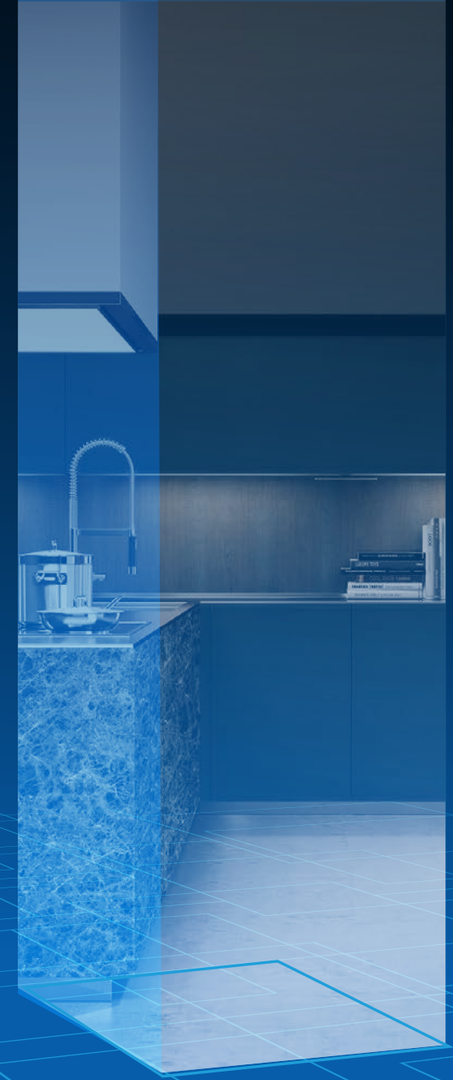
Integrated annual report 2021

KAP



INTEGRATED INTO EVERY DAY

Highlights

Revenue up
11% to R24 billion
(FY20: R21.6 billion)

Operating profit before capital items up
48% to R2.1 billion
(FY20: R1.4 billion)

KAP

Headline earnings per share up
146% to 43.0 cents
(FY20: 17.5 cents)

Cash generated from operations up
68% to R3.5 billion
(FY20: R2.1 billion)

Shareholder value enhanced by repurchase of
40 million shares
(FY20: 133 million shares)

Company resumes dividend cycle with
15 cents per share

Revenue, operating profit and headline earnings per share from continuing operations.

Contents

1 Our business

Who we are and what we do 2
Our strategy for value creation 4
Our business model 6
Our group structure 8
Our leadership 10

2 Our strategic context

Chairperson's report 13
Material matters 15
Our stakeholders 16

3 How we have performed

Chief executive officer's report 19
Integrated Timber 22
Integrated Bedding 26
Automotive Components 30
Polymers 34
Supply chain-based services 38
Chief financial officer's report 46
Sustainable development 52
Social and relationship capital 54
Natural capital 58
Human capital 62

4 How we are governed to create value

Corporate governance overview 67
Governance structure 68
Key risk disclosure 70
Nomination committee report 72
Social and ethics committee report 74

5 Remuneration report

Background statement 78
Remuneration policy 80
Implementation and remuneration disclosure 84

6 Supplementary information

Historical financial review 88
Summarised financial information 90
Shareholders' diary 106
Corporate information 107

Integrated report suite 2021

The 2021 integrated report is supplemented by additional information, which is available on our website at kap.co.za.

Audited consolidated annual financial statements 2021
Read more

Corporate governance report 2021
Read more

Notice of annual general meeting 2021
Read more

The following icons will help you navigate this report

Navigation
- Back to contents
- Web link
- Page reference

Our capitals
- Financial capital
- Manufactured capital
- Intellectual capital
- Social and relationship capital
- Natural capital
- Human capital

Strategic filters
- Market-leading brands and products
- High barriers to entry
- Margin growth through added value
- Earnings sustainability through diversification
- Focused on Africa

Our Sustainable Development Goals

Who we are and what we do

KAP Industrial Holdings Limited ('KAP') is a diversified group consisting of leading industrial, chemical, and logistics businesses. We aim to be a market leader in all of the industries in which we operate, to consistently deliver superior products and services, and to contribute meaningfully to sustainable development in South Africa and the other African countries we serve.

We are seamlessly integrated into the lives of millions of people through the products we manufacture and the services we provide.

We have businesses diversified across various sectors, supplying primarily non-discretionary goods and services. Not only do we manufacture wood-based decorative panels for the furniture, retail, and home sectors, we are a leading manufacturer of sleep products under the Restonic, Green Coil and iDream brands, as well as under the house brands of major furniture and bedding retailers. Our Automotive Components division produces automotive components and accessories that are used in major motor vehicle brands, while our Polymers division manufactures a wide range of polymers that our customers convert into a variety of products, including pipes, textiles, bottles, medical equipment and packaging materials.

In our supply chain-based services, we transport essential commodities and consumer goods throughout 10 African countries, ensuring that supermarket shelves remain stocked, fuel stations have fuel, and crops are grown and harvested in an optimal way. In addition, we provide safe and reliable personnel and commuter passenger transportation services.

1 Our purpose

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

We deliver on this by identifying sectors with growth potential and by developing innovative strategies to establish leadership positions in selected industries. We assemble skilled and proven leadership teams to implement those strategies, allocating the capital necessary to secure optimal returns and providing centralised services to support day-to-day operations.

2 What sets us apart

"KAP has a clear growth strategy that is delivered by a highly effective management team."

Jaap du Toit, Chairperson

We have a clearly defined strategy that is integrated throughout the business. This revolves around our aspiration of being recognised as the most inspiring listed company in Africa. Within this framework, we consistently strive to deliver optimal outcomes for all of our stakeholders, including our shareholders, our customers, our people, consumers in general, the communities within which we operate, and the natural environment.

In implementing our strategy, we prioritise revenue growth, market differentiation, operational excellence, and enhanced shareholder value. We also aim to be values-driven at all levels of our organisation and to ensure that sound corporate governance is a feature of everything we do.

Our businesses are market leaders in the sectors in which they operate and have well-established and trusted brands that add value through innovation. Their market share is also protected by high barriers to entry.

We focus our investment activities on businesses that provide essential products and services. Where relevant, we have a high level of backward integration, which not only improves efficiency and cost effectiveness, but ensures the supply chain is stable and sustainable. This, combined with our diverse business model, creates exceptional resilience and enables us to deliver maximum benefit to all our stakeholders.

Most importantly, we are passionate about quality, reliability, and good relationships. In a challenging business environment, these attributes are highly valued by our customers.

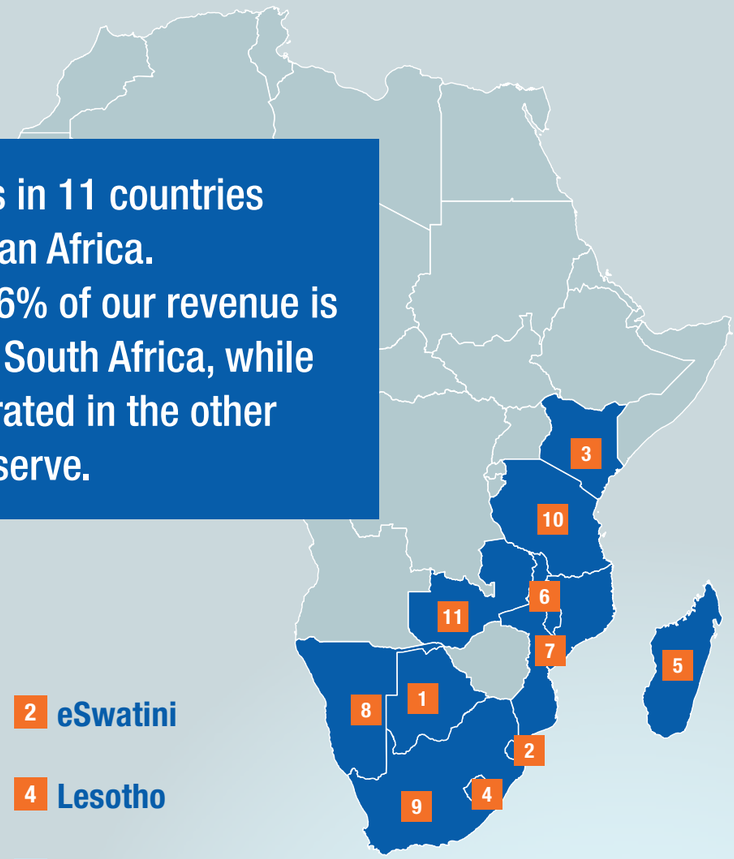
3 Our values

Everything we do is informed by our values, which are:

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

4 Our geographic presence

KAP operates in 11 countries in sub-Saharan Africa. At present, 86% of our revenue is generated in South Africa, while 14% is generated in the other markets we serve.



1 Botswana
2 eSwatini
3 Kenya
4 Lesotho
5 Madagascar
6 Malawi
7 Mozambique
8 Namibia
9 South Africa
10 Tanzania
11 Zambia

Our strategy for value creation

Our strategy in brief

Our strategy is to:

- Identify sectors and markets with growth opportunities
- Develop strategies to establish leadership positions in those sectors through market-leading brands and products
- Select and grow the best teams to implement these strategies
- Allocate capital to ensure optimal returns
- Provide strategic support to achieve a competitive advantage

1

Our investment approach

We aspire to build businesses with strong cash-generating capabilities in order to facilitate growth and secure sustainability through economic cycles and in the face of unexpected challenges.

Our investment decisions are guided by the following five strategic filters:

Market-leading brands and products

We aspire to be the leaders in the markets we serve. In order to do this, we establish, build and sustain market-leading brands that deliver the innovative products and services we use to offer value-added solutions to our customers. We continuously invest in our brands in order to differentiate our products and services in the marketplace and to create a measurable competitive advantage.

High barriers to entry

We aspire to create barriers to entry in all our businesses by focusing on scale, the channels to market, technology, innovation, backward integration, market share and brand-building. By creating high barriers to entry, we protect our revenues and margins over the long term.

Margin growth through added value

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

Earnings sustainability through diversification

In response to the scale and rapid rate of change in the socio-economic environment, we aspire to maintain a diversified revenue stream from leading businesses that operate in different growth sectors and geographic regions. This is part of our strategy to mitigate risk and secure growth opportunities through economic cycles. We focus on investing in industries and sectors that meet market needs for non-discretionary goods and services.

Focused on Africa

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

2

Our post-investment approach

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

Market share growth and new markets

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

Investment in people, product, process and innovation

We believe that people, product, process and innovation are the four factors that give us our competitive advantage, create a solid platform for growth, and secure long-term sustainability.

We therefore aspire to attract, retain and develop the best people in the industries and sectors in which we operate. Our culture and values emphasise how important our people are to us, and what a significant role they play in developing and executing our strategy. As a reflection of this, we have a decentralised organisational structure, which gives management teams within the group ownership over their own operational processes. Our approach is to formulate strategic intent at board level, to develop strategy at executive level, and to vest the responsibility for implementation with divisional management.

In addition to our people, we also believe that the best product always wins. That is why we innovate relentlessly, invest in the development of new products and services, pursue the highest levels of quality in everything that we do, and ensure that we consistently offer our customers fully integrated, fit-for-purpose solutions.

Finally, we believe that the most cost-efficient producer always wins. This makes us obsessed with being the lowest-cost producer through ongoing investment in processes, technology and business innovation.

3

Our definition of success

Read more

We define success in relation to our six capital inputs. We measure financial success through revenue growth, profitability, real growth in headline earnings per share, return on investment and our free cash flow, which ensures that we have cash readily available to fund day-to-day operations.

Our focused use of manufactured and intellectual capital enables us to sustain strong brands, support innovation that differentiates us from our competitors, deliver high-quality products and services, maintain leadership positions in the markets in which we operate, maintain high barriers to entry for competitors, and to expand into new markets.

We nurture our human capital and measure our success in this area by our low staff turnover rates, our good relationships with organised labour, and the training investment we make every year.

We also nurture our social and relationship capital through focused customer relationship programmes, engaged relationships with government and regulatory bodies, and committed corporate social investment in the communities in which we operate. We are deeply committed to being a good corporate citizen and aspire to best-practice governance principles.

On an environmental level, we stringently adhere to appropriate legislative and regulatory frameworks, and consistently strive to minimise the impact of our operations on the natural environment.

Further details about how we measure our success as a group are given in the operational reviews, which start on page 22.

Read more

Our business model

Our business model illustrates how KAP creates value over time and communicates key information about how we do this. It takes into account both quantitative and qualitative measures, which are aligned to the International Integrated Reporting <IR> Framework. Within this context, KAP turns financial and non-financial resources into measurable outcomes by making strategic investments and by delivering on those investments through operational execution at divisional level. Using six capital inputs, we add value through innovation, processes, procedures, and good governance to deliver tangible outputs.

1 The resources we need to drive our strategy

Our capitals

Financial capital

The value of the economic resources that fund our business, underpinned by our strong balance sheet and an ability to attract capital and funding.

Read more

Manufactured capital

The value of our manufacturing and service capabilities, utilising the latest technology to service a wide range of customers across several industries and markets.

Read more

Intellectual capital

The value of the competitive advantage created by our people through their knowledge and experience, combined with the intellectual property ('IP') inherent in our business, includes the value of our products, services, systems, procedures and brands.

Read more

Social and relationship capital

The value vested in the group's relationships, both within the organisation and with all external stakeholders, including customers, government, regulators and the communities within which we operate.

Read more

Natural capital

The value of the renewable and non-renewable natural resources used by the group in the process of providing goods and services to our customers. This includes resources such as water, electricity, fuel and timber.

Read more

Human capital

The value of the people who work for us with their knowledge, motivation and skills, and the value we provide in terms of the ongoing education, training, development and creating an environment for them to grow and excel.

Read more

2 The activities that are cultivated from our resources

Strategic investments

When considering investment opportunities, we consider strategic filters to ensure that we will be:

- Investing in businesses where there is a high barrier to entry
- Delivering market-leading brands, products and services
- Achieving organisational and margin growth through added value
- Securing sustainability through diversification
- Maximising our presence in Africa

Implementation

1. Align our operations in carefully chosen sectors and markets supplying primarily non-discretionary goods and services
2. Maximise revenue growth through market share gains and expansion into new markets
3. Differentiate ourselves in the market by building leading brands and offering value-added products and services
4. Create a platform for operational excellence with our customers at the core
5. Develop skilled, motivated people to execute our strategy
6. Adopt innovative, leading technologies and agile processes to remain competitive and relevant to our customers
7. Allocate capital that sustains optimal returns and generates cash

Process

We preserve and sustain value by:

- Acting consistently within the framework of our purpose, values and strategy
- Proactively identifying and managing risks
- Fostering innovation
- Maintaining a learning culture
- Contributing to the fulfilment of the UN's Sustainable Development Goals ('SDGs')

Read more

3 The value generated

We measure success through:

1. Real growth in headline earnings per share
2. Constantly delivering return in excess of our cost of capital
3. Generating free cash flow for growth
4. Adhering to all appropriate legal and regulatory frameworks

Read more

Stakeholders

This enables us to deliver value to all of our stakeholder groups:

1. Shareholders
2. Employees
3. Suppliers
4. Customers
5. Communities
6. Regulators

Read more

Our group structure

KAP

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

PG BISON

Integrated Timber

The leading South African producer of wood-based decorative panels, which are used for interior applications in home, work and social environments.

Revenue
R4 197 million

Operating profit
R615 million

Read more

RESTONIC

SUPPORTING DREAMS SINCE 1938

Integrated Bedding

The leading South African producer of sleep products sold in the retail sector under brands such as Restonic, Green Coil, iDream and various retail house brands.

Revenue
R1 731 million

Operating profit
R254 million

Read more

FELTEX

Automotive Components

A leading South African manufacturer of automotive components, which are used in the assembly of global vehicle brands, and automotive retail-aftermarket accessories.

Revenue
R2 033 million

Operating profit
R156 million

Read more

SAFRIPOL

shaping your world, responsibly

Polymers

A leading South African producer of polymers, which are used in a broad range of applications in sectors such as packaging, agriculture, automotive, telecommunications and medical.

Revenue
R7 509 million

Operating profit
R428 million

Read more

UNITRANS

Supply chain-based services

A leading southern African supply chain-based services company, providing customised solutions to clients in a diverse range of sectors, including food, agriculture, petrochemical and mining.

Revenue*
R8 828 million

Operating profit*
R649 million

** From continuing operations*

Read more

Our leadership

Board of directors
as at 30 June 2021

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

Full director CVs can be viewed on the company's website.

Read more

Executive directors

GN (Gary) Chaplin (51)
Chief executive officer
S I

CA(SA)

Gary qualified as a chartered accountant in 1995 after completing his articles with Deloitte. He was appointed as chief executive officer of PG Bison in 2011, appointed to the KAP executive committee in 2012 and appointed as the chief executive officer of KAP in November 2014.

FH (Frans) Olivier (42)
Chief financial officer
I

CA(SA)

Frans qualified as a chartered accountant in 2004. He joined PG Bison in 2009 as the group financial manager and was appointed as chief financial officer in 2010. Frans was promoted to the position of chief financial officer for the diversified industrial segment of KAP in 2015, and in April 2016, he was appointed as the chief financial officer of KAP.

Independent non-executive directors

J de V (Jaap) du Toit (67)
Independent non-executive chairperson
B N

BAcc, CA(SA), CTA, CFA

Jaap was a founding member of PSG Group Limited and acted as a director of this company until mid-2016. He also served in the role as chairperson of PSG Konsult. He was appointed as chairperson of KAP Industrial Holdings Limited in 2012, and in 2013, as chairperson of the nomination committee.

KJ (Jo) Grové (72)
Independent non-executive deputy chairperson
H I

AMP (Oxford)

Jo joined Unitrans Limited as chief executive officer in September 1998, a position he held until he was appointed as chief executive officer of KAP Industrial Holdings Limited in 2012. He was then appointed as executive chairperson in November 2014. In January 2017, Jo retired and has since fulfilled the role of non-executive deputy chairperson and was recategorised as an independent non-executive director in February 2020.

PK (Patrick) Quarmby (67)
Lead independent non-executive director
I A N

CA(SA) (Hons)

Patrick was a partner at Ernst & Young until he relocated overseas in 1987. He became one of the founding directors of Standard Bank in London and established Standard Bank's presence in Hong Kong. Patrick served on the board of Dimension Data Holdings Limited from 1996 until he retired from this position in 2014. He was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2012, and as KAP's lead independent non-executive director on 18 November 2020.

TC (Tamara) Esau-Isaacs (45)
Independent non-executive director
S A

CA(SA)

Tamara started her career at PricewaterhouseCoopers where she ascended to the position of audit partner, followed by a number of years as a partner at KPMG in charge of management consulting at their Cape Town office. Tamara serves as an independent non-executive director on the board of PSG Konsult Limited, where she is also a member of the audit, social and ethics and risk committees. She was appointed as an independent non-executive director of KAP Industrial Holdings Limited on 30 June 2021.

Z (Zellah) Fuphe (53)
Independent non-executive director
S A

BSocSci

Zellah holds a Bachelors' degree in Social Sciences, completed the GIBS Global Executive Development Programme in 2015 and is certified as a Chartered Director (SA). She is the chief corporate governance officer for Dimension Data Middle East and Africa ('Dimension Data'), a member of the Dimension Data board and represents the company on a number of its subsidiary boards across the region. Zellah was appointed as an independent non-executive director of KAP Industrial Holdings Limited on 1 March 2020.

KT (Ken) Hopkins (66)
Independent non-executive director
A

BCom (Hons), CA(SA)

Ken became a CA(SA) in 1978 and was an audit partner at Deloitte & Touche and KPMG for more than 30 years, where he specialised in auditing and advising financial institutions. As a retired audit partner and full-time professional director, Ken was appointed as an independent non-executive director of KAP Industrial Holdings Limited on 6 December 2019.

V (Viv) McMenamin (58)
Independent non-executive director
S

MSc (Economics) (London)

Viv holds an MSc Economics degree, a Banking and Finance diploma from the University of London and completed the Advanced High-Performance Leadership Executive Programme at the International Institute for Management Development in Switzerland. Viv is the chief executive officer of Mondi South Africa and is a member of the Mondi Plc Executive Committee. Viv was appointed as an independent non-executive director of KAP Industrial Holdings Limited on 12 December 2019.

IN (Ipeleng) Mkhari (47)
Independent non-executive director
S H N

BSocSci

Ipeleng holds a Bachelor of Social Science degree, completed the Executive Development Programme at the University of the Witwatersrand in 2004 and is also an Archbishop Tutu Fellow. Ipeleng co-founded Motseng Investment Holdings Limited in 1998 where she is the chief executive officer and co-founded Delta Property Fund – a company that listed on the JSE in 2012. Ipeleng was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2004.

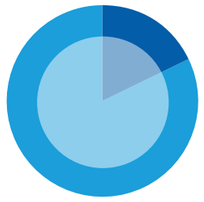
SH (Steve) Müller (60)
Independent non-executive director
H S A I

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

Steve qualified as a chartered accountant and worked at KPMG from 1983 to 1992. In 1995, he joined Genbel Investments and rose to the positions of chief operating officer: Equities of Genbel Securities Limited, as well as executive director of Gensec Bank Limited, retiring in 2008 to pursue his own interests. In 2012, Steve was appointed as an independent non-executive director of KAP Industrial Holdings Limited and, in 2014, as chairperson of the KAP human capital and remuneration committee.

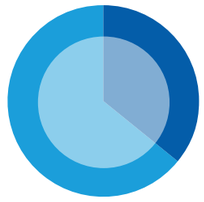
- S Social and ethics committee
- A Audit and risk committee
- I Investment committee
- H Human capital and remuneration committee
- N Nomination committee
- B Chairperson of the board
- Chairperson of committee

Board composition (%)



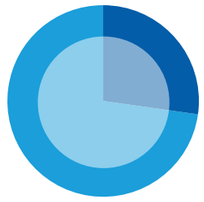
- Executives 18%
- Non-executives 82%

Gender diversity
Female representation



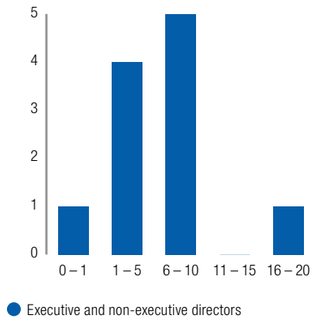
- Female 36%
- Male 64%

Race diversity
Black representation

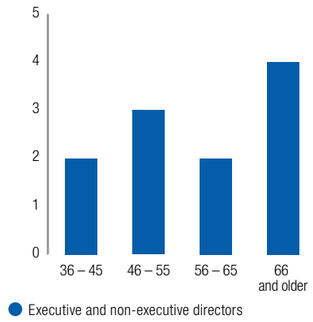


- Black 3
- White 8

Tenure (years)



Age (years)



2

Our strategic context

Chairperson's report 13

Material matters 15

Our stakeholders 16

Chairperson's report

Jaap du Toit
Independent non-executive chairperson

"Over the past two years our company has faced one of the most challenging periods in its history and I am very proud that we have weathered this storm well and delivered a pleasing set of results."

I have spoken fairly frequently over the years, in the context of KAP, about the accelerating rate of change in the world and the complexity that this presents to business and investment environments. The Covid-19 pandemic has been referred to by some as 'the great accelerator' of change and we have certainly experienced it as such in KAP. We have found ourselves having to adapt on a rapid and ongoing basis to sweeping socio-economic and geopolitical changes, both in our own country and around the world. What has become clear, is that both the rate and the scale of change we are experiencing is greater than it has been at any time in our history and that, as a business, we have to be more creative and agile in everything we do.

KAP has navigated this environment very effectively to date and produced a pleasing set of results for the 2021 financial year, supported by a strong balance sheet and healthy cash flows. I believe that this is as a result of three key principles:

Firstly, the resilience of our strategy. We aim to identify growth sectors in the economy where we can adopt strong leadership positions through the application of our strategies, which can change the structure of industry sectors and yield significant efficiency benefits. Industry leadership during this time has been critical.

Secondly, our diversified business model, which provides for us to operate across a number of sectors and geographies, supplying mainly non-discretionary goods and services and supported by backward integration in many of our supply chains, makes us more robust in the face of unexpected shocks.

Thirdly, and most importantly, our people. The best strategy and business model is worthless without the right people. We aim to employ the best people in industry and to empower them to lead our businesses in the execution of our strategy. The value of this is clearly evident in the achievements of the company and its people during the year.

Throughout the reporting period, we continued to use a risk-based approach to the evolving challenges. Our decentralised model enabled both group and divisional management to respond quickly to risks as they arose, in order to secure liquidity and sustainability and, at the same time, to capitalise on opportunities that presented themselves. This resulted in a good set of results for the year with an 11% increase in revenue to R24 billion and an increase of 146% in headline earnings per share to 43 cents. This performance is only marginally below that achieved during the pre-Covid environment of 2019, which I think is particularly commendable. The balance sheet was also well managed with a reduction in net interest-bearing debt and stable net working capital levels.

In view of the resilience that KAP has displayed through the pandemic, the strength of its balance sheet, the rapid recovery in performance and expected future prospects, the board of directors approved and declared a dividend of 15 cents per share for the financial year.

The board

The board and its committees functioned well throughout the period. Board engagements were constructive and robust, and the three new board members appointed during the previous year were fully integrated into the operations of the board and made valuable contributions. Engagement between the board and executive management also remains transparent and constructive. The following portfolio changes were made during the year:

- Ken Hopkins was appointed as chairperson of the audit and risk committee on 1 September 2020, in place of Patrick Quarmby, who remained a member of the committee.
- Patrick Quarmby was appointed as the lead independent non-executive director on 18 November 2020.

After 17 years of service on the board, Sandile Nomvete did not stand for re-election at the company's annual general meeting on 18 November 2020 and retired from the board. Tamara Esau-Isaacs was appointed to the board, as well as to the audit and risk committee and the social and ethics committee, with effect from 30 June 2021, and we look forward to her contribution to the company.

In May 2020, the board adopted a new board diversity policy, in which we set targets for race and gender diversity at board level. These targets have been incorporated into the board succession planning framework from which the nomination committee provides guidance and makes recommendations to the board. This has come at an important time for us as we have a number of members approaching long service and anticipate a staggered succession process to take place over the next four to five years. We anticipate that this will bring fresh perspectives to the table and will facilitate a healthy balance in age, knowledge, experience, race, gender and backgrounds.

Governance and ethics

We are committed to being a responsible corporate citizen and continue to align our businesses towards international best practice in all aspects of governance and ethics. We use several guiding frameworks in this regard, through the board and its various committees, in order to provide a balanced and holistic approach.

Our application of the King IV Report on Corporate Governance™ for South Africa (2016) ('King IV™')* continued to mature during the year. A holistic approach is adopted by the company in the application of King IV, whereby the principles are increasingly becoming integrated into the strategies and operating processes that direct our activities. We continued to strengthen our corporate services functionality during the year to provide assurance to the board in this regard.

We continue to use the FTSE4Good Index assessment criteria to benchmark our environmental, social, and governance ('ESG') activities, as recommended by the JSE, and we recently also committed to the United Nations Global Compact ('UNGC'). We are now monitoring our activities according to the Sustainable Development Goals ('SDGs') outlined in the UNGC and for the first time this year, we are reporting on sustainability matters in relation to the SDGs, and are pleased with the progress we have made in critical areas like social development and environmental management.

Society and environment

KAP operates across 11 countries, employs almost 20 000 people, and operates from several sites, utilising a multitude of plants, equipment, and vehicles. We acknowledge the significant responsibility that we carry in ensuring that our activities make a positive contribution to society and the environment.

We continued to build and strengthen relationships with communities in the areas in which we operate. We acknowledge them as stakeholders in our business and actively consider them in our decision-making. We have several community development and outreach programmes throughout our various operations, where our primary focus is on education and nutrition. We also actively support and drive several supplier and enterprise development initiatives through our broad-based black economic empowerment ('B-BBEE') framework, which provides strong social upliftment.

While the environment in which we operate will continue to present many challenges, I am optimistic that KAP is well positioned for growth.

The key environmental initiatives where we are focusing our attention and where we believe we can make the greatest impact are to increase the use of greener energy at our plants, reduce greenhouse gas emissions, improve water management, improve waste management, and increase recycling. These focus areas are being integrated more and more into the strategies of our various businesses.

Future prospects

While we are evolving towards a degree of normality after the upheavals of the past two periods, we have to acknowledge that the environment in which we operate remains very unstable and that the future is uncertain. The full impact of the pandemic is still to unfold, and this could result in further significant changes in the global macroeconomic and sociopolitical environment. At home, the civil unrest of July 2021 was profoundly unsettling and has added to the sense of uncertainty in South Africa, as has the steep rise in unemployment.

I nevertheless remain hopeful that we will experience consistent economic recovery, supported by more stable and transparent political leadership. I am encouraged by the way in which our president has responded to the pandemic and by his focus on eliminating corruption in government. While this is taking longer than we would like, I see steady progress being made.

The measures government implemented to stimulate the economy during and after the Level 5 lockdown also brought an important level of stability to the economy, and they are likely to have a knock-on effect for some time. The reintroduction of the distress grants after July's civil unrest has had a stabilising effect too, although consumers continue to reduce spending on discretionary goods and services.

Within this context, our diversified and decentralised business model has again proved to be resilient and remains intact. Our products and services are still in demand and, in some cases, demand is growing in response to changing consumer behaviours. Our ability to operate through exceptionally challenging circumstances has been tested and found to be sound. Our investment in human capital development continues to make us stronger and more competitive, while our ongoing investments in infrastructure, capital equipment, and technology continue to secure the leadership positions our divisions enjoy. These will continue to give us a competitive advantage and operational leverage to grow revenue and improve returns over time.

While the environment in which we operate will continue to present many challenges, I am optimistic that KAP is well positioned for growth.

Appreciation

In closing, I would like to extend my appreciation to our shareholders for their ongoing commitment and trust and to our customers, suppliers, and banking partners for their support throughout the period and in the face of many challenges.

I would like to thank my colleagues on the board, who have contributed their considerable wisdom and equally considerable efforts to managing the risks we have encountered, and providing the guidance which has enabled us to emerge from the worst of the pandemic as a stronger and more focused group.

Finally, I would like to extend my personal thanks to all of the employees of KAP, who have demonstrated resilience, loyalty, and positivity through the most challenging and demanding period of our recent history. We lost 53 of our employees to the pandemic during the period and we all feel the weight of that loss. Many more have been seriously ill or have lost loved ones, and we understand that this has placed a heavy burden on individuals as well as their families, friends, and colleagues.

I am humbled by the personal and financial sacrifices that our employees have made in order to secure the sustainability of the company and to ensure that all of our divisions have been able to remain operational and financially sound. They have demonstrated the depth and extent of our values-driven culture and I am deeply grateful for that.

Jaap du Toit
Independent non-executive chairperson

* Copyright and trade marks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Material matters

Material matters are issues occurring in the operating environment that can either directly or indirectly impact on the sustainability of the group and its ability to create value for shareholders and other stakeholders. Both internal and external influences are considered when determining and prioritising material matters and how we respond to them.

We identify critical risks using our risk management framework, which provides the board and the executive committee with a robust means of assessing the risks facing the group. An embedded enterprise risk management process supports and provides input into this framework. A full report on how we identify and manage principal risks is given in the governance section of this report.

