Sustainability report

KAP is committed to continuously evaluating and improving its long-term sustainability


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

The company regularly reviews and adapts its policies and processes to reinforce its ability to be economically viable, socially responsible and environmentally sound, while remaining competitive.

FTSE4Good Index

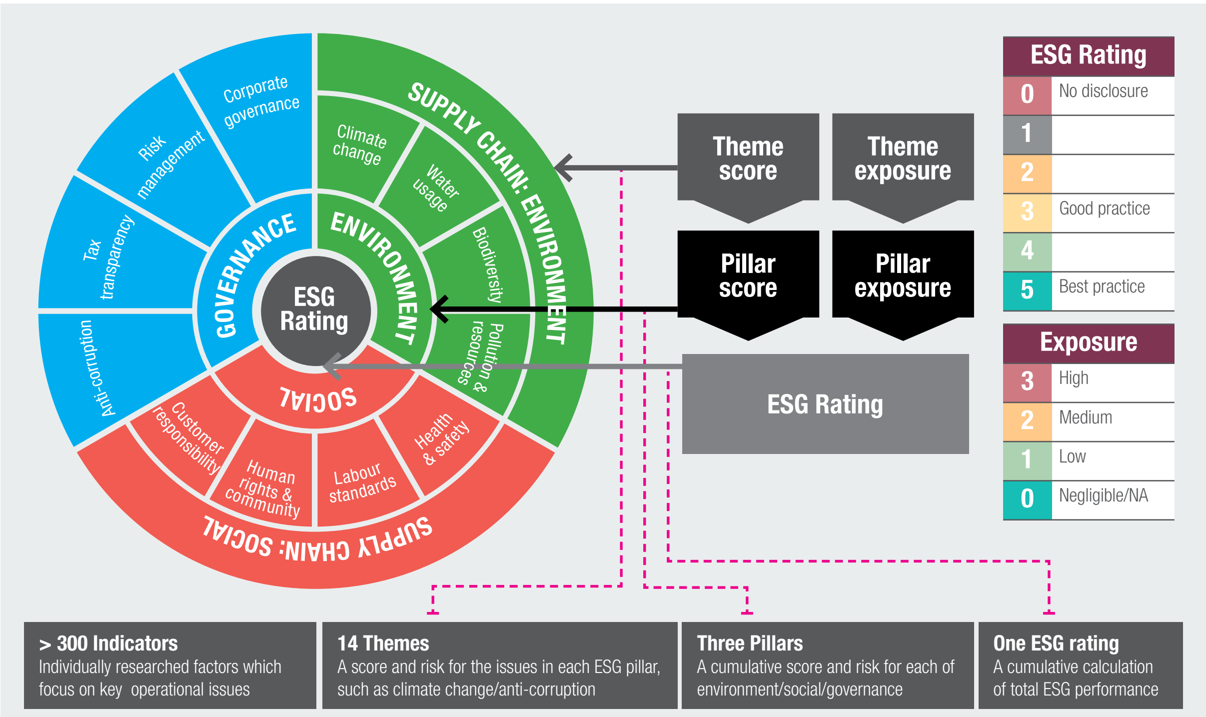
The company provides policies and guidance to each of its operating divisions. The divisional management is responsible for managing their own sustainability efforts and are accountable to the board of directors as well as stakeholders.

KAP subscribes to the guiding principles and reporting requirements of the FTSE4Good Index across all the ESG pillars, namely environment, social and governance, and uses this as a framework to monitor compliance and progress. The company has made significant progress during the past year in improving its overall FTSE4Good score.

FTSE4Good rating (scores out of 5)	2019	2018
Environment	**2.6**	1.8
Social	**2.5**	2
Governance	**4.3**	4
Total	**3**	2.5

KAP was rated above the sub-sector average for a diversified industrial company and above the industry average for industrial companies across all three ESG pillars. The company improved its scores across all the themes. ESG is monitored by the board and the social and ethics committee and measures have been incorporated into employee remuneration structures.

The FTSE4Good ESG model:



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

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

Social responsibility

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

The company's social responsibility focus is on projects that involve the youth and enhance **education**, **nutrition** and **community development**. Throughout the company, divisions identify and are involved in social projects that are aligned with their strategies and are in close proximity to their operations.

