H (Neels) Kornelius (50)
BEng (Chem), MBL
Enterprise risk executive

RH (Reino) Louw (50)
BCom (Law), LLB, LLM
Treasury and legal executive

TB (Thabani) Mlilo (49)
BSc, BSc Hons (Chemistry), MEnvSc
Sustainability executive

CC (Cicelia) Potgieter (54)
BCom Hons (Accounting), MCom (Taxation), CA(SA)
Tax executive

C (Corné) van der Schyff (47)
CA(SA)
Finance executive

CH (Christina) Steyn (43)
BSc, BSc Hons (Physics), MSc (Physics), PhD (Physics), MBA, Cert.Dir
Investor relations executive

SUMMARISED CORPORATE GOVERNANCE REPORT

We are committed to continuously integrate the principles of good corporate governance into our strategy, ERM and day-to-day decision-making. We recognise and believe that good corporate governance supports the long-term sustainability of our group.

'Our holistic approach to corporate governance, at both divisional and group level, remains focused on ensuring that the businesses and affairs of the group are managed in a responsible and ethical manner, to assist with the creation of value in the short, medium and long term, for the benefit of all stakeholders.'

Gary Chaplin
Chief executive officer

Read more: Corporate governance report

INTRODUCTION

This corporate governance summary provides an overview of our corporate governance framework and our approach to governance. Our comprehensive corporate governance report is published on our website and contains details of the approach we have adopted to ensure the application of the principles contained in the King Report on Corporate Governance™ for South Africa, 2016 (King IV™) during the financial year ended 30 June 2023. Please refer to this report to understand how KAP 'applies and explains' the principles contained in King IV™.

GOVERNANCE APPROACH

We are committed to and maintain high standards of governance that are consistent with regulatory requirements and evolving best practices, and are aligned with the company's strategy and risk appetite. Effective corporate governance is not only about overseeing the company's activities and practices, but also doing so in a way that creates enduring value for stakeholders.

It entails the board understanding the challenges and opportunities of a changing industry and economy, knowing our business and our risks, and setting robust standards and principles that will guide the company to ensure we are constantly enhancing value for our stakeholders.

We view corporate governance as integral to ensuring that KAP remains a good corporate citizen while we pursue our strategic objectives.

Application of King IV™

The general principles of the King Committee on the corporate governance regime have been incorporated into the group's structures for many years. During the year under review, the group continued to apply the corporate governance principles and recommended practices as advocated in King IV™ on a holistic, substance-over-form basis. This approach serves KAP better than a mechanistic tick-box approach, as it achieves the recommended King IV™ outcomes by applying, in some instances, practices other than those specifically detailed in King IV™.

As suggested by King IV™, we have also applied the principle of materiality in relation to the inclusion of information in this summarised report and our integrated report, which could substantively affect the organisation's ability to create value over the short, medium and long term.

Where necessary, policies, procedures, terms of references, charters, frameworks and structures are amended from time to time, as approved by the board, to refine alignment with the latest prescripts of King IV™, changing statutory requirements, and business imperatives.

CORPORATE GOVERNANCE FRAMEWORK

The corporate governance framework provides an overview of the corporate governance structures across the group which enable us to manage our operations effectively and meet our statutory and regulatory requirements. The purpose of the framework is to:

- provide the guiding principles and the statutory and regulatory framework that underpin the principles of effective corporate governance;
- define the governance structures and role players;
- provide an approvals framework for the board and the divisions through which authority is delegated and the concentration risk of decision-making is mitigated;
- distinguish between the role of the holding company board and our subsidiary boards;
- facilitate effective, balanced and transparent decision-making at all levels in the group; and
- establish, maintain and monitor the system of internal controls.

SUMMARISED CORPORATE GOVERNANCE REPORT CONTINUED

KAP shareholders

Non-executive and executive* directors
Appointed by shareholders

KAP board

External auditor reports to the KAP and divisional audit and risk committees

External auditor
Appointed by shareholders

KAP BOARD STRUCTURE^

- Audit and risk committee
  Appointed by shareholders
- Human capital and remuneration committee
- Social and ethics committee
- Nomination committee
- Investment committee
- Guarantee and financial assistance subcommittee
- Treasury subcommittee

KAP CORPORATE STRUCTURE

CHAIRED BY CEO

- Executive committee

CHAIRED BY CFO

- IT steering committee
- Tax compliance committee
- Combined assurance forum
- Compliance committee

CHAIRED BY CORPORATE AFFAIRS EXECUTIVE

- Employment and labour committee
- B-BBEE compliance committee

DIVISIONAL STRUCTURE#

CHAIRED BY CEO

- Divisional boards
  Directors appointed by KAP in its capacity as shareholder
- Human capital and remuneration committee

CHAIRED BY CFO

- Voluntary audit and risk committee

CHAIRED BY DIVISIONAL IT EXECUTIVE

- IT divisional steering committee

Committee accountable to:

- KAP board
- KAP shareholders

* *CEO, CFO and corporate affairs executive*
^ *Committees and subcommittees operate in terms of a board-approved charter.*
# *The divisional structure is supported by various managerial committees.*

SUMMARISED CORPORATE GOVERNANCE REPORT CONTINUED

Our governance structures achieve the following positive outcomes in line with those recommended by King IV™:

Ethical culture

We have entrenched our values in our decision-making, conduct and the relationships between the group, our stakeholders and broader society.

Adequate and effective controls

We have implemented adequate and effective control through our structures, our people and our processes to ensure the integrity of the information we use for internal decision-making, and the integrity of financial and non-financial information that we report publicly.

Performance and value creation

Performance and value creation are reflected in the achievement of our strategy and fulfillment of our purpose, the positive outcomes and effects of which are evident on people, the planet and profit.

Trust, good reputation and legitimacy

We form an integral part of broader society, and we display the positive conduct that characterises a good corporate citizen.

BOARD OF DIRECTORS AND BOARD COMMITTEE STRUCTURES

The board provides leadership and strategic guidance to ensure value creation for all stakeholders. This is done within an ERM framework and an effective system of internal controls. This approach makes it possible to assess and manage risk within defined levels of risk appetite and tolerances to support sustainable development and growth. The board operates under the guidance of a charter and our code of ethics, has ultimate accountability and responsibility for the performance and affairs of the company, and ensures that the group adheres to high standards of ethical behaviour in line with our values.

The board committees assist executive directors in discharging their duties and responsibilities. Each board committee has a formal charter that is reviewed at least annually. Formal annual work plans are aligned with the relevant charters and guide the meeting agendas to ensure that each committee is able to monitor practically whether it is discharging its delegated duties and responsibilities.

SUMMARISED CORPORATE GOVERNANCE REPORT CONTINUED

Governance structure	Purpose	Composition	Attendance	Key focus areas for 2023
Board of directors	The board plays a key role in setting the strategic direction of the company. It also provides continuous oversight of material matters, acting as an independent check and balance for the executive management team, whose main responsibility remains the management of the business. Refer to the board charter on its website for the detailed mandate. Read more: Board charter	As at 30 June 2023, the board compromised 11 directors, three of whom are classified as executive directors and eight as independent non-executive directors. The directors as a collective have the required skills and experience to have objective judgement on matters of strategy, resources, transformation, diversity, employment equity, financial and operational performance and policies that impact the business.	Scheduled meetings **100%** Special meetings **100%**	• Strategy and portfolio review • Reduction of debt, interest cost and fixed costs through: » numerous special projects » prioritisation of capital allocation and a moderation of capex apart from committed projects » restructuring of the Unitrans division into one business • Improvement of working capital management • Improvement of efficiencies across the business • Considered recommendations of the RemCom in relation to the group's remuneration policy
Audit and risk committee ('ARC')	The main purpose of the ARC is to assist the board in fulfilling its oversight responsibilities and to evaluate the adequacy and efficiency of accounting policies, internal controls, ERM, compliance and combined assurance arrangements, and financial reporting processes. In addition, the ARC assesses the effectiveness of the CFO and finance function, the outsourced internal auditor, as well as the independence and effectiveness of the external auditor, and considers and recommends the appointment of the latter. Refer to the ARC charter on our website for the detailed mandate. Read more: Audit and risk committee charter	The ARC compromises four independent non-executive directors. In line with King IV™, the chairperson of the board is not a member and does not attend ARC meetings.	Scheduled meetings **93.75%** Special meetings **100%**	• Review of the group's going concern assessment and solvency and liquidity position • Impairment assessment of goodwill, indefinite useful life intangible assets and property, plant and equipment • Recommendation of the group's annual financial statements to the board • Outsourcing of the internal audit function to an independent, external specialist, including the review and approval of the internal audit charter • Improvement of the combined assurance framework and processes • Formulation of a combined assurance model • Oversight of the effectiveness of the internal financial controls and remedial actions implemented by management through an internal financial controls improvement project • Oversight of IT risks, the IT internal control framework and the IT assurance plan, as well as a review of the IT charter (for board approval) • Improvement of ERM through the implementation of a revised methodology, with a specific focus on emerging risks, electricity interruption and other infrastructure failures • Ensuring the effectiveness of the external auditor function, following its first year-end audit (alignment with KAP's external audit-quality expectations) • Recommendation to the board for the appointment of the external auditor for 2024