Read more

In summary, we consider the following matters to be material to the group's operating environment:

Covid-19

The impact of the Covid-19 pandemic has been extensive and it continues to pose a significant business risk. While South Africa's vaccination programme is well underway, this is being complicated by vaccine resistance and the rapid development of new strains of the virus. As a result, health authorities cannot discount further infection peaks.

KAP supports government's vaccination programme and all of our staff are encouraged to have the vaccination. Where appropriate, we have established dedicated sites for this purpose. We also adhere to all Covid-19 management protocols, as specified by government.

Macroeconomic and sociopolitical environment

The macroeconomic and sociopolitical environment in South Africa remains depressed due to a number of factors, including poor policy certainty and execution capability, unreliable electricity supply, escalating social unrest, low business and consumer confidence, and increasing unemployment, which has been exacerbated by the impact of Covid-19.

Global supply chains have also been disrupted, which has impacted on key raw material supply.

From an operational point of view, our decentralised operating model enables the organisation to respond rapidly in this challenging environment. Our business model, operating in several markets and across various sectors providing predominantly non-discretionary goods and services has proven to be resilient. Financial risks, such as liquidity risk, currency risk, and interest rate risk, are managed through our central treasury function.

People

The nature and complexity of our operations requires skilled people to manage the business. Attracting and retaining skilled people has been identified as a key success factor. We embrace diversity and continue to invest in training and development, including developing a healthy pool of trained apprentices.

Read more

Sustainability

ESG is increasingly important and material.

We are committed to continuously evaluating and improving our long-term sustainability in terms of the environment, social commitment, and corporate governance for the benefit of all our stakeholders. We believe that adopting sustainable practices creates commercial opportunities while simultaneously making a significant difference for all stakeholders. We have embarked on a number of initiatives in this regard.

Read more

Our adherence to best-practice international standards – and a report on our compliance with these – is given in the performance review section of this report.

Our stakeholders

Sustainable value creation depends on successful engagement with stakeholders at both group and divisional level. At KAP, one of our core objectives is to engage with all of our stakeholders on a proactive and consistent basis.

We take into consideration the needs of our stakeholders when developing our strategy and assessing our risks. Our engagement with stakeholders is rooted in our value system and is based on trust and is core to our brand and reputation.

We are focused on creating long-term success and consider all six capitals and the impact they have on stakeholders.

The social and ethics committee, which supports the board in fulfilling its governance role, oversees stakeholder management across the group.

The following stakeholder groups have been identified as key to the group:

Investors, shareholders, and debt providers

We acknowledge that we are entrusted to increase value for our shareholders.

Value proposition	How we engage	Our response and impact
We have a comprehensive group strategy. We offer access to exceptional businesses that can only be accessed through KAP as a listed entity. We offer access to market-leading brands with extraordinary value propositions and growth prospects. We deliver solid performance and growth prospects. We have a formal remuneration policy and are committed to full disclosure on remuneration. We are committed to ESG and sustainability.	We arrange investor meetings and webcasts, and attend investor conferences at which investors meet with executive management. We publish regular operational updates. We give regular results presentations. We publish an integrated report every year. We hold face-to-face AGMs where shareholders can interact with management and there is an open invitation to shareholders to attend our AGMs. We have a dedicated e-mail address for inbound queries. We have an information-rich website. We publish our ESG ratings as per the FTSE4Good index.	We provide detailed financial disclosures on each division. We are developing an improved communication framework aimed at investors. We have engaged a professional company to assist with improving the integrated report. We have employed an experienced investor relations executive. We have changed our remuneration policy to enhance shareholder value. We repurchase and cancel shares from time to time to minimise the dilution caused by awards made in terms of the share incentive scheme. We have exited the loss-making Intercity and Tourism operations. We subscribe to FTSE4Good and have engaged a specialist resource to assist us in aligning our ESG activities with the UN's SDGs.

Employees and trade unions

Our employees are a valued part of our business and are essential to maintaining our competitive advantage.

Value proposition	How we engage	Our response and impact
We inspire a high-performance culture that provide opportunities for personal growth. We provide opportunities for our leaders to grow and excel. We attract and retain the best people in the industry. We strive to create a culture of inclusion and diversity. We recognise and reward outstanding performance and good governance. We provide a safe and healthy working environment.	We use formal and informal channels to engage with employees, including CEO webcasts and operational management reports. We conduct regular staff climate surveys and provide an independently managed and confidential reporting hotline. We encourage employees to continuously enhance their skills. We have employment equity forums at divisional level. We work closely with trade unions and all associated industry bargaining councils and employer organisations. We conduct continuous and structured assessments of our human capital requirements to support the growth of the divisions and the group.	We offer our employees a sense of purpose and create opportunities for them to fulfil their career aspirations. We continue to build our culture to attract and retain competent, positive, and inclusive leaders. We have improved our B-BBEE rating to a Level 5 (FY20: Level 6). Our reinforced health and safety protocols protect employees from Covid-19. We meet or exceed all legislated minimum wage requirements. We measure management on the achievement of their B-BBEE, employment equity, and health and safety targets. We provide apprenticeships, learnerships, and study programmes for our employees.

Suppliers

We value the role that our suppliers play in creating a sustainable business.

Value proposition	How we engage	Our response and impact
We have established relationships with all of our major suppliers and support their businesses in the same way that they support ours. We offer long-term support of emerging, small and/or black-owned supplier companies. We recognise the financial and operational challenges faced by some of our suppliers.	We clearly communicate our requirements to our suppliers. We communicate with our suppliers about market trends and product innovation. We engage with our suppliers in a legal and ethical way.	We make use of multiple sources of supply. We work with key suppliers on product innovation and development. We continuously explore supply chain improvements with our suppliers. We work with and support the long-term development of emerging or black-owned businesses to ensure their sustainability. We formally communicate our supplier code of conduct with all suppliers. We pay suppliers timeously.

Customers and consumers

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

Value proposition	How we engage	Our response and impact
We strive to be a truly collaborative business partner to our customers, focusing on long-term prosperity and mutual benefit. We provide quality products and reliable service. We offer a wide range of products. We offer competitive pricing. We constantly innovate to assist customers to grow. We respect data privacy.	At an operational level, dedicated and trained sales teams, supported by technical specialists as appropriate, continuously engage with direct customers and their consumers. Senior operational management regularly engage with customers. We develop and distribute regular digital communications. We offer customer and consumer training, as well as workshops and events.	We develop and invest in new product ranges and create new services. We actively participate in industry forums to facilitate industry growth. We invest in the latest technologies to ensure that we offer competitive products and services. We create and promote market-leading brands. We strive to create sustainable products. We offer credit facilities to our debtors/customers. We offer annual competition law training for sales and senior executives.

Communities and society

We acknowledge we have a duty to support the communities in which we operate and are committed to making a positive impact on society.

Value proposition	How we engage	Our response and impact
We support important community development programmes. We support projects and programmes aimed at the youth, with a particular focus on education, nutrition, and community development. We have local procurement programmes and, as far as possible, draw our employees from local communities. We actively work to minimise the environmental impact of our operations.	We engage with communities regularly and organise community forums to determine their needs and to develop appropriate responses to them. We work with recognised NGOs and educators to support education and nutrition initiatives. We offer specific industry training programmes, including learnerships, apprenticeships, and internships. We support the development of local businesses. We support local recycling companies. We participate in waste clean-up initiatives.	We offer learnerships, training, and development programmes to the community in general. We fund several school and university programmes. We promote the responsible use of plastics. We support and promote the recycling and re-use of products. We support local businesses.

Government, regulators, and industry bodies

We acknowledge the importance of working with government and regulators, both directly and through industry bodies, as our businesses have an impact on the lives of many people.

Value proposition	How we engage	Our response and impact
We support and engage in sustainable development. We support and engage in the growth of all the industries in which we operate. We respect and value employee rights. We are fully compliant with all tax legislation and pay all relevant taxes. We protect data in accordance with legislation.	We regularly engage with and participate in various industry bodies. We are corporate members of all relevant employer associations.	We are committed to transparent reporting. As and when appropriate, we engage formally and directly with government. We participate in the industry master plan for the South African furniture industry. We participate in a waste management plan with the Department of Environmental Affairs.

3

Chief executive officer's report

Gary Chaplin
Chief executive officer

"KAP has had to face many significant challenges during the year and I am proud that the optimism and resilience of our people and the flexibility of our business model has enabled us to deliver robust results."

How we have performed

Chief executive officer's report	19
Integrated Timber	22
Integrated Bedding	26
Automotive Components	30
Polymers	34
Supply chain-based services	38
Chief financial officer's report	46
Sustainable development	52
Social and relationship capital	54
Natural capital	58
Human capital	62

During the 2021 financial year, it became clear that the social, economic, and financial shock of Covid-19 was going to be protracted, and that both society and business would need to adapt not only to a short-term crisis, but to an entirely new way of living and working. Ongoing lockdowns, implemented in response to the second and third waves of infection, continued to create an enormously challenging environment for all of us.

The pandemic has impacted at every level, from the global sociopolitical and macroeconomics to the level of the daily transactions that we conduct with our customers and other stakeholders. And it naturally has a profound effect on the safety and well-being of our employees.

As a business, KAP has had to face many significant challenges during the year and I am proud that the optimism and resilience of our people and the flexibility of our business model has enabled us to deliver robust results. I am particularly proud of the positive way in which our people responded to the disruptions and uncertainties of the period.

Having weathered the initial impact of the pandemic, we have emerged as a stronger, more focused, and more energised organisation, well prepared to meet the challenges that lie ahead.

Macroeconomic and social factors

The following major factors impacted on our operations and performance during the reporting period:

- The socio-economic environment remained exceptionally challenging, with lower GDP and rising unemployment. Consumer spending naturally continued to contract in response to higher unemployment and lower levels of economic activity.
- Supply chains were severely disrupted, placing pressure on all of our operations, particularly those that rely on imported materials and components. We were able to largely mitigate the impact of this through the backward integration of many of our businesses into the manufacture of their respective raw materials and through strategic stock management procedures.
- Covid-19 and the various levels of lockdown implemented by governments in response to the pandemic continued to be the single most critical issue we had to deal with. While we have a high level of flexibility and have been able to respond effectively to the restrictions resulting from the lockdowns, the pandemic continues to place stress on both our business and our people.
- Both market and consumer trends became increasingly unpredictable during the reporting period. Travel, entertainment, and alcohol spend appeared to be redirected toward expenditure on people's homes to support the integration of home, work and social spaces, spend on health and hygiene products accelerated, and disrupted import supply chains led to an increase in demand for locally produced products. These unanticipated shifts proved to be beneficial to our business.

Operational response

Within this context, we were successful in the following operational areas:

- Stabilising the group after the initial hard lockdown, financially, operationally, psychologically, and emotionally.
- Developing completely new and flexible operating capabilities, with rapid scalability.
- Successfully implementing operational rationalisations in all divisions.
- Gaining market share in most areas of operation.
- Enhancing our leadership position in most of our industries.

Financial results

We are very pleased with how the business performed during the year, producing revenue of R24 billion (up by 11%), operating profit before capital items of R2.1 billion (up by 48%), and cash generated from operations of R3.5 billion (up by 68%).

The balance sheet was well managed with a R511 million reduction in net interest-bearing debt and stable net working capital levels. The company also invested R1.8 billion in the replacement and expansion of operational assets and repurchased 40 million of its shares during the course of the year.

In view of the resilience that KAP has displayed through the pandemic, the strength of its balance sheet, the rapid recovery in performance and expected future prospects, the board of directors approved and declared a dividend of 15 cents per share for the financial year ended 30 June 2021.

We are very pleased with how the business performed during the year, producing revenue of R24 billion (up by 11%), operating profit before capital items of R2.1 billion (up by 48%), and cash generated from operations of R3.5 billion (up by 68%).

Our response to Covid-19

Government regulations to combat the spread of Covid-19 have had an unprecedented effect on the normal operations of our businesses and the well-being of our employees. All KAP businesses therefore have comprehensive Covid-19 management plans in place and continue to implement strict safety protocols to ensure the safety and well-being of our employees and customers.

We are also in the process of formulating a Covid-19 vaccination approach, which will provide easy access to a vaccination programme for our employees in a manner that achieves a fair balance between the constitutional rights of employees and the efficient and safe operation of the KAP businesses.

Notwithstanding the negative impacts of Covid-19, our response to the challenge has resulted in a number of positive outcomes for our business. There is a greater level of engagement among our people, which has resulted not only in greater efficiencies, but also in a greater sense of unity and while we have always invested in new technology and state-of-the-art plant and equipment, the Covid-19 crisis accelerated the broader adoption of digital technology throughout the group.

It is important to acknowledge the stress that Covid-19 has placed on our business and our people and the support which will be required going forward. But it is equally important to acknowledge the fact that we have emerged from its most significant impacts with a more focused and motivated management team and more committed employees.

Strategy

Our strategy of diversified exposure to primarily non-discretionary goods and services provided resilience through the Covid-19 crisis and our decentralised management structures supported rapid decision making and effective implementation. Our quick response to the crisis further provided us with the space and perspective to initiate a deep and broad strategy intervention across the group, which will yield current and future opportunities.

In terms of this, we have identified eight strategic workstreams that we intend to focus on and drive throughout the organisation as part of our KAP 2025 Strategy. These workstreams encompass KAP's value realisation, operational strategies, organisational design, human capital strategy, information and communication technology and digital strategy, the development of a clear brand strategy, new business development opportunities and a communications strategy.

Underpinning this process, management continue to focus on our four strategic priorities of maximising revenue growth, securing market differentiation and creating platforms for operational excellence in order to provide attractive shareholder returns. With this, we have an exciting pipeline of material opportunities to expand our existing businesses, develop new products, and enter complementary markets over the next few years.

Human capital

Human capital management continues to be a key focus for the group, with increasingly visible impact. We are blessed with committed, competent staff throughout the group, each making a valuable contribution to our activities and creating value for our customers.

Our activities during the year focused largely on organisational design and the leadership development and succession required to execute our strategic objectives. The KAP executive committee ('Exco'), which was reconstituted in FY20 to include a more diverse range of skills and experience and to provide greater depth to executive management, made an invaluable contribution during the reporting period, enabling us to meet and successfully address the many challenges we faced.

Operational executive and management capacity was also reviewed and clear plans implemented to improve management capability and depth in the organisation.

Diversity

Embracing diversity is one of our primary values and we remain focused on increasing gender and racial diversity throughout the group. We believe that diversity is an integral part of building a high-performance culture and organisational commitment characterised by inclusion, psychological safety, and a sense of community and belonging.

Our board diversity policy includes targets related to both gender and race, and we are guided by these targets in every aspect of our human capital management. This is aligned with the KAP 2025 strategy implementation timeline. An increasing number of women, black employees, and younger people are assuming leadership roles within the group and this adds strength and resilience at all levels.

Sustainability

Sustainability is an essential component of our business philosophy and operating model, which is illustrated by the fact that we are aligned to the UN SDGs and monitor our environmental, social and governance ('ESG') and corporate governance activities using the FTSE4Good Index.

We continue to focus on ESG activities and to monitor our progress using the FTSE4Good Index, as the methodology adopted and recommended by the JSE. FTSE4Good published its final assessment in June and we achieved an average score of 3/5. The score declined slightly from 3.3/5 in the previous year due to changes in assessment standards, but continues to show improvement over the longer term and remains materially better than the sector average.

In October 2020, we became a participant in the United Nations Global Compact and have begun mapping our activities to the SDGs. We are committed to making the Global Compact and its principles and practices part of the strategy, culture, and day-to-day operations of the company. We believe that the SDGs are the most comprehensive set of goals that capture not only the emerging ESG dimensions that are critical to business, but also integrate the economic imperative of why we need stable, growing businesses.

While we use FTSE4Good and the SDGs as valuable measurement and benchmarking tools, the principle of sustainability is becoming integrated into the group's strategy, products, services and processes, making it an essential component of our business philosophy and operating model. This is illustrated by the evolution of our strategic intent toward building exceptional businesses that create lasting economic and social value.

Future prospects

Covid-19 will continue to evolve and present unprecedented social and economic uncertainty in the world and in the territories in which we operate. We believe that society, economies, and companies will continue to adapt and will ultimately prove resilient. We also believe that the South African government has refined its approach to managing resurgences of Covid-19 infections in a manner that does not do irreparable economic damage. We are also hopeful that a successful vaccine roll-out will provide increased social stability and will support a sustainable economic recovery.

Within this context, our business has settled into a rhythm that we believe is sustainable over an extended period. Our operational leverage provides us with the ability to adjust rapidly as markets evolve, and our strict safety protocols provide a safe working environment to ensure the well-being of our employees and the continuity of our operations.

Our employees and business model proved to be agile and resilient throughout the reporting period, and market demand for our products remains robust. The civil unrest experienced in our country during July 2021, while extremely disturbing, has not halted the positive momentum of recovery in our business. We are therefore confident that the company will continue to perform well during FY22 and beyond.

The recent civil unrest nevertheless reflects deep flaws in South Africa's social, economic, and political systems. We believe that we have a collective responsibility to play an active role in resolving these flaws and we are committed to actively participating in the efforts to create a better South Africa.

Appreciation

The rapid recovery in demand for our products during the course of the year was matched with inbound supply chain and raw material disruptions which, at times and despite our best efforts, constrained product availability and affected our customer service. We are extremely grateful to our customers for their loyalty, support, and understanding during this period.

We are also very proud of our employees, each of whom has risen above the personal challenges that all of us have faced during the year and have returned to work each day with commitment and dedication to one another, the company, and our many customers. We extend our appreciation and sincere gratitude for their loyalty and contribution to the company.

We further acknowledge and appreciate the ongoing trust and support of our shareholders, bondholders, and banking partners in the continued funding of our operations.

This has, of course, also been an exceptionally challenging year for our board. I would like to extend my heartfelt thanks to my colleagues on the board for their courage, wisdom, and guidance during the year.

Condolences

Since the onset of Covid-19, we have been deeply saddened by the loss of valued employees to the pandemic, with 53 of our colleagues having passed away. We are living through an intensely traumatic time for our society. In concluding my report, I would personally like to extend my condolences to the families, friends, and colleagues of those we have lost, as well as to our many colleagues who have lost loved ones of their own.

Gary Chaplin
Chief executive officer

Diversified industrial

PG BISON

PG Bison is the leading decorative wood-based panel producer in Africa, servicing the retail, construction, furniture/kitchen manufacturing, and residential development markets, primarily in southern Africa. We have integrated forestry, timber, and resin manufacturing operations, featuring both primary and secondary upgrading processes.

Our business is market-focused and we take evolving consumer trends closely into account when developing our product ranges. This is an essential feature of our strategy to secure market share and sustainable growth in both existing and new markets.

Revenue
R4 197 million
up 31%

Operating profit
R615 million
up 90%

Operating margin
14.7%

Value-added product ratio
69%
up 8%

Customer value proposition
Creating value through consumer focus and inspiration, product innovation, customer enablement, and supply chain integration

Integrated Timber

"We are passionate about providing the inspiration, products, and services needed to create beautiful spaces."

Gerhard Victor
Chief executive officer, Integrated Timber

Operational review

Operating environment

The Covid-19 pandemic and the resulting lockdowns around the world saw people spending more time at home, fuelling a trend towards making domestic environments as functional and comfortable as possible. The disruptions experienced by our business due to the various levels of lockdown in South Africa and the other markets we serve were offset by this trend, which presented many new opportunities.

Most notably, increased expenditure on renovations and expansions created a worldwide demand for wood-based products and, at present, local demand outstrips supply. Furniture imports have also reduced significantly due to disrupted global supply chains, increasing demand for locally manufactured furniture.

Within this context, our business strategy once again proved its mettle. By focusing on the integration of the supply chain, continuous innovation, and producing high-quality value-added products to create beautiful spaces, we were not only able to meet the challenges presented by the pandemic, but to increase revenue and improve profitability.

This positive performance was supported by our decision to reposition the PG Bison brand in order to give it a consumer focus, which has strengthened our competitive advantage. The demand for our products across all categories led to a gain in market share, which is being supported by our focus on customers, converters, and consumers. We will continue to focus on developing downstream markets to create demand for our products.

Despite the constraints that the Covid-19 lockdown restrictions placed on operations, we increased production volumes significantly during the course of the reporting period to meet the rapid increase in demand.

Demand nevertheless continues to exceed supply and we are currently operating on a sales allocation system to secure some service consistency for our customers. This is likely to remain in place until January 2022, when approximately 300 m^3 per day of additional particleboard capacity will be commissioned.

Forestry

Our plantations continue to be essential in the security of our supply chain and growing our market share. The total value of our plantations did, however, decrease by R204 million during the reporting period, mainly due to a reduction in sawlog prices and increased costs.

Value added

With the resource and manufacturing elements of our supply chain secure, our key focus remains on enhancing our capacity to add value at both primary and secondary processing stage. We are therefore currently executing a number of investments into our production capabilities.

The first phase of a R1.2 billion upgrade to our particleboard plant in eMkhondo (Piet Retief) was completed at the end of FY17 and the second phase is on schedule to be commissioned in January 2022. This will increase the plant's capacity by 43% and increase our overall particleboard capacity by 18% to meet growing demand. A second gloss line and an additional melamine-faced board ('MFB') line will also be added in FY23.

We have also approved an investment of R1.9 billion into a new medium-density fibreboard ('MDF') plant and we are in the process of finalising statutory approvals and government incentives prior to commencing the implementation of the project. The plant is due for commissioning in July 2024 and will increase our MDF capacity considerably.

To ensure that we produce products of the highest quality on a consistent basis, we adhere to a programme of scheduled maintenance throughout all of our operations. During the reporting period, our MDF plant in Boksburg and our particleboard plant in Ugie successfully underwent scheduled annual maintenance shutdowns. The annual maintenance shutdown of the eMkhondo plant is scheduled to coincide with the commissioning of the upgrade at that plant.

Highlights of 2021

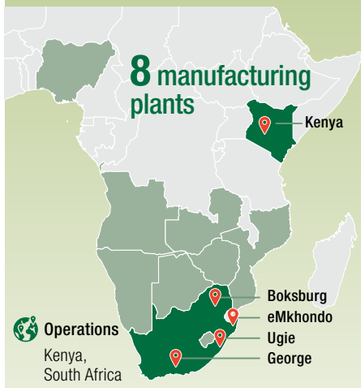
Production recovered to record levels after the first Covid-19 lockdown was eased.

There was a resurgence in demand for locally manufactured goods.

Expansion capex for a seventh MFB press and a second gloss line was approved and the equipment was ordered.

The second phase of a R1.2 billion investment into the eMkhondo (Piet Retief) plant is nearing completion, on time and on budget. Production will commence in January 2022.

Our new gloss range has been well received by both existing and new consumers.



Operations
Kenya, South Africa

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

Diversified industrial

Integrated Timber

Products and services

Forestry
Sawlogs, poles, pulpwood

Primary processing
Timber
Structural timber, poles

Board
Particleboard, medium-density fibreboard ('MDF')

Resin
Formaldehyde and UF resin (used primarily in the timber panel industry)

Treated paper
Used only in the wood-based panel industry to manufacture MFB

Secondary processing
Decorative panels
Gloss-coated board
Matt-coated board
Melamine-faced board ('MFB')
Foil-faced board
Worktops

How we add value

- We produce innovative, high-quality, value-added products that reflect global consumer and design trends.
- We secure market differentiation through constant innovation in our products, services, marketing, sales, and supply chain.
- We use the latest technologies and processes in order to maximise efficiency and consistently deliver the best value for money.
- We adhere to international quality standards in all aspects of production.
- We have an integrated supply chain, which ensures that we always have ready access to the timber, resin, and paper that we use to produce our products.

Innovation

We regularly evaluate our product line in relation to evolving consumer trends. In line with this strategy, we develop exclusive MFB colours and finishes with the input of local and international designers to meet the needs of our specific markets.

We update our product range every second year and, during the final quarter of the 2020 financial year, we launched an entirely new range. This new season of unique designs, colours, and finishes brought to market fresh looks inspired by the desire to create safe, welcoming spaces that reflect the perennial beauty of the natural environment. The range has been exceptionally well received, which is evident from the improvement to our value-added product ratio growth during the reporting period.

The range includes a unique innovation, a matt-coated MFB with an antibacterial additive, which is exclusive to PG Bison.

Certification and accreditation

All of our panel production lines are ISO 9001 certified and our NECF plantations in Ugie continue to be accredited by the FSC. PG Bison is also a member of the South African Furniture Initiative ('SAFI'), and the Proudly South African programme.

Looking ahead

Covid-19 has fundamentally changed the way in which the world works, lives, and plays. We anticipate that consumer focus on the integration of home, work, and social environments will continue to be a fundamental feature of the market and we foresee that demand is likely to continue outstripping supply in the short and medium term.

Further, civil unrest during July 2021 caused extensive damage to large-scale shopping malls, schools, warehouses, and furniture retailers, and this is likely to fuel further demand for our products.

Bearing these market conditions in mind, we will continue to implement our five-year growth plan, which is aimed at improving market share within existing markets as well as entering into new markets. We aim to achieve this through continued investment in our production capabilities as well as by developing and introducing new products.

Key facts

More than 3.5 million trees planted in FY21.

PG Bison is a member of the Proudly South African initiative.

Diversified industrial

RESTONIC
SUPPORTING DREAMS SINCE 1938

vitafoam
BRINGING COMFORT INTO YOUR LIFE

DESLEE MATTEX

CONNACHER

The integrated bedding division is a leading manufacturer of sleep products in southern Africa, producing its Restonic, Green Coil and iDream brands, and house brands for major furniture and bedding retailers.

We also manufacture technical foams for the sleep and lounge furniture sectors under the Vitafoam brand, and produce speciality mattress fabrics under the DesleeMattex brand. In addition, we manufacture non-woven products for the furniture, hygiene, and agricultural sectors, and recycle fabrics used in the furniture and automotive sectors.

Our industry-leading focus on sustainable practices, which include the procurement and integration of recyclables and the recycling of factory offcuts to reduce waste and limit the consumption of new raw materials, gives our products a distinct competitive advantage. We also aim to use new technologies and international best practices to reduce energy usage, water consumption, and carbon emissions.

Revenue
R1 731 million
up 35%

Operating profit
R254 million
up 49%

Operating margin
14.7%

Customer value proposition
The promotion of consumer health and well-being through the supply of high-quality sleep-related products, which offer added value through innovation, market-focused customisation, and a strong focus on environmentally sound practices

Integrated Bedding

"Research conducted by institutions around the world shows that a good night's sleep is very important for general health and well-being. At Restonic, we are passionate about providing high-quality products that help users to get a good night's sleep – every night."

Mike Metz
Chief executive officer,
Integrated Bedding

Operational review

Operating environment

The sleep sector has proven to be stable over time and has shown exceptional resilience during economic cycles. This is largely due to the fact that a bed is an essential household item and is usually the first piece of furniture a person buys when moving out of home. In addition, approximately 30% of South Africa's population is aged between 18 and 34, which supports demand for this important first purchase.

During the reporting period, this general demand curve was enhanced by a consumer focus on making the home environment secure and comfortable in response to ongoing Covid-19 restrictions. Buoyed by repeat customers, who are very brand loyal, robust demand and a strong operational performance led to exceptional growth in revenue and market share.

Our facilities operated at full capacity throughout the year, successfully navigating Covid-related restrictions. We leveraged off recent investments in production automation, while investments in logistics enabled us to operate efficiently at all times. This, together with a high level of backward integration, enabled us to provide a sustainable supply to our customers despite major operational disruptions.

We also continued to capitalise on our backward integration and recycling activities in order to pursue new markets outside of the sleep sector, which supported our revenue growth and increased margins.

Value added

Our established and integrated value chain gives us a unique competitive advantage, enabling us to respond rapidly to changing market trends and conditions. We also bring the value of well-established and respected brands to the market, which creates consumer demand and supports sell-through.

Our world-class technology provides for continuous product innovation, with the new iDream range being an example.

In addition, we have a unique capability to scale up rapidly in order to produce bespoke products that have been designed and developed according to customer specifications and which enhance both their value propositions and markets. As there is concerted market pressure for retailers to offer products with a higher percentage of recycled material, we continue to innovate in this area. We have, for instance, recently developed a recycled denim yarn, which has been very well received by our customers.

Finally, our national manufacturing footprint makes it possible to service all of our customers with well-established and respected brands reliably and cost effectively.

Highlights of 2021

We recovered rapidly after the Level 5 lockdown, grew our market share significantly, and improved our brand recognition.

We developed the iDream brand and product range, which will be launched in FY22 to complement our existing brands.

A strategic and management restructure was concluded to create two operational units that will focus on the sleep sector and new markets respectively.

We successfully entered new markets in both the agricultural and hygiene sectors.

We developed a new recycled and fire-retardant insulation fibre in order to enter new markets outside of the sleep sector.

Diversified industrial

Integrated Bedding

Products and services

Sleep products
Mattresses and base sets

Foam products
Flexible polyurethane foam

Mattress ticking
Knitted and woven fabrics for use in the sleep sector

Non-woven spunbond
Non-woven fabric for various household, industrial, and hygienic applications

Recycled products
Conversion of textile waste into fibres, primarily for use in the bedding, automotive, and construction sectors

How we add value

- We work closely with our customers to develop bespoke sleep products for a range of consumer markets, and we manufacture to the highest international quality standards.
- Our integrated supply chain, which includes nationwide delivery using our own fleet, enables us to offer security of supply to our customers during both promotional peaks and seasonal low periods.
- We constantly innovate to improve the quality of our product ranges and to enhance value for money for our customers.
- Our patented technology is a significant product differentiator, providing comfort and support – and enhancing the consumer's quality of sleep.
- We have an industry-leading environmental programme and we use recycled materials in many of our products to reduce our environmental impact.

Innovation

Innovation continues to be a key focus for the business and this is a significant differentiator in a rapidly-evolving market environment.

Having identified new opportunities both within the bedding sector and beyond, we are in the process of developing a number of new materials for use in the bedding, furniture manufacturing, automotive, and agricultural sectors. We have, for instance, recently submitted a new recycled fire-retardant insulation fibre to the SABS for testing and certification, which will enable the business to enter new markets.

At product level, we have recently made significant improvements to some of our existing ranges and continue to produce products with a high level of recycled inputs.

Certification and accreditation

- Restonic's Marvellous Middle® and iDream product ranges are endorsed by the Chiropractic Association of South Africa ('CASA').
- Vitafoam's product range is SABS approved.
- iDream and DesleeMattex have products that are certified by SEAQUAL®. SEAQUAL® Yarn is a high-quality 100% post-consumer recycled polyester yarn containing upcycled marine plastic, which contributes to cleaner oceans and the preservation of natural resources.
- DesleeMattex products have an ISO 9001: 2015 certification.

Looking ahead

The civil unrest in South Africa and eSwatini post the reporting period caused extensive damage to retail stores and warehouses in both countries. We anticipate a degree of market instability as retail stores and distribution centres are refurbished and restocked.

As economic growth is likely to remain constrained throughout FY22, consumers are expected to remain extremely price conscious and to take advantage of retail promotions. With our integrated business model, the bedding business is perfectly poised to scale up quickly in order to meet these trends, especially the spikes in promotion-driven demand. We have a strong capability to quickly redesign and re-engineer products to meet retailers' specific requirements and price points which, in turn, enables them to be very responsive to their own market segments.