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

During 2019, R17.5 million (FY18: R14.6 million) was contributed to socio-economic development across a number of projects, of which a few are highlighted below. Additional projects are reported on the website.

Education

1.618 Design Awards

The PG Bison 1.618 education initiative is an annual design competition aimed at third-year interior design and architectural students. The initiative is already in its 26th year and has been established as an integral part of the syllabus at most of the interior design and architectural tertiary institutions across South Africa. The competition creates the opportunity for young designers to showcase their work to the industry. Most competition finalists receive job offers based on their submissions. Since its inception, more than 10 800 students have participated in the competition.

Sakhumzi Foundation Empowerment Trust

Sakhumzi was founded by KAP in 2018, with the primary purpose of facilitating sustainable economic empowerment of black people in line with the B-BBEE Codes of Good Practice.

Sakhumzi is the combination of two Xhosa words, namely 'Sakha' (which means to build) and 'Umzi', which means a home, community or nation. This name is derived from the creed 'to empower a child is to empower a nation'.

The foundation is an independent organisation, with the aim of empowering underprivileged black children through education and training, from primary school through to tertiary education. Sakhumzi's goal is to embark on this journey together with the child, providing support until he or she enters the work environment.

The foundation's aim is also to empower communities through enterprise development by identifying, evaluating and investing in commercial opportunities, thereby creating a sustainable financial model to benefit these groups.

Learners with disabilities

KAP has partnered with the Skills Development Corporation ('SDC') to sponsor 56 learners with disabilities.

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

The learners are all currently unemployed. KAP provides funding that covers tuition and a monthly stipend for the learners. The 12-month course is a work-based learning programme that, when completed, provides the learner with a recognised and registered National Qualification ('NQF'), as managed by the Sector Education and Training Authorities ('SETA').

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

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

School education

PG Bison supports Infundo, an independent organisation with the aim of developing and coaching high school educators in critical subjects such as mathematics, physical science, accounting and English to improve standards of education.

In addition to improving the subject knowledge of the teachers, the project also addresses management, leadership, coaching, teacher development, community care and support. The focus on improving the skills of the teachers has a direct benefit on improving the quality of the education.

Since inception, pass rates have improved significantly. In one case, the matric pass rate leaped from 23% to 69% after the introduction of Infundo.

As part of the Infundo School Project, PG Bison has provided assistance in the form of books, infrastructure and mentoring to four schools, namely the ET Thabane Public School, Ugie High School, Umthawelanga Senior Secondary School and the Sibabale Senior Secondary School. These schools collectively educate more than 4 900 learners.

As the project has evolved, more initiatives have been undertaken, including the introduction of tutoring programmes and the use of technology in classrooms. Skills were also provided to teach children with learning difficulties.

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

Unitrans supports a number of education initiatives, including funding a bursary, paying for the upskilling of teachers at the Diepsloot Pre-school, building ablution facilities at the Emkhayyindeni Technical High School, and supporting the Steinthai Children's Home in Tulbagh.

Nutrition

PG Bison has partnered with Judea Hope (an NPO), farmers and businesses to establish a feeding scheme in the Ugie area.

The feeding scheme supports seven local crèches by distributing meals to 364 pre-school children. A local farmers' hall was revamped to facilitate the packing of the specially formulated nutritional meals. More than 48 000 meals are distributed per annum to the children and the elderly in the community.

In addition, five vegetable tunnels have been established at the early childhood development ('ECD') centres to supplement the food parcels. The vegetable tunnels have created employment opportunities and the excess vegetables are sold to generate additional income for the schools. The local community manages the vegetable tunnels.

The feeding scheme programme has also facilitated the training of the crèche caregivers to further assist in the development of pre-school children. A combination of theoretical and practical skills is provided to the caregivers.

Ugie vegetable project

Five years ago, PG Bison, with the help of the local community, identified the need to provide a source of fresh vegetables to the Ugie community. Two projects were established: the Ugie socio-agricultural project and the Malibongwe project, which is three years old.

PG Bison provided nine hectares of land, infrastructure and various farming implements, such as tractors, to establish the vegetable gardens. The seedlings, fertiliser and expertise are also provided by PG Bison. Seedlings are cultivated in the PG Bison nursery and a variety of vegetables are planted annually. To ensure the sustainability of the land, PG Bison takes regular soil samples for analysis.