SUMMARISED CORPORATE GOVERNANCE REPORT CONTINUED

Governance structure	Purpose	Composition	Attendance	Key focus areas for 2023
Social and ethics committee ('SEC')	The SEC plays a pivotal role in exercising oversight of organisational ethics, social and economic development, good corporate citizenship, regulatory compliance, environment, health and safety matters, stakeholder engagement and labour and employment issues. The purpose of the SEC is to ensure that the company's activities impact positively our stakeholders, including employees, communities, members of the public and the environment, and to report on this to our shareholders on an annual basis.	The SEC comprises four independent non-executive directors, with the CEO as an additional member. The committee's composition exceeds the statutory composition requirements and aligns with the higher requirements set by King IV™.	Scheduled meetings 100% No special meetings were held	• Monitored KAP's participation in the FTSE4Good Index • Monitored the group's standing and compliance with the goals and purpose of the Ten Principles of the UNGC, specifically in the areas of human rights, labour, the environment and anti-corruption • Monitored KAP's compliance with the protocol of the International Labour Organisation • Monitored the group's standing and compliance with the OECD recommendations regarding corruption and fraud • Monitored aspects of human capital relating to the educational development of our employees and other employee benefits • Oversaw KAP's compliance with applicable legislation and good-practice codes
Human capital and remuneration committee ('RemCom')	The purpose of the RemCom is to ensure that the group's remuneration practices are fair and reasonable, while remaining compliant with regulatory and governance requirements and ensuring that the remuneration practices deliver shareholder value. It also ensures the establishment of an appropriate remuneration framework and adoption of remuneration policies that aim to attract and retain top talent, support the company's long-term strategy and drive sustainable performance.	The RemCom comprises four independent non-executive directors.	Scheduled meetings 100% Special ad hoc meetings 78%	• Reviewed the human capital strategy to support KAP's 2027 strategy • Reviewed the human capital people structures across the group to ensure that the structures are populated with competent people with appropriate skill sets to ensure achievement of the KAP 2027 strategy • Reviewed the succession and development plans of key employees, with a focus on senior and executive management and critical resources • Reviewed the group's talent management cycle and monitored the implementation of the talent mapping strategy • Reviewed the group's compliance with principles of equal pay for work of equal value • Reviewed the remuneration levels of employees with a key management focus, and ratified the implementation of the general inflationary-linked salaries of all employees across the group, including the various negotiated wage agreements • Reviewed the rules and measurement criteria of the share rights scheme and the annual incentive bonus • Engaged with dissenting shareholders on the group's remuneration policy and recommended changes to the board

SUMMARISED CORPORATE GOVERNANCE REPORT CONTINUED

Governance structure	Purpose	Composition	Attendance	Key focus areas for 2023
Nomination committee ('NomCom')	The purpose of the NomCom is to review the composition of the board and its subcommittees and, where skills or experience appear to be lacking in a particular area, to identify how best to remedy this. The NomCom ensures succession planning for the board and our subcommittees. It assesses the independence of directors and recommends directors for staggered rotation at the AGM. Refer to the NomCom charter on our website for the detailed mandate. Read more: Nomination committee charter	The NomCom comprises three independent non-executive directors.	Scheduled meetings 100% Special meetings 100%	• Reviewed and updated the board succession plan • Reviewed and updated the board diversity policy • Reviewed and recommended changes to the board and its committees • Reviewed the classification of directors and evaluated the independence of the long-serving non-executive directors • Reviewed the directors' training and induction programme • Recommended the directors' rotation for the 2023 AGM in accordance with the company's staggered-rotation policy
Investment committee ('InvestCom')	The purpose of the InvestCom is to consider and support or oppose management's submissions in respect of any mergers, acquisitions and/or disposal of companies, shares in companies and/or businesses and any significant capital projects or capital requirements. The InvestCom must consider whether proposed investments are aligned with the investment criteria and board-approved strategy for the group.	The InvestCom compromises seven members, five of whom are independent non-executive directors, plus the CEO and CFO.	Scheduled meetings 100% No special meetings were held	• Reviewed acquisition opportunities • Recommended disposal of unproductive assets • Considered the appropriateness of a formal dividend policy • Reviewed the PG Bison MDF expansion project • Considered a B-BBEE empowerment scheme via an employee stock ownership plan ('ESOP') • Considered energy plans to support our resilience strategy • Considered opportunities to bolster our recycling capacity

SUMMARISED CORPORATE GOVERNANCE REPORT CONTINUED

Governance structure	Purpose	Composition	Attendance	Key focus areas for 2023
Guarantee and financial assistance subcommittee	The purpose of the guarantee and financial assistance subcommittee is to attend to day-to-day obligations related to the granting of financial assistance by the company, including financial assistance to related or interrelated companies as contemplated by sections 44 and 45 of the Companies Act. All decisions of the committee are presented to the board for consideration and approval/endorsement on a quarterly basis.	The subcommittee compromises one independent non-executive director and the CEO and CFO.	All meetings are of an ad hoc nature	• Numerous instances of the granting of financial assistance by the company to related or interrelated companies were approved in accordance with the prescripts of sections 44 and 45 of the Companies Act
Treasury subcommittee	The purpose of the treasury subcommittee is to attend to the day-to-day obligations relating to general banking matters and transactions, including facilities and loans, guarantees, suretyships and other security documents. The committee also oversees the operation of KAP's domestic medium-term note programme. All decisions of the committee are presented to the board for consideration and approval/endorsement on a quarterly basis.	The subcommittee compromises one independent non-executive director and the CEO and CFO.	All meetings are of an ad hoc nature	• Numerous instances of banking and DMTN-related transactions were approved

CONCLUSION

Our directors confirm that, to the best of our knowledge, we have complied with the provisions of the Companies Act and other applicable legislation, and have operated in accordance with the prescripts of our MOI during the reporting period.

OUR REMUNERATION REVIEW

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BACKGROUND STATEMENT

REMUNERATION GOVERNANCE

Our board is responsible for the group's remuneration policy and is assisted by our human capital and remuneration committee ('the committee') which operates according to its board-approved charter. The board therefore oversees the implementation and execution of its approved remuneration policy through the committee, which comprises three independent non-executive directors, one of whom is appointed as chairperson.

In terms of the recommendations of King IV™, board committees should have cross membership to ensure a balanced distribution of power and to enhance effective collaboration. In line with these recommendations, SH Müller, chairperson of the committee, is also a member of the social and ethics committee, the audit and risk committee and the investment committee. KJ Grové is a member of the committee and the investment committee. JA Holtzhausen, who was appointed to our board effective 1 March 2023, is a member of this committee, the investment committee and the nominations committee. V McMenamin, who joined the committee on 18 November 2021 and also served as a member of the social and ethics committee, resigned as a member of the committee on 4 September 2023, due to an increase in her executive responsibilities at Mondi PLC, but remains an independent non-executive director on the board.