Further, the health benefits of sleep are becoming more and more evident. Multiple research studies show that restful sleep is associated with greater concentration, the ability to maintain a healthy weight, lower levels of stress, and greater longevity. Findings like these will continue to stimulate consumer demand for high-quality bedding, which is very positive for our business. We have the knowledge, technology, manufacturing capability, and flexibility to be at the forefront of meeting this increase in demand.

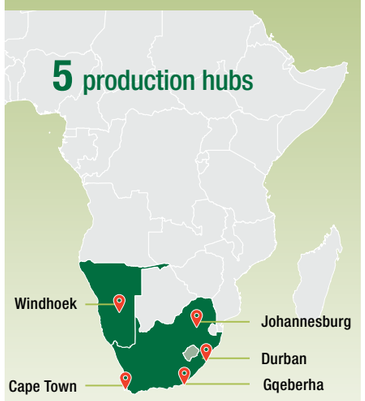
The division has also identified opportunities in other sectors, such as the geo-technical, agricultural, and hygiene industries, and we have configured our operations to expand our reach into these areas without losing focus on our core sleep business. A successful management restructuring process during the reporting period has supported this. This will enable us to continue growing market share across both existing and new markets.

Key facts

937 793 bedding units produced

8.47 million linear metres of mattress ticking produced

7 960 tonnes of recycled waste fabric converted to fibre



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

Diversified industrial

Feltex is a leading manufacturer of automotive components used in the assembly of new motor vehicles. Fifteen state-of-the-art manufacturing plants supply a comprehensive range of specialist components to all vehicle original equipment manufacturers ('OEMs') in South Africa.

Maxe is a complementary business that is also a leader in its category. It supplies a wide range of aftermarket accessories to the retail market.

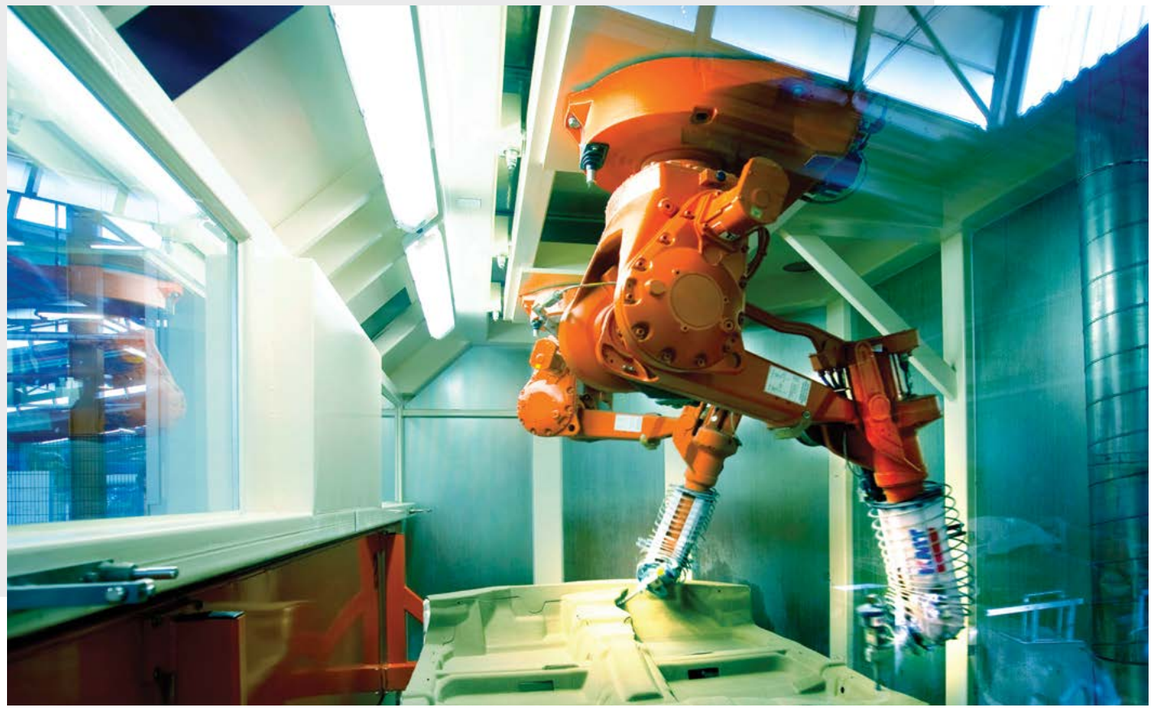
Revenue
R2 033 million
up 18%

Operating profit
R156 million
up 77%

Operating margin
7.7%

Customer value proposition
A reliable and cost-competitive supplier of high-quality automotive components and accessories for both OEMs and the aftermarket on a just-in-time and just-in-sequence basis

The South African automotive industry contributes approximately 4.9% to national GDP. It is a major employer and a significant contributor to the country's export programme. It is well supported by government's Automotive Production and Development Programme ('APDP'), which was recently revised and extended to 2035. In order to benefit from the programme, suppliers need to have a Level 4 B-BBEE accreditation, which we achieved during the previous period, ahead of the qualifying deadline.



Automotive Components

"We aim to use innovation, cutting-edge technology, and our globally competitive manufacturing capabilities to be the supplier of choice in all of the markets we serve."

Ugo Frigerio
Chief executive officer,
Automotive Components

Operational review

Operating environment

As with all of the businesses within the group, Feltex was directly impacted by the Covid-19 pandemic, which resulted in an unstable and uncertain operating environment throughout the reporting period. Local vehicle manufacture and sales dropped significantly during the initial hard lockdown period, affecting demand for our products from both OEMs and the aftermarket. There was also a drop-off in the export market, which further affected vehicle build volumes.

As lockdown levels eased, however, there was a sustained recovery and all OEMs except one recorded a higher total vehicle build rate in FY21 compared to the prior year. As a result, we were able to post revenue growth of 18% by year-end, supported by an industry increase of 12% in new vehicle assembly volumes and growth of 13% in domestic light commercial vehicle ('LCV') sales.

While volumes remained at pre-Covid levels throughout the period, margins were secured and supported by a successful operational restructuring during Q1. We also upgraded our production lines to accommodate the new Mercedes C-Class range and we were ready for the launch of production of this model in July 2021. Good progress was made in securing components for the launches of two new vehicle models in 2022 and 2024 respectively.

One of the challenges faced during the year was the disruption of the components supply chain. Performance in Q4 was marginally affected by semiconductor shortages. The automotive industry accounts for 10% of the global demand for semiconductors, and producers currently have low inventory levels due to Covid-related restrictions on production and continuing supply chain disruptions. This is expected to impact more severely on the industry during FY22.

We also finalised the purchase of a new manufacturing site for Maxe and successfully relocated the business to the new premises during the course of the year without loss of revenue.

Value added

Global OEMs with manufacturing and assembly plants in South Africa expect local suppliers to provide them with quality products that are manufactured to global specifications and at globally benchmarked prices.

Working in conjunction with our international partners, we tender for and secure contracts to supply high-quality components for new vehicle models. These include moulded foam seats, insulation, acoustic and thermal components, and a variety of other parts that are best suited to being manufactured locally. The manufacturing technology and production capacity to do this is provided throughout the lifetime of the model at the volumes specified by the OEM.

A strong focus on new technology throughout the business is designed to support continuous innovation and process improvement, as well as to provide reliably superior levels of customer service. On our production lines, continuous improvement activities are being introduced to link processes, provide real-time management information, and improve decision-making.

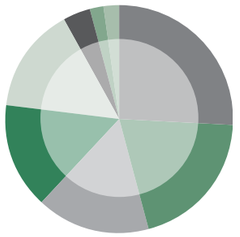
Highlights of 2021

The company concluded a successful restructure in Q1 to align its operations with anticipated lower industry volumes.

Preparations were fully completed for the July 2021 start of production of the new Mercedes C-Class.

Maxe successfully relocated to their new manufacturing site.

Market share improved through the successful replacement of imported products.



ISO certifications

Business unit	ISO 45001	IATF 16949	ISO 14001	ISO 9001
Feltex Foam	•	•	•	•
Feltex Fehrer	•	•	•	•
Caravelle	•	•	•	•
Feltex Automotive Trim	•	•	•	
Auria Feltex	•	•	•	•
Autoneum Feltex	•	•	•	•

Diversified industrial

Automotive Components

Products and services

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

Autoneum Feltex
Underfloor systems for thermal and underfloor protection
Aluminium heatshields

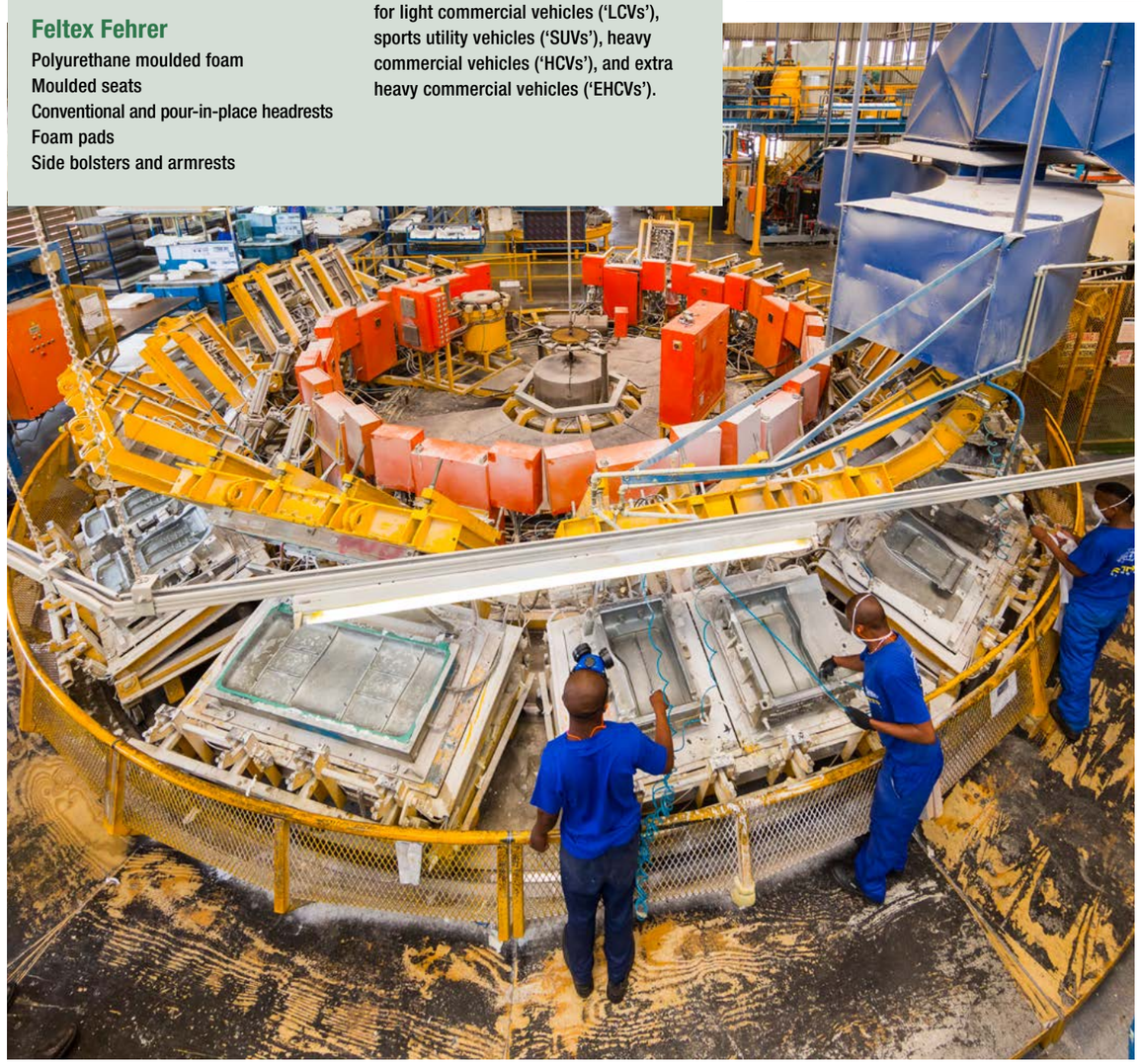
Caravelle
Overlay carpets/loose-lay vehicle mats and tonneau covers

Feltex Fehrer
Polyurethane moulded foam
Moulded seats
Conventional and pour-in-place headrests
Foam pads
Side bolsters and armrests

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

Auria Feltex
Acoustically engineered tufted automotive carpet

Maxe
Premium aftermarket accessories made from mild and stainless steel for light commercial vehicles ('LCVs'), sports utility vehicles ('SUVs'), heavy commercial vehicles ('HCVs'), and extra heavy commercial vehicles ('EHCVs').



Innovation

We strive to be innovative in everything that we do. In the short term, this involves being constantly innovative in our approach to delivering components for new vehicle models, both at manufacturing stage and in the aftermarket.

Taking a longer-term view, we are working to ensure that the components we produce will be compliant with the new carbon emission standards that are set to be introduced in the EU in 2025. As 60% of all OEM output is exported, it is essential that we are compliant with this legislation.

We also constantly focus on innovations that will facilitate noise reduction, minimise heat, and reduce vibration in vehicles. This will be increasingly more relevant as markets evolve toward hybrid and electric vehicles.

Certification and accreditation

We are IATF 16949 and ISO accredited across all our plants.

Looking ahead

While Q2 and Q3 vehicle build volumes were encouraging, the market remains uncertain. Analysis of prior trends indicates that the South African automotive industry is likely to lag global recovery. Vehicle sales in the EU and the USA are expected to normalise in 2023 and the local market is expected to take a further 12 months to return to a similar level of normality.

The global shortage of semiconductors is anticipated to continue and this will inevitably impact on vehicle production. Some local manufacturers have been more severely impacted than others by this shortage, but it is clear that it is affecting the industry across the world.

It is, however, anticipated that local build rates will recover more quickly than local sales as manufacturers work to increase inventory and accelerate exports.

The latest iteration of government's Automotive Production and Development Programme ('APDP') is expected to provide greater stability in the local automotive industry.

The programme is designed to enable automotive component manufacturers to grow their value-adding capabilities in order to support the creation of additional employment throughout the value chain. The Automotive Components business was successfully able to secure a Level 4 B-BBEE accreditation during the 2020 financial year and this means that both Feltex and Maxe are well positioned to take advantage of this programme going forward.

In the rest of Africa, potential opportunities are being developed through the African Association of Automotive Manufacturers ('AAAM'). Identified target markets are Nigeria, Ghana, Algeria, Egypt, Kenya, Angola, Morocco, and Ethiopia. AAAM offices have already been opened in Ghana and there are plans in place to open an office in Kenya.

Automotive Components is a member of the AAAM and Maxe is the operating unit most likely to benefit from expansion into these markets.

Key facts

34.1 million automotive components produced

111 000 aftermarket accessories sold

R5.8 million spent on research and development

R6.4 million invested in technology

Diversified chemical

We focus on producing high-quality polymers for use in a variety of different sectors, including the infrastructure, telecommunications, agriculture, packaging, manufacturing, and medical sectors. Polymers are used in a broad range of applications, including for piping, multipurpose containers, fibres, films, non-woven fabrics, packaging, and bottling.

Safripol is the only local producer of polyethylene terephthalate ('PET') and high-density polyethylene ('HDPE'), and one of two producers of polypropylene ('PP') in South Africa.

Our vision is to create plastics that shape our world in a responsible way. As the global demand for plastics is 350 million tonnes per year, we believe that promoting responsible usage is both a financial and fiduciary responsibility.

Revenue
R7 509 million
up 3%

Operating profit
R428 million
up 168%

Operating margin
5.7%

Customer value proposition
Local manufacture and supply of innovative, high-quality, and responsibly produced polymers for use in a wide range of applications

Polymers

"We are committed to being leaders in a responsible and sustainable industry that produces high-quality, reusable, and recyclable polymers for a wide range of applications."

Nico van Niekerk
Chief executive officer, Polymers

Operational review

Operating environment

Revenue increased for the year, despite production interruptions due to Covid-19, utility outages, statutory maintenance, and supply chain disruptions. Our positive performance in all product categories was supported by an increase in polymer prices in the second half of the year as well as by increased demand for locally manufactured polymers.

When one considers the impact that the various levels of lockdown had on the travel, sport, and entertainment industries and, as a result, on the demand for plastics – as well as the unforeseen supply chain issues – we were particularly pleased with our volume performance. This was primarily due to market share gains through import substitution.

Improved efficiencies enabled us to counteract the effects of the various disruptions and to improve profitability. Notably, we retain a sound global competitive positioning, which is supported by the conclusions of an independent competitiveness study commissioned with Nexant, a multi-disciplinary consulting company.

Value added

Safripol is the only producer of PET and HDPE in South Africa and only one of two producers of PP. This is of significant value to our clients as supply is readily available from manufacturing plants that are geographically close to their own facilities, making them less vulnerable to supply chain disruptions and global supply and demand factors.

As the leading South African manufacturer in these product categories, we work with our customers to develop unique solutions to meet their specific needs, giving us a distinct advantage over imports. We have a world-class research and development facility, which enables us to deliver superior products to our customers. Our knowledge and technical abilities also enable us to develop new products for use in new markets.

At production level, we are highly flexible and are able to respond rapidly to evolving trends and resulting customer and consumer needs.

A distinctive added value is our focus on producing higher-specification, higher-value polymers, which can be used in more durable applications. This is supported by our 'Let's plastic responsibly' initiative.

Highlights of 2021

We changed our product strategy to focus on the production of higher-specification and higher-value polymers, which are more suited to non-single-use applications.

We initiated engagement with brand owners and converters to design packaging materials that will more easily facilitate recycling.

We developed and produced recycled PET ('r-PET') containing resin with a 15% to 25% post-consumer content.

We commissioned Nexant, a multi-disciplinary consulting company, to provide us with an independent competitiveness review of our business and to assist us in identifying development opportunities. Their report was used to develop the Safripol 2030 roadmap.

We commissioned Phillips Townsend Associates Incorporated to benchmark our HDPE and PP operations against those of global competitors and our operations were found to fall within the first quartile for performance.

Diversified chemical

Polymers

Products and services

PET

Used primarily in the manufacture of bottles for water and soft drinks

HDPE

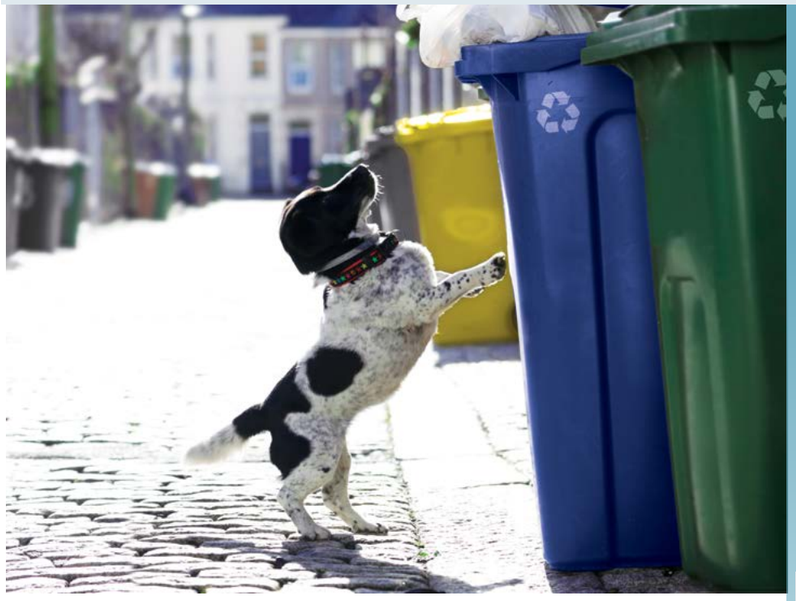
Used in many applications such as in piping, chemical containers, toys, and packaging

PP

Used for applications such as furniture, clothing, textiles, automotive components, and packaging.

How we add value

- We manufacture PET, HDPE, and PP polymers in an innovative and responsible way for use in many different sectors and applications.
- We make use of the latest technologies to guarantee quality and value for money for our customers.
- Working closely with our customers, we are constantly developing new formulations that are enabling them to improve efficiencies and profitability as well as to reduce their environmental footprint.
- Our supply chain management ensures that we have a sizeable inventory of raw materials, enabling us to reasonably mitigate global supply chain interruptions and maintain production.
- We support a wide range of litter reduction and recycling initiatives.

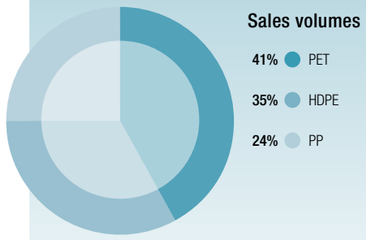


Key facts

180 864 tonnes of PET sold

154 845 tonnes of HDPE sold

107 645 tonnes of PP sold



WE CAN'T RECYCLE WITHOUT IT.

Let's plastic responsibly

Plastic containers play an important role in our lives; everything from the packaging that keeps our food fresh and safe to the bins we put all our recycling into. Let's all stand for the correct use, disposal and recycling of plastic.

SAFRIPOL
responsible polymer partner

Innovation

Constant innovation is fundamental to our business model. We work with converters, retailers, and brand owners to develop solutions that not only improve efficiency and profitability, but reduce environmental impact. As an example, we recently developed a new PET formulation that maintains the intrinsic qualities of the material, namely its clarity and viscosity, but which reduces the energy needed in the customers' production process by 15%, thereby reducing their energy costs and carbon emissions.

Working with one of our major customers, we have also developed a new formulation for a returnable soft drink bottle. This will allow for the bottle to be re-used eight to ten times before it is recycled and will significantly reduce plastic wastage and carbon emissions. The bottle has been launched nationally and is being supported with a targeted marketing campaign. We also have the production capacity to produce PET using bio-based feedstock, thereby reducing the use of fossil-fuel-based raw materials.

We consistently re-engineer our products to ensure that they are more recyclable and are suitable for new, more sustainable product applications. As an example, HDPE, which is typically used in the production of milk bottles, was re-designed in the previous period to improve its recyclability. Several large customers are already using the new formulation in their packaging. At present, we are working on a process that is intended to make HDPE suitable for use in vehicle fuel tanks, which is a more durable application.

We are also deeply committed to closing the production and usage cycle. Our 'Let's plastic responsibly' initiative gives the business an important vehicle to tell a positive story about the benefits of plastic, as well as to inform, and educate the public about how to use plastic responsibly.

Finally, we are on a journey to reduce our carbon emissions by 50%, which will be a major milestone for us.

Certification and accreditation

- All operations are ISO 9001 certified
- The plant at Sasolburg is ISO 14001 certified for environmental standards and ISO 45001 certified for safety standards.

Looking ahead

We expect demand for all of our products to be strong throughout FY22, with our sales volumes limited only by production capacity. Within this context, we will continue to work with customers to meet specific needs and to differentiate our products across the portfolio. We will also continue to drive inter-polymer substitution towards the use of PET wherever possible in order to utilise spare capacity.

We will further remain committed to playing a leading role in developing more reusable and recyclable materials and in promoting a culture of recycling in South Africa. We will actively participate in initiatives to increase the level of recycling in South Africa and will continue to explore the potential to integrate recycling into our existing operations.

We are also scoping a material digitisation project, which will significantly improve controls in all areas of the business, as well as our ability to better manage our supply chain and to respond to changing customer needs. Working closely with our customers is at the heart of the business and we will continue to focus on this as a strategic priority.

We are in the final stages of assessing the viability of installing a 10MW photovoltaic ('PV') plant in our Sasolburg operation, which will reduce our energy costs and impact on the environment.

Our commitment to sustainability

Plastics are a source of social and economic value that contributes greatly to quality of life. However, the irresponsible use of plastics could significantly and negatively impact on the environment and ecosystems that sustain us. Our Vision 2030 articulates our responsibility to shape the world we live in through our people, products, and customers in order to create sustainable and holistic value for our stakeholders and a sustainable future for our company, country, and the natural environment.

As a company, we are aligned with the UN SDGs and are also guided by the Paris Agreement's global target of net zero emissions by 2050. We aim to implement a reduction of at least 50% in our emissions by 2030.

Every employee at Safripol has pledged that, in working to meet our own needs, we will take action to preserve the natural environment; preserve a healthy, inclusive society; and support a thriving economy without compromising the ability of future generations to meet their own needs.

Sustainability highlights

We successfully launched our 'Let's Plastic Responsibly' initiative, which is aimed at informing consumers about the many applications and benefits of plastics, as well as about how to use plastics responsibly.

We commissioned The Green House to conduct a life cycle assessment ('LCA') of all our products based on the ISO 14044:2006 standard.

We committed to the Operation Clean Sweep® ('OCS') pledge. OCS is an international environmental stewardship project, which aims to prevent leakage of plastic pellets, flakes, and/or powder into the environment.

We partnered with the PET Recycling Company ('PETCO'), an industry initiative that promotes post-consumer PET recycling, to establish three waste collection sites – including a river litter-boom – in vulnerable river catchment areas in KwaZulu-Natal.

We partnered with Green Corridors NPC and a black-empowered enterprise, Tri-ecotours, to scale up the implementation of river litter-booms. Six new booms were installed between April 2021 and year-end.

We partnered with Green Corridors NPC to sponsor and establish the KwaMashu Materials Beneficiation Centre ('KMBC') in KwaZulu-Natal to serve as a centre for processing difficult-to-recycle plastics and as a product development hub for developing prototypes for the beneficiation of these plastics.

We donated 1 500 bulk bags and 500 colour-coded recycling wheelie-bins to PETCO for distribution to beneficiaries involved in waste collection and recycling across the country.

Diversified logistics

UNITRANS

Supply chain-based services

Unitrans is an integrated supply chain services company, providing a broad range of services across multiple industry sectors in 10 sub-Saharan countries.

Revenue*	Operating profit*	Operating margin*
R8 828 million	**R649 million**	**7.4%**
up 5%	down 4%	

* *From continuing operations*

How we add value

- We develop and provide safe, innovative, and often bespoke solutions, frequently with specifically designed equipment, as well as related services for customers with specific needs.
- Our services are integrated into our customers' supply chains in order to secure greater efficiencies and reduce costs, thereby creating real value for our customers.
- In collaboration with our customers, we are committed to continuous improvement in our operational procedures to ensure that we add value throughout their supply chain.
- Our large fleet enables us to offer a broad range of services and creates agility to meet our customers' changing requirements.
- We monitor our routes constantly and adjust our services and vehicle configurations in response to changes in demand or customer requirements.
- We pride ourselves on having the most skilled and well-trained drivers in the industry.
- We invest in learning and development to secure and grow scarce industry skills.

Unitrans is managed as three divisions in order to provide focused market and operational expertise to clients operating in a number of industry sectors across 10 countries in sub-Saharan Africa.

Certification and accreditation

Our operations are certified and accredited according to the standards for relevant industries or sectors and include:

- ISO 9001 (Quality Management System)
- ISO 14001 (Environmental Management System)
- ISO 45000 (previously ISO 18001) (Occupational Health and Safety System)
- ISO 22000 (Food Safety Management System) (currently in the implementation phase)
- Driver and operator training programmes are ISO 9000 and NOSA certified
- RTMS (Road Transport Management System), for road-use self-regulation
- AFMA (Animal Feed Manufacturers Association), for agricultural transportation protocols
- SQAS (Chemical and Allied Industries Association ('CAIA') accreditation), for chemical transportation protocols

Looking ahead

While we operate in a highly competitive environment, in which economic growth is expected to remain muted, we continue to focus on renewing and expanding existing contracts, entering into new contracts, and entering into complementary territories, markets, and segments. We also continue to pursue opportunities to partner further with our existing customers through increased integration into their supply chains and through the provision of complementary and adjacent services.

We continue to pursue applicable new technologies and focus on testing and introducing new technologies and systems that add value for our clients and secure a solid foundation for future growth. We will continue to introduce new services that leverage off current capabilities and infrastructure in order to grow revenue and improve returns.

Unitrans South Africa

"Our purpose is to provide safe, efficient, and cost-effective services to our customers, adding value throughout their supply chains."

Terry Bantock
Chief executive officer,
Unitrans South Africa

Unitrans Supply Chain Solutions Proprietary Limited ('Unitrans South Africa') is a proud contributor to broad-based black economic empowerment. We achieved a Level 2 B-BBEE rating with effect from 1 October 2021 with more than 60% black ownership, 38% black women and 13% black youth ownership.

We are a leading provider of integrated transportation, warehousing, and supply chain-based services to customers with a variety of needs, offering bespoke value propositions in each segment. We manage a large fleet of application-specific vehicles, and both dedicated and non-dedicated fleets throughout the country to ensure that goods reach their destinations safely and on time.

We use information technology and best-practice solutions to deliver value-added services for both internal and external customers. In partnership with leading technology providers, the Unitrans Control Tower ('UCT') monitors the movement of almost 2 000 vehicles in real time to ensure the efficient and safe transportation of commodities and consumer goods.

Revenue	Operating profit	Operating margin	Customer value proposition
R5 207 million	**R249 million**	**4.8%**	**Innovative, integrated, and managed transportation, warehousing, and supply chain-based services for customers to meet their specific needs**
up 5%	up 12%		

Highlights of 2021

We established the Unitrans Empowerment Trust to promote gender and racial diversity.

We launched the Leadership Champion Development Programme to maintain and strengthen our culture and to create a space for our people to be "seen, heard, appreciated, and understood".

We invested significantly in strengthening our brand equity in order to secure and grow market share in a highly competitive environment.

We adapted rapidly to changes in customer needs and remote working requirements resulting from Covid-19.

We achieved a net gain during the period in future contractual revenue.

Operational review

Operating environment

While economic activity for the year remained below pre-Covid levels, on an aggregated basis, the division performed well, with a consistent improvement in activity levels supporting growth in revenue. The added value offered by the UCT provided a solid platform for margin improvement by facilitating optimised route adherence, improved turnaround times, better driver performance, fewer accidents, and enhanced access to real-time business information.

We recorded an annualised net revenue gain on contract renewals to the value of R333 million and new contracts to the value of R349 million, indicating a slight gain in market share. While competition remains robust, we also have a healthy pipeline of potential new business opportunities.

Value added

As a diversified supply chain-based services company, we add value for our customers in a number of significant ways. The core of our business is to develop safe and innovative transport, warehousing, and supply chain management solutions specifically to meet each customer's needs, as these vary widely according to sector.

We provide real-time vehicle monitoring and driver behaviour management services through our UCT, which not only improves efficiencies and secures the safety of goods in transit, but provides critical real-time management information.

One of the benefits of this is that on-road operational issues can be resolved rapidly, again securing both efficiency and the safety of vehicles, goods, and drivers. Our monitoring system enables us to improve the fuel efficiency of each vehicle, which reduces costs and carbon emissions, making a positive contribution towards a more sustainable and environmentally sound future. We also continuously investigate and invest in new-technology vehicles to improve the fuel efficiency of our fleets.

We consistently strive for zero harm to our drivers and third-party road users. All of our drivers are fully trained and undergo regular refresher courses and testing. In addition, we use leading in-vehicle systems to monitor driver behaviour and fatigue. All vehicles are monitored for speeding, driving hours, and route adherence on an exception management basis. Drivers and monitoring staff are warned of potential accidents through impact alerts and panic alarms so that they can respond immediately. This technology has assisted in systematically reducing road traffic violations and distracted driving behaviours, which potentially lead to accidents.

