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.

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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.

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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.

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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