Our chief executive officer and corporate affairs director attend the committee meetings by invitation and recuse themselves from discussions or decisions which relate to them.

The committee is compliant with applicable statutory and best practice membership criteria.

The committee has two formal scheduled meetings per year and meets more often on an ad hoc basis as required to fulfil its mandate. The chairperson provides feedback to the board after each committee meeting regarding key decisions and relevant discussions and attends the AGM to address questions by shareholders on the committee's areas of responsibility.

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 supported by experienced human capital practitioners at group and divisional level. They hold the responsibility for the implementation and management of human capital and remuneration strategies, policies and practices, at a divisional level, in line with those set by the committee. The divisional subcommittees comprise our CEO, CFO and corporate affairs director, and our divisional CEOs and human capital executives. Our CEO chairs these subcommittees.

REMUNERATION PHILOSOPHY

Our remuneration philosophy is to attract, motivate and retain the best people in our industries who are able to perform and excel within our entrepreneurial and performance-driven culture to ensure the effective implementation of our strategy and the long-term sustainability of our group. We therefore aim to provide remuneration that is competitive in the sectors and markets in which we operate and compete, is fair and equitable, and rewards outstanding performance.

Our remuneration objectives are achieved by:

- positioning guaranteed executive salary packages in line with industry benchmarks; and
- designing short and long-term incentives to ensure, as practically as possible, the alignment between executive remuneration and the interests of shareholders, and to reward outstanding performance.

Our remuneration philosophy serves as an essential tool in enabling our employees to deliver on our strategic objectives, while supporting sustainable value creation for our key stakeholders. In this regard, we believe that our remuneration decisions are fair and remain appropriately aligned with shareholder and stakeholder interests over the long term.

FAIR AND RESPONSIBLE REMUNERATION

Each year, the committee reviews the horizontal and vertical remuneration differentials across job grades to ensure that there are no disproportionate income differentials based on gender or race. Where disproportionate income differentials are detected, we implement immediate corrective measures. The committee is satisfied that no disproportionate pay differentials exist and that all pay differentials are justifiable and not attributable to gender or race bias. In addition, guaranteed executive salary package increases are set with reference to, among others, the remuneration of the broader workforce.

Our divisions manage collective bargaining through industry bargaining councils and participate in centralised bargaining structures to establish sector-based conditions of employment wherever possible. There are also collective bargaining arrangements in the southern African countries in which Unitrans and Restonic operate. We take careful measures to ensure that wage increase settlements are appropriate within the context of local market and economic conditions.

The committee is satisfied that the remuneration of bargaining unit employees is appropriate relative to the sectors in which our businesses operate, and that measures are in place to reduce and eliminate any unjustified pay differentials. In addition, the committee is satisfied that the remuneration of executive management is fair and responsible within the context of overall employee remuneration.

BACKGROUND STATEMENT CONTINUED

THE ENVIRONMENT IN WHICH WE REMUNERATE

The committee considered the following external factors in its deliberations during the year:

- A challenging and subdued global and local macroeconomic environment, including the negative effects of loadshedding, deteriorating national and municipal infrastructure, commodity price volatility and softer consumer demand.
- The escalating risk of loss of key personnel to competitors, other industries and emigration, bearing in mind that we compete for scarce skills on a global basis.
- The need to reward our employees appropriately for their contribution to the group's performance, taking into consideration the complex, uncertain and competitive operating environment, to ensure a balanced outcome for our key stakeholders over the long term.
- The shareholder support of 88.25% and 91.96% received on our remuneration policy in the November 2020 and 2021 AGMs respectively.

KEY COMMITTEE ACTIVITIES

The committee met formally during FY23 on 14 September 2022 and 27 October 2022 with all its members present. The following were the key activities of the committee:

- reviewing the group's human capital strategy and the alignment thereof with our vision and strategy;
- reviewing executive structures and technical capacity to ensure that the group has sufficient leadership and technical skills to support strategy implementation;
- reviewing succession plans of executives and senior management levels in the group;
- evaluating 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;
- reviewing the risk associated with the loss of key personnel and the implementation of associated talent retention measures;
- reviewing the group's approach to diversity and inclusion, with specific reference to employment equity;
- approving the remuneration of executives, including guaranteed salary increases, annual incentive bonus ('AIB') payments and share right scheme ('SRS') vesting outcomes; and
- making recommendations for the adjustments to the forward-looking fees of the non-executive directors to our board for approval and voting by shareholders at the November 2022 AGM.

In addition, as recommended by King IV™, the committee also reflected on its prior year self-assessment outcomes to determine whether the identified shortcomings have been addressed appropriately. The committee is satisfied that it has fulfilled its responsibilities during the year.

Read more: Corporate governance report

NON-BINDING ADVISORY VOTE AND SHAREHOLDER ENGAGEMENT

As per the recommendations 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 and remuneration disclosure report ('implementation report') are tabled each year for separate non-binding advisory votes by shareholders at our AGM. If shareholders vote against either the remuneration policy or the implementation report by 25% or more of the total voting rights exercised at the AGM, we issue an invitation to dissenting shareholders to engage with us in order to address legitimate and reasonable concerns.

The following reflects the non-binding advisory shareholder votes at the AGM held on 21 November 2022:

AGM held on 21 November 2022	Votes in favour %	Votes against %
Remuneration policy	66.81	33.19
Implementation report	68.45	31.55

As a result of receiving less than 75% support, we provided a platform to engage with dissenting shareholders. This engagement was via an invitation released on SENS on 2 December 2022, inviting them to submit, in writing, recommendations in relation to the remuneration policy and implementation report, for consideration by the committee. The committee responded to each submission through a direct engagement with the relevant dissenting shareholders.

Following this engagement, the committee amended certain aspects of remuneration to balance stakeholder concerns with the need to reward executives appropriately for their contribution to the achievement of our strategic objectives. The committee also engaged proactively with dissenting shareholders to establish whether there was support for the proposed amendments before finalising the approach for the 2024 financial year.

BACKGROUND STATEMENT CONTINUED

The table below summarises the actions the committee took in response to their feedback:

Issue raised	Shareholder feedback	Committee action
Non-financial vs financial targets	Full vesting of non-financial targets should not take place where financial targets are not achieved. In addition, internal audit and compliance should not be included in the AIB vesting.	Governance and strategy-related targets were previously included in the measurement criteria of the incentive schemes to promote the long-term sustainability of the group. The committee has revised the remuneration policy and removed internal audit and compliance as measurement criteria for the AIB scheme. In addition, the achievement of B-BBEE targets has been changed to a punitive measurement criterion, i.e. non-achievement of B-BBEE targets will result in a penalty of 10% of the total participation percentage. *(Details of the amendments to the AIB measurement criteria are further set out in the remuneration policy.)*
Stretch targets for both AIB and SRS vesting	The FY21 AIB vesting should have been based on an adjusted higher HEPS, not the actual FY20 HEPS, which was materially negatively impacted by extraordinary events.	The committee did not make any adjustments to the measurement criteria in FY20 to account for material extraordinary events. Consistent with this, we also did not make adjustments in FY21. The committee will however implement a one-off adjustment to the FY23 HEPS that will create a higher base to calculate core HEPS growth targets for the FY24 AIB scheme. *(See details in the remuneration policy.)*
	The FY18 SRS grant should not have vested in FY21 given the high levels of debt.	The FY18 SRS grant, which vested in FY21, was based on the SRS measurement criteria approved by shareholders at the 13 November 2018 AGM. The last grant in terms of this scheme was in FY19 and vested in FY22. These measurement criteria were further amended in FY20 following shareholder feedback. *(See details in the implementation report.)* While debt levels were not a specific measurement criteria of the scheme throughout this period, they were considered as an element of the strategy execution criteria. These measurement criteria have since been replaced and as such the committee took no further action in this regard. The committee has, however, amended measurement criteria in the short and long-term incentive schemes to promote a more conservative capital structure with lower levels of debt. *(Details of the amendments are further set out in the remuneration policy.)*
	The core HEPS growth > GDP growth + CPI measurement in the AIB scheme and the ROE > KAP WACC measurement in the SRS do not constitute sufficient stretch targets to justify incentive payments.	The committee believes that the measurement criteria of the AIB and SRS schemes are extremely challenging when modelled over an extended period, especially in view of the volatile nature of the operating environment. The one-off adjustment of the HEPS, referred to above, will ensure that challenging hurdle rates are set for both the relevant HEPS and ROE measurements for FY24.
Performance disclosures	Additional disclosure is required with regard to the core HEPS measurement criteria for KAP executives and the core operating profit measurement criteria for divisional executives in the AIB scheme and the applicable threshold for the SRS.	Where relevant, the committee will provide more detail for each measurement and the actual performance achieved in relation to the AIB and SRS schemes in the implementation report.
Maximum AIB and SRS vesting	The maximum vesting percentage for the CEO and CFO is too high in respect of both AIB and SRS.	The maximum vesting levels were set based on a comprehensive peer comparison in relation to remuneration policies and incentive schemes. To address shareholder concerns, the committee has used its discretion to reduce the maximum vesting percentage for the CEO and CFO from 200% to 150% for the AIB scheme. No changes have been made to the maximum vesting percentage of the SRS since the committee believes that increased shareholding by executives promotes a greater alignment between management and stakeholder interests. *(Details of the amendments to the AIB and SRS vesting levels are further set out in the remuneration policy.)*
Guaranteed salary levels for the CEO and CFO	The guaranteed pay for the CEO and CFO is high relative to the market and peers.	As part of the group's remuneration policy, the committee engages regularly with independent external advisors to assess the guaranteed pay levels of executives, including the CEO and CFO. Following shareholder feedback, an additional independent assessment and verification thereof was conducted. The outcome of this assessment reaffirmed that the executive guaranteed pay levels were in line with those of companies of comparable size, sector, business complexity, markets and geographic location. Despite this outcome, the committee has used its discretion not to award an inflation-linked salary increase to the CEO and CFO for FY24, which will keep their guaranteed salary at FY23 levels.

BACKGROUND STATEMENT CONTINUED

The changes referred to above are detailed in the remuneration policy and will be presented to shareholders for a separate non-binding advisory vote at our upcoming AGM in November 2023. We look forward to a positive outcome in this regard.

ACCESS TO INFORMATION AND ADVISORS

Members of the committee may access any information to inform their independent judgement on remuneration and related matters. During the year, the committee received reports from Remchannel Proprietary Limited ('Remchannel') to ensure that the group's remuneration levels are competitive and appropriate within our specific markets and geographic areas of operation. In order to consider concerns raised by shareholders about the remuneration policy, the committee received further remuneration reports from Remchannel, PricewaterhouseCoopers International Limited ('PwC') and Emergence Human Capital during the year and post-year-end.

Prior to the presentation of the 2023 non-executive director ('NED') fee proposal to the board for onward presentation to shareholders for approval, we engaged with PwC to assess whether the NED fee structure was still appropriate. The committee is satisfied that PwC, Remchannel and Emergence Human Capital are independent and objective.

PLANNED FOCUS AREAS IN RELATION TO FY23

We regularly assess the remuneration market and governance frameworks to ensure the relevance of our remuneration approach. The committee anticipates focusing on the following areas during FY24:

- The continued implementation of a human capital strategy, informed by our values, to ensure that we are an employer of choice with a culture, policies and procedures that set high expectations for performance, while simultaneously providing a stimulating and inclusive environment for our people.
- The continued review of executive structures and technical skills to ensure that we have sufficient leadership and technical capacity to support strategy implementation.
- The review of our succession plans focused on identifying and growing talent to fill leadership and business-critical positions in the future.
- Talent mapping of critical and scarce leadership and technical skills to ensure that the group attracts and has access to sufficient external and internal skills to support strategy implementation.
- The implementation of measures to further promote diversity and inclusion.
- Remaining up to date with key issues that influence remuneration in the current dynamic operating environment.

REMUNERATION POLICY

REMUNERATION GOVERNANCE

The board carries ultimate responsibility for the remuneration policy. The committee functions as a subcommittee of the board in terms of a board-approved mandate to evaluate and monitor the company's remuneration philosophy and practices and 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. The remuneration policy is reviewed on an annual basis and is aligned with the recommendations of 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, B-BBEE targets and individual key performance indicators ('KPIs').
- Executive remuneration is fair, responsible and transparent within the context of the overall remuneration of the company.

ALIGNMENT BETWEEN HUMAN CAPITAL STRATEGY, REMUNERATION PHILOSOPHY AND POLICY

The objective of our human capital strategy is to attract, motivate and retain the best people in our industries who are able to 1) perform, and 2) excel within our entrepreneurial and performance-driven culture to ensure the effective implementation of our strategy and the long-term sustainability of our group. The success of our business is dependent on our people's ability to deliver quality products and services and to maintain high standards of customer service in very competitive sectors. Our philosophy to provide remuneration that is competitive, fair and equitable, and reward outstanding performance, supports our human capital strategy's objectives of attraction, retention and motivation of our executives, managers and employees across all levels of our group. Our remuneration policy aims to facilitate implementation of our human capital strategy and remuneration philosophy.

BENCHMARKING OF REMUNERATION

Benchmarking of the remuneration of our executive directors and management is undertaken annually, using the services of independent experts, in order to ensure that remuneration is market-related and equitably awarded under the remuneration systems and practices in place. The committee aims to ensure an appropriate balance between the guaranteed and performance-related elements of remuneration, and also between short-term performance and long-term sustainable stakeholder value creation. The committee considers each element of remuneration relative to the market and, in determining its quantum, takes into account the performance of the company and/or division, the management team, and the individual concerned.

ELEMENTS OF REMUNERATION

Our remuneration policy covers three elements of remuneration:

Guaranteed salary ('salary')

Guaranteed salary 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 and is subject to annual review. Company performance, individual performance, the economic environment and changes in responsibilities are 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 Paterson 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.
- The qualifications, skills and experience of the individuals concerned are taken into account relative to the relevant job and competency profiles.

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

The remuneration of employees, other than those represented by unions and other bargaining structures, is contracted on a CTC basis, which includes basic cash remuneration, 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 employees with post-retirement healthcare benefits. Employees throughout the group are able to contribute to various independently administered defined-contribution retirement schemes.

We encourage union membership and collective bargaining among our employees in order to provide for responsible and structured engagement. Wages and substantive conditions of employment in relation to employees represented by trade unions or similar bargaining structures and similarly graded positions 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 as they promote 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.

Variable performance-related incentives ('incentives')

The principle underlying this policy is to ensure that senior executives and managers are rewarded for performance that advances the company's strategy. Variable pay is designed to incentivise and reward both individual and team effort and serves as a tool to attract, motivate and retain employees of the calibre required to achieve the company strategy. This policy is also intended to ensure that top management is 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, to the benefit of stakeholders.

REMUNERATION POLICY CONTINUED

Annual incentive bonus ('AIB')

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 executives and senior management of KAP Corporate Services and are based on the performance of KAP:

Corporate

Measurement	Proportion		Participation levels
Core HEPS growth > GDP growth + CPI	15%	Applied on a linear basis to participation levels	Executive directors at 150% of CTC Executives at 50–75% of CTC
Core HEPS growth > GDP growth + CPI + 1%	15%		
Core HEPS growth > GDP growth + CPI + 2%	15%		
Core HEPS growth > GDP growth + CPI + 3%	15%		
EBITDA cash flow conversion ≥ 90%	20%		
Net debt/EBITDA ≤ budget, and EBITDA/interest cover ≥ budget	20%		
Punitive measurement			
Non-achievement of the B-BBEE budgeted score	10%		

In consideration of core HEPS growth in FY24, the base year for calculation purposes, FY23 HEPS, has been adjusted upward to account for exceptional items during FY23. This effectively increases the hurdle required for achievement of FY24 AIBs by executives and addresses one of the concerns raised by dissenting shareholders, after receiving less than 75% non-binding advisory shareholder votes in support of our remuneration policy and implementation report.

In view of the subdued operating environment envisaged for FY24, and high interest rates and elevated debt levels of the company as a result of major projects in progress, management's key focus is to remain within debt covenants. Therefore, debt covenants have been included as a measurement criteria to improve alignment between shareholder needs and management remuneration in the current operating environment. Achievement of budgeted debt covenant ratios, which are more onerous than the actual debt covenants, is intended to incentivise executive directors to improve the capital structure of the company, with a focus on debt reduction.

The achievement of the budgeted B-BBEE score has been amended from a 10% proportion of the AIB to a 10% penalty against total allocation if not achieved.

The AIB measurement criteria no longer contain any non-financial measures.

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

Divisional

Measurement	Proportion		Participation levels
Core EBITDA growth > GDP growth + CPI	15%	Applied on a linear basis to participation levels	CEO at 150% of CTC COO/CFO at 100% of CTC Executives at 50–75% of CTC
Core EBITDA growth > GDP growth + CPI + 1%	15%		
Core EBITDA growth > GDP growth + CPI + 2%	15%		
Core EBITDA growth > GDP growth + CPI + 3%	15%		
EBITDA cash flow conversion ≥ 90% (Logistics ≥ 95%)	20%		
Cost reduction targets > budget	20%		
Punitive measurement			
Non-achievement of the B-BBEE budgeted score	10%		

In view of the subdued operating environment envisaged for FY24, and high interest rates and elevated debt levels of the company as a result of major projects in progress, management's key focus is to remain within debt covenants. The earnings growth metric is therefore based on EBITDA for FY24, as a key element of debt covenants. In consideration of core EBITDA growth in FY24, the base year for calculation purposes, FY23 EBITDA, has been adjusted upwards to account for exceptional items during FY23. This effectively increases the hurdle required for achievement of AIBs by divisional management in FY24.

In view of the high levels of cost inflation experienced during recent years, management has been incentivised to achieve certain cost reduction targets over and above their divisional budgets. This is intended to promote the competitiveness of the company's operations.

The achievement of the budgeted B-BBEE score has been amended from a 10% proportion of the AIB to a 10% penalty against total allocation if not achieved.

The AIB measurement criteria no longer contain any non-financial measures.

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

REMUNERATION POLICY CONTINUED

The committee retains discretion in terms of the award of AIBs, which is only exercised in exceptional circumstances. When exercised, it is reported accordingly in the annual remuneration implementation report.

Incentives are determined and paid in the financial year following that to which the performance relates and are disclosed in our implementation and remuneration disclosure report with the applicable performance targets.

Retrospective disclosure of the outcome of the upward adjusted FY23 bases for core HEPS and core EBITDA growth targets, as well as budgeted debt covenant ratios and cost reduction targets will be disclosed in the 2024 implementation report.

Long-term incentive schemes

LTIs are awarded with the primary aim of promoting the sustainable performance 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 LTIs are achieved through a shareholder-approved share rights scheme ('SRS'), which measures performance on a cumulative basis over a three-year period. Participation in the SRS is determined by the committee on an annual basis in terms of the rules of the scheme and applies to individuals who are key to determining and implementing the long-term vision and strategy of the company and/or our divisions.

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

Corporate

Measurement	Proportion		Participation levels
Core HEPS growth > GDP growth + CPI ROE > KAP WACC Achievement of individual KPIs	37.5% 37.5% 25.0%	Applied on a linear basis to participation levels	CEO and CFO at 167% of CTC Executives at 50–100% of CTC Senior management at 33–50% of CTC
	100%		

The individual KPIs of the CEO and CFO for the December 2024 grant have been determined by the committee with the specific objective of improving the capital structure of the company, reducing debt and improving returns.

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 employees:

Divisional

Measurement	Proportion		Participation levels
Core operating profit growth > GDP growth + CPI ROCE > KAP WACC x 1.3 Achievement of individual KPIs	37.5% 37.5% 25.0%	Applied on a linear basis to participation levels	Divisional CEO 133% of CTC Divisional Exco at 50–100% of CTC Key senior management at 33–50% of CTC
	100%		

Polymer index

In terms of both the AIB and SRS, the inclusion of a polymer index in the measurement criteria is intended to protect shareholders from excessive management incentives during a polymer upcycle and to protect management from forfeiting incentives in a polymer downcycle, thereby rewarding management only for factors under their control. The polymer index is intended to eliminate the uncontrollable effect of movements in specific dollar-based raw material margins and exchange rates.

REMUNERATION POLICY CONTINUED

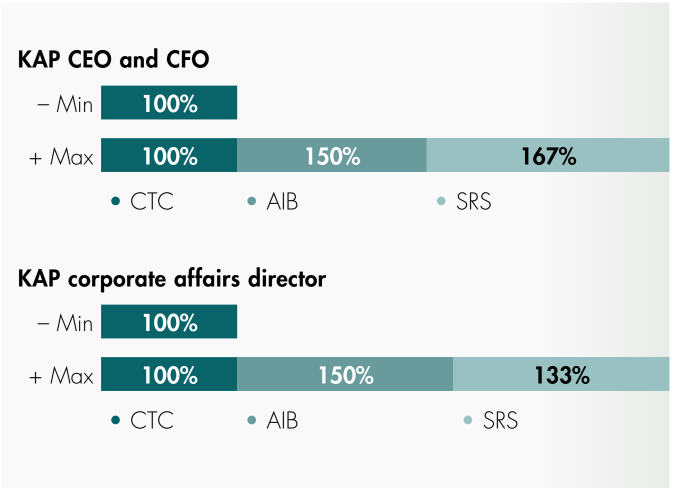
Executive operational management retention

KAP is dependent on the retention of key operational management for the execution of our strategy and the efficient running of our operations. In view of the escalating risk of loss of key skills in South Africa, we issued, on a one-off basis effective 1 November 2022, 34 million cash-settled notional share appreciation rights to certain executive operational management, who will be instrumental in delivering on our strategy. This is a pure retention scheme and the value of these notional share appreciation rights will vest on 31 October 2026, 31 October 2027 and 31 October 2028, provided these individuals are in the employ of the company with a clean disciplinary record. Allocation percentages range from 75% to 200% of CTC of these individuals, depending on seniority and level of influence.

This is not a share scheme as defined. This scheme does not apply to the executive directors (i.e. CEO, CFO and corporate affairs director).

Single-figure remuneration relative to on-target remuneration mix

The table below illustrates the total potential remuneration for executive directors at different performance levels in terms of the policy:



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: annual CTC

Statement of fair and responsible remuneration

The committee must satisfy itself that the remuneration of executive directors, executives and senior management takes appropriate account of the remuneration and employment conditions of other employees within the group. When salary increases are considered, the committee considers a report from management detailing pay practices across the group, including salary levels and trends, collective bargaining outcomes, and the approach management proposes to adopt for general employee increases. This information is considered in the committee's decisions regarding the remuneration of executive directors, executives and senior management to ensure that the remuneration of executive management is fair and responsible within the context of overall employee remuneration.

Malus and clawback

To the extent that the measurement criteria of either the AIB or SRS are achieved because 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 because 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.

Service contracts

Executives' contracts are subject to terms and conditions of employment as governed by the South African Labour Relations Act (No. 66 of 1995, as amended). The contracts of the executive directors, executives and senior management do not contain termination packages or excessive notice periods. In view of the scarcity of executive skills in South Africa, and to make provision for an orderly handover to successors, the CEO and CFO's notice periods are six calendar months, while the rest of the executive committee's notice periods are three calendar months. Payments on termination of employment, sign-on, retention or restraint payments, commissions and allowances are limited to contractual, legal and/or negotiated obligations. Any deviations from this policy in relation to senior executives require appropriate motivation and the specific approval of the committee.

NON-EXECUTIVE DIRECTOR FEE POLICY

The non-executive directors receive fees for services rendered to the company. Non-executive directors' fees are reviewed annually, taking into account inflation and market benchmarks based on research into trends in non-executive director remuneration among companies of a similar size and complexity. The fee proposals endorsed by the board are presented at the AGM for shareholder approval, by special resolution, prior to payment for the following year. Fees are not linked to the company's share price performance or our results. Non-executive directors cannot participate in and therefore do not qualify for shares in terms of the KAP performance SRS and do not hold share rights under this scheme.

REGULATORY COMPLIANCE

In line with the recommendations 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.

IMPLEMENTATION AND REMUNERATION DISCLOSURE

Our remuneration implementation report provides details on how we implemented our remuneration policy during FY23. It included the payments of certain management incentives which related to the performance of the group during FY22. The committee applied our remuneration policy without deviation during FY23.

This implementation report will be put to a non-binding advisory vote by shareholders at our AGM on 21 November 2023.

GUARANTEED SALARY ('SALARY')

Guaranteed salary or CTC increases for FY23 were awarded across the group based on inflation, except where there were changes in responsibilities and roles that warranted higher increases. We awarded a general inflation-linked increase of 6% to our executive directors, executive committee members and employees who fall outside a collective bargaining unit. Increases for bargaining unit employees were implemented in line with the collective agreements of relevant bargaining unit structures.

The following salary increases were awarded to executive directors with effect from 1 July 2023:

Executive directors	Total guaranteed salary 2023 R	Total guaranteed salary 2022 R	Increase in guaranteed salary
GN Chaplin	10 907 000	10 290 000	6%
FH Olivier	6 890 000	6 500 000	6%
SP Lunga[1]	4 897 333	2 666 666	22%[2]
Total	22 694 333	19 456 666	

[1] *Following his promotion, SP Lunga was appointed as an executive director to the board effective 18 November 2021. As a result, the remuneration disclosed in the prior year only includes eight months. His full-year guaranteed salary was R4 000 000.*

[2] *Annualised (salary) increase based on full-year remuneration.*

Our implementation report received less than 75% support from shareholders at our November 2022 AGM. Following engagement with the dissenting shareholders and, in addressing their concerns, the committee did not award our CEO and CFO an inflationary salary increase for FY24.

The following summarised (salary) increase was awarded to other executive committee members with effect from 1 July 2023:

	Total guaranteed salary 2023 R	Total guaranteed salary 2022 R	Increase in guaranteed salary
Other executive committee members	50 287 250	47 676 751	5%[1]

[1] *The normalised increase in guaranteed salary is 10% if adjusted for the executive committee composition. Certain executive committee members were awarded above-inflation increases.*

ANNUAL INCENTIVE BONUS

The group delivered a robust performance for FY22, with revenue, earnings and cash generated from operations reaching their highest levels in our company history, supported by our diversified business model which provided resilience in a volatile and uncertain sociopolitical and macroeconomic environment. AIBs were awarded during FY23 in relation to the performance of our company and divisions for the year ended 30 June 2022 and in line with our remuneration policy and stipulated allocation levels.

The following measurements were applied in respect of the AIBs paid to our executive directors:

Measurement	Proportion		Participation levels
Core HEPS growth > GDP growth + CPI*	15%	Applied on a linear basis to participation levels	CEO and CFO at 200% of CTC Executives at 50–100% of CTC Senior management at 25–50% of CTC
Core HEPS growth > GDP growth + CPI + 1%*	15%		
Core HEPS growth > GDP growth + CPI + 2%*	15%		
Core HEPS growth > GDP growth + CPI + 3%*	15%		
EBITDA cash flow conversion ≥ 90%	20%		
B-BBEE score against budget	10%		
Internal audit and compliance	10%		
	100%		

* *A polymer index is included with GDP growth and CPI requirements in relation to Safripol's proportion of HEPS.*

The incentive is calculated by multiplying a participant's CTC with the respective participation level and the proportion of the criteria achieved.

IMPLEMENTATION AND REMUNERATION DISCLOSURE CONTINUED

AIBs approved by the committee and paid during FY23 relate to the performance of the company and its divisions for the year ended 30 June 2022. The following table reflects our performance for FY22 against the above-mentioned AIB measurements:

Measurement	Proportion	FY22 Measurement	FY22 Results	AIB target achieved
Core HEPS* growth > GDP growth# + CPI^	15%	6.6%	> 100%	✓
Core HEPS growth > GDP growth + CPI + 1%	15%	7.6%	> 100%	✓
Core HEPS growth > GDP growth + CPI + 2%	15%	8.6%	> 100%	✓
Core HEPS growth > GDP growth + CPI + 3%	15%	9.6%	> 100%	✓
EBITDA cash flow conversion ≥ 90%	20%	90%	97%	✓
B-BBEE score against budget	10%	Level 5 budgeted	Level 4 achieved	✓
Internal audit and compliance	10%	Satisfactory	Satisfactory	✓
	100%			

* *FY22 core HEPS of 62.7 cents per share vs FY21 adjusted core HEPS of 15.0 cents per share.*

\# *GDP growth rate = 1%*

^ *CPI rate = 5.6%*

The committee approved the AIB awards for our executive directors following a detailed assessment of the relevant financial and non-financial measurements and is satisfied that the awards are in accordance with the approved measurement criteria applied to the group's performance for FY22, as shown in the table above. The committee also reviewed the performance of individual executive committee members against the measurement criteria set out in the remuneration policy and approved the award thereof, where these criteria were met. The committee applied the rules of the scheme without deviation and obtained independent assurance from the company's independent internal auditors on the application of the rules and the relevant incentive calculations.

The following AIBs were therefore paid to executive directors and other executive committee members in relation to the performance of the company and our divisions for the year ended 30 June 2022:

	Total bonuses[1]	
Executive directors	2023 R	2022 R
GN Chaplin	20 580 000	15 688 000
FH Olivier	13 000 000	9 540 000
SP Lunga[2]	4 233 333	–
	37 813 333	25 228 000
Other executive committee members[3]	39 811 612	43 280 080

[1] *Bonuses paid in FY23 relate to the performance of the group in FY22.*

[2] *SP Lunga was appointed as an executive director to the board effective 18 November 2021. His prior year bonus was R3 200 000, which was paid in October 2021.*

[3] *Other executive committee members include our divisional CEO's and corporate services executives that serve on the KAP executive committee.*

Our implementation report received less than 75% support from shareholders at our November 2022 AGM. Following engagement with the dissenting shareholders and, in addressing their concerns, the committee has amended certain measurement criteria and reduced the maximum AIB participation level for the CEO and CFO from 200% to 150%.

LONG-TERM INCENTIVES

LTIs were paid to executives in FY23 in relation to share rights granted in December 2019, in accordance with the vesting criteria of the SRS approved by shareholders at the November 2018 AGM. The committee applied the rules of the scheme without deviation.

The following measurement criteria were applicable in respect of the share rights granted in December 2019:

Measurement	Proportion	Participation levels
Cumulative achievement of three-year financial targets	35%	CEO and CFO 167% of CTC
Return on equity three-year targets	15%	Divisional CEOs and executives 53–133% of CTC
Strategy execution targets	15%	
ESG targets	10%	Key divisional management 33–133% of CTC
Retention	25%	
	100%	

Following a detailed assessment of the relevant financial and non-financial measurements over the three-year measurement period from 1 July 2019 to 30 June 2022, the committee approved the partial vesting of the December 2019 share rights. The committee also reviewed the performance of individual executive committee members against the target criteria set out in the remuneration policy, and approved the award thereof where target criteria were met.

IMPLEMENTATION AND REMUNERATION DISCLOSURE CONTINUED

Measurement	Proportion	Cumulative measurement target	Cumulative measurement result	Target achieved
Achievement of financial targets				
• Cumulative three-year core headline earnings per share	35%	138.4 cents per share	123.4 cents per share	✗
• Cumulative three-year cash from operations, less net cash finance cost, less cash taxation, (less)/add any capex and investment (over)/underspend		R8 280 million	R6 956 million	
• Return on equity over three years	15%	9.8%	9.0%	✗
Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP				
• Board-approved initiatives	15%	• Securing an appropriate and flexible capital and debt structure in order to minimise the risk of stressed debt or equity issuance in volatile economic environments	During FY20, the company purchased and cancelled 97 million ordinary shares. The following significant funding activities were concluded during FY20: » 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 was a R500 million increase in the committed syndicated revolving credit facility, bringing this facility to R1 500 million, which matured on 4 October 2021. These facilities provided the company with sufficient time and options to refinance upcoming bond maturities at the time. During FY21, bonds and term loans to the value of R2 394 million were settled, which included an expensive fixed interest rate term loan of R450 million. Funding of R1 652 million was raised during the year, through both bond issuances and term loan facilities, with maturities of three and five years at acceptable market-related interest rates. During FY22, the company repurchased and cancelled 65 million ordinary shares. The total value of the share buy-back transactions amounted to R310 million. As planned, net interest-bearing debt increased by R929 million compared to the prior year, resulting in a marginal increase in the net interest-bearing debt to equity (gearing) ratio to 65% from 64% in the prior year. Debt serviceability ratios for the year of net debt/EBITDA at 1.7 times and EBITDA/interest cover at 8.2 times remained well within our financial covenants of < 3.2 times and > 3.5 times respectively, and within our internal targets. During the year, bonds to the value of R1 620 million were settled and new funding of R3 100 million was raised through bond issuances with maturities up to five years and at more favourable interest rates. Global Credit Rating Co. Proprietary Limited reviewed our credit rating and confirmed our rating as A+(za) with a stable rating outlook for all three years.	✓

IMPLEMENTATION AND REMUNERATION DISCLOSURE CONTINUED

Measurement	Proportion	Cumulative measurement target	Cumulative measurement result	Target achieved
		• Implementation of risk management policy and framework	Since March 2020, we addressed the impact of the Covid-19 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 group 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 group implemented various measures to reduce operating costs and to optimise cash flows 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 an optimisation of working capital. We also implemented specific salary and wage cost reduction measures throughout our operations.	
		• Successful conclusion and implementation of strategic mergers, acquisitions and disposals	We continued using strategic corporate activities to enhance our quality of earnings and sustainability. In line with our key investment criteria, we entered into the following transactions: » 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. » Effective 1 December 2019, KAP Automotive Proprietary Limited ('KAP Automotive') disposed of the Autovest operations, which manufactured and retailed various aftermarket vehicle accessories. » Effective 1 September 2020, Unitrans Supply Chain Solutions Proprietary Limited ('USCS') acquired the remaining 36% minority share in Klipstone Transport Proprietary Limited. » Effective 30 June 2021, PG Bison Southern Cape Proprietary Limited disposed of its investment in the associate, The Peter Allan Building Materials Trust. » Effective 31 August 2021, KAP Automotive acquired the tufting carpet business from its equity-accounted joint venture company, Auria Feltex Proprietary Limited, for a total consideration of R13 million. » Effective 30 November 2021, USCS acquired a minority 30% non-controlling interest in Ubunye Mining Services Proprietary Limited for a consideration of R20 million. » Effective 1 December 2021, the group acquired an effective 90% interest in DriveRisk Holdings Proprietary Limited and SingRisk Services Private Limited (together with the underlying subsidiaries, collectively referred to as 'DriveRisk') for a purchase consideration of R404 million. » Effective 26 February 2022, KAP Automotive acquired a 48.95% shareholding in Auria South Africa Proprietary Limited ('Auria SA') for R46 million.	

IMPLEMENTATION AND REMUNERATION DISCLOSURE CONTINUED

Measurement	Proportion	Cumulative measurement target	Cumulative measurement result	Target achieved
		Implementation of growth initiatives, which do not necessarily benefit the year under review	We have completed a detailed strategy review across the group and identified eight strategic workstreams (as part of our KAP 2025 strategy), which are expected to yield current and future opportunities for value-creation, including a pipeline of material opportunities to expand our existing businesses, develop new products and enter complementary markets in the near term. In support of the above, the following key investments were made: » the expansion of PG Bison's Mkhondo particleboard plant; » the expansion of PG Bison's value-add capacity with investments in a seventh MFB press and a second gloss-coating line at the Boksburg site, both commissioned during FY23; » the construction of a 10 MW PV plant at Safripol Sasolburg; » the construction of PG Bison's Mkhondo MDF plant, scheduled for commissioning in July 2024; and » a project to produce higher-specification and higher-margin HDPE commenced, which included replacement of outdated equipment. In addition, Safripol concluded negotiations on the supply of ethylene using a new pricing formula that facilitates a fair market-related margin and moderates the cyclicality of margins. We have also embarked on the development and implementation of a business resilience strategy, which includes an energy and water strategy to address specific South African risks, particularly related to energy and infrastructure, as well as other unforeseen events, to avoid the potential costs and business interruption associated with such events. Our energy strategy includes the above-mentioned PV plant, while we explore further self-generation, cogeneration and storage opportunities across the group. We have engaged with Eskom to assist with the protection and maintenance of electricity infrastructure to our sites.	
		• Other initiatives, such as B-BBEE, internal audit ratings, health and safety, succession planning, etc.	We are fully compliant with the provisions of the B-BBEE Act, as well as with the B-BBEE Amended Codes of Good Practice. We improved our B-BBEE rating from Level 6 in FY20 to Level 4 in FY22.	
Achievement of ESG targets				
– FTSE4Good Index measurement criteria	10%	3.1	3.1	✓
Retention				
– Continued employment through the measurement period with a clean disciplinary record on vesting date	25%	• Continued employment through the measurement period with a clean disciplinary record on vesting date	Measured and implemented individually.	✓
	100%			

IMPLEMENTATION AND REMUNERATION DISCLOSURE CONTINUED

The following share rights therefore vested partially for executive directors and other executive committee members during FY23 in relation to the performance of the company and our divisions for the three-year measurement period ended 30 June 2022:

Value of share rights exercised during the year	Number of rights allocated	Number of rights forfeited	Number of rights exercised	Value of rights exercised R
2023[1]				
Executive directors				
GN Chaplin	2 027 783	(1 013 891)	1 013 892	4 532 097
FH Olivier	1 233 111	(616 555)	616 556	2 756 005
SP Lunga	576 471	(288 235)	288 236	1 288 415
	3 837 365	**(1 918 681)**	**1 918 684**	**8 576 517**
Other executive committee members	**4 076 771**	**(2 038 385)**	**2 038 386**	**9 111 585**
2022[2]				
Executive directors				
GN Chaplin	1 578 289	(789 145)	789 144	3 724 760
FH Olivier	959 770	(479 885)	479 885	2 265 057
SP Lunga[3]	–	–	–	–
	2 538 059	**(1 269 030)**	**1 269 029**	**5 989 817**
Other executive committee members	**4 778 250**	**(2 535 119)**	**2 243 131**	**10 587 578**

1 *The market price of share rights exercised was R4.47 on 1 December 2022.*

2 *The market price of share rights exercised was R4.72 on 1 November 2021.*

3 *SP Lunga was appointed as an executive director to the board effective 18 November 2021. As a result, the share rights of 198 056 (R934 824) he exercised, is included under other executive committee members.*

IMPLEMENTATION AND REMUNERATION DISCLOSURE CONTINUED

Outstanding share rights of our executive directors at 30 June 2022 are reflected as follows:

Executive directors	Offer date	Vesting date	Number of rights as at 30 June 2022	Number of rights awarded during the year	Number of rights exercised during the year	Number of rights expired during the year	Number of rights as at 30 June 2023	Market value of rights at grant date R	Market value of rights on vesting R	Market value of rights at 30 June 2023 R
GN Chaplin	Dec-19	Dec-22	1 013 892	–	(1 013 892)	–	–	–	4 532 097	–
	Dec-20	Dec-23	5 137 051	–	–	(1 926 394)	3 210 657	9 471 438	–	8 668 774
	Dec-21	Dec-24	3 914 419	–	–	(1 467 907)	2 446 512	10 348 746	–	6 605 582
	Dec-22	Dec-25	–	4 020 903	–	–	4 020 903	17 289 883	–	10 856 438
			10 065 362	**4 020 903**	**(1 013 892)**	**(3 394 301)**	**9 678 072**	**37 110 067**	**4 532 097**	**26 130 794**
FH Olivier	Dec-19	Dec-22	616 556	–	(616 556)	–	–	–	2 756 005	–
	Dec-20	Dec-23	3 123 882	–	–	(1 171 455)	1 952 427	5 759 660	–	5 271 553
	Dec-21	Dec-24	2 472 665	–	–	(927 249)	1 545 416	6 537 110	–	4 172 623
	Dec-22	Dec-25	–	2 540 022	–	–	2 540 022	10 922 095	–	6 858 059
			6 213 103	**2 540 022**	**(616 556)**	**(2 098 704)**	**6 037 865**	**23 218 865**	**2 756 005**	**16 302 235**
SP Lunga[1]	Dec-19	Dec-22	288 236	–	(288 236)	–	–	–	1 288 415	–
	Dec-20	Dec-23	1 669 020	–	–	(625 882)	1 043 138	3 077 257	–	2 816 473
	Dec-21	Dec-24	1 211 845	–	–	(454 441)	757 404	3 203 819	–	2 044 991
	Dec-22	Dec-25	–	1 369 342	–	–	1 369 342	5 888 171	–	3 697 223
			3 169 101	**1 369 342**	**(288 236)**	**(1 080 323)**	**3 169 884**	**12 169 247**	**1 288 415**	**8 558 687**
Total			**19 447 566**	**7 930 267**	**(1 918 684)**	**(6 573 328)**	**18 885 821**	**72 498 179**	**8 576 517**	**50 991 716**

[1] *SP Lunga was appointed as an executive director to the board effective 18 November 2021.*

To provide historic context for the share rights grants and vestings, our remuneration policy received less than 75% support from shareholders at our November 2019 AGM. After engagement with dissenting shareholders, the committee recommended significant changes to our incentive schemes. These were accepted by the board and implemented for FY20 and FY21. These changes received shareholder support of 88.25% and 91.96% at our AGMs on 18 November 2020 and 18 November 2021 respectively.

Shares rights issued in November 2018 and December 2019, which partially vested in November 2021 and December 2022, are based on the measurement criteria reflected in our remuneration policy presented at the November 2019 AGM. Share rights issued in December 2020, 2021, and 2022, which potentially vest in December 2023, 2024 and 2025, are based on new measurement criteria approved by shareholders on 18 November 2020, and included in the remuneration policy, which forms part of this implementation report.

IMPLEMENTATION AND REMUNERATION DISCLOSURE CONTINUED

DISCLOSURE OF SINGLE-FIGURE REMUNERATION RELATIVE TO ON-TARGET REMUNERATION MIX

Our executive directors received the following single-figure remuneration during FY22 and FY23 respectively:

	2023 R		2022 R	
GN Chaplin	36 019 097	100%	29 702 764	100%
CTC	10 907 000	30%	10 290 000	35%
AIB	20 580 000	57%	15 688 000	52%
SRS	4 532 097	13%	3 724 764	13%
FH Olivier	22 646 005	100%	18 305 057	100%
CTC	6 890 000	31%	6 500 000	36%
AIB	13 000 000	57%	9 540 000	52%
SRS	2 756 005	12%	2 265 057	12%
SP Lunga*	10 419 081	100%	6 801 490	100%
CTC	4 897 333	47%	2 666 666	39%
AIB	4 233 333	41%	3 200 000	47%
SRS	1 288 415	12%	934 824	14%

* *SP Lunga was appointed as an executive director to the board effective 18 November 2021.*

FY22 single-figure remuneration

The single figure remuneration for GN Chaplin and FH Olivier includes their CTC, an AIB payment equivalent to 200% of the FY21 CTC in accordance with the remuneration policy, and the partial vesting of share rights granted in November 2018. This reflects the group's performance in terms of navigating and recovering from the impact of the Covid-19 pandemic.

SP Lunga was appointed as an executive director to the board effective 18 November 2021. As a result, the remuneration disclosed only includes eight months. His full-year salary was R4 000 000, and he was paid an AIB of R3 200 000 in October 2021.

FY23 single-figure remuneration

The single figure remuneration for GN Chaplin and FH Olivier includes their CTC, an AIB payment equivalent to 200% of the FY22 CTC in accordance with the remuneration policy, and the partial vesting of share rights granted in December 2019. This reflects the robust performance of the group in achieving record revenue and earnings.

The single-figure remuneration for SP Lunga includes his CTC, an AIB payment equivalent to 100% of the FY22 CTC in accordance with the remuneration policy, and the partial vesting of share rights granted in November 2018.

IMPLEMENTATION AND REMUNERATION DISCLOSURE CONTINUED

NON-EXECUTIVE DIRECTORS' FEES PAID FOR THE PERIOD UNDER REVIEW

Non-executive directors' fees are regularly reviewed against market benchmarks through research into trends and independent publications on non-executive director remuneration among companies of a similar size and complexity.

The committee submitted its proposals to the board for the forward-looking fees payable for the period from the date of the AGM in November 2022 to the November 2023 AGM. The proposed fee structure included two principle amendments as follows:

- To provide for per-meeting fees of certain committees.
- In view of the escalating global focus on ESG factors and the integration thereof into our strategy and daily operations, as well as the expanding oversight role and agenda of the company's social and ethics committee, its meetings were increased from one to two per annum. The base fee for the social and ethics committee was increased accordingly, in line with peer group companies and with that of the company's human capital and remuneration committee fees.

The proposed fees for the non-executive directors were approved at the 2022 AGM with the required majority of more than 75% of the eligible votes in favour, save for special resolution number 2.15 relating to the ad hoc meeting fee element.

The following fees were therefore paid to non-executive directors in line with the fee structure approved at our AGM held on 21 November 2022:

Non-executive directors' fees (excluding VAT)	2023 R	2022 R
J de V du Toi[6]	187 678	558 407
TC Esau-Isaacs	1 067 700	962 221
Z Fuphe	1 153 148	945 407
KJ Grové	948 776	942 119
JA Holtzhausen[7]	383 159	–
KT Hopkins	1 205 134	1 192 992
V McMenamin	765 258	581 151
IN Mkhari[8]	–	150 645
SH Müller	1 289 273	1 237 293
PK Quarmby	1 323 447	1 354 363
	8 323 573	7 924 598

[6] *Resigned effective 21 November 2022*
[7] *Appointed effective 1 March 2023*
[8] *Resigned effective 18 November 2021*

Updated, forward-looking proposed non-executive directors' fees will be presented for shareholder approval at our AGM in November 2023.

STATEMENT OF FAIR AND RESPONSIBLE REMUNERATION

The committee is satisfied that the remuneration of executive directors and other senior executives takes appropriate account of remuneration and employment conditions of other employees in the group, and that the remuneration policy is fair and responsible in the context of overall employee remuneration.

The committee believes that the remuneration policy is fit for purpose and achieves the high-level objectives of attraction, retention and performance motivation of our executives, managers and employees across all levels of the group. The committee further believes that, in the context of a very challenging macroeconomic and sociopolitical environment, the remuneration matters have been managed appropriately and responsibly.

CORPORATE INFORMATION

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

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

LEI code
3789001F51BC0045FD42

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 auditor
KPMG Inc.

Equity sponsor
PSG Capital Proprietary Limited

Stellenbosch office
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

Johannesburg office
11th Floor, Suite 1105
Sandton Eye
126 West Street
Sandton 2196

Box 650957
Benmore 2010

Debt sponsor
Nedbank Limited
135 Rivonia Road
Sandton 2196

PO Box 1144
Johannesburg 2000

Telephone
+27 10 234 8710

Debt officer
RH Louw
Treasury and legal executive

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

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

Transfer secretary
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

Shareholders' diary

Annual general meeting 2023	Tuesday, 21 November 2023
Announcement of interim results	Third week of February 2024
Announcement of year-end results	Third week of August 2024
Annual general meeting 2024	November 2024

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