The value of our integrated business model, our sound relationships with both our clients and our staff, and the support of other divisions – such as Unitrans Africa – was recently demonstrated during the civil unrest that occurred in Gauteng and KwaZulu-Natal.

We were able to respond quickly to get supply chains up and running after the unrest.

In partnership with our client, Pick n Pay, we sent a convoy of 30 trucks carrying essential food supplies from warehouses in Gauteng to stores in KwaZulu-Natal. The guarded convoy, closely monitored by the UCT, stretched for 3.7 kilometres and was successful in delivering essential supplies to the region.

We proactively manage our business culture, which we regard as an important competitive advantage. We promote a culture of customer-centricity, operational excellence, safety, and accountability, delivering value for all of our stakeholders.

Key facts

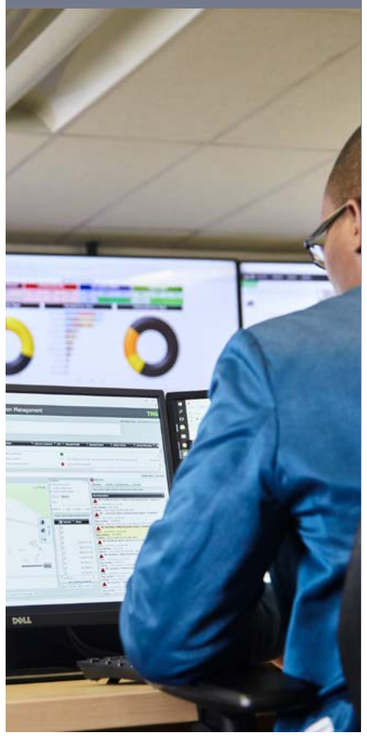
1 970
vehicles

78
depots

174 million
kilometres travelled

Centralised control tower

Level 2 B-BBEE rating



Unitrans Africa

"Our purpose is to accelerate our customers' growth through innovative supply chain-based services using leading global technologies."

Rob Hayworth
Chief executive officer,
Unitrans Africa

Unitrans Africa is a supply chain-based services company operating primarily in the agricultural, mining, and petrochemical sectors in nine selected sub-Saharan markets.

We operate a large fleet of application-specific vehicles to ensure that we deliver on our customers' expectations, safely and on time. These include specialised bulk handling services to transport agricultural, mining, and petrochemical commodities using both road and rail infrastructure.

We operate a comprehensive fleet of mining and construction equipment primarily for the mining sector.

In the agricultural sector, we offer fully integrated mechanisation in the areas of bulk load and haulage services using specialised land trains, land preparation and fertiliser application, estate management, and precision farming services. To deliver these services, we make use of cutting-edge technologies like artificial intelligence, machine learning, data analytics, and drones.

Revenue	Operating profit	Operating margin	Customer value proposition
R2 010 million	**R211 million**	**10.5%**	**The application of leading global technologies to provide customised and integrated services for customers in Africa**
up 8%	down 1%		

Highlights of 2021

We achieved a net gain in future contractual business during the period.

Revenue growth was supported by the expansion of existing contracts, the implementation of a new mining contract, and a net increase in road haulage activities, driven by the expansion of operations into the commodity haulage sector.

We made good progress in expanding technology-driven precision agricultural services to complement traditional activities. These include services such as accurate application of chemicals and nutrients to improve crop yields and lower costs for our customers.

We launched dedicated rail links between Mozambique and Zimbabwe.

Operational review

Operating environment

We recorded an annualised net revenue gain of R291 million on contract renewals and a gain of R179 million from new contracts despite the challenges posed by Covid-19. All territories performed well, with the exception of Botswana, where there was a Covid-related state of emergency throughout the period, placing severe limitations on our ability to operate. The protracted lockdown resulted in severe border delays, which impacted on both revenue and operating profit.

We continued to add value through our integrated estate management and precision farming services, including using GPS-monitored and -controlled systems to improve crop management and yields. We expanded our portfolio of technology-driven services and business analytics, which drive efficiencies and facilitate real-time decision-making on the various sugar estates on which we operate. We continue to identify leading technology and innovation solutions for our customers in order to increase their yields and decrease the costs of production.

We continued to expand our mining operations with our highly specialised road train services, which are an essential component in the transportation of high-volume commodities on the Khoemacau mine in Botswana.

We expanded our road haulage operations into commodities other than fuel and this area of the business is showing steady growth. The introduction of a rail solution between Mozambique and Zimbabwe was also an important development, adding value for our clients in both jurisdictions.

Value added

As a supply chain services company, the greatest value we bring to our clients is through our ability to provide innovative, customised, and integrated services and solutions to meet their specific needs.

In the agricultural sector, we provide integrated supply chain, estate, and precision farming solutions that are embedded into our customers' estates. Among these are nine of the largest sugar plantations in the region, accounting for 100 000 hectares under cultivation.

Working with our customers, we have developed a wide range of precision mechanisation services in the areas of planting and fertilising, which are designed to improve efficiencies and increase yields. We have introduced drone-based spraying and mapping services and GPS-guided land levelling. We have also introduced GPS-guided, variable-rate fertilising. We integrate various technology to apply fertiliser, map yields, manage and analyse data relating to planting and harvesting cycles, and ensure efficient and cost-effective loading and haulage.

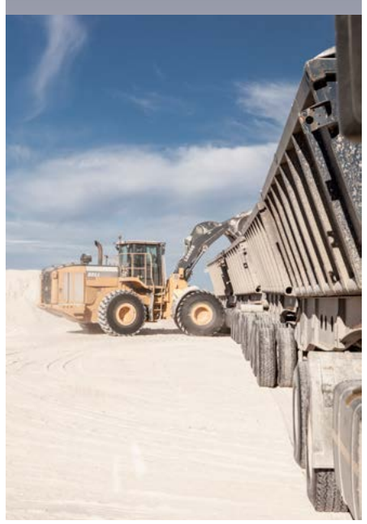
In the mining sector, we provide not only transportation and logistics services, but also bulk handling services, deploying a fleet of mining equipment. We have many years of experience in providing safe, high-payload combinations using performance-based systems that present our customers with a comprehensive service. These core services are supported by value-added services such as stockpile measurement and management, staff transportation, and road maintenance.

Key facts

1 593
vehicles

51 million
kilometres travelled

1.74 billion
litres of fuel transported



Unitrans Passenger

"Our purpose is to transport people to their destinations safely, reliably, and cost-effectively."

Nico Boshoff
Chief executive officer,
Unitrans Passenger

Unitrans Passenger is a service provider in the passenger transport sector, specialising in commuter and personnel transportation in South Africa and Mozambique.

We provide commuter transport services in accordance with long-term government transport contracts, which cater for commuters living in informal settlements and rural areas. We also provide personnel transport services on a contractual basis for large corporations that need employees to be transported between their residences and places of work. Where required, we partner with the local communities in partnership with our customers to secure these contracts.

In addition, we provide fleet management services on behalf of our customers, which include services such as route scheduling, operations, and fleet maintenance. One of these services is the Gautrain bus feeder and distribution service.

Revenue*
R1 647 million
up 3%

Operating profit*
R189 million
down 22%

Operating margin*
11.5%

Customer value proposition
Customised personnel transportation services with the highest standards of safety, reliability, and affordability

* *From continuing operations*

Highlights of 2021

Our flexible business model enables us to adjust services rapidly and we were able to respond immediately to the impact of Covid-19 and the restrictions placed on transporting passengers.

Our Mozambique operations were largely unaffected by Covid-19 and we added a number of new vehicles to our fleet.

We successfully concluded the responsible closure of our Intercity and Tourism operations, which were devastated by the impact of Covid-19 and the related travel restrictions implemented during the course of the year.

We repurposed a number of Intercity and Tourism vehicles to meet the expanded requirements of key personnel transportation contracts.

Operational review

Operating environment

Due to the nature of our passenger transport services, we were deeply affected by the onset of Covid-19, which saw passenger numbers drop sharply when the lockdown was implemented. This led to an immediate and sustained loss of revenue across all operations.

With various levels of lockdown being in place throughout the reporting period, we had to adjust activity levels and rationalise costs in all areas of the business and, in time, had to assess the viability of the Tourism and Intercity operations, which were the hardest hit. This led to the closure of our Tourism business and our long-standing Intercity businesses, the assets of which are currently being held for sale. Both operations were formally closed on 13 April 2021 and are reported as discontinued operations. Part of this fleet has been repurposed and is being used to fulfil the requirements of personnel transportation contracts.

While commuter services were still required throughout the lockdown, passenger numbers dropped significantly, impacting on cash fares along fixed routes. Cost management processes were put into place, but these were insufficient to fully offset the impact of the drop in passenger numbers.

The Gautrain operation was supported by the concession partner and was able to perform satisfactorily. We continue to operate under contract for the Gautrain Management Agency, which requires high levels of operational excellence and punctuality. We have been able to deliver consistently on these requirements.

Personnel operations remained stable and additional fleet requirements from customers due to passenger capacity restrictions provided relief in this segment.

Our Mozambican operations remained relatively unaffected by Covid-19. Fleet requirements were expanded by customers in our current operations at Tete and Nacala, which aligns with our growth strategy in this country. Terrorism in the northern part of Mozambique had limited impact on our operations.

Value added

Our proven business model enabled us to respond rapidly to the impact of Covid-19 and to adjusted levels of activity. We continued to offer our core services, being commuter and personnel transportation, without interruption.

Our integrated services and varied asset base offer the opportunity for our customers to outsource their passenger transportation needs to a single company with a well-established track record of safe and reliable execution. We actively manage our fleet to meet their changing needs and, in fact, upscaled our fleet on several routes during the course of the year. New buses were added to the fleet in Mozambique to meet the growing demand. Vehicles were replaced in several areas of the business and refurbishments were done in compliance with contract requirements. We were also able to repurpose a number of Intercity buses to expand services within the framework of two of our existing personnel contracts.

Our maintenance and driver training standards meet the requirements of the Original Equipment Manufacturers, which is a critical factor in an industry in which safety and reliability is so important.

Key facts

1 404
vehicles offering various configurations

Our largest vehicle is an articulated vehicle that is certified to carry 114 seated passengers and 30 standing passengers

Chief financial officer's report

Frans Olivier
Chief financial officer

"Our decentralised management structures supported rapid decision-making and provided the agility to adapt quickly to this challenging environment."

The year under review was dominated by Covid-19, which created an extremely complex and uncertain environment, impacting on global sociopolitical and macroeconomic dynamics right through to daily transactional activities. At KAP, it impacted on our ability to deliver products and services to our customers, as well as on the personal safety and well-being of our employees.

Variability in the necessary levels of restrictions imposed by government, together with significant disruptions in global supply chains throughout the year, resulted in volatility in the demand for our products, as well as disrupted access to key raw materials, and variable commodity prices. This created enormous challenges in running our various operations.

The KAP business model nevertheless proved resilient throughout the period, with operations diversified across various sectors supplying primarily non-discretionary goods and services. Our decentralised management structures supported rapid decision-making and provided the agility to adapt quickly to this challenging environment. Management was effective in rapidly optimising the company's operations to meet these challenges, resulting in a very pleasing set of results.

Revenue from continuing operations increased by 11% to R23 956 million and operating profit before capital items from continuing operations increased by 48% to R2 102 million. The company generated cash from operations of R3 485 million, a 68% improvement on the prior year. Headline earnings per share from continuing operations increased by 146% to 43 cents.

Key metrics from continuing operations	FY21	FY20	% change
Revenue (Rm)	**23 956**	21 591	11
EBITDA (Rm)	**3 419**	2 703	26
Operating profit before capital items (Rm)	**2 102**	1 419	48
Headline earnings (Rm)	**1 099**	460	139
Headline earnings per share (cents)	**43.0**	17.5	146
Earnings/(loss) per share (cents)	**44.0**	(74.8)	159
Cash generated from operations (Rm)	**3 485**	2 076	68
Free cash flow before dividends (Rm)	**810**	(791)	202

Covid-19

Covid-19 continues to evolve and to present unprecedented social and economic uncertainty around the world and in the territories in which we operate. Since national lockdown regulations were implemented in March 2020, the board and management have addressed the impact of the pandemic with a risk-based approach. This has included identifying the following key risk categories, and then designing and implementing mitigating actions and controls to protect the company and our various stakeholders:

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

The decentralised management structure of the group enhanced our ability to respond quickly and effectively to the pandemic by implementing numerous measures to minimise the impact of the lockdown. The details of these measures were reported on in detail in the previous year's report. Although the impact of the lockdown on the group has been significant, our business model has proven to be resilient throughout the crisis.

Financial performance

Revenue from continuing operations increased by 11% to R23 956 million (FY20: R21 591 million). The segments and divisions were impacted to varying degrees, as illustrated below:

Revenue	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited[(*)] Rm	% change
Diversified industrial	**7 927**	6 205	28
Integrated Timber	**4 197**	3 208	31
Automotive Components	**2 033**	1 725	18
Integrated Bedding	**1 731**	1 286	35
Interdivisional eliminations	**(34)**	(14)	
Diversified chemical	**7 509**	7 301	3
Polymers	**7 509**	7 301	3
Diversified logistics	**8 828**	8 392	5
Contractual Logistics – South Africa	**5 207**	4 954	5
Contractual Logistics – Africa	**2 010**	1 865	8
Passenger Transport	**1 647**	1 604	3
Interdivisional eliminations	**(36)**	(31)	
	24 264	21 898	11
Intersegmental eliminations	**(308)**	(307)	
	23 956	21 591	11

[(*)] *Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

Operating profit before depreciation, amortisation, and capital items ('EBITDA') from continuing operations increased by 26% to R3 419 million (FY20: R2 703 million). Operating profit before capital items from continuing operations increased by 48% to R2 102 million (FY20: R1 419 million), while operating margin increased to 8.8% (FY20: 6.6%). The strong operating profit performance and margin improvement was broadly spread throughout the group, with only two of the seven divisions not showing growth on the prior year. This is reflected as follows:

Operating profit and margin %	FY21 Operating profit Audited Rm	FY21 margin %	FY20 Operating profit Audited[(*)] Rm	FY20 margin[(*)] %	Operating profit change %	Margin change %
Diversified industrial	**1 025**	**12.9**	**582**	**9.4**	**76**	**3.5**
Integrated Timber	615	14.7	323	10.1	90	4.6
Automotive Components	156	7.7	88	5.1	77	2.6
Integrated Bedding	254	14.7	171	13.3	49	1.4
Diversified chemical	**428**	**5.7**	**160**	**2.2**	**168**	**3.5**
Polymers	428	5.7	160	2.2	168	3.5
Diversified logistics	**649**	**7.4**	**677**	**8.1**	**(4)**	**(0.7)**
Contractual Logistics – South Africa	249	4.8	222	4.5	12	0.3
Contractual Logistics – Africa	211	10.5	214	11.5	(1)	(1.0)
Passenger Transport	189	11.5	241	15.0	(22)	(3.5)
	2 102	**8.8**	**1 419**	**6.6**	**48**	**2.2**

[(*)] *Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

Capital items from continuing operations of R32 million (FY20: R3 103 million loss) comprise mainly insurance income relating to accidental equipment damages. The capital loss in the prior year relates primarily to impairments of goodwill, intangible assets and property, plant, and equipment required in terms of IFRS, which were comprehensively reported on in the prior year.

The effective tax rate from continuing operations of 29.8% is impacted by a provision of R38 million raised in relation to a previously utilised capital loss. In the prior year, the tax rate was impacted by R685 million in impairments, which are not deductible for income tax purposes, and a provision of R68 million raised in relation to section 12I tax allowances claimed previously but still pending the achievement of certain performance measures.

Headline earnings per share from continuing operations increased by 146% to 43.0 cents (FY20: 17.5 cents). Basic earnings per share from continuing operations increased to a profit of 44.0 cents (FY20: loss of 74.8 cents). The basic loss per share in the prior period was primarily due to abovementioned impairments.

Discontinued operations

A formal sale process for the Passenger Transport division's loss-making Intercity and Tourism operations was conducted during the period. During January 2021, this process proved unsuccessful and, as a result, these operations were discontinued. The results of these operations are therefore disclosed as discontinued operations and the related assets are disclosed as assets held for sale.

Statement of financial position

The company's balance sheet remains strong with management continuing to focus on optimising net working capital and reducing net interest-bearing debt. The group generated sufficient EBITDA and cash during the year to remain comfortably within its financial covenant ratios.

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

Asset base from continuing operations	FY21 Rm	% of total	FY20 Rm	% of total
Plant and machinery	**4 856**	**28**	4 944	28
Long-haul vehicles and buses	**4 684**	**26**	4 820	27
Land and buildings	**2 581**	**15**	2 380	14
Intangible assets	**2 028**	**12**	2 046	12
Biological assets	**1 565**	**9**	1 754	10
Goodwill	**641**	**4**	641	4
Right-of-use assets	**358**	**2**	438	3
Capital work in progress	**749**	**4**	394	2
Other assets	**87**	**–**	92	–
	17 549	**100**	17 509	100

Intangible assets predominantly include supplier relationships, patents, and trademarks. These intangible assets secure access to strategic raw material inputs, create barriers to entry, and secure market leadership.

In the previous year, the group increased its disclosure of financial and operational information to allow stakeholders to gain a better understanding of the group and its divisions. These additional disclosures include operating assets, operating liabilities, and net operating assets per division, grouped by segment. This allows stakeholders to calculate divisional returns, such as return on capital employed ('ROCE') (operating profit divided by net operating assets). Net operating assets by segment and division are illustrated below:

Net operating assets/(liabilities)	FY21 Rm	FY20 Rm	% change
Diversified industrial	**8 487**	8 137	4
Integrated Timber	**5 992**	5 821	3
Automotive Components	**1 155**	1 011	14
Integrated Bedding	**1 340**	1 305	3
Diversified chemical	**4 368**	4 461	(2)
Polymers	**4 368**	4 461	(2)
Diversified logistics	**6 842**	7 032	(3)
Contractual Logistics – South Africa	**3 755**	3 774	(1)
Contractual Logistics – Africa	**2 177**	2 164	1
Passenger Transport	**910**	1 094	(17)
Corporate, consolidation and elimination	**(223)**	(210)	
	19 474	19 420	–

ROCE increased from 7.1% to 10.8% but is lower than our weighted average cost of capital ('WACC') of 11.4%, and below the targeted hurdle rate of WACC + 30%. Return on equity increased to 9.8% from 3.3% which is lower than our WACC. This is a key focus area for management.

Replacement capital expenditure continues to be managed over time in relation to the annual depreciation charge. Depreciation and amortisation from continuing operations (excluding right-of-use asset depreciation) for the period amounted to R1 208 million (FY20: R1 175 million), while replacement capital expenditure amounted to R918 million (FY20: R1 241 million) net of proceeds on disposal, insurance and government grants. Expansion capital expenditure of R899 million (FY20: R671 million) was invested in the group's asset base to drive growth and efficiency benefits.

We remain focused on completing our various expansion projects with the objective of growing earnings, enhancing returns, and generating cash.

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

Total capital expenditure	FY21 Rm	% of total	FY20 Rm
Diversified industrial	**749**	**41**	439
Integrated Timber	**399**	**22**	309
Automotive Components	**234**	**13**	82
Integrated Bedding	**116**	**6**	48
Diversified chemical	**78**	**4**	75
Polymers	**78**	**4**	75
Diversified logistics	**997**	**55**	1 398
Contractual Logistics – South Africa	**478**	**26**	756
Contractual Logistics – Africa	**408**	**23**	459
Passenger Transport	**111**	**6**	183
Corporate, consolidation and elimination	**(7)**	**–**	–
	1 817	**100**	1 912

Net working capital levels increased by R14 million compared to the prior period. Inventory increased by R296 million, accounts receivable increased by R813 million, and accounts payable increased by R1 095 million, all in line with increased trading activity compared to the prior year when the company was emerging from Level 5 lockdown. Net working capital of R1 925 million (FY20: R1 911 million) is considered to be a sustainable level based on current operations.

The net asset value per share increased by 9% to 405 cents at 30 June 2021 from 372 cents.

Statement of cash flows

Cash generated from operations of R3 485 million (FY20: R2 076 million) improved by R1 409 million compared to the prior year, comprising R711 million additional cash generated from trading and R698 million less cash invested in working capital. The cash conversion ratio of EBITDA to cash flow from operations of 106% exceeded our internal target for a sustainable conversion ratio of 90%.

Free cash flow (before dividends) of R810 million reflects an improvement of R1 601 million, mainly due to a R1 409 million increase in cash generated from operations, R203 million less cash interest paid and R132 million less spent on investing activities.

Capital structure

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

The company repurchased and cancelled 40 million ordinary shares during the year. The total value of the share buy-back transactions amounted to R158 million. In addition, the 36 million treasury shares repurchased in previous years were cancelled during the year.

Net interest-bearing debt reduced by R511 million compared to the prior year, resulting in a reduction in the net interest-bearing debt to equity (gearing) ratio to 64% from 74% in the prior year. Our financial covenant ratios of net debt/EBITDA, at 1.9 times, and EBITDA/interest cover, at 7.3 times, remained within our target levels of <3.2 times and >3.5 times respectively.

During the year, 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 respectively at acceptable market-related interest rates.

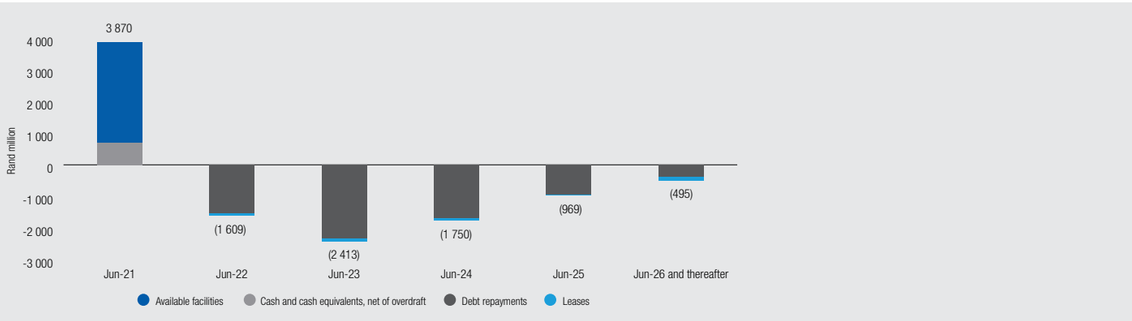
Global Credit Rating Co Proprietary Limited reviewed KAP's credit rating in November 2020 and confirmed its rating as A+(za) with a stable outlook.

The debt structure and capacity ratios are reflected as follows:

Debt structure	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm
Loans and borrowings long-term	**5 360**	5 309
Loans and borrowings short-term	**1 526**	2 295
Lease liabilities long-term	**311**	363
Lease liabilities short-term	**86**	103
Non-interest-bearing loans and borrowings	**(47)**	(45)
Bank overdrafts and short-term facilities	**45**	17
Cash and cash equivalents	**(751)**	(1 001)
Net interest-bearing debt	**6 530**	7 041
Movement in net interest-bearing debt		
Balance at beginning of the year excluding lease liabilities	**6 575**	4 488
Interest-bearing loans and borrowings (repaid)/raised	**(720)**	1 284
Net decrease in cash and cash equivalents	**198**	809
Increase in bank overdrafts and short-term facilities	**28**	17
Net acquisition/(disposal) of subsidiaries and businesses	**–**	2
Effects of exchange rate translations on cash and cash equivalents	**52**	(25)
Net interest-bearing debt excluding lease liabilities	**6 133**	6 575
Lease liabilities	**397**	466
Net interest-bearing debt	**6 530**	7 041
EBITDA[1][2]	**3 419**	2 703
Net finance costs[2]	**466**	654
EBITDA: interest cover (times) > 3.5[3]	**7.3**	4.1
Net debt: EBITDA (times) < 3.2[3]	**1.9**	2.6
Gearing %	**64**	74

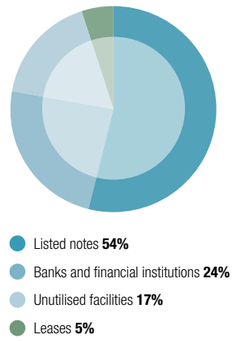
(1) Operating profit before depreciation, amortisation and capital items.
(2) From continuing operations, prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.
(3) Financial covenant triggers.

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

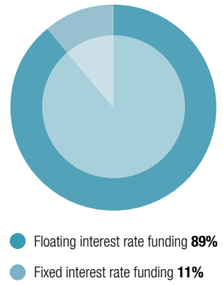


We finance our operations through cash generated from operations and a mix of short-, medium- and long-term bank credit facilities, bank loans, and domestic medium-term notes. This provides us with a balanced range of funding sources as reflected below:

Funding structure



Fixed vs floating interest rate funding



Dividends

In view of the resilience that the KAP business has displayed through the recent global pandemic, the strength of its balance sheet, the rapid recovery in performance, and expected future prospects, the board of directors has approved and declared a dividend of 15 cents per share or 2.5 times cover for the financial year ended 30 June 2021. No dividend was paid in the current year in relation to the 2020 financial year.

Corporate activity

Through strategic corporate activities, the group continued to enhance its quality of earnings and its sustainability. In line with its key investment criteria, it concluded the following non-material transactions during the year:

- Effective 1 September 2020, Unitrans Supply Chain Solutions Proprietary Limited 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.

Governance

Our decentralised business model allows for our divisions to operate autonomously and to cultivate a strong entrepreneurial culture within a governance framework established by the group. 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, both in terms of governance and in terms of providing effective support to enable divisional management to grow their businesses.

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 enterprise resource management ('ERM') systems appropriate to their businesses.

Regular investment in upgrades to these systems ensure that they remain up to date. Detailed divisional management accounts are reported within five business days of month-end, providing enhanced insight into the divisional results. The consolidated reporting system improves the reliability and accuracy of the financial reporting of the group.

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

Looking ahead

Due to the material financial effects of Covid-19, a key focus area during the reporting period was liquidity, compliance with financial covenants, and the improvement in gearing. This resulted in a R511 million reduction in net interest-bearing debt and stable net working capital levels for the year. During this time we also remained focused on executing our strategy, optimising our operations, growing our market share, and generating cash. In terms of this, we invested R1 817 million in the replacement and expansion of operational fixed assets. This collectively provides a strong platform for growth, which is further supported by the diverse operational and geographic nature of our group. We therefore remain optimistic about KAP's prospects, despite the challenging economic environment.

Frans Olivier
Chief financial officer

Sustainable development

KAP's strategic intent is to build exceptional businesses that create lasting economic and social value. As part of our commitment to this goal, we follow an approach that aims to integrate sustainability principles and practices into our business and to create a common framework that we can use to communicate the contributions we make to creating a sustainable world.

United Nations Sustainable Development Goals ('UN SDGs')

In October 2020, we committed to making the United Nations Global Compact ('UNGC') and its principles an integral part of our strategy.

As a business, we are therefore undertaking a process of aligning to the UN SDGs, 17 goals that are aimed at addressing a number of global issues such as ending poverty, working to improve education and healthcare, reduce inequality, support economic growth, and protect and sustain the natural environment on a global basis. We believe these are the most comprehensive set of goals related to the environmental, social, and governance ('ESG') issues that we face in business and society today.

The SDGs can be mapped to other reporting frameworks and we consider them as the lens through which our strategy is integrated with our purpose, values, operations, and story. We could describe them as the north star on our sustainability journey.

To give form to where we stand, we have undertaken a back-dated mapping of our contributions to the SDGs over the past three years, which shows that we have been actively making contributions in 15 of the 17 focus areas. This analysis gives us a view of the way in which we map to the SDGs in the normal course of business.

The mapping process, which is illustrated below, has provided a comprehensive view of our unified value proposition throughout all aspects of our business. In undertaking the process, we considered activities that have spanned what we do for our workforce, what we do in our operations, how we use our supply chain, the influence we have in our partnerships and, finally, the broader fiscal and economic contributions we make to sub-Saharan Africa.

Mapping our activities gave us insight into how we use the financial resources at our disposal to create impact throughout our value chain. This data-informed approach has highlighted where we are strong from a sustainability perspective and where we need to improve, giving us a platform from which to undertake our sustainability journey. The SDG focus areas we have identified are articulated in the graphic below.

FTSE4Good

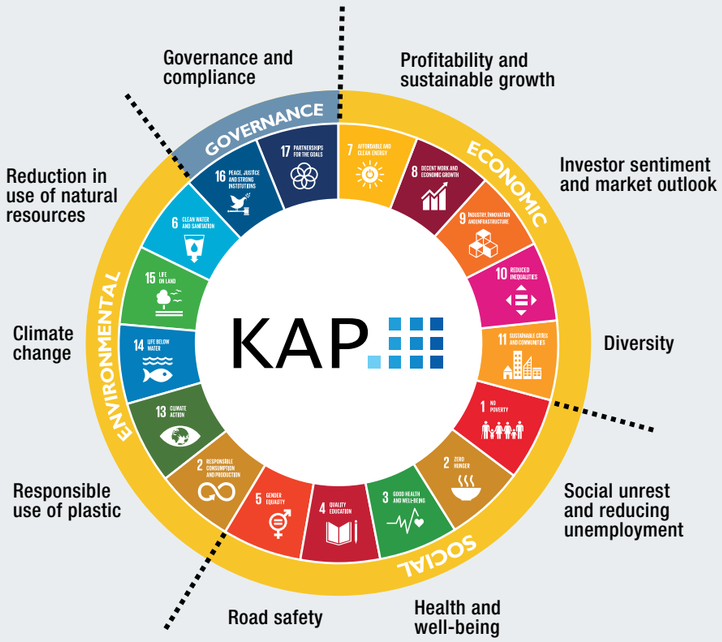
We have continued to use the FTSE4Good assessment as the company's ESG benchmark as it remains the methodology adopted by the JSE.

FTSE4Good published its final assessment in June and KAP scored 3/5 based on the ESG information that was in the public domain as of December 2020. The score declined year-on-year due to changes in assessment standards, but has continued to show improvement over the longer term. The company again scored 5/5 for corporate governance, and our overall FTSE4Good score remains above the industrial sub-sector average as well as the South African country average for industrial companies.

In April 2021, MSCI, a leading provider of investment tools and services to the global investment community, published their ESG assessment of KAP and their rating improved to 'AA'. Performance against ESG goals is monitored by the board and the social and ethics committee, and ESG measures are incorporated into management incentive measurement criteria.

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

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



Issue	Issue description
Profitability and sustainable growth	Profitability and growth are important so that we can deliver on our growth strategy and maintain and improve our competitive position. This creates the ability to reinvest in technology, our people, and the communities to ensure we remain competitive and create lasting economic and social value.
Investor sentiment and market outlook	Investors are important to KAP. We need to continue to grow and deliver good returns for our investors. Our customers are key to our long-term success. We value customer centricity and revisit our processes and product and service offering continuously to improve on delivering exceptional customer experiences. We focus on our value proposition and establish and maintain strong customer relationships to improve the market outlook.
Diversity	KAP promotes diversity and equal inclusion. We require skilled people to manage and grow our business and identify the need to create a culture that prioritises racial diversity, gender inclusion, and that focuses on women in the community, which will further improve sustainability.
Social unrest and reducing unemployment	The rise in social unrest and the consequences thereof are important issues for KAP. We acknowledge the important role we play in society in reducing unemployment to alleviate poverty.
Health and well-being	Health and well-being of society is important, both for our people and for our customers. Managing the ongoing impact of the Covid-19 pandemic, mental wellness, creating a safe place to work, and creating products and services that support well-being in the community are integrated into our culture and strategy.
Road safety	South Africa has a high rate of road traffic incidents. The safety of our drivers, passengers and of society is important and has been recognised as a focus area for KAP.
Responsible use of plastic	Plastic is a wonderful product with many applications. However, plastic waste does not belong in the environment. The reduction of single-use plastics, the recycling and repurposing of plastic waste, reducing plastic waste in the environment, and managing perceptions about plastic, is key to KAP.
Climate change	Climate change has become the great defining issue of our time. We recognise that it is a fundamental responsibility to understand its effects on our business and how it may impact on our value chain in the long-term. We are committed to reducing our Green House Gas ('GHG') emissions.
Reduction in use of natural resources	We recognise that it is important to focus on and develop ways to reduce the use of natural resources. We are actively mapping and monitoring our use of natural resources with the aim to reduce water usage, and we are targeting zero waste to landfill. We also recognise the need to reduce dependence on coal for energy in order to reduce our impact on the environment.
Government infrastructure	The South African business environment faces increasing uncertainty regarding the ability for state institutions to provide the required government infrastructure for businesses to operate effectively. KAP is aware of the need to mitigate against the risk of failing infrastructure.

Social and relationship capital

We acknowledge our responsibility as a corporate citizen to support the communities in which we operate and to contribute to the socio-economic development of the country as a whole.

R14 million contributed to social development projects (FY20: R13.3 million)

R41.1 million invested in enterprise and supplier development to support communities and small and black-owned businesses (FY20: R40.7 million)

Overview

At KAP, our social responsibility programme focuses primarily on projects that address poverty and unemployment. We also support youth-focused projects that enhance education, nutrition, and community development in the areas in which we operate.

All of our divisions identify and are involved in social projects that are aligned with their strategies and are in close proximity to their operations. They actively engage with community members and work with community organisations, non-profit organisations ('NPOs'), and service delivery organisations to develop appropriate projects and to execute them successfully to the benefit of the recipients. A few examples are mentioned in this report, while further information about the various projects we support is available on our website.

Human rights

KAP subscribes to the principles of human rights, as expressed in the Constitution of the Republic of South Africa (1996), the United Nations Universal Declaration of Human Rights (1948), and the 10 principles set out in the United Nations Global Compact (2000).

Human rights principles are incorporated into all of our policies and practices, and are an integral component of our code of ethics. Compliance with human rights principles is monitored by the social and ethics committee and we are in the process of publishing a dedicated human rights policy. This will create a standardised framework for use throughout the group.

Community relations

Some of our manufacturing businesses operate in communities that have been negatively affected by unemployment, poverty, poor service delivery, and related socio-economic issues. As many of our workers live in these communities, we are deeply committed to ensuring that they are stable and sustainable. Each division therefore deals directly with the local communities situated near their operations through recognised community-based structures in order to facilitate positive socio-economic development in the area.

The perception of the role of business in the communities in which we operate is often unpredictable. It has therefore become a key component of our strategy to establish structures and relationships that will enable our businesses to manage engagement with local communities in an open and collaborative way.

Our approach to community relations is based on building mutually respectful, beneficial, and lasting relationships with all community stakeholders through transparency, social justice, integrity, and accountability.

As an integral part of this process, we provide stakeholders with formal channels that they can use to address concerns and grievances with the company in a structured and reliable way.

We also continuously monitor developments within communities and evaluate the extent to which they may impact on our operations. We do this through regular engagement with both formal and informal structures and by proactively developing plans to deal with community issues as and when they arise.

> Given the extent to which we engage with communities, our community relations strategy enables our businesses to maintain mutually beneficial and stable relations with communities and local authorities in the areas in which they are situated.

For example, the Durban-based PET plant of our polymers division, Safripol, established a community engagement forum in 2016 to facilitate discussions with local communities regarding potential employment opportunities following an upgrade to the plant. The forum continues to meet on a regular basis to discuss various issues of importance to affected communities, including environmental issues, community health and safety, employment, and the provision of financial support to local schools.

In another example, as our PG Bison cluster in the Eastern Cape is the biggest employer in the region, we have a great deal of responsibility to the communities in Ugie and Maclear, where our forests and board plant are situated. We use an integrated community engagement approach to facilitate relations with these communities. Our activities include a community forum that is managed and supported by the local and regional municipality, direct engagement with the provincial government, and partnerships with local taxi associations and small business associations. We also support the local municipality in the provision of key infrastructure and services.

Our logistics businesses engage with communities in a similar way. Unitrans South Africa has a 36-year service relationship with Richards Bay Minerals ('RBM'). As incidents of violence and unrest frequently occur in the communities neighbouring RBM operations, Unitrans has partnered with the leadership of the local traditional authority and other community structures to address some of the causes of this instability. This partnership has gained the required level of acceptance within these communities, and enables us to make a positive contribution to social development and to run our business operations effectively. On various mine personnel transport contracts, Unitrans Passenger also partners with communities.

Given the extent to which we engage with communities, our community relations strategy enables our businesses to maintain mutually beneficial and stable relations with communities and local authorities in the areas in which they are situated.

Community development and outreach

In the area of community development and outreach, we support a number of initiatives across the country. One of these is the PG Bison Safe-Hub in Knysna in the Western Cape.

The Safe-Hub programme is an award-winning, world-class, evidence-based, impact-measured youth development programme that uses sport and education to intervene in the long-term trajectory of its participants' lives, creating hope and opportunity through training, education, and pathways to work and leadership.

Safe-Hub, which is based on a social franchise model, was founded in Khayelitsha in Cape Town in 2008 and has since developed a national presence, with Safe-Hub programmes operating in Gugulethu, Diepsloot, Tembisa, Alexandra, Soweto and Knysna.

The Knysna Safe-Hub aims to reach over 1 500 young people from local communities every year, offering football and educational sessions twice weekly. The Safe-Hub programme has been proven to assist in reducing crime, improving education, and offering viable pathways to employment. The facility in Knysna employs 20 people from the local community every year, including 13 young people who are placed into NQF level 4 learnerships and who exit the programme into local employment. PG Bison, through its contributions, enjoys naming rights of the facility, which is called the PG Bison Knysna Safe-Hub.

Another KAP-supported project is the Heartlands Baby Sanctuary in Somerset West in the Western Cape, which is a temporary residential safe-care facility that can accommodate 25 children (up to the age of six) at a time. It provides specialised care for children in urgent need of care and protection, who are placed at the sanctuary by court order. The facility, which is a registered child and youth care centre, has cared for 280 children over the past five years.

In addition, KAP has been partnering with the sani2c initiative since its inception in 2004. sani2c is a three-day mountain bike event that attracts over 2 000 riders per event and provides permanent and temporary employment to the local community. The event has a positive impact on a very wide community and provides much-needed funds and employment in the area. Sixteen local schools are now the recipients of the funds raised through entries to the race and sponsorships.

The sani2c Community Development Trust, in partnership with the Southern Lodestar Foundation's Breakfast Programme, feeds almost 2 000 school children daily along the sani2c route.

Various Covid-related projects and donations were also undertaken during the year. Restonic donated sleep products to frontline health workers, and both Safripol and Unitrans donated personal protective equipment and personal care products to various communities.

Education

Rural schools in South Africa are often under-resourced and face significant challenges in terms of infrastructure, resourcing, and curriculum delivery. Since 2009, PG Bison has partnered with an organisation called Infundo to create and implement the Ugie CREATE Initiative education and community development project. Infundo is an independent Level 2 B-BBEE social enterprise consultancy specialising in educational development throughout the country, including the rural areas of Ugie and Maclear in the Eastern Cape, where PG Bison operates.

The Ugie CREATE Initiative initially focused on three schools with the aim of developing and coaching high school educators in critical subjects such as mathematics, physical science, accounting, and English to improve the overall standard of education. Today, Ugie CREATE Initiative works directly with seven schools in the district, namely the ET Thabane Public School, Ugie High School, Umthawelanga Senior Secondary School, Jamangile, Maclear High, Maclear Methodist School and the Sibabale Senior Secondary School.

In addition to improving the subject knowledge of the teachers at these schools, the project also provides leadership and management training, coaching, teacher development, community care, and general support. PG Bison has provided additional assistance by building six classrooms and providing ablution facilities as well as textbooks for learners at these schools.

Since the inception of the project, pass rates have improved significantly. Last year, one of the Ugie CREATE Initiative-sponsored schools achieved a matric pass rate of 100%.

With the advent of Covid-19, Infundo facilitated a partnership between the CREATE Initiative schools and St Peter's College, a private school in Johannesburg. St Peter's College agreed to share its online lessons and resources to ensure that the learners in these schools would be able to keep up with the curriculum while lockdown restrictions kept them at home. Not only was the partnership able to do this through various levels of lockdown, it has also significantly improved the quality of lessons being delivered in rural areas.

Infundo also continued to provide support for administrators, teachers, and learners throughout the lockdown periods using a number of digital platforms. This enabled teachers to send work home to learners and to adapt the curriculum to ensure that the school year could be completed.

In the southern Cape, PG Bison works with the Knysna Educational Trust to manage two crèches in Brackenhill and Ruigtevlei. The division supplied and maintains the classrooms at these facilities and provides funding for three educators.

Our Polymers division, Safripol, also supports two educational programmes, the LUSA Community Chest Impact Fund and the Komati Foundation.

LUSA is a public benefit organisation that leads, supports, and participates in inclusive community efforts aimed at building capacity and mobilising resources to improve lives and facilitate long-term social change. It operates in the Vaal Triangle region and focuses on providing training programmes for historically disadvantaged communities.

The Komati Foundation is similarly an NPO that is actively working to transform South African society in the fields of education, human development, and social welfare. With the support of Safripol, it is helping high school learners to improve their math and science skills. Post-graduate students from the Department of Chemical Engineering at the University of Free State provide tutoring for the learners.

Further, Restonic, Safripol, and Unitrans Passenger again sponsored 38 learners with disabilities at the Skills Development Corporation. These learners, who are registered with their relevant SETAs, are being taught work-related skills.

Nutrition

In communities affected by poverty, nutritional support for vulnerable people, including young children and learners, is an invaluable social contribution.

Unitrans South Africa therefore encourages its employees to volunteer one working day per month to repackage food for FoodForward SA. This is an NPO that collects surplus food from manufacturers, wholesalers, and retailers, and repackages it for distribution to early childhood development organisations, women's empowerment groups, and day-care centres, reaching nearly 500 000 at-risk individuals. Unitrans has also donated a truck to FoodForward SA and maintains it on an ongoing basis.

In addition, the division provides logistics assistance for the distribution of food parcels as part of the Feed the Nation campaign, as well as funding for meals at the Steinthal Children's Home in Tulbagh and Emmanuel Educare, which provides nutritional support for children in crèches.

PG Bison in the southern Cape supports the local Brackenhill community, which has a feeding scheme for residents in need. The division has provided the scheme with gas stoves and supplies it with gas and ingredients that that enable them to feed more than 60 children a day. It also partners with an NPO called Judea Hope, as well as farmers and businesses in the area, to support a feeding scheme in the Ugie area. The scheme supports seven local crèches by distributing meals to over 300 pre-school children every day and distributes food parcels to elderly people in the community.

Five vegetable tunnels that PG Bison established at the early childhood development centres in the area continue to produce vegetables that are used to supplement the food parcels. The tunnels have also created employment for the local community, and any excess vegetables are sold to generate income for the schools.

The Ugie Socio-Agricultural Vegetable Project, established in 2013, is another successful collaboration between PG Bison and the local community. Several years ago, PG Bison and the local community identified the need to establish a reliable source of fresh vegetables. The division provided members of the community with access to nine hectares of land, implements, and the infrastructure necessary to grow vegetables for sale in the area. Seedlings are grown annually in PG Bison's nursery and, together with fertiliser, are supplied to two projects that have been established as sustainable cooperatives and which employ 16 people.

In FY21, the division provided R400 000 in funding for the expansion of the vegetable garden project. The expansion was undertaken to accommodate a further group of people from the community, who will be using the garden to grow vegetables as a source of income. The funding was used to install additional fencing, purchase more gardening implements, and to install reservoirs and pumps.

Natural capital

KAP is committed to protecting natural resources, reducing waste, and investing in technologies that reduce our environmental impact. We acknowledge that this is an ongoing process, which requires continuous monitoring and action. We have therefore developed standards and procedures to govern all of our activities and to ensure that negative environmental impact is prevented or mitigated where possible.

Governance

At KAP, the preservation and protection of the natural environment is one of our key priorities. The ultimate responsibility for environmental impacts rests with the board, which is responsible and accountable for legislative and regulatory compliance, including the management of environmental risks and opportunities.

The divisional CEOs are responsible for environmental compliance at divisional level and are assisted in the day-to-day management of these issues by managers within their respective divisions. Environmental policies and procedures exist throughout the group and are supported by environmental management systems including, where relevant, ISO certification for some divisions.

Climate change

Our response to climate change continues to evolve. We are considering aligning our climate change reporting with the Financial Stability Board's Task Force on Climate-Related Financial Disclosures ('TCFD') and nominating a dedicated board member to oversee climate-related issues.

We have adopted the United Nations Sustainable Development Goals ('UN SDGs') to assist us in improving our reporting.

Through our integrated risk assessment process, we continue to identify, assess, and manage environmental risks. Climate change has the potential to impact on weather and to lead to extended drought conditions. This, in turn, can create an environment in which there is a higher risk of fire in our plantations. We continuously review our fire prevention, protection, and management strategy to minimise this risk.

We also continue to invest in fire detection and firefighting capabilities and to implement standard forestry fire prevention practices. We conduct annual fuel load risk assessments and constantly engage with landowners, stakeholders, and communities in order to manage this risk on a collaborative basis.

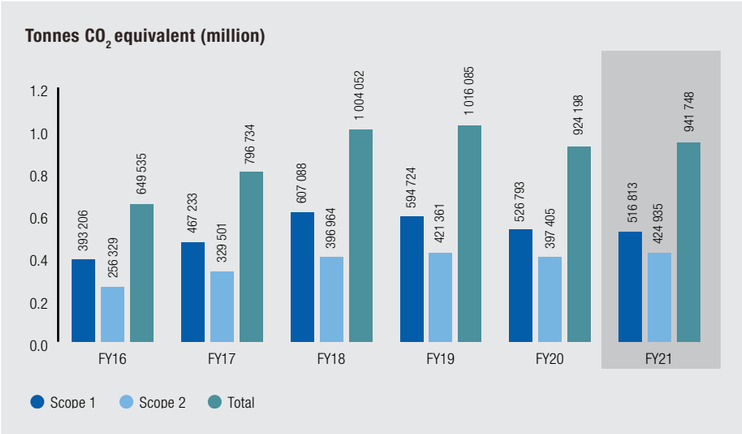
Carbon footprint

Our carbon footprint is a measure of the greenhouse gas ('GHG') emissions from activities under our operational control. We calculate our carbon footprint in accordance with the GHG Protocol Corporate Accounting and Reporting Standard and the Intergovernmental Panel on Climate Change ('IPCC') Guidelines (2006). We also make use of the South African Department of Forestry, Fisheries, and Environment's ('DFFE's') Technical Guidelines for Monitoring, Reporting, and Verification of GHG Emissions by Industry.

An independent service provider verifies the accuracy and credibility of our carbon footprint. Divisions that are data providers under the South African National GHG Emission Reporting Regulations report their GHG emissions to the DFFE. These divisions are licensed as carbon taxpayers under the South African Carbon Tax Act (No. 15 of 2019).

Our carbon footprint encompasses both our Scope 1 and 2 emissions. Scope 1 emissions result mainly from the combustion of fossil fuels and are attributable primarily to our supply chain-based operations. Scope 2 emissions are indirect GHG emissions associated with purchased electricity and steam.

Our Scope 1 and 2 emissions for the reporting year amounted to 941 748 tonnes of carbon dioxide equivalent (tCO_2e).



Our Scope 1 and 2 emissions increased by 1.90% during the reporting period as our manufacturing volumes and kilometres travelled increased in line with improved economic activity. In the previous year, some of our operations were suspended due to lockdown restrictions imposed by the government to control the spread of Covid-19, which reduced our GHG emissions.

Our energy consumption for the reporting year increased by 2.7% to 2 736 756 MWh, including all fuels used, and electricity and steam purchased. Our operations continue to focus on reducing their energy consumption in order to reduce costs, improve efficiencies, and reduce their impact on the environment. For example, the Integrated Timber division uses renewable biomass to generate heat, which significantly lowers its Scope 1 emissions.

PG Bison owns two plantations, North East Cape Forest ('NECF') and Southern Cape Forest ('SCF') which, due to its sustainable management practices, are net absorbers of carbon. Sustainably managed plantations absorb carbon from the atmosphere and store it in the trees and soil. The division continues to quantify the carbon absorbed by its plantations and to submit these metrics to the DFFE for approval.

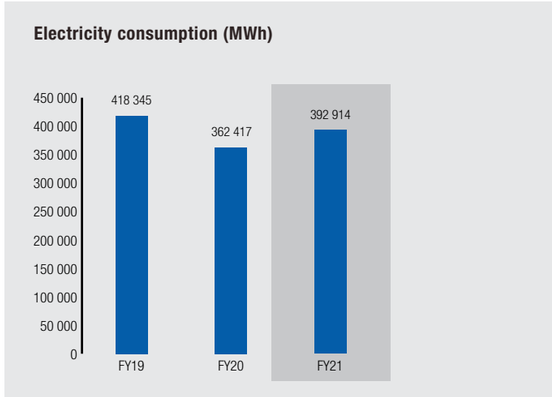
The DFFE has approved the carbon absorbed for the 2019 and 2020 calendar years. During the latter period, this was more than 200 000 tCO_2e. In terms of our sustainable management practices, for every tree harvested, another tree is planted, which continues to absorb carbon as it grows. The division's wood-based decorative panels, which are used in the interiors of buildings, and which have a long lifespan, also store carbon.

Electricity

We have identified electricity consumption as a potential critical risk for KAP. In terms of this we have embarked on a process to develop a clear strategy to mitigate risk, reduce costs, and promote sustainability for the group. Our strategy will encompass the following elements:

- Perform a baseline analysis of current sources and consumption patterns.
- Identify opportunities to change the nature of how we consume electricity in order to improve efficiencies and reduce costs.
- Identify opportunities to invest in new technology to reduce consumption.
- Identify opportunities to self-generate electricity.
- Identify opportunities to generate electricity for sale to independent third-party customers.

We have recently employed an energy specialist to formulate this strategy and to assist our operations in reducing their energy consumption. Our electricity consumption increased by 8% in line with increased economic activity.



Total energy consumption for the year was 2 736 756 MWh (FY20: 2 663 888 MWh)

Our North Eastern Cape Forests ('NECF') are certified by the Forestry Stewardship Council ('FSC')

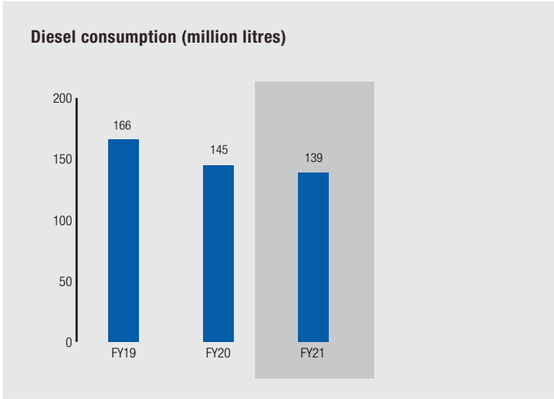
The 50 Performance-Based Standards ('PBS') vehicles in the Unitrans fleet consume 16.94% less fuel per tonne/kilometre than standard vehicles

Diesel

KAP is a large consumer of fuel, primarily through its supply chain-based division, Unitrans. We continue to explore and implement initiatives aimed at improving operational efficiency and reducing diesel consumption, with the following examples noted:

- The Unitrans Control Tower ('UCT') continuously monitors its fleet of vehicles to improve driver performance and reduce idling time, thereby reducing fuel consumption.
- Unitrans also constantly optimises routing of vehicles to reduce kilometres travelled and fuel consumed.
- The ongoing investment in the replacement of vehicles with new technology engines materially improves fuel consumption.
- Ongoing investment in vehicle configuration also materially improves fuel consumption. Unitrans has invested in 50 Performance-Based Standards ('PBS') vehicles that operate in a variety of industries, including the mining, agricultural, and petrochemicals industries. PBS vehicles have been designed to increase productivity, improve safety, and reduce fuel consumption, consuming on average 16.94% less fuel per tonne/kilometre than standard vehicles.
- Unitrans also continues to investigate, implement, and roll out the use of alternative fuels where possible. Unitrans Passenger uses compressed natural gas ('CNG') in its buses, enabling it to reduce its GHG emissions by as much as 90%.

Our diesel consumption reduced by 4.1% for the year to 139 million litres.



Water

We have identified water usage as a key focus area for KAP. Water is a scarce resource and key to the sustainability of our various operations. Similar to electricity, we will develop a clear strategy around the sustainable supply, use and discharge of water, together with the required risk mitigation. We are committed to reducing, recycling and reusing water.

Our strategy begins with reliable measurement. Although we made progress in widening the scope of measurement and improving the accuracy of reporting on our water withdrawal and discharge, there is still room for improvement. Where required, our divisions have water use licences ('WULs'), which specify the water usage parameters within which they must operate.

PG Bison's water usage will reduce significantly in the forthcoming year as they will consume the last of the burnt timber that was placed under temporary irrigation after the 2017/2018 forest fires in the southern Cape. The fire-damaged timber was harvested and placed under an irrigation deck to preserve it. Water extracted from boreholes on PG Bison's property constantly sprayed the timber to prevent insect damage and dry rot. This is standard practice in the forestry industry after a fire has damaged trees. An environmental impact study was done prior to operations commencing and an independent hydrologist routinely monitors the water run-off and the quality of the water. An estimated 80% of the water consumed drains back into the soil.

Waste

Our divisions are setting targets and implementing projects to reduce waste to landfill. Our waste management goal is 'zero waste to landfill'. Many of our divisions are already reusing and/or recycling waste.

- PG Bison recovers internally generated offcuts, sawdust, shavings, peelings, and wood chips, which otherwise would have been disposed to landfills, to produce heat and steam.
- Restonic recovers and reuses and recycles all its waste. Our Connacher operation purchases waste from the textile and clothing industry and processes it into reusable fibre. This fibre is then sold into the furniture and automotive sector.
- A significant portion of the waste generated by our Automotive Components division is recovered internally. Offcut textiles are reground for reuse, and felt offcuts are torn up in-house and recycled. Offcut carpets are reground and reused in their milling process.
- Safripol changed their packaging to make it easier to recycle.

The DFFE has introduced Extended Producer Responsibility ('EPR') regulations in which industries are required to commit to reducing waste. Safripol, as a member and contributor to Plastics SA, PETCO, and Polyco, is working closely with these organisations to develop EPR plans.

Safripol also supports several initiatives currently being implemented by Plastics SA, PETCO, and Polyco. Through Polyco, for example, it supports PACKA-CHING, an initiative aimed at increasing the level of recycling in lower-income areas. This has significantly reduced waste in the environment.

Safripol has also launched its 'Let's Plastic Responsibly' campaign, which is aimed at encouraging consumers to 'plastic responsibly' and removing plastic waste from the environment. In addition, it has established waste collection sites and material recovery facilities in various communities in order to reduce plastic waste in the environment, and supports a number of recycling initiatives, such as the Bophelo Recycling Project.

The division has also funded the KwaMashu Materials Beneficiation Centre ('KMBC'), which is a product development hub for developing new durable products using low-value non-recyclable materials that are recovered from the environment. Some of the products developed include pavers, school desks, and modified wheels for wheelie bins.

Safripol continues to work with packaging companies, brand owners, and retailers to develop optimal packaging solutions that reduce and improve the recyclability of the packaging. We have developed products that are more durable in their application, such as returnable PET for a major soft drinks company, which reduces waste in the environment. Safripol also hosts and facilitates an annual sustainability conference in which industry, waste associations, recyclers, industry associations, retailers, and environmentalists participate to develop sustainable solutions.

All hazardous waste is treated by accredited third parties. In some cases, the treatment of this waste also allows for it to be recycled. For example, used oil was collected by accredited third parties, treated, and reused.

Biodiversity

PG Bison has two plantations and owns 96 157 hectares of land, of which 43 817 hectares is cultivated forestry land. The NECF plantation accounts for 77% of the plantations and is certified by the Forestry Stewardship Council ('FSC') (certificate number SGS-FM/COC-011207 and licence number FSC-C139494). PG Bison is also a member of Forestry South Africa ('FSA'), which oversees the environmental standards for forestry in South Africa.

PG Bison is committed to sustainable forestry practices and the sustainable management of the wildlife that resides within and adjacent to the plantations, as well as to the utilisation of resources and products that take into account the benefit to our employees, adjacent communities, and the public.

Forests are biodiversity hubs. Land that is not suitable for commercial forestry is used for other purposes, such as agricultural activities. Our non-commercial land areas have been mapped to record the species of fauna and flora that occur there. These maps include the archaeological, paleontological, and historical sites in those areas.

NECF, for example, has a land area of 76 392 hectares, of which 33 551 hectares are under cultivation. The remaining area is used for other agricultural activities or is a protected biodiversity area. NECF also maintains a large herd of cattle on the land, which plays a vital role in reducing the risk of fire. As part of this management process, we have introduced optimised grazing programmes that maintain the biodiversity.

We have also reintroduced a variety of wild animal species into the plantation areas. Some of the animal species that live on the land include Burchell's zebra, Cape grysbok, blesbok, grey duiker, and the black wildebeest. Some unique Red Data bird species are also found within the plantations, including blue crane, wattled crane, and grey crowned crane.

Human capital

We believe that a motivated and engaged workforce creates a sustainable competitive advantage and benefits society as a whole. We are committed to attracting, developing, and retaining the best people, and to creating a winning culture that embraces diversity and celebrates the contribution of every employee.

Overview

At KAP, we have a strategic and multifaceted approach to attracting, developing, and managing our human capital, including key talent in specialist areas of the business. In the period under review, we employed up to 19 063 permanent and seasonal employees in both South Africa and the African countries we serve. Seasonal workers are employed primarily by the Unitrans Africa division, which provides a wide range of services in the agricultural sector.

Throughout the business, the human capital function remains focused on building the skills, knowledge, and experience required to meet our strategic objectives, as well as on providing a safe and sustaining environment for our employees. In order to support the implementation of KAP's growth strategy, we will continue to build strength and capacity in the area of human capital.

Human capital strategy

All of our divisions have growth strategies in place, which are aligned to KAP's overall strategy. To support the implementation of these, we are in the process of developing an integrated human capital strategy that will reflect our values and set out key employee management objectives.

The group human capital strategy will define and develop a set of comprehensive frameworks and people management practices that will enable both the group and the divisions to attract the best talent, create opportunities for individual growth, support optimal performance, and retain the best people. This will be done by creating a high-performance, learning, and supportive culture that will provide opportunities for all employees to grow and develop, and to be rewarded for exceptional performance and stewardship.

The following pillars of our human capital strategy will ensure that KAP is an employer of choice, with culture, policies, and procedures that set high expectations while also providing a stimulating and inclusive environment for our people:

- **Employee value proposition ('EVP'):** The EVP describes what KAP stands for, what we offer in terms of a total employee experience to employees, and the responsibilities they are expected to fulfil.
- **Organisational culture and commitment:** Organisational behaviours that will support our values and objectives include strong leadership which facilitates employee understanding of strategy and of how value is created, promotes individual and team performance, creates a positive working climate, and empowers employees with the skills and knowledge they need to fulfil their responsibilities and to make good decisions.

  We have developed a framework to assess our people culture and implement people initiatives that will enable us to create a high-performance culture across the group. This will be supported by the implementation of an outcome-based performance management and reward system that will translate divisional strategic priority areas and success factors into measurable individual employee performance targets.
- **Succession planning:** We have developed a common succession planning framework to enable all of our divisions to identify and develop the next generation of leaders, empowering them with critical management and technical skills to assume additional responsibility at the appropriate time.
- **Leadership development:** Leadership development is fundamental to our goal of creating management depth and supporting individual growth across all management levels. Our long-term plan is to develop a leadership philosophy and roadmap that will improve and develop the skills, capabilities, and abilities of current and future leaders throughout the organisation.

To support the implementation of our strategy, we plan to invest in information systems that will enable us to improve on our decision-making about talent and about how it is organised throughout the group.

All of our divisions are in the process of reviewing their human capital information systems in order to improve divisional data and process standards, and to align them with their human capital and financial requirements. We anticipate that this process will be completed during FY22.

Responsible employment

As a group, we subscribe to the principles outlined in the United Nations Global Compact ('UNGC'), the recommendations of the International Labour Organisation, and the regulatory framework defined by the Organisation for Economic Cooperation and Development ('OECD'). We measure the group's practices against these benchmarks annually.

Our code of ethics 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.

We also meet or exceed all minimum wage requirements as legislated in South Africa. During the reporting period, we completed a detailed review and analysis of the vertical pay gap to ensure that KAP remunerates fairly, responsibly, and transparently. We also submitted all required employment equity plans and reports in line with the Employment Equity Act (No. 55 of 1955) and completed a detailed analysis of pay differentials to ensure that all of our divisions comply with the principle of equal pay for work of equal value.

We have **14 452 full-time employees** in South Africa (FY20: 14 097)

We invested **R4.9 billion in remuneration and benefits** (FY20: R4.3 billion)

We invested **R3.1 million in leadership development** initiatives (FY20: R5.5 million)

We invested **R125 million in training and development** initiatives (FY20: R99 million)

A total of **6 696 employees benefited from training** during the year (FY20: 8 545)

We have a **Level 5 B-BBEE rating** (FY20: Level 6)

91% of our employees are black (FY20: 90%)

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

We also comply with the provisions of the Basic Conditions of Employment Act (No. 75 of 1997), which prohibits forced labour, and we do not employ children under the age of 18 years.

Creating an ethical culture

Read more

The KAP code of ethics was reviewed in FY20 and updated. The code, which is available on the KAP website, is supplied and explained to all employees as part of our induction process. The company and its employees have a duty to comply with applicable laws and regulations and to behave in a responsible and ethical manner.

As an expression of our ethics, we subscribe to the principles of free and fair competition, as embodied in the competition laws that apply to our business. There is ongoing training on competition law and the changing competition regulations for senior and selected middle management across all operations. Managers are also measured on the fulfilment of their B-BBEE and employment equity targets, health and safety performance, succession planning, internal audit, compliance, and governance targets.

Suppliers are expected to comply with the group's supplier code of conduct, which sets out the principles by which we work and the expectations we have of suppliers who conduct business with us. In addition, any supplier, employee, or representative providing on-site services at a KAP facility is required to adhere to our safety standards and site rules.

Read more

As part of the process of monitoring our ethics, we have an anonymous whistle-blower hotline called KAPREF. This 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. Hotline activities are reported to the social and ethics committee.

Diversity

The group's commitment to creating a diverse workforce is illustrated in our board diversity policy. We are also fully compliant with the provisions of the Broad-Based Black Economic Empowerment Act (No. 53 of 2003) ('B-BBEE Act'), as well as with the amended black economic empowerment codes of good practice. As a group, KAP has a Level 5 B-BBEE rating, with some divisions being rated as Level 2, 4, 5 and 6. Our B-BBEE verification process is conducted independently by AQRate.

Gender diversity is also a key focus and management has set internal tangible targets to improve both race and gender diversity in leadership positions over the next five years. At board level, 44% of the independent non-executive directors are women, with 27% of the total board composition being made up of black women.

While women make up 19% of our total staff complement, they occupy 24% of all critical and specialist positions in such areas as finance, tax, and human capital. At operational level, women are employed as general managers, operations managers, key account managers, and sales managers.

Several initiatives are in place to increase female representation across all operations and levels of management in the future.

Female representation	FY21 %	FY20 %	FY19 %
Staff studying towards degree or diploma	**46**	41	37
Staff participants in learnerships or apprenticeships	**26**	26	27
External participants in learnerships or apprenticeships	**45**	43	41
Senior and middle management	**24**	26	22

Training and development

It is essential to our success and sustainability as a group that we have leading technology and innovation capabilities in all of our operations. In alignment with our strategy, our divisions continually engage in a process of identifying and tracking their scarce and critical skills, and of investing appropriately in technical training and development initiatives.

We encourage our staff to develop themselves further by creating a positive environment through providing either financial assistance or time off to pursue degree or diploma courses. At present, 151 employees are studying towards a degree or diploma of which 126 are black and 69 are women.

Consolidated group spend on training and development initiatives	FY21 Rm	FY20 Rm
Bursaries and institution based training	**8.2**	3.5
Internships, learnerships and apprenticeships	**54.5**	41.7
Work integrated learning	**6.1**	5.9
Informal training	**5.7**	5.7
Training staff salaries and overheads	**50.6**	42.2
	125.1	99.0
Leadership training (included in actual training spend)	**3.1**	5.5

We offer 925 internships, learnerships, and apprenticeships to both employees and unemployed learners as part of our human capital development programme. This includes 212 people with disabilities. Black people make up 98% of the participants. The learnership programmes provide both a theoretical and a practical learning environment, and all of these programmes provide a pipeline of potential skilled artisans for our operations. We offer both on-site training as well as off-site training, which is delivered by accredited training providers.

When positions become available in the company, candidates are first sourced from this pool of learners. We also strive, wherever possible and applicable, to employ people from local communities.

Employee engagement

We strive to create an open, inclusive culture and an environment in which staff are encouraged to voice their opinions and participate in building a unified organisational culture supported by common values. Our values encompass our commitment to fairness, accountability, transparency, and ethical leadership and are aligned with the guidelines set out in the King IV Report on Corporate Governance™ for South Africa (2016) ('King IV™').

Workplace initiatives put in place in response to the initial Covid-related lockdown were continued, as appropriate, throughout the reporting period. Digitally enabled communications are in place in all of our divisions to facilitate communication between staff, some of whom are still working remotely. Our CEO, Gary Chaplin, also continues to present webcasts to employees to keep them updated of important developments. Senior management participates in a regular inter-divisional engagement forum to share experiences and case studies. These forums are also used as a channel for further development and training on relevant topics, such as ethics, governance, competition law, and leadership-related matters.

The divisional managers regularly communicate with their staff using various mechanisms, including established union structures, divisional CEO roadshows, and plant meetings. All the operations have detailed grievance procedures, which enable all employees to raise grievances without fear of victimisation to ensure the ongoing respect of employees' rights.

We endorse the democratic values of human dignity, equality, and freedom as enshrined in the South African Constitution and the Bill of Rights, and are guided by these in every aspect of our engagement with employees.

Labour relations

Effective management of labour relations is critical to the sustainability of all of our businesses. Widespread evidence shows that organisations with strong structures in place to determine conditions of employment and manage labour disputes experience fewer incidents of labour-related conflict.

At both group and divisional level, we are recognised as an industry leader in labour relations. We have sound relationships with all 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 in the bargaining council structures and employer associations in the industries in which our divisions operate, and maintain relationships with key regulators.

We build strong relationships with other employers to ensure the employee associations adopt collective bargaining strategies that are consistent with our objectives.

During the reporting period, the impact of Covid-19 compelled labour, business, and government to cooperate in order to deal with the economic impact of the various levels of lockdown and the resulting impact on employees. We successfully executed the roll-out of the socio-economic stimulus measures such as the Unemployment Insurance Fund ('UIF') Temporary Employment Relief Scheme ('TERS') and an amendment to pension fund regulations in order to support distressed employees.

At KAP, scheduled wage negotiations took place in four of our seven divisions during the reporting period and new wage agreements were put in place.

As reported in the financial results, Covid-19 had a significant impact on several operations and unfortunately these operations were forced to restructure. We restructured our Automotive Components division in anticipation of subdued global vehicle demand and closed our Intercity and Tourism operations, which resulted in retrenchments. These unavoidable lay-offs were handled not only according to legal requirements, but also in an ethical and empathetic way. In the process we worked through the labour structures and within the labour laws.

Occupational health and safety ('OHS')

The health and safety of our employees is a key strategic objective and is considered in every decision we make. All of our divisions comply with the health and safety regulations in place for their various industries. We have implemented workplace safety and health measures to maintain, as far as reasonably practical, a working environment that protects the health, safety, and welfare of employees, and that safeguards members of the public who may be exposed to risks from work activity.

Policy

Our code of ethics sets out our commitment to health and safety and applies to all employees and contractors working on-site. The KAP CEO, Gary Chaplin, is ultimately responsible for health and safety within the organisation, a responsibility which he has delegated to specific individuals at divisional level. Each business identifies, measures, and reports on health and safety matters. Compliance is reported quarterly at the divisional audit and risk committee meetings.

Procedures

Our continuously evolving 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, which are undertaken on both existing business and any 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. Individually, senior executives are measured on their divisional health and safety targets.

At operational level, comprehensive safety management systems, processes, and procedures are in place. Safety representatives are appointed from the shop floor in accordance with the Occupational Health and Safety Act (No. 85 of 1993). We also continuously train staff and contractors in health and safety procedures. During the period under review, 9 870 people were trained or benefited from OHS interventions (FY20: 9 534). All of our divisions are regularly audited by accredited independent specialists to ensure compliance with statutory and legal requirements.

Healthcare

Various programmes are also in place to ensure the general health of our employees.

HIV/Aids is addressed in all divisional policies, and each division has a holistic and comprehensive programme in place to promote awareness, prevention, and voluntary testing, as well as to provide support. Policies cover issues such as confidentiality, protection from discrimination, and our commitment to the implementation of programmes that are relevant – and of value – to each division and its employees. Where applicable, local communities are involved in initiatives such as World Aids Day and HIV/Aids education is ongoing.

Where appropriate, certain businesses have invested in on-site occupational and primary healthcare clinics for their staff. The clinics play a crucial role in dealing with injury-on-duty cases and offer first aid assistance. They are staffed 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 TB), industrial hygiene, and medical surveillance. They also offer primary healthcare medication and family planning guidance. Where there is no clinic on site, an occupational health practitioner is contracted to perform medical surveillance.

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

Injuries and fatalities

We diligently pursue a target of zero harm and a culture of safety is integrated into our organisational culture. Safety incidents are carefully monitored and analysed as part of our process of continuously aiming for this objective.

During the course of the year, 376 reportable injuries in terms of the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993) ('COID') were recorded. This number includes 18 cases of workplace exposure to Covid-19.

Total reportable COID injuries for the group	FY21	FY20	FY19
Employees – Lost time injuries	**339**	235	379
Employees – Occupational diseases	**37**	5	5
Employees – COID no lost time	**140**	139	233
Employee total	**516**	379	617
Contractors – Lost time injuries	**11**	5	36
Total	**527**	384	653

Fatalities

South Africa has one of the highest road traffic accident rates in the world. Road safety is therefore one of our top priorities and we continuously conduct driver training and roll out broad-based road transport safety campaigns. We have also invested in technology that is used to monitor our drivers' behaviour and levels of fatigue, which has contributed significantly to reducing the number of road traffic incidents we record every year.

Sadly, four employee fatalities were recorded during the reporting period (FY20: 2; FY19: 7). Three of the four employee fatalities were related to vehicle accidents in our logistics operations.

Each safety incident and each fatality is thoroughly investigated, and we work with the relevant authorities and regulatory bodies to understand the cause of the incidents as well as to implement actions in order to strive for a zero-harm result. All health and safety incidents are reported at divisional audit and risk committee meetings and all fatalities, both internal and third-party related, are reported to the social and ethics committee.

Our response to Covid-19

Covid-19 and the various levels of lockdown implemented to manage the spread of infection in South Africa have had an unprecedented effect on the normal operations of our businesses and the well-being of our employees. In line with our legal and ethical obligations to maintain a safe working environment, all divisions conducted detailed risk assessments during the reporting period and implemented policies and protocols to limit the spread of infections in accordance with legislative requirements.

The impact of the pandemic during FY21 is clearly illustrated in the following analysis:

Division	Confirmed positive results	Recovered	Passed away	Total staff as at 30 June 2021
Integrated Timber	338	323	6	**1 716**
Automotive Components	174	150	1	**2 283**
Integrated Bedding	143	131	2	**1 707**
Polymers	118	109	3	**456**
Unitrans South Africa	599	544	28	**5 303**
Unitrans Africa	496	456	6	**4 056**
Unitrans Passenger	236	147	7	**3 488**
Corporate	5	5	–	**54**
Total	2 109	1 865	53	**19 063**

Effective management of labour relations is critical to the sustainability of all of our businesses. Widespread evidence shows that organisations with strong structures in place to determine conditions of employment and manage labour disputes experience fewer incidents of labour-related conflict.

The KAP family extends its heartfelt and sincere condolences to the family, friends, and colleagues of the 53 employees who passed away from Covid-related complications during the period, as well as to those who lost loved ones. We continue to extend our support to those who were infected with the virus, many of whom are still recovering from its effects.

Given the ongoing risk that Covid-19 presents, we are in the process of developing a Covid-19 vaccination approach. Scientific evidence shows that vaccinated individuals are less likely to become infected with the virus or to experience severe symptoms if they do become infected. We believe that vaccinations will protect our employees and their loved ones, and ultimately reduce the risk of business disruptions.

Our Covid-19 approach will therefore allow for easy access to a vaccination programme in Covid-compliant facilities that will provide for a fair balance between the constitutional rights of individual employees and the safe and efficient operation of our businesses. This will be supported by a comprehensive education programme.

4

How we are governed to create value

Corporate governance overview 67

Governance structure 68

Key risk disclosure 70

Nomination committee report 72

Social and ethics committee report 74

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

Read more

The responsibilities and powers of the board are defined in the board charter, which is available on our website. There is a clear balance of power and authority at board level.

We have adopted a decentralised approach to the management of our day-to-day operations. This is subject to compliance with the company's control and approvals framework, as well as the systems and governance policies set by the board.

The defined governance structure of the group facilitates the board's effective monitoring of our divisions' compliance with group and divisional policies. Decisions on material matters are reserved for the board. Decisions made by the board are taken in the best interests of the company, and take into account the legitimate interests and expectations of our stakeholders as well as the long-term sustainability of our operations.

In order to assist the board in the execution of its duties, it has established certain functional committees.

The committees of the board include the audit and risk committee, the human capital and remuneration committee, the nomination committee, the social and ethics committee, and the investment committee. These committees are, in turn, supported by divisional structures, which include divisional boards of directors and divisional board committees, including an audit and risk committee, and a human capital and remuneration committee. These divisional structures are in place for all significant subsidiaries.

These robust committee and reporting structures in place throughout the group demonstrate our commitment to sound corporate governance and afford our stakeholders the assurance that the group's businesses are managed responsibly.

Read more

The reports of the nomination committee and the social and ethics committee are included in this report, while the report of the audit and risk committee is included in the annual financial statements (on page 11), which are available on the company's website.

Read more

In all governance issues, we adhere to the guidelines set out in the King IV Report on Corporate Governance™ for South Africa (2016) ('King IV™'), which operates on an 'apply and explain' basis. The corporate governance report, which is available on the company's website, provides a narrative explanation of how we have applied the 16 King IV™ principles applicable to our business throughout our operations.

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

The directors of KAP confirm that, to the best of their knowledge, KAP has complied with the provisions of the Companies Act and has operated in accordance with its memorandum of incorporation during the reporting period.

Governance structure

Directors

Executive	18%
Independent non-executive	82%

Executive management

	Years with group or relevant divisional business
Chief executive officer	
GN Chaplin	24
Chief financial officer	
FH Olivier	15
Information and communication technology executive	
LM Besteiro	16
Group financial manager	
K Gey von Pittius	8
Treasury and legal executive	
RH Louw	6
Human capital executive	
SP Lunga	16
Investor relations and sustainable executive	
GM van der Merwe	30
Divisional CEO – Integrated Timber	
G Victor	24
Divisional CEO – Integrated Bedding	
ML Metz	47
Divisional CEO – Automotive Components	
UMG Frigerio	31
Divisional CEO – Polymers	
JN van Niekerk	33
Divisional CEO – Unitrans South Africa	
TP Bantock	5
Divisional CEO – Unitrans Africa	
RG Hayworth	21
Divisional CEO – Unitrans Passenger	
N Boshoff	26

The board is responsible for setting the strategic intent of the group and for approving the strategy, which is determined by executive management. The board further provides the governance and compliance framework through which the strategy is implemented by executive management.

Executive management determine the strategy for each division and the group, which is subject to approval by the board. Executive and divisional management are responsible for the implementation of the strategy, within the governance and compliance framework set by the board.

Formulation of strategic intent

Board of directors

Holding company

KAP

Governance and compliance

Board committees

Holding company

Board committees support the board of directors with regard to specific functions. These formal board committees are constituted in accordance with the recommendations of King IV™, the JSE Listings Requirements and the requirements of the Companies Act.

Each committee's responsibility is described in the corporate governance report.

Committees for the review period include:

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

Material subsidiaries

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

Strategy development

Corporate committees

Corporate structure

Corporate Services committees monitor implementation of strategy and ensure compliance with the group's governance framework.

Supported by:

- Executive committee
- Combined assurance forum
- ICT steering committee
- Compliance committee

Strategy implementation

Divisional committees

Divisional structure

- Integrated Timber
- Automotive Components
- Integrated Bedding
- Polymers
- Unitrans South Africa
- Unitrans Africa
- Unitrans Passenger

Supported by:

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

Key risk disclosure

Enterprise risk

Effective risk management ensures sustainability and creates opportunities.

Critical risks are identified through our risk management framework, which provides the board and the executive committee with a robust assessment of the principal risks faced by the group.

The board is accountable for the governance of risk management and for ensuring compliance with all applicable legislative and regulatory requirements. The board determines the group's appetite for risk, monitors the adequacy and effectiveness of the group's risk management procedures, reviews any significant risks identified, and considers the necessity for further investigation of opportunities revealed. Divisional management is responsible for implementing the risk management process and for managing risk by identifying, assessing, and evaluating risk on a regular basis. Management implements and carries out the necessary controls in order to ensure that known risks remain within the group's risk appetite. Integrated into day-to-day decision-making, these fundamentals provide the foundation of effective risk management.

Risk management is also comprehensively addressed through the company's governance framework and is reported through this integrated report, the corporate governance report, and the audit and risk committee report in the annual financial statements. These reports are available on the company's website at www.kap.co.za.

The following known risks are considered material to the group:

Covid-19 pandemic

The impact of the unexpected outbreak of the Covid-19 pandemic early in 2020 was complex and significant. It exposed the group to sustainability risks at various levels across all of our divisions. The following critical risks were identified during the initial lockdown and after the easing of restrictions:

Risk	Sufficient liquidity and funding	Current and future demand for products and services (economic activity)	Sustainability of customers and potential bad debts
Mitigation	Regular financial forecasts were performed, including monthly forecasts after every month-end. Sufficient facilities were raised with banks to cover medium-term repayments of maturing debt. Several cost-saving and cash-preservation measures were implemented across the group. With improved trading activity and strong cash generation, this risk was appropriately dealt with during the reporting period.	Trading improved as the lockdown restrictions were eased. While operational management continued to focus on sustaining and growing revenue, appropriate restructuring and cost controls were implemented where activity and revenue had decreased. Strong demand was experienced during the course of the year, especially in our Integrated Timber, Integrated Bedding, and Polymers divisions, with a shift in consumer spending towards home improvement and personal health protection.	While the risk of bad debts increased with the initial lockdown, this decreased as restrictions were eased and as economic activity began to increase. In addition to credit insurance cover and credit controls, management implemented stricter credit approval levels and more detailed reporting was introduced to manage the risk of default. This resulted in no material bad debts during the year and overdue debtors remain at very low levels.

Risk	Sustainability of suppliers and supply interruptions	Business interruptions as a result of infections	Effect on employees and the work environment
Mitigation	As the lockdown restrictions were eased, supply chains reopened, although not at normal activity levels. Divisions were able to operate with limited or no supply interruptions, with the exception of the PET facility. Supply chain disruptions interrupted the supply of PTA, a key raw material required in the production of PET, which resulted in a PET production stoppage of 26 days. In specific areas, additional investments were made in safety stock and critical spares to manage this risk. Global shortages of semiconductors continue to affect local vehicle manufacture, which affects the Automotive Components division's supply to the OEMs. This is expected to normalise during the next year.	At divisional level, there are high concentrations of employees at certain sites, such as manufacturing sites or customer locations. The possibility of disruptions at these sites as a result of infections persists, but has been very limited to date. Protocols to prevent the spread of Covid-19 have been meticulously implemented and remain in force at all sites.	All divisions comply with precautionary measures required by law. The effects on employees and the work environment have decreased significantly as both employers and employees adapt to the new legal requirements to curb the spread of the virus. The company supports the government vaccine phased roll-out plan and encourages and supports employees to get vaccinated.

Financial risks

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

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

Critical operational and sustainability risks

The company's operational risks are identified by division based on our enterprise risk management framework and are rated based on likelihood and potential impact. Mitigating actions are designed and implemented to manage risk at acceptable levels. Critical risks that are not mitigated to within acceptable levels of risk at divisional level are further assessed from a group risk perspective, as follows:

	INTEGRATED TIMBER	POLYMERS	
Risk	Significant fires damaging timber resources	Commodity margin and exchange rate exposure	Supply failure of key raw materials
Description	Severe weather conditions and extended droughts create an environment susceptible to significant fires, which can be caused by humans or environmental factors and can severely damage the division's timber plantations. Although the standing timber is insured, the effect of reduced availability of raw materials remains a critical risk. The division continues to invest in fire detection and firefighting capabilities and to implement standard forestry fire prevention practices. In addition, the division continues to look for opportunities to increase its own resource base.	Margins are impacted by global supply and demand for key raw materials and polymer products. In addition, the exchange rate impacts on local margins since key raw material and polymers are priced in US dollar. Since both raw materials and finished products are affected by similar industry factors, the division does not hedge these exposures. The three polymers produced provide diversification and, in addition, the division continuously adds value through selling non-commodity grades. The division benchmarks its operations to ensure that it remains globally competitive. During the reporting period, the division concluded negotiations on the supply of ethylene using a new pricing formula that will moderate the cyclicality of margins.	Key raw material supply is contractually secured on a long-term basis. The raw materials are supplied from more than one source when possible and business interruption insurance is maintained.

Other significant operational and sustainability risks

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

In response to the increasing risk of interrupted electricity supply and rising utility costs, management has appointed an energy specialist who has been given a mandate to formulate an energy strategy that will be aligned to our 2025 strategy.

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

Further, the public perception of plastic waste and its impact on the environment presents a risk in terms of the potentially negative impact on future polymer consumption. Management is actively engaging with various industry bodies to address this risk. The Polymers division is participating in a number of initiatives that assist with plastic waste management. During the reporting period, it also successfully launched a 'Let's plastic responsibly' campaign, which aims to educate consumers about the responsible use of plastics and promote the sustainability of the sector.

The social unrest experienced in our country during July 2021, while extremely disturbing, did not have a material impact on the group's operations.

Nomination committee report

Jaap du Toit
Nomination committee chairperson

The nomination committee ('the committee') of KAP Industrial Holdings Limited ('the company' or 'KAP') operates as a committee of – and under a mandate from – the board of directors ('the board') and in accordance with the duties as set out in the formal terms of reference. These are aligned with the provisions of the company's memorandum of incorporation, the Companies Act of South Africa (No. 71 of 2008), as amended, and the Companies Regulations (2011), (collectively 'the Companies Act'), the Listings Requirements of the JSE Limited ('JSE LR'), and the recommendations of the King IV Report on Corporate Governance™ for South Africa (2016) ('King IV™'). The terms of reference were reviewed during the past financial year.

Objectives and scope

The key function of the committee is to ensure that the board and its committees are appropriately structured and resourced to enable them to fulfil their duties efficiently in terms of the respective terms of reference.

Duties

The primary duty of the committee is to review the structure, size, and composition of the board and its committees, including the diversity of age, skills, knowledge, experience, race, and gender required on the board and its committees in the future, and to make recommendations to the board with regard to any changes. The committee ensures that appointments to the board and its committees are made through a formal and transparent process.

Details of the duties of the committee and its specific responsibilities are set out in the corporate governance report, which is available on the company's website.

Read more

Review

During the review period, the committee met on 19 August 2020, 29 September 2020, and 24 June 2021. At all of these meetings, changes to the composition of the board and its committees received attention, while the September meeting in particular also addressed future board succession.

As a result of recommendations made to the board:

- TC Esau-Isaacs was appointed to the board, as well as to the audit and risk committee and the social and ethics committee with effect from 30 June 2021.
- KT Hopkins was appointed as chairperson of the audit and risk committee on 1 September 2020 in place of PK Quarmby.
- PK Quarmby was appointed as the lead independent non-executive director on 18 November 2020, while remaining a member of the audit and risk committee.

The appointment of TC Esau-Isaacs will be presented to shareholders for confirmation at the company's annual general meeting ('AGM') on 18 November 2021.

Subsequent to year-end, the committee met on 7 September 2021. At this meeting, the board composition, categorisation of directors, rotation and election/re-election of directors at the AGM, as well as the membership of each of the board committees, was considered.

In terms of the committee's considerations regarding board composition and committee memberships, the committee took note of IN Mkhari's prior indication that, after having served on the board for 17 years, she had decided not to stand for re-election at the forthcoming AGM. The committee further noted a prior indication from J de V du Toit that, after having served as board chairperson for nine years, he intends to step down from this position after the forthcoming AGM, but to remain on the board for at least another year.

In terms of the categorisation of directors, and taking IN Mhkari's abovementioned position into account, the non-executive directors were categorised as required by the JSE LR and in accordance with the recommendations of King IV™.

Following a formal, robust assessment regarding the independence of the four remaining long-serving non-executive directors, the committee recommended, and the board concurred, that J de V du Toit, KJ Grové, SH Müller, and PK Quarmby may continue to serve in an independent capacity on the board and its committees, having taken into account their experience, valuable contributions, and conduct. Categorisations are clearly indicated in the directors' curricula vitae.

Read more

Over 80% of the directors serving on the board have been categorised as independent non-executive directors.

Following the abovementioned considerations, the committee made the following recommendations to the board, to be approved by shareholders at the AGM on 18 November 2021:

- The directors to retire by rotation in terms of the staggered rotation schedule at the AGM will be KJ Grové and PK Quarmby.
- The directors to be reappointed to the audit and risk committee will be KT Hopkins, SH Müller, Z Fuphe, and TC Esau-Isaacs. PK Quarmby will not be reappointed to this committee.
- The company's human capital and stakeholder relations executive, SP Lunga, will be appointed as an executive director. SP Lunga has been attending the company's board meetings as an invitee for the past year as part of a planned development and succession process and has proven himself to be competent to operate at this level.

Details of the elections are set out more fully in the notice of the AGM on KAP's website.

Read more

In addition to the above statutory changes, the committee made the following further recommendations to the board, which will become effective and will be implemented on conclusion of the AGM on 18 November 2021:

- J de V du Toit will step down as chairperson of both the board and the nomination committee but will remain serving on the board and on the nomination committee as an independent non-executive director.
- PK Quarmby, the current lead independent non-executive director, will be appointed as chairperson of the board and of the nomination committee. He will step down from the audit and risk committee.
- KJ Grové, the independent non-executive deputy chairperson, will be appointed as the lead independent non-executive director, and the deputy chairperson position on the board will fall away. He will retain his seats on the investment committee and on the human capital and remuneration committee.
- Z Fuphe will become the chairperson of the social and ethics committee and be appointed as a new member of the nomination committee.
- V McMenamin will become a member of the human capital and remuneration committee, in addition to her membership of the social and ethics committee.
- In addition to her seats on the audit and risk committee and on the social and ethics committee, TC Esau-Isaacs will become a member of the investment committee.
- SH Müller will be appointed as the chairperson of the investment committee in place of PK Quarmby, who will remain a member of this committee. SH Müller will remain serving on the audit and risk committee and on the social and ethics committee, and as the chairperson of the human capital and remuneration committee.

All of the above recommendations from the committee have subsequently received the support of the board.

In accordance with the recommendations of King IV™, the committee reflected on the outcomes of its previous year's performance self-assessment and concluded that the committee had appropriately addressed the succession issues that had been identified by that process. The performance assessment confirmed that the committee operated effectively.

The composition of the committee meets (and exceeds) the composition recommendations of King IV™. Not only is the committee comprised solely of non-executive directors, but all of its members are independent non-executive directors and there is an appropriate mix of knowledge, skills, experience, diversity, and independence. In addition, following the envisaged changes mentioned above, there will be no vacancy on the board.

Further detail concerning the composition of the board and its committees is recorded in the corporate governance report, which is available on the company website.

For the period under review and at the year-end date, the committee members were:

- J de V du Toit (chairperson)
- IN Mkhari
- PK Quarmby

The board is of the view that the committee's composition is appropriate, taking into account size, balance, gender, race, qualifications, skills, experience, and other factors required to appropriately fulfil the obligations of a nomination committee of a listed entity.

The committee is satisfied that it has fulfilled its responsibilities during the review period in accordance with its charter and related statutory requirements.

Jaap du Toit
Chairperson

Social and ethics committee report

Ipeleng Mkhari
Social and ethics committee chairperson

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

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

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

Objective and scope

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

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

Duties and responsibilities

The committee's duties and responsibilities are as specified in the committee's own terms of reference, the Companies Act, the JSE LR, and King IV™. These are presented below as an overview, which is representative but should not be regarded as exhaustive:

Among others, the committee deals with issues and reports relating to:

- the company's standing in terms of the goals and purposes of the principles set out in the United Nations Global Compact ('UNGC') in the areas of human rights, labour, the environment, and corruption;
- the instruments of the Organisation for Economic Co-operation and Development ('OECD') that are aimed at combating corruption and averting the solicitation of bribes and extortion;
- the instruments of the OECD that are aimed at promoting economic and social well-being;
- the protocols and recommendations of the International Labour Organisation ('ILO') on decent work and working conditions, freedom of association, the right to collective bargaining, and the elimination of forced or compulsory labour and discrimination in the workplace;
- the company's employment relationships with its employees and labour unions;
- the company's contribution towards the educational development of its employees and other employee benefits;
- compliance with:
  - the Employment Equity ('EE') Act;
  - the Broad-Based Black Economic Empowerment ('B-BBEE') Act and the new Codes of Best Practice ('the Codes');
  - the Occupational Health and Safety Act (No. 85 of 1993) ('OHASA'); and
  - other relevant and applicable legislation in the areas of labour, the environment, health and public safety, insider trading, etc.

Review

During the course of the reporting period, the committee reviewed the company's position in terms of the issues specified above, its duties as well as management's compliance with legal and statutory requirements.

It concluded that:

- The company's practices are aligned with the principles and guidelines of the UNGC, the OECD, and the recommendations of the ILO.
- The controls in place are sufficient to mitigate the risks of fraud, bribery, and extortion, as well as to monitor risk associated with money-laundering, corruption, embezzlement, and related criminal activities.
- The company has filed its statutory EE reports with the Department of Employment and Labour. Progress towards achieving the three-year EE targets, as set and agreed with the Department, is being monitored on an ongoing basis and is materially on track.
- Transformation progress is monitored on a regular basis by, among others, the various divisional human capital and remuneration committees and the executive committee.
- The B-BBEE transaction in the Unitrans South Africa environment, with black business partners owning 45% of Unitrans Supply Chain Solutions ('USCS'), is compliant with the statutory requirements of the B-BBEE Act and the Codes, following amendments to the trust deeds and beneficiary structures of the empowerment partners.
- The newly created Unitrans Empowerment Trust ('UET') is an employee share ownership scheme ('ESOP') and 65% of the trust's value will flow to individually identified black women in the employ of the USCS group, while 35% will flow to individually identified black managers in the employ of the KAP group in South Africa.
- Stakeholder and labour relationships with key government institutions, regulatory authorities, industry associations, communities, and local authorities were well managed, with the company playing a positive influencing role in many of the negotiating structures.
- Management has made all reasonable endeavours to provide affordable medical access to its employees and to maximise employees' benefits in respect of retirement and risk insurance.
- Compliance with relevant health, safety, and environmental regulations are well managed and are reported on a quarterly basis to divisional audit and risk committees. No concerns of a material nature were noted.

Read more

Under guidance from the committee, management succeeded in improving the company's overall B-BBEE score to a Level 5 contributor status. KAP's B-BBEE certificate is available on the company's website.

The committee was appraised of and expressed satisfaction with the controls and safeguards relating to conflicts of interests, ethics, and codes of conduct, as well as the awareness programmes relating to corruption and fraud, which include a fraud-prevention hotline through which unethical actions can be reported anonymously for investigation by independent investigators. The audit and risk committee takes responsibility for monitoring the hotline process. Fraud and corruption were addressed through the application of policies, the hotline process, the awareness campaigns, and through training at induction.

In view of the events relating to state capture and other unethical incidents in South Africa, the KAP Exco directs all divisions to investigate and evaluate the risk that corruption poses to each business. On an annual basis, each division investigates whether there are areas of risk in their businesses in which politically exposed persons or prominent and influential persons may potentially abuse their positions or their influence for the purpose of money laundering, corruption, bribery, fraud, and related activities. The assessments were conducted as directed during the reporting period and it was concluded that this risk is very low throughout the group.

No material incidences of non-compliance with the code of ethics or the supplier code of conduct were recorded, both of which demand high ethical conduct. The committee saw this as evidence that the code of ethics has been embedded deeply into the daily operations and lives of the company's employees. The company also has a code that encourages suppliers of goods and services to adopt values comparable to those of KAP and in a manner that is consistent with good corporate governance.

There were no prosecutions for non-compliance with regulations or legislation during the period. PG Bison, a subsidiary of KAP, and the Competition Commission remain involved in legal proceedings relating to allegations that PG Bison had allegedly been involved in price-fixing or anti-competitive behaviour in the period between 2009 and 2016. This is reported as a contingent liability in the group's annual financial statements and a comprehensive explanation of the matter is available on the company's website. Competition law awareness and training are ongoing focus areas throughout the group.

Read more

As specified by the committee, the company follows a consistent approach of actively pursuing and prosecuting perpetrators of fraudulent or other illegal activities throughout its business operations.

With the encouragement of the committee, KAP has published a number of important documents on its website for wider stakeholder disclosure. These include the group's HIV/Aids approach, its code of ethics, its promotion of access to information guide, its board diversity policy, the board charter, its value-added statement, and a register of directors' conflicts of interests.

Case studies that substantiate the group's fulfilment of its corporate social responsibilities can also be found on KAP's website. These deal with various community development initiatives, the protection of biodiversity, recycling, water and waste management, healthcare, and carbon emissions. They also give an overview of the company's contributions to training and development as well as general socio-economic development.

The committee once again endorsed the company's corporate social investment ('CSI') approach, which is primarily focused on child welfare, health, and educational activities. CSI activities are carried out by each division in the areas in which it operates and in which its products and services are marketed.

In October 2020, the company was accepted as a participant in the UNGC. The company conducts an annual assessment of the business against the principles of the UNGC, including human rights, labour, environment, and corruption as well as the four OECD principles aimed at combating corruption and averting the solicitation of bribes and extortion.

The committee received and considered reports confirming KAP's stance and constructive approach in, among others:

- the promotion of equality throughout the company's operations;
- the prevention of unfair discrimination in labour practices;
- the promotion of collective bargaining;
- the promotion of freedom of association;
- the promotion of human rights as espoused in the Constitution; and
- the application of anti-fraud/corruption policies and awareness programmes within its business operations.

Under the guidance of the committee, the following policies have been adopted for application throughout KAP's operations, some of which had been updated and revised during the review period:

- a communications policy, which, in particular, also makes provision for 'crisis communication';
- a communications policy for financial analysts;
- a CSI policy, including the company's donations policy;

Social and ethics committee report continued

- a social media policy;
- an environmental policy statement and strategy, which are in the process of being refined further;
- a hotline policy for the prevention of fraud, crime, and unethical behaviour; and
- a board diversity policy.

The committee chairperson is a member of an annual ad hoc board committee that oversees the production and publication of a suite of reports for KAP's integrated report. As part of her role on that committee, she reviewed the social and ethics-related information that was publicly disclosed to the market during the reporting period and concluded that the integrity of that information was sound.

FTSE4Good rating

The company continued to use the FTSE4Good assessment criteria to benchmark its ESG activities as this remains the methodology adopted by the JSE. FTSE4Good published its final assessment for the period in June 2021 and gave KAP a 3/5 score based on the ESG information that was in the public domain as of December 2020. The score declined year-on-year due to changes in assessment standards, but has continued to show improvement over the longer term.

KAP's overall FTSE4Good score remains above the industrial sub-sector average and the South African country average for industrial companies.
In April 2021, MSCI, a leading provider of investment tools and services to the global investment community, published its ESG assessment of KAP and its rating improved to 'AA', which is again above the sector average.

Performance effectiveness assessment

In 2020, the effectiveness of the committee was evaluated against the relevant King IV™ principles. During the year – and in line with the King IV™ guidelines – the committee reflected on the prior year's outcomes and concluded that a perceived succession weakness had been addressed by the appointment of two new and well-suited members since the date of the 2020 performance assessment.

A further performance assessment of the committee took place after the 2021 year-end and the members were satisfied that the committee had functioned efficiently during the reporting period and that it has adequately fulfilled all its obligations.

Membership

The committee comprises six members, five of whom are independent. The composition of the committee satisfies the requirements of the Companies Act and its regulations and meets the higher composition recommendations of King IV™, as the majority of its members are independent non-executive directors. On the last day of the financial year, 30 June 2021, TC Esau-Isaacs, an independent non-executive director, was appointed as a member of the committee.

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

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

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

The committee has fulfilled its mandate as prescribed by the Companies Regulations, 2011, and there were no instances of material non-compliance to disclose.

Meetings and attendance

To date, the committee has convened at least once every year. Going forward, the committee will meet twice a year. It met on 3 September 2021 and all members were in attendance.

Attendance at meetings by other directors, officers, or advisors is by way of invitation. The company secretary is the secretary of the committee and formal minutes are recorded.

Ipeleng Mkhari
Social and ethics committee chairperson

5

Remuneration report

Background statement 78

Remuneration policy 80

Implementation and remuneration disclosure 84

Background statement

The KAP board ('the board') is responsible for the group's remuneration policy, and is assisted by the KAP human capital and remuneration committee ('the committee'). The committee operates within defined terms of reference and with authority granted to it by the board. The board therefore oversees the implementation and execution of the remuneration policy through the committee, which comprises three independent non-executive directors, one of whom is appointed as chairperson. The group chief executive officer, the group human capital executive, and various other executives attend the meetings by invitation only for specific discussions and recuse themselves before any discussions take place or decisions are made which relate to them.

In terms of the recommendations of the King IV Report on Corporate Governance™ for South Africa (2016) ('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, the chairperson of the committee, is also a member of the social and ethics committee, the audit and risk committee, and the investment committee. Of the two remaining members of the committee, IN Mkhari is the chairperson of the social and ethics committee and a member of the nomination committee, while KJ Grové is also a member of the investment committee.

The committee meets formally at least once a year and more often on an ad hoc basis as required. The committee chairperson provides feedback to the board after each committee meeting regarding key decisions and relevant discussions and attends the annual general meeting ('AGM') to address questions by shareholders on the committee's areas of responsibility.

Remuneration philosophy

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

As KAP has grown into industry-leading positions, we have become increasingly exposed to and are benchmarked against global best practice. Although KAP is a South Africa-based company, we trade with businesses in different countries, earning approximately 14% of our revenue from outside South Africa and importing a significant proportion of our inputs from outside South Africa. A further significant proportion of our inputs are globally indexed in foreign currencies. We have international shareholders in certain divisions who actively participate in those businesses, and we have several technology agreements with international companies. At a listed level, 18% of our shareholding is owned by foreigners.

As a result, we expect our executives to have knowledge and experience across international borders and to be internationally mobile. KAP therefore competes for management and specialist skills and succession talent in a challenging global marketplace. Accordingly, our remuneration philosophy is to attract and retain the best people in industry, and to improve their skills consistently as markets and technologies evolve. The sustainable success of our business is critically dependent on our people in order to maintain quality products and high standards of service to customers in very competitive sectors.

Stakeholder considerations

Remuneration decisions are taken to ensure KAP's long-term sustainability. The following factors formed part of the committee's considerations in August 2020 in relation to the 2021 financial year:

- The challenging macroeconomic and sociopolitical environment in South Africa, which is characterised by limited real economic growth, unreliable electricity supply, increasing levels of unemployment and poverty, and the risk of civil unrest.
- The impact of the Covid-19 pandemic on communities in the areas in which we operate, small businesses that are part of our enterprise development initiatives, our customers, and our suppliers, all of which had to endure an uncertain environment.
- The impact of the pandemic on general employment levels.
- The decision by the board not to declare a dividend to shareholders in order to maintain the liquidity of the company following various Covid-19 lockdown measures implemented by governments.
- The variability in the levels of restrictions implemented by governments and the significant disruptions in global supply chains throughout the year, which resulted in volatility in the demand for our products, in access to key raw materials, and in commodity prices.
- The need to reward our employees appropriately for their contribution to KAP's performance, taking into consideration the complex, uncertain, and competitive operating environment, to ensure a balanced outcome for all stakeholders over the long term.

Fair and responsible remuneration

The committee reviews remuneration differentials across job grades each year to ensure that there are no disproportionate income differentials. Where disproportionate income differentials are detected, immediate corrective measures are implemented. Disproportionate income differentials refer to unfair and irrational differences in pay that cannot be justified based on the nature of the work performed, seniority, tenure, qualifications, ability, competence, or any other relevant non-discriminatory factors. 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 package increases are set by reference to, among other things, the remuneration of the broader workforce. KAP 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 Africa operates. Careful measures are taken 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 KAP's businesses operate, and that measures are in place to eliminate and reduce 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.

During the year under review, the committee met formally on 13 August 2020 and all the members were present. The committee is satisfied that it has fulfilled its responsibilities during the year. Key focus areas included:

- a review of the group's approach to the Covid-19 pandemic and the various lockdown levels, and its impact on our employees in terms of remuneration, wellness, and restructuring;
- a review and approval of significant changes to the remuneration policy and incentive schemes, taking into account the recommendations of shareholders;
- a review of the strategic drivers of human capital and remuneration and the alignment thereof to the vision and strategy of the company;
- a review of succession plans and the succession strategy across the group;
- a review and approval of the remuneration packages of executives, including annual and long-term incentives schemes;
- a review of the group's initiatives and progress in relation to gender, race, diversity, employment equity, and income differentials;
- the fulfilment of delegated responsibilities in relation to the share-based incentive scheme;
- a review of the human capital management practices in place across the group to ensure fairness, responsibility, transparency, alignment with King IV™, and compliance with the specific requirements of the relevant labour legislation; and
- as recommended by King IV™, a 'reflection' by the committee on its prior year self-assessment outcomes, to determine whether the identified shortcomings from the assessments have been addressed appropriately.

Divisional human capital and remuneration committees

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

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

Key considerations of the divisional subcommittees are made within the context of the KAP and divisional strategies and include a review of:

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

Due to the Covid-19 lockdown implemented by the South African Government on 27 March 2020, the divisional subcommittees did not meet formally as scheduled during May 2020 and only met during October and November 2020.

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 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.

Following the company's AGM on 19 November 2019 and subsequent engagement with shareholders, the committee conducted a peer comparison in relation to remuneration policies and incentive schemes. In line with these peer comparisons, and considering the recommendations of shareholders, the committee recommended significant changes to the company's incentive schemes, which were accepted by the board and implemented with effect from 1 July 2020. The committee is satisfied that it has successfully responded to shareholder concerns and expectations as evidenced by their positive feedback at the 2020 AGM.

As the non-binding advisory votes were passed by the requisite majorities, no further engagement with shareholders was required.

AGM held on 18 November 2020	Votes in favour %	Votes against %
Remuneration policy	88.25	11.75
Implementation report	90.28	9.72

The committee believes that the KAP remuneration philosophy and policy remain global: fit-for-purpose and achieve the high-level objectives of attraction, retention, and performance motivation of our executives, managers, and employees across all levels of the group. As a result, no changes were made to the remuneration policy presented to shareholders at the AGM held on 18 November 2020 during the reporting period.

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

Access to information and advisers

Members of the committee may access any information to inform their independent judgement on remuneration and related matters.

During the year under review, the committee received market positioning and benchmarking data from Willis Towers Watson Proprietary Limited ('WTW'). The committee is satisfied that WTW is independent and objective.

Areas of focus for the next year

The committee regularly assesses the remuneration market and governance frameworks to ensure the relevance of KAP's remuneration approach. The committee anticipates focusing on the following areas during the 2022 financial year:

- The development of a human capital strategy, informed by KAP's values, to ensure that KAP is an employer of choice with culture, policies, and procedures that set high expectations while simultaneously providing a stimulating and inclusive environment for our people.
- The implementation of workforce planning measures to build people leadership and technical capacity in order to support strategy implementation.
- The implementation of measures to further promote gender and race diversity.
- The monitoring of changes in executive remuneration in markets in which our businesses operate.
- A review and assessment of the job grading system.
- A review of peer group comparatives applicable to non-executive directors' fees.
- Fair and responsible pay.

The remuneration philosophy serves as an essential catalyst in enabling our employees to deliver on KAP's strategic goals while supporting fair and responsible value creation for all our 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.

Remuneration policy

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

The committee implements a remuneration policy, which is approved by the board, to assist in the achievement of the company's strategy and objectives. The remuneration policy is reviewed on an annual basis and is aligned with the recommendations of 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, return targets, broad-based black economic empowerment targets, internal control and compliance measures, 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 remuneration policy and remuneration philosophy

KAP's remuneration philosophy is to attract and retain the best people in industry, and to improve their skills consistently as markets and technologies evolve. The sustainable success of our business is critically dependent on our people's ability to deliver quality products and to maintain high standards of service to customers in very competitive sectors. The KAP remuneration policy should be fit for purpose and achieve the high-level objectives of attraction, retention, and performance motivation of our executives, managers, and employees across all levels of the group.

Elements of remuneration

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

The committee aims to ensure an appropriate balance between the guaranteed and performance-related elements of managerial remuneration, and also between short-term performance and long-term, sustainable stakeholder value creation. The committee 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.

The remuneration policy covers two elements of remuneration:

Guaranteed salary ('salary')

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

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

- Job profiles are compiled for each approved position in the company, and these are graded using the global grading system.
- A competency profile is also determined for each approved position. Performance reviews of employees against these profiles may lead to an employee receiving merit increments from time to time, which may result in an individual earning remuneration above the market median, but within market norms.
- The remuneration levels of key management categories are benchmarked annually, using the market median of independent salary surveys as reference.
- Inflationary remuneration adjustments are considered annually, taking into account relevant consumer price inflation indices.

KAP's remuneration philosophy is to attract and retain the best people in industry, and to improve their skills consistently as markets and technologies evolve.

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

The company encourages union membership and collective bargaining among its employees in order to provide for responsible and structured engagement. 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 in terms of promoting stability and consistency in industrial relations. Access by these employees to suitable medical, retirement ,and associated insured benefits is also facilitated by the company, where appropriate.

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 business strategy and sustainable stakeholder value creation. Consequently, they are offered a combination of guaranteed and variable pay to incentivise performance on a sustainable long-term basis.

Variable pay is designed to incentivise and reward both individual and team effort and serves as a tool to attract, motivate, and retain staff of the calibre required to achieve the objectives of the business. This policy is also intended to ensure that top management 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.

Annual incentive bonus ('AIB') scheme

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

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

Corporate

Measurement	Proportion		Participation levels
Core HEPS growth > GDP growth + CPI*	15%	Applied on a linear basis to participation levels	CEO and CFO at 200% CTC capped Executives at 75 – 100% CTC capped Management at 50% CTC capped Staff at 25% CTC capped
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 together with GDP growth and CPI requirements in relation to Polymers' proportion of HEPS.*

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

Divisional

Measurement	Proportion		Participation levels
Core operating profit growth > GDP growth + CPI*	15%	Applied on a linear basis to participation levels	Divisional CEO at 150% CTC capped Divisional CFO/COO at 100% CTC capped Divisional Exco at 50 – 75% capped
Core operating profit growth > GDP growth + CPI + 1%*	15%		
Core operating profit growth > GDP growth + CPI + 2%*	15%		
Core operating profit growth > GDP growth + CPI + 3%*	15%		
EBITDA cash flow conversion ≥ 90% (Logistics ≥ 95%)	20%		
B-BBEE score against budget#	10%		
Internal audit and compliance	10%		
	100%		

* *Polymers division includes a relevant polymer index together with GDP growth and CPI requirements.*
\# *Unitrans Africa will replace B-BBEE measurement with the following: 'New revenue contracts secured > 8% of annual revenue'.*

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

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.

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

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

Long-term incentive schemes

KAP competes for management skills and talent, and our approach to remuneration takes into account the need to retain key management over the long term. Long-term incentives are awarded with the primary aim of promoting the 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 long-term incentives are achieved through a shareholder-approved share rights scheme ('SRS'). Participation in the SRS is determined by the committee on an annual basis in terms of the rules of the scheme. It applies to individuals who are key to determining and implementing the long-term vision and strategy of the company and/or its divisions.

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

Corporate

Measurement	Proportion		Participation levels
Core HEPS growth > GDP growth + CPI*	37.5%	Applied on a linear basis to participation levels	CEO and CFO at 167% CTC
ROE > KAP WACC	37.5%		Executives at 133% CTC
Achievement of individual KPIs	25.0%		Management at 33% – 67% CTC
	100.0%		

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

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

Divisional

Measurement	Proportion		Participation levels
Core operating profit growth > GDP growth + CPI*	37.5%	Applied on a linear basis to participation levels	Divisional CEO 133% CTC
ROCE > KAP WACC x 1.3	37.5%		Divisional Exco at 67 – 100% CTC
Achievement of individual KPIs	25.0%		Divisional management at 33% – 67% CTC
	100.0%		

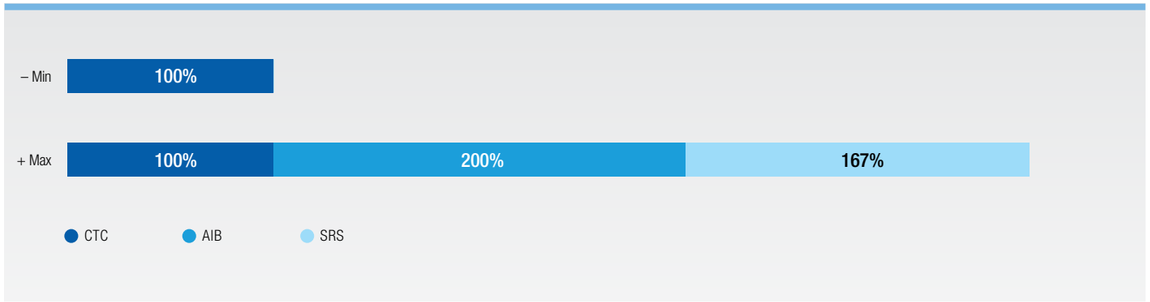
** Polymers division includes a relevant polymer index together with GDP growth and CPI requirements.*

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

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

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 and other senior executives 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 staff increases. This information is considered in the committee's decisions regarding the remuneration of executive directors and other senior executives 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 as a result of intentional fraud, misstatement, misrepresentation, or non-compliance with relevant legislation by any participant of these schemes, the effect of this fraud, misstatement, misrepresentation, or non-compliance will be reversed in the consideration of whether the relevant qualifying criteria have been achieved. In addition, any participant directly involved in the fraud, misstatement, misrepresentation, or non-compliance will not qualify for an incentive.

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

Service contracts

Executives' contracts are subject to terms and conditions of employment as governed by the Labour Relations Act of South Africa (No. 66 of 1995, as amended). The contracts of the top executives or any other executive directors do not contain termination packages or excessive notice periods. In view of the scarcity of executive skills in South Africa, and in order to make provision for an orderly 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 months.

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

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, its share performance, or its results. Non-executive directors cannot participate in and therefore do not qualify for shares in terms of the KAP Performance Share Rights Scheme and do not hold share rights under this scheme.

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.

The remuneration committee applied the remuneration policy taking into account the Covid-19 cost-containment measures that were necessary to sustain the business during the 2021 financial year.

Guaranteed salary ('salary')

In terms of the remuneration policy, the salaries of executive management are benchmarked by an external service provider with reference to market practice by companies comparable in size, market sector, business complexity, and geographic location, in order to ensure that they provide a competitive level of remuneration.

Due to the impact of the Covid-19 pandemic and the related lockdown on the company, together with stakeholder considerations reflected in the first part of this report, the committee and the board decided that no salary increases would be awarded to executives, managers, and all non-bargaining unit employees for FY21.This followed the implementation of a 20% salary reduction for all non-bargaining unit employees for a period of three months during FY20 as part of the Covid-19 cost containment measures to sustain the business. All non-bargaining unit employees, except for executive directors, were refunded their three-month 20% salary reduction in FY21.

Therefore, no salary increases were awarded to executive directors as reflected below:

Executive directors	Total guaranteed salary FY21 R	Total guaranteed salary FY20[1] R	Increase in guaranteed salary %	Covid-19-adjusted guaranteed salary FY20 R
GN Chaplin	**7 844 000**	7 844 000	–	7 451 799
FH Olivier	**4 770 000**	4 770 000	–	4 531 500
Total	**12 614 000**	12 614 000		11 983 299

[1] *Guaranteed salaries exclude the effect of Covid-19, whereby a 20% reduction in salaries was applied for the three months April to June 2020.*

In line with the board resolution referred to above, salaries paid to other executive committee ('Exco') members were not increased for FY21 except where necessary to align base remuneration to market salary benchmarks. Other executive committee members were refunded their three-month 20% salary reduction in FY21.

Guaranteed remuneration paid to other executive committee members is reflected below:

	Total guaranteed salary FY21 R	Total guaranteed salary FY20[1] R	Increase in guaranteed salary[2] %	Covid-19-adjusted guaranteed salary FY20 R
Other executive committee members	**39 271 800**	36 469 017	8	34 519 277

[1] *Guaranteed salaries exclude the effect of Covid-19, whereby a 20% reduction in salaries was applied for the three months April to June 2020.*

[2] *The executive committee membership changed on 1 January 2020, with two members leaving and four new members being appointed, which resulted in a 7% increase in the total guaranteed salary. In addition, certain members' base remuneration was aligned to market salary benchmarks, which increased the total guaranteed salary by 1%.*

In addition to the FY21 guaranteed salary, other executive committee members were refunded for Covid-19 salary reductions amounting to R1 723 812.

Salary increases for bargaining unit employees were implemented for FY21 in line with the collective agreements of relevant bargaining unit structures, except where exemption was granted from such collective agreements.

Annual incentive bonus ('AIB')

The committee and the board accepted a recommendation by management that, as a result of the effects of the Covid-19 lockdown on the company, no AIBs would be paid to any employees during FY21 in relation to FY20, even in respect of non-financial measures which were achieved. Therefore, no AIBs were paid to executive directors and other executive managers.

Executive directors	Total bonuses FY21 R	Total bonuses FY20 R
GN Chaplin	–	925 000
FH Olivier	–	562 500
	–	1 487 500
Other executive committee members	–	8 106 143

Long-term incentives

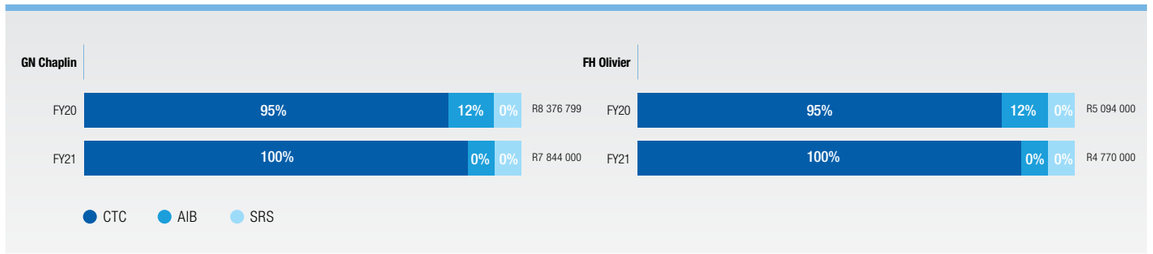
The committee and the board accepted a recommendation by management that, as a result of the effects of the Covid-19 lockdown on the company, no long-term incentives would be paid to any employees during FY21 in relation to FY20, even in relation to non-financial measures which were achieved. As such, the relevant provisions and reserves related thereto were released through the income statement.

Long-term incentives were awarded during the year in line with the remuneration policy and stipulated allocation levels. Outstanding share rights of the executive directors as at 30 June 2021 are reflected as follows:

Executive directors	Offer date	Vesting date	Number of rights as at 30 June 2020	Number of rights awarded during the year	Number of rights as at 30 June 2021	Market value of rights at grant date	Market value of rights on vesting	Market value of rights at 30 June 2020
GN Chaplin	November 2018	November 2021	789 144	–	**789 144**	6 352 609	–	**3 259 165**
	December 2019	December 2022	1 013 892	–	**1 013 892**	4 207 652	–	**4 187 374**
	December 2020	December 2023	–	5 137 051	**5 137 051**	15 154 300	–	**21 216 021**
			1 803 036	5 137 051	**6 940 087**	25 714 561	–	**28 662 560**
FH Olivier	November 2018	November 2021	479 885	–	**479 885**	3 863 074	–	**1 981 925**
	December 2019	December 2022	616 556	–	**616 556**	2 558 707	–	**2 546 376**
	December 2020	December 2023	–	3 123 882	**3 123 882**	9 215 452	–	**12 901 633**
			1 096 441	3 123 882	**4 220 323**	15 637 233	–	**17 429 934**
			2 899 477	8 260 933	**11 160 410**	41 351 794	–	**46 092 494**

Disclosure of single-figure remuneration relative to on-target remuneration mix

The KAP executive directors received the following single-figure remuneration during FY20 and FY21 respectively:



FY20 single-figure remuneration

A 20% salary reduction for a period of three months was implemented during FY20 and executive directors received incentives of 25% of their respective participation levels in terms of the rules of the FY19 AIB scheme.

FY21 single-figure remuneration

Following the board's approval of management's recommendation not to award AIB and SRS payments to any employees in the company in relation to FY20, executive directors were only paid their guaranteed salaries during FY21.

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 the remuneration matters relating to the impact of Covid-19 have been managed appropriately and responsibly.

Non-executive directors' fees paid for the period under review

Non-executive director fees are reviewed annually 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 2020 to the 2021 AGM. The proposed fee structure included a principle amendment to provide for per-meeting fees of certain committees and hourly compensation to non-executive directors for input required on an *ad hoc* basis, beyond the scope of annual scheduled meetings. In view of the escalating regulatory obligations on listed companies, the audit and risk committee now schedules four meetings per annum, whereas previously it scheduled two meetings per annum, and the fees proposed for audit and risk committee members were increased accordingly. The position of lead independent non-executive director was filled with effect from the November 2020 AGM with appropriate fees proposed for this role.

As a result of the effects of the Covid-19 lockdown on the company, the committee recommended and the board endorsed the decision that the fees of the non-executive directors presented at the AGM in November 2020 should not be increased for inflation when compared to the fees paid to them in the prior period. This is in addition to a 20% reduction in fees paid to the non-executive directors for the months of April, May, and June 2020, incorporated in the comparative figures below. Accordingly, the following fees were paid to non-executive directors in line with the fee structure approved at the AGM held on 18 November 2020:

Non-executive directors' fees (excluding VAT)	FY21 R	FY20 R
J de V du Toit	**1 171 900**	936 581
TC Esau-Isaacs[1]	**939**	–
Z Fuphe	**868 736**	284 082
KJ Grové	**967 100**	956 679
KT Hopkins	**1 076 660**	576 476
V McMenamin	**539 300**	317 046
IN Mkhari	**729 100**	532 127
SH Müller	**1 095 936**	1 056 791
SH Nomvete[2]	**179 400**	538 491
PK Quarmby	**1 174 949**	1 092 270
	7 804 020	6 290 543

[1] *On 30 June 2021, TC Esau-Isaacs was appointed as independent non-executive director and as a member of both the social and ethics committee and the audit and risk committee.*

[2] *SH Nomvete did not make himself available for re-election at the company's AGM on 18 November 2020. He was consequently not reappointed to the board.*

The fee proposals endorsed by the board were proposed at the AGM for shareholder approval, by special resolution, prior to payment and were approved by a majority of 81% of the eligible votes cast. Forward-looking proposed non-executive directors' fees will be presented for shareholder approval at the AGM in November 2021.

6

Supplementary information

Historical financial review 88

Summarised financial information 90

Shareholders' diary 106

Corporate information 107

Supplementary information

Historical financial review

Nine-year review	Financial definition	Nine-year CAGR %	FY21 Rm	FY20[1&2] Rm	FY19 Rm	FY18 Rm	FY17 Rm	FY16 Rm	FY15 Rm	FY14 Rm	FY13 Rm	FY12 Rm
Extracts from income statement – continuing operations												
Revenue		10	**23 956**	21 591	25 602	22 813	19 783	16 047	15 664	14 471	13 513	10 481
EBITDA	1	8	**3 419**	2 703	3 713	3 944	3 361	2 797	2 450	2 230	2 050	1 727
Operating profit	2	7	**2 102**	1 419	2 527	2 901	2 499	1 997	1 666	1 480	1 309	1 098
B-BBEE cost			**3**	3	196	–	–	–	–	–	–	–
Net finance costs			**466**	654	707	697	515	312	289	327	364	381
Taxation			**506**	(395)	533	520	510	487	361	309	272	218
Headline earnings		10	**1 099**	460	1 237	1 646	1 431	1 172	969	801	658	485
Extracts from statement of financial position												
Goodwill and intangible assets			**2 669**	2 687	5 242	5 392	5 333	2 078	1 598	1 290	1 311	1 311
Property, plant and equipment and investment property			**12 957**	12 630	12 536	12 513	11 832	8 128	7 129	6 633	6 394	6 129
Right-of-use assets			**358**	438	–	–	–	–	–	–	–	–
Consumable biological assets			**1 565**	1 754	1 900	1 919	1 978	1 890	1 824	1 875	1 761	1 656
Net working capital	3		**1 925**	1 911	1 132	1 330	623	(27)	352	170	267	689
Net operating assets	4	8	**19 474**	19 420	20 810	21 154	19 766	12 069	10 903	9 968	9 733	9 785
Gross interest-bearing debt			**7 281**	8 042	6 273	7 878	7 712	4 635	3 456	3 504	4 269	4 143
Interest-bearing loans and borrowing			**6 884**	7 576	6 273	7 878	7 712	4 635	3 456	3 504	4 269	4 143
Lease liabilities			**397**	466	–	–	–	–	–	–	–	–
(Cash) and bank overdrafts			**(751)**	(1 001)	(1 785)	(2 151)	(1 935)	(2 566)	(1 367)	(828)	(1 179)	(603)
Net interest-bearing debt			**6 530**	7 041	4 488	5 727	5 777	2 069	2 089	2 676	3 090	3 540
Equity attributable to owners of the parent		7	**10 250**	9 566	12 825	12 155	11 035	8 667	7 761	6 709	6 166	5 564
Extracts from statement of cash flows												
Cash generated from operations			**3 485**	2 076	4 033	3 308	2 958	3 285	2 275	1 888	2 249	1 906
Cash flow from investing activities[#]			**(1 807)**	(1 939)	(1 142)	(1 723)	(6 083)	(2 285)	(871)	(828)	(1 159)	(617)
Expansion capital expenditure			**(899)**	(671)	(420)	(811)	(1 050)	(735)	(509)	(403)	(594)	(419)
Replacement capital expenditure			**(918)**	(1 241)	(811)	(837)	(1 190)	(965)	(683)	(653)	(470)	(346)
(Acquisition)/disposal of investments			**–**	(13)	101	(29)	(3 781)	(573)	328	276	(38)	43
Other investing activities			**10**	(14)	(12)	(46)	(62)	(12)	(7)	(48)	(57)	105
Free cash flow before dividends	5		**810**	(791)	1 983	594	(4 006)	417	913	600	584	847
Key information												
Headline earnings per share (cents)		5	**37.9**	13.7	42.9	59.8	54.2	47.8	40.2	33.8	29.1	24.2
Headline earnings per share – continuing operations (cents)		7	**43.0**	17.5	45.9	61.6	55.6	48.2	40.6	34.1	28.1	24.0
Dividends per share (cents)		11	**15**	–	23	23	21	18	15	12	8	6
Net asset value per share (cents)		6	**405**	372	474	454	415	355	320	286	263	238
Weighted average number of shares (million)		3	**2 555**	2 630	2 696	2 671	2 574	2 433	2 384	2 346	2 342	2 019
Shares in issue (million)		1	**2 531**	2 571	2 704	2 678	2 662	2 441	2 423	2 346	2 346	2 337
Ratios												
Operating margin* – %	6		**8.8%**	6.6%	10.6%	12.7%	12.6%	12.4%	10.6%	10.2%	9.7%	10.5%
EBITDA margin* – %	7		**14.3%**	12.5%	15.3%	17.3%	17.0%	17.4%	15.6%	15.4%	15.2%	16.5%
Effective tax rate – %	8		**29.8%**	(17.0%)	31.2%	24.1%	26.0%	28.8%	26.9%	27.1%	27.8%	26.9%
Cash conversion ratio*	9		**106%**	77%	105%	85%	89%	118%	93%	85%	107%	110%
Gearing %	10		**64%**	74%	35%	47%	52%	24%	27%	40%	50%	64%
Gearing % – gross debt	11		**71%**	84%	49%	65%	70%	53%	45%	52%	69%	74%
EBITDA: interest cover (times)			**7.3**	4.1	5.3	5.7	6.5	9.0	8.5	6.8	5.6	4.5
Net debt: EBITDA (times)			**1.9**	2.6	1.2	1.5	1.7	0.7	0.9	1.2	1.5	2.0
Gross debt: EBITDA (times)			**2.0**	2.8	1.7	2.0	2.3	1.7	1.4	1.6	2.1	2.4
RONA % (return on net assets)*	12		**10.8%**	7.1%	13.0%	14.2%	15.7%	17.4%	16.0%	15.0%	13.4%	12.4%
ROE % (return on equity)*	13		**9.8%**	3.3%	10.8%	13.8%	14.2%	14.2%	13.3%	12.3%	11.6%	10.3%
Dividend cover	14		**2.5**	–	1.9	2.6	2.6	2.7	2.7	2.8	3.6	4.0

[1] *IFRS 16 was adopted on 1 July 2019 on a forward-looking basis.*
[2] *Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*
[#] *Cash flow from investing activities have been restated from 2012 to 2016 to include capitalised interest in net finance costs. It was previously included in additions to property, plant and equipment.*
* *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 and provisions excluding assets and liabilities held for sale.
4. Net operating assets – consists of goodwill, intangible assets, property plant and equipment, investment properties, right-of-use assets, consumable biological assets and net working capital.
5. Free cash flow before dividends – cash flow from operations plus dividends received less net finance costs, taxation paid and cash flow from investing activities.
6. Operating margin % – operating profit (before B-BBEE cost) from continuing operations divided by revenue from continuing operations.
7. EBITDA margin % – EBITDA (before B-BBEE cost) from continuing operations divided by revenue from continuing operations.
8. Effective tax rate % – taxation expense from continuing operations divided by profit before tax from continuing operations.
9. Cash conversion ratio % – cash flow from operations divided by EBITDA (before B-BBEE cost) from continuing and discontinued operations.
10. Gearing % – net interest-bearing debt divided by equity attributable to owners of the parent.
11. Gearing – gross debt % – gross interest-bearing debt divided by equity attributable to owners of the parent.
12. RONA % – operating profit (before B-BBEE cost) from continuing operations divided by average net operating assets.
13. ROE % – headline earnings (before B-BBEE cost) from continuing and discontinued operations divided by average equity.
14. Dividend cover – headline earnings per share divided by dividends per share.

Summarised consolidated income statement and statement of other comprehensive income

	Notes	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited(*) Rm	% change
Revenue	1	**23 956**	21 591	11
Operating profit before capital items		**2 102**	1 419	48
Capital items	2	**32**	(3 103)	
Operating profit/(loss)		**2 134**	(1 684)	227
Finance costs		**(486)**	(681)	
Income from investments		**20**	27	
Share of profit of associate and joint venture companies		**28**	21	
Profit/(loss) before taxation		**1 696**	(2 317)	173
Taxation		**(506)**	395	
Profit/(loss) for the year from continuing operations		**1 190**	(1 922)	162
Loss for the year from discontinued operations	3	**(132)**	(223)	
Profit/(loss) for the year		**1 058**	(2 145)	149
Profit/(loss) attributable to:				
Owners of the parent		**991**	(2 190)	145
Non-controlling interests		**67**	45	
Profit/(loss) for the year		**1 058**	(2 145)	149
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		**(233)**	119	
Total other comprehensive (loss)/income for the year		**(233)**	119	
Total comprehensive income/(loss) for the year (net of taxation)		**825**	(2 026)	141
Total comprehensive income/(loss) attributable to:				
Owners of the parent		**765**	(2 074)	
Non-controlling interests		**60**	48	
Profit for the year		**67**	45	
Foreign currency translation reserve transferred to non-controlling interests		**(7)**	3	
Total comprehensive income/(loss) for the year		**825**	(2 026)	141
Earnings/(loss) per share attributable to owners of the parent		**Cents**	**Cents**	**% change**
Basic earnings/(loss)		**38.8**	(83.3)	147
Diluted earnings/(loss)		**38.3**	(83.2)	146
Basic earnings/(loss) from continuing operations		**44.0**	(74.8)	159
Diluted earnings/(loss) from continuing operations		**43.4**	(74.7)	158

(*) *Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

Summarised consolidated statement of financial position

	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm
Assets		
Non-current assets		
Goodwill	**641**	641
Intangible assets	**2 028**	2 046
Property, plant and equipment	**12 957**	12 623
Investment property	**–**	7
Right-of-use assets	**358**	438
Consumable biological assets	**1 565**	1 754
Investments in associate and joint venture companies	**78**	77
Investments and loans receivable	**1**	1
Deferred taxation assets	**33**	49
Inventories	**–**	35
	17 661	17 671
Current assets		
Inventories	**2 593**	2 262
Trade and other receivables	**4 180**	3 367
Loans receivable	**8**	2
Taxation receivable	**42**	58
Cash and cash equivalents	**751**	1 001
	7 574	6 690
Assets held for sale	**159**	–
	7 733	6 690
Total assets	**25 394**	24 361
Equity and liabilities		
Capital and reserves		
Stated share capital	**8 206**	8 364
Reserves	**2 044**	1 202
Total equity attributable to owners of the parent	**10 250**	9 566
Non-controlling interests	**199**	204
Total equity	**10 449**	9 770
Non-current liabilities		
Loans and borrowings	**5 360**	5 309
Lease liabilities	**311**	363
Employee benefits	**24**	30
Provisions	**2**	2
Deferred taxation liabilities	**2 637**	2 715
	8 334	8 419
Current liabilities		
Loans and borrowings	**1 526**	2 295
Lease liabilities	**86**	103
Employee benefits	**456**	175
Provisions	**77**	70
Trade and other payables	**4 289**	3 476
Taxation payable	**132**	36
Bank overdrafts and short-term facilities	**45**	17
	6 611	6 172
Total equity and liabilities	**25 394**	24 361

Summarised consolidated statement of cash flows

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited[*] Rm
Operating profit before capital items	**2 102**	1 419
Depreciation and amortisation	**1 317**	1 284
Operating loss before depreciation, amortisation and capital items from discontinued operations	**(143)**	(24)
Net fair value adjustments of consumable biological assets[1]	**190**	149
Other non-cash adjustments	**62**	(11)
Cash generated before working capital changes	**3 528**	2 817
(Increase)/decrease in inventories	**(305)**	170
(Increase)/decrease in trade and other receivables	**(865)**	649
Increase/(decrease) in trade and other payables	**1 127**	(1 560)
Changes in working capital	**(43)**	(741)
Cash generated from operations	**3 485**	2 076
Dividends received	**9**	16
Income from investments	**16**	25
Finance costs paid	**(498)**	(710)
Dividends paid	**(27)**	(674)
Taxation paid	**(395)**	(259)
Net cash inflow from operating activities	**2 590**	474
Additions to property, plant and equipment and investment property[2]	**(1 817)**	(1 912)
Additions to intangible assets	**(6)**	(14)
Additions to consumable biological assets	**(1)**	(3)
Net cash outflow on acquisition/disposal of subsidiaries and businesses	**–**	(13)
Other investing activities	**17**	3
Net cash outflow from investing activities	**(1 807)**	(1 939)
Net cash inflow/(outflow) from operating and investing activities	**783**	(1 465)
Shares repurchased	**(158)**	(544)
Transactions with non-controlling interests	**(22)**	–
(Decrease)/increase in loans and borrowings	**(720)**	1 284
Decrease in lease liabilities	**(109)**	(101)
Increase in bank overdrafts and short-term facilities	**28**	17
Net cash (outflow)/inflow from financing activities	**(981)**	656
Net decrease in cash and cash equivalents	**(198)**	(809)
Cash and cash equivalents at beginning of the year	**1 001**	1 785
Effects of exchange rate translations on cash and cash equivalents	**(52)**	25
Cash and cash equivalents at end of the year	**751**	1 001

[*] Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.
[1] Includes decrease due to harvesting and sale of livestock.
[2] Net of proceeds on disposal of property, plant and equipment and investment property, insurance proceeds and government grants received.

Summarised consolidated statement of changes in equity

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited Rm
Balance at beginning of the year	**9 770**	13 042
Changes in stated share capital		
Ordinary shares repurchased	**(158)**	(544)
Changes in reserves		
Total comprehensive income/(loss) for the year attributable to owners of the parent	**765**	(2 074)
Dividends paid	**–**	(619)
Share-based payments	**61**	(27)
Other reserve movements	**16**	5
Changes in non-controlling interests		
Total comprehensive income for the year attributable to non-controlling interests	**60**	48
Dividends paid	**(27)**	(55)
Shares purchased from non-controlling interests	**(38)**	(9)
Other non-controlling interests movements	**–**	3
Balance at end of the year	**10 449**	9 770
Comprising:		
Stated share capital	**8 206**	8 364
Distributable reserves	**5 498**	4 493
Share-based payment reserve	**518**	457
Reverse acquisition reserve	**(3 952)**	(3 952)
Other reserves	**(20)**	204
Non-controlling interests	**199**	204
	10 449	9 770

Segmental analysis

	Notes	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited[*] Rm	% change
Continuing operations				
Revenue				
Diversified industrial		**7 927**	6 205	28
Integrated Timber		**4 197**	3 208	31
Automotive Components		**2 033**	1 725	18
Integrated Bedding		**1 731**	1 286	35
Interdivisional eliminations		**(34)**	(14)	
Diversified chemical		**7 509**	7 301	3
Polymers		**7 509**	7 301	3
Diversified logistics		**8 828**	8 392	5
Contractual Logistics – South Africa		**5 207**	4 954	5
Contractual Logistics – Africa		**2 010**	1 865	8
Passenger Transport		**1 647**	1 604	3
Interdivisional eliminations		**(36)**	(31)	
		24 264	21 898	11
Intersegmental eliminations		**(308)**	(307)	
	1	**23 956**	21 591	11
Operating profit before depreciation, amortisation and capital items				
Diversified industrial		**1 344**	894	50
Integrated Timber		**786**	488	61
Automotive Components		**251**	184	36
Integrated Bedding		**307**	222	38
Diversified chemical		**584**	344	70
Polymers		**584**	344	70
Diversified logistics		**1 485**	1 460	2
Contractual Logistics – South Africa		**701**	651	8
Contractual Logistics – Africa		**468**	444	5
Passenger Transport		**316**	365	(13)
Corporate, consolidation and eliminations		**6**	5	
		3 419	2 703	26
Operating profit before capital items				
Diversified industrial		**1 025**	582	76
Integrated Timber		**615**	323	90
Automotive Components		**156**	88	77
Integrated Bedding		**254**	171	49
Diversified chemical		**428**	160	168
Polymers		**428**	160	168
Diversified logistics		**649**	677	(4)
Contractual Logistics – South Africa		**249**	222	12
Contractual Logistics – Africa		**211**	214	(1)
Passenger Transport		**189**	241	(22)
		2 102	1 419	48

[*] *Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

	Notes	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm	% change
Operating assets				
Diversified industrial		**9 886**	9 176	8
Integrated Timber		**6 705**	6 382	5
Automotive Components		**1 561**	1 304	20
Integrated Bedding		**1 623**	1 491	9
Interdivisional eliminations		**(3)**	(1)	
Diversified chemical		**6 313**	5 935	6
Polymers		**6 313**	5 935	6
Diversified logistics		**8 166**	8 153	–
Contractual Logistics – South Africa		**4 530**	4 452	2
Contractual Logistics – Africa		**2 489**	2 413	3
Passenger Transport		**1 153**	1 320	(13)
Interdivisional eliminations		**(6)**	(32)	
Corporate, consolidation and eliminations		**(43)**	(91)	
	6	**24 322**	23 173	5
Operating liabilities				
Diversified industrial		**1 399**	1 039	35
Integrated Timber		**713**	561	27
Automotive Components		**406**	293	39
Integrated Bedding		**283**	186	52
Interdivisional eliminations		**(3)**	(1)	
Diversified chemical		**1 945**	1 474	32
Polymers		**1 945**	1 474	32
Diversified logistics		**1 324**	1 121	18
Contractual Logistics – South Africa		**775**	678	14
Contractual Logistics – Africa		**312**	249	25
Passenger Transport		**243**	226	8
Interdivisional eliminations		**(6)**	(32)	
Corporate, consolidation and eliminations		**180**	119	
	7	**4 848**	3 753	29

Segmental analysis continued

	Notes	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm	% change
Net operating assets/(liabilities)[1]				
Diversified industrial		**8 487**	8 137	4
Integrated Timber		**5 992**	5 821	3
Automotive Components		**1 155**	1 011	14
Integrated Bedding		**1 340**	1 305	3
Diversified chemical		**4 368**	4 461	(2)
Polymers		**4 368**	4 461	(2)
Diversified logistics		**6 842**	7 032	(3)
Contractual Logistics – South Africa		**3 755**	3 774	(1)
Contractual Logistics – Africa		**2 177**	2 164	1
Passenger Transport		**910**	1 094	(17)
Corporate, consolidation and eliminations		**(223)**	(210)	
		19 474	19 420	–

[1] *Net operating assets/(liabilities) comprise of operating assets less operating liabilities.*

Net working capital				
Diversified industrial		**1 166**	1 113	5
Integrated Timber		**933**	843	11
Automotive Components		**141**	140	1
Integrated Bedding		**93**	130	(28)
Interdivisional eliminations		**(1)**	–	
Diversified chemical		**604**	625	(3)
Polymers		**604**	625	(3)
Diversified logistics		**389**	408	(5)
Contractual Logistics – South Africa		**104**	161	(35)
Contractual Logistics – Africa		**148**	142	4
Passenger Transport		**137**	104	32
Interdivisional eliminations		**–**	1	
Corporate, consolidation and eliminations		**(234)**	(235)	
	8	**1 925**	1 911	1

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited Rm
Replacement capital expenditure[2]		
Diversified industrial	**336**	202
Integrated Timber	**313**	109
Automotive Components	**17**	77
Integrated Bedding	**6**	16
Diversified chemical	**78**	28
Polymers	**78**	28
Diversified logistics	**511**	1 011
Contractual Logistics – South Africa	**223**	564
Contractual Logistics – Africa	**190**	286
Passenger Transport	**98**	161
Corporate, consolidation and eliminations	**(7)**	–
	918	1 241

[2] *Net of proceeds on disposal of property, plant and equipment and investment property, insurance proceeds and government grants received.*

Expansion capital expenditure[3]		
Diversified industrial	**413**	237
Integrated Timber	**86**	200
Automotive Components	**217**	5
Integrated Bedding	**110**	32
Diversified chemical	**–**	47
Polymers	**–**	47
Diversified logistics	**486**	387
Contractual Logistics – South Africa	**255**	192
Contractual Logistics – Africa	**218**	173
Passenger Transport	**13**	22
	899	671

[3] *Net of government grants received.*

Total capital expenditure[4]		
Diversified industrial	**749**	439
Integrated Timber	**399**	309
Automotive Components	**234**	82
Integrated Bedding	**116**	48
Diversified chemical	**78**	75
Polymers	**78**	75
Diversified logistics	**997**	1 398
Contractual Logistics – South Africa	**478**	756
Contractual Logistics – Africa	**408**	459
Passenger Transport	**111**	183
Corporate, consolidation and eliminations	**(7)**	–
	1 817	1 912

[4] *Net of proceeds on disposal of property, plant and equipment and investment property, insurance proceeds and government grants received.*

Selected explanatory notes

	Goods Rm	Services Rm	Total Rm
Note 1: Revenue			
30 Jun 2021			
Audited			
Integrated Timber	**4 724**	**–**	**4 724**
Automotive Components	**2 034**	**–**	**2 034**
Integrated Bedding	**1 907**	**–**	**1 907**
Polymers	**7 571**	**–**	**7 571**
Contractual Logistics – South Africa	**333**	**4 874**	**5 207**
Contractual Logistics – Africa	**–**	**2 010**	**2 010**
Passenger Transport	**–**	**1 647**	**1 647**
Gross revenue	**16 569**	**8 531**	**25 100**
Variable consideration	**(766)**	**–**	**(766)**
Intergroup eliminations	**(49)**	**(329)**	**(378)**
	15 754	**8 202**	**23 956**
30 Jun 2020			
Audited [*]			
Integrated Timber	3 617	–	3 617
Automotive Components	1 725	–	1 725
Integrated Bedding	1 446	–	1 446
Polymers	7 381	–	7 381
Contractual Logistics – South Africa	98	4 856	4 954
Contractual Logistics – Africa	–	1 865	1 865
Passenger Transport	–	1 604	1 604
Gross revenue	14 267	8 325	22 592
Variable consideration	(649)	–	(649)
Intergroup eliminations	(30)	(322)	(352)
	13 588	8 003	21 591

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited[*] Rm
Geographical distribution		
South Africa	**20 693**	18 015
Rest of Africa	**2 970**	2 838
Americas	**225**	509
Europe	**32**	126
Middle East	**22**	94
Other	**14**	9
	23 956	21 591

[*] *Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited[*] Rm
Note 2: Capital items		
Continuing operations		
Loss on disposal of property, plant and equipment and investment property	**(16)**	(32)
Reversal of impairments/(impairments)[1]	**4**	(3 076)
Insurance income	**44**	5
	32	(3 103)
Discontinued operations		
Loss on disposal of property, plant and equipment and investment property	**(1)**	–
Impairments[1]	**(1)**	(174)
Other	**–**	1
	(2)	(173)
	30	(3 276)

[1] *Reversal of impairments /(impairments) of goodwill, intangible assets, property, plant and equipment, investment property and right-of-use assets.*

	Notes	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited[*] Rm
Note 3: Loss for the year from discontinued operations			
Revenue		**179**	635
Operating loss before capital items		**(170)**	(105)
Capital items	2	**(2)**	(173)
Operating loss		**(172)**	(278)
Finance costs		**(12)**	(26)
Income from investments		**–**	2
Loss before taxation		**(184)**	(302)
Taxation		**52**	79
Loss for the year from discontinued operations		**(132)**	(223)

[*] *Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

Selected explanatory notes continued

	Notes	Year ended 30 Jun 2021 Audited Cents	Year ended 30 Jun 2020 Audited(*) Cents
Note 4: Earnings/(loss)			
Basic earnings/(loss) per share		**38.8**	(83.3)
Continuing operations		**44.0**	(74.8)
Discontinued operations		**(5.2)**	(8.5)
Diluted earnings/(loss) per share		**38.3**	(83.2)
Continuing operations		**43.4**	(74.7)
Discontinued operations		**(5.1)**	(8.5)
Headline earnings/(loss) per share		**37.9**	13.7
Continuing operations		**43.0**	17.5
Discontinued operations		**(5.1)**	(3.8)
Diluted headline earnings/(loss) per share		**37.4**	13.7
Continuing operations		**42.4**	17.5
Discontinued operations		**(5.0)**	(3.8)
Net asset value per share		**405**	372
Headline earnings attributable to owners of the parent		**Rm**	**Rm**
Continuing operations			
Earnings/(loss) attributable to owners of the parent		**1 123**	(1 967)
Adjusted for:			
Capital items	2	**(32)**	3 103
Taxation effects of capital items		**8**	(675)
Non-controlling interests' portion of capital items (net of taxation)		**–**	(1)
		1 099	460
Discontinued operations			
Loss attributable to owners of the parent		**(132)**	(223)
Adjusted for:			
Capital items	2	**2**	173
Taxation effects of capital items		**–**	(49)
		(130)	(99)
		969	361

(*) *Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

	Million	Million
Weighted average number of shares		
Issued ordinary shares at beginning of the year	**2 571**	2 704
Effect of shares repurchased and cancelled	**(16)**	(47)
Effect of shares repurchased and held as treasury shares	**–**	(27)
Weighted average number of ordinary shares	**2 555**	2 630
Potential dilutive effect of share rights granted	**34**	2
Diluted weighted average number of ordinary shares in issue	**2 589**	2 632
Number of ordinary shares in issue	**2 531**	2 571

	Fair value hierarchy	Fair value as at 30 Jun 2021 Audited Rm	Fair value as at 30 Jun 2020 Audited Rm
Note 5: Fair values of financial instruments			
Derivative financial assets	Level 2	**10**	32
Derivative financial liabilities	Level 2	**(24)**	(23)

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

	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm
Note 6: Operating assets		
Goodwill	**641**	641
Intangible assets	**2 028**	2 046
Property, plant and equipment	**12 957**	12 623
Investment property	**–**	7
Right-of-use assets	**358**	438
Consumable biological assets	**1 565**	1 754
Inventories	**2 593**	2 297
Trade and other receivables	**4 180**	3 367
	24 322	23 173
Note 7: Operating liabilities		
Employee benefits	**480**	205
Provisions	**79**	72
Trade and other payables	**4 289**	3 476
	4 848	3 753
Note 8: Net working capital		
Inventories	**2 593**	2 297
Trade and other receivables	**4 180**	3 367
Employee benefits	**(480)**	(205)
Provisions	**(79)**	(72)
Trade and other payables	**(4 289)**	(3 476)
	1 925	1 911

Selected explanatory notes continued

Note 9: Trading profit

The company considers trading profit to be a key benchmark to measure performance and to allow for meaningful year-on-year comparison, as it excludes the effect of the non-cash fair value adjustments of consumable biological assets.

The adjustments below regarding trading profit are not an IFRS measure and are shown for illustrative purposes only. It does not impact the financial position, changes in equity, results of operations or cash flows.

The financial information is the responsibility of the directors and has not been reviewed or reported on by the company's external auditors.

	Year ended 30 Jun 2021 Unaudited Rm	Year ended 30 Jun 2020 Unaudited(*) Rm
Continuing operations		
Trading profit		
Operating profit before capital items	**2 102**	1 419
Non-cash fair value adjustments of biological assets	**190**	149
	2 292	1 568
Non-cash fair value adjustments of biological assets		
Non-cash fair value adjustments of timber plantations	**204**	148
Fair value loss	**12**	2
Decrease due to harvesting	**192**	146
Non-cash fair value adjustments of livestock	**(14)**	1
Fair value gain	**(19)**	(8)
Decrease due to sale	**5**	9
	190	149

(*) *Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

Statement of compliance

The summarised consolidated financial information has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the financial pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, as a minimum the information as required by IAS 34 – *Interim Financial Reporting* and the requirements of the South African Companies Act, No. 71 of 2008. The summarised consolidated financial information has been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the consolidated financial statements for the year ended 30 June 2020.

Basis of preparation

The abridged summarised consolidated financial statements are prepared in millions of South African rand (Rm) on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost, and derivative financial instruments and consumable biological assets, which are stated at their fair values. The preparation of the consolidated financial statements and summarised consolidated financial statements for the year ended 30 June 2021 was supervised by Frans Olivier CA(SA), the group's chief financial officer.

Changes to comparative results

The prior year's income statement has been re-presented to reflect the Intercity and Tourism operations, which form part of the Passenger Transport division, as discontinued operations.

Accounting policies

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

During the current year, the group has adopted all the new and revised standards issued by the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2020. The adoption thereof did not have a material impact on the consolidated financial statements.

Financial statements

The consolidated financial statements for the year, which have been audited by Deloitte & Touche, and their accompanying unmodified audit report, which includes their key audit matters, are available on the company's website at www.kap.co.za. Information included under the headings 'Outlook' and 'Operational review' and any reference to future financial information included in the summarised financial information, has not been audited or reviewed. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information which is available on the company's website at www.kap.co.za. The results were approved by the board of directors on 19 August 2021.

The annual general meeting ('AGM') of KAP shareholders has been scheduled to take place on Thursday, 18 November 2021 at 14:00 in Stellenbosch.

The notice of AGM will be published on SENS and dispatched to shareholders in due course, accompanied by a summary of the company's consolidated annual financial statements for the year ended 30 June 2021.

Post-balance sheet events

Subsequent to 30 June 2021, negotiations with a supplier were concluded, resulting in a retrospective price adjustment of R91 million which will be recognised as income in the 2022 financial year. The directors are not aware of any other significant events after the reporting date which will have a material effect on the group's results or financial position as presented in these annual financial statements.

Selected explanatory notes continued

Independent auditor's report on summarised financial statements

To the shareholders of KAP Industrial Holdings Limited

Opinion

The summarised consolidated financial statements of KAP Industrial Holdings Limited, which comprise the summarised consolidated statement of financial position as at 30 June 2021, the summarised consolidated income statement, the summarised consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of KAP Industrial Holdings Limited for the year ended 30 June 2021.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of KAP Industrial Holdings Limited, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the basis of preparation paragraph to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other matter

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of KAP Industrial Holdings Limited and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 19 August 2021. That report also includes the communication of key audit matters as reported in the auditor's report of the audited consolidated financial statements.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the basis of preparation paragraph to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing ('ISA') 810 (Revised), Engagements to Report on Summary Financial Statements.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: Dirk Steyn
Partner
19 August 2021

The Ridge Building
6 Marina Road
Portswood District
V&A Waterfront
Cape Town
8000

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

KT Hopkins replaced PK Quarmby as chairperson of the audit and risk committee with effect from 1 September 2020.

PK Quarmby remained a member of the audit and risk committee and was appointed in the role of lead independent non-executive director, effective 18 November 2020.

SH Nomvete was not available for re-election as a director and member of the audit and risk committee at the company's annual general meeting on 18 November 2020. He was consequently not reappointed.

On 30 June 2021, TC Esau-Isaacs was appointed as independent non-executive director and as a member of both the social and ethics committee and the audit and risk committee.

Dividend timetable

The timetable in respect of the dividend is as follows:

Day	Event
Thursday, 19 August 2021	Distribution declared in the form of a dividend
Tuesday, 14 September 2021	Last day to trade
Wednesday, 15 September 2021	Shares trade ex dividend
Friday, 17 September 2021	Date to be recorded in the register to receive the dividend
Monday, 20 September 2021	Payment date

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 September 2021 and Friday, 17 September 2021, both days inclusive.

In terms of the taxation on dividends and the amendments to section 11.17 of the JSE Listings Requirements, the following additional information is disclosed:

(1) Local dividend tax rate is 20%.
(2) Dividends are to be paid from income reserves.
(3) The withholding tax, if applicable at the rate of 20%, will result in a net cash dividend per share of 12 cents.
(4) The issued ordinary share capital of KAP Industrial Holdings Limited is 2 531 201 473 shares at 19 August 2021.
(5) KAP Industrial Holdings Limited's tax reference number is 9999/509/71/5.

The audited consolidated annual financial statements are available on the company's website.

Read more

Annual general meeting 2021	Thursday, 18 November 2021
Announcement of interim results	Third week of February 2022
Announcement of year-end results	Third week of August 2022
Annual general meeting 2022	November 2022

Registration number
1978/000181/06

Share code
KAP

ISIN
ZAE000171963

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

Postal address
PO Box 18
Stellenbosch 7599

Telephone
+27 21 808 0900

Facsimile
+27 21 808 0901

E-mail
investors@kap.co.za

Website
www.kap.co.za

Registered address
3rd Floor, Building 2
The Views
Founders Hill Office Park
18 Centenary Street
Modderfontein
Johannesburg 1645
PO Box 2766
Edenvale 1610

Company secretary
KAP Secretarial Services
Proprietary
Limited
3rd Floor, Building 2
The Views
Founders Hill Office Park
18 Centenary Street
Modderfontein
Johannesburg 1645
PO Box 2766
Edenvale 1610

External auditors
Deloitte & Touche

Equity sponsor
PSG Capital Proprietary Limited
First Floor, Ou Kollege Building
35 Church Street
Stellenbosch 7600
PO Box 7403
Stellenbosch 7599

Telephone
+27 21 887 9602

Facsimile
+27 21 887 9624

Second Floor, Building 3
11 Alice Lane
Sandhurst
Sandton 2196
PO Box 650957
Benmore 2010

Debt sponsor
Nedbank Limited
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

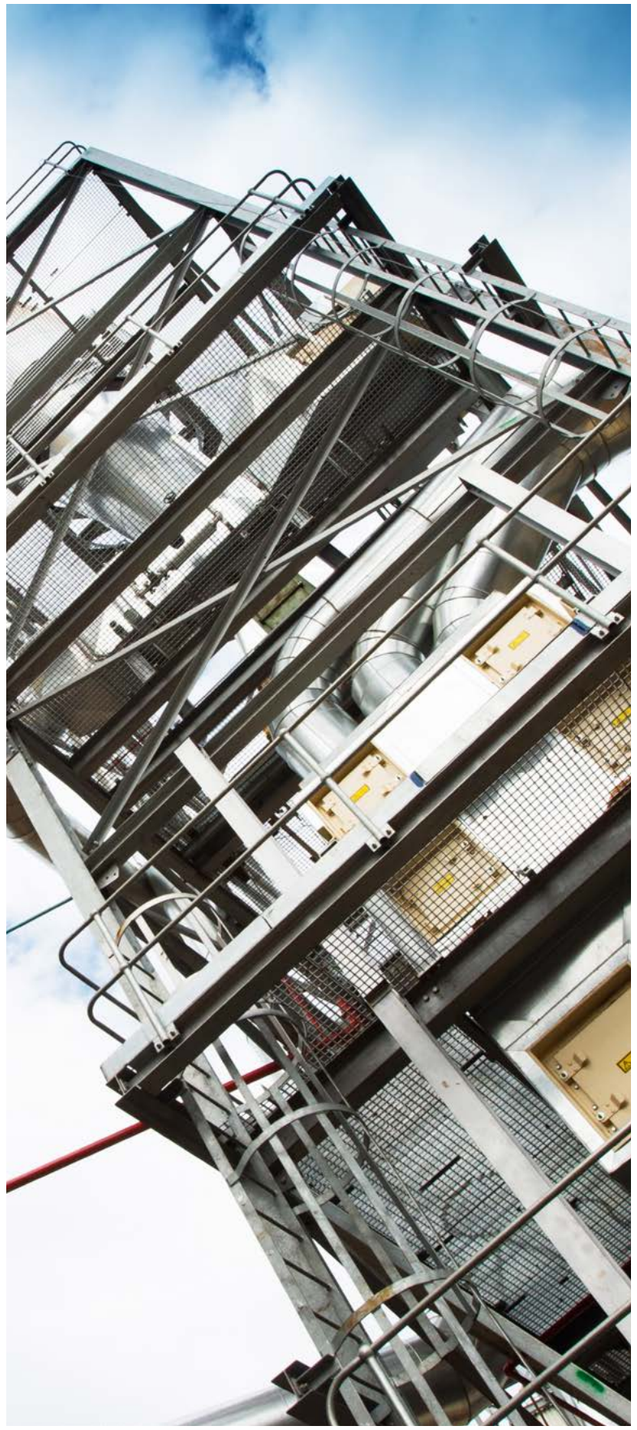
Telephone
+27 21 808 0916

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

Transfer secretaries
Computershare Investor
Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
Private Bag X9000
Saxonwold 2132

Telephone
+27 11 370 5000

Facsimile
+27 11 688 7710



ince

WWW.KAP.CO.ZA