The two projects have been established as sustainable cooperatives that employ 16 local residents and supply fresh vegetables to the community.

Unitrans volunteer programme: FoodForward SA

FoodForward SA is a non-profit organisation that collects surplus food from manufacturers, wholesalers and retailers and repackages and labels it for distribution to organisations focusing on ECD, youth development, women empowerment groups and day-care centres. They distribute over 16 million meals per annum, feeding 201 000 people daily.

The company encourages Unitrans employees to volunteer one working day per month to unpack boxes, check product expiry dates, rebrand the food and repackage it for distribution.

Unitrans donated a truck to FoodForward SA and maintains the vehicle on their behalf.

Community development

KAPsani2c

KAP has been partnering with the sani2c initiative since its inception in 2004. Sani2c is a three-day mountain bike event in KwaZulu-Natal, with its route starting at the bottom of the Sani Pass and ending in the coastal town of Scottburgh. The event was primarily established as a vehicle to raise funds for a local farm school. It now attracts more than 4 000 mountain bike cyclists per annum. The event employs permanent and temporary employees from the local community.

In 2019, the organisers of sani2c contributed more than R10 million to the local communities. The sani2c development trust recently purchased land to expand the Kings Harvest Academy, a rural school catering for the local children. The trust has also partnered with the Southern Loadstar Foundation's Breakfast Programme, feeding almost 2 000 school children daily along the sani2c route.

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

Vitafoam mattress donation

Vitafoam identifies deserving charities in the various communities within which they operate and donates beds to old age homes, orphanages and hospices on an ongoing basis. This past year, over R800 000 worth of mattresses was donated.

Funding a home in Botswana

Unitrans Africa was approached to assist in providing shelter to a less privileged family in Botswana. The Unitrans employees, through their Bojammogo Social Club, started raising funds to build the family a house. The company topped up the employees' contributions.

The recipient of the home was identified by social workers in Botswana. She is a single mother with three children, one of whom has cerebral palsy. The cost of the project was P220 000. In addition, the staff also raised money to donate furniture, appliances and groceries to the family. The house was handed over in December 2018.

PG Bison Knock-out soccer and netball tournament

An annual soccer and netball tournament is held in the Eastern Cape, involving the communities of Elliot, Mount Fletcher, Ugie and Maclear. The tournament is funded by PG Bison and targets the youth in the community. Eight soccer teams and eight netball teams participate.

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LOCAL SCHOOLS AND COMMUNITIES ARE RECIPIENTS OF THE FUNDS RAISED THROUGH ENTRIES TO THE SANI2C RACE AND SPONSORSHIPS

This year, 1 000 blankets were given to children from the community and more than 7 000 meals were served to the participants as well as other members from the community during the two-day event.

Unitrans Passenger Scholar Transport

The Mega Bus Virginia operation provides subsidised bus transport for scholars from the local community at a cost of R2 million per annum. All the recipients of these subsidies are from previously disadvantaged communities.

Environmental responsibility

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

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

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

Climate change

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

Protecting the biodiversity of our forests

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

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

We are committed to reducing alien invasive species spread, and actively monitor and address invasive species on our properties. We work with several private landowners to eradicate alien invasive species offsite and provide guidance regarding alien control. We also collaborate with neighbours, government departments and NGOs to minimise the risks of fire, as well as to restore natural wetlands and critical biodiversity habitats.

PG Bison's North East Cape Forest ('NECF') is Forest Stewardship Council ('FSC') certified (certificate number SGS-FM/COC-011207 and licence number FSC-C139494). The mission of FSC is to promote environmentally appropriate, socially beneficial and economically viable management of the world's forests. Annual surveillance audits are undertaken and the certificate is valid for five years. The NECF accounts for 79% of PG Bison's plantations.

The NECF has a land area of 76 393 hectares of which 33 601 hectares is planted. The balance of 42 792 hectares consists of either protected biodiversity areas, or is being used for other agricultural activities.

Areas that are not protected or suitable for commercial forestry are used primarily for cattle farming. The NECF herd of 4 843 cattle is managed to protect the area's biodiversity. An effective grazing programme optimises conditions in the veld in terms of specie richness and maintaining the optimum biodiversity within the plantations. The herd also plays an important role in reducing fire risk. Our own farmers, supported by local and state veterinarians, manage the cattle on a commercial basis.

Several species of wild animals previously common to the area have been reintroduced, while other species like the Cape grysbok have immigrated naturally. The game forms part of an integrated environmental plan and includes species such as Burchell's zebra, blesbok, mountain reedbuck, southern reedbuck, grey rhebok, grey duiker, bushbuck, African striped weasel and black wildebeest. We have identified and monitor Red Data bird species that reside in our plantations, including the wattled crane, grey crowned crane and blue crane.

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

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

Waste reduction

KAP's various manufacturing operations are focused on managing and reducing waste and, where appropriate, identifying opportunities to use more recycled products in their processes.

If necessary, investments are made to facilitate this. For example, the recent investments in KAP's Integrated Bedding division have yielded significant benefits in reducing waste and increasing opportunities to use more recycled products in their processes.

The mattress pads produced at the Restonic factory are manufactured with a blend of 75% recycled product. The recycled blend is sourced from waste cotton, denim, acrylic and polyester clothing offcuts, as well as waste generated from the quilting process. More than 2 700 tonnes of waste fibre is utilised annually.

The quilting fibre used in the mattress assembly is manufactured from recycled PET carbonated softdrink bottles. The PET is recycled into polyester fibres and these fibres comprise over 70% of the quilted fabric. Any offcuts in the process are recycled, which creates zero waste.

Vitafoam, which manufactures non-woven textiles for the agricultural, furniture and bedding industry, produces zero waste. All offcuts and trimmings generated in the manufacturing process are recycled back into the production line.

Vitafoam also produces expanded polyethylene products for the packaging, furniture, bedding components, agriculture and pipe insulation markets. Because of the manufacturing process, approximately eight tonnes of by-products are created each month. These by-products are recycled and reused in the manufacturing process.

The Vitafoam operation produces a polyurethane foam primarily for the bedding and furniture industry. The manufacturing process generates approximately 120 tonnes of scrap foam per month. This scrap foam, combined with an additional 60 tonnes of imported scrap foam, is chipped and manufactured into rebonded foam that is used in economy priced mattresses and other furniture applications.

Managing plastic waste

The benefits of plastic are well documented in terms of lightness, strength, durability, formability, as well as its use in sterile and hygienic environments. Plastic is found in many everyday products and can be reused and recycled almost infinitely.

Discarded plastic waste is, however, a global challenge. KAP is committed to working with industry, government and society to promote the reduction, reuse or recycling of plastic waste.

KAP is involved in a number of initiatives to reduce the impact of plastic waste. We participate in industry forums such as Packaging SA, PETCO, Polyco and Plastics SA, which all have recycling and waste management at their core. These industry forum initiatives include clean-up operations, education, training programmes, awareness campaigns and employment creation. They are continuously engaging with government, industry, local communities and retailers to address the environmental issues around discarded plastic, with a focus on developing an Integrated Waste Management Plan (‘IWMP’) for approval by the government’s Department of Environmental Affairs.

KAP's financial contribution to these industry forums is linked to our production volumes. This past year, KAP contributed R4.4 million to Plastics SA and an additional R1.5 million to PETCO in the form of a grant. The Safripol management actively participates on the boards of these industry bodies and, where required, provides technical and operational assistance.

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

PETCO focuses on PET recycling. This past year, it increased the recycling of post-consumer PET bottles by 6% year on year to 98 649 tonnes. PETCO has achieved a 63% post-consumer recycling rate for PET, saving 612 000 m^3 of landfill and 148 000 tonnes of carbon emissions this past year. PET is recycled into a number of products, including 'bottle-2-bottle' and 'bottle-2-fibre' products.

PETCO has created over 68 000 work opportunities in the recycling industry and also conducts several educational and community clean-up initiatives.

Safripol, together with Plastics SA, has participated in several beach and community clean-ups this past year. It provided funding for the Bophelo Recycling Project in Ermelo and, together with PETCO, also provided infrastructure to a black-female entrepreneur, Johanna Leshabane, to establish a sustainable recycling centre.

Reducing and managing water usage
Our manufacturing processes are dependent on water, which is a scarce resource. The KAP divisions actively monitor and manage water consumption and strive to reduce water usage. Through the company's risk management structure, water usage is reviewed at an operational level. The operations strive to minimise water withdrawals and alleviate pressure on the municipal water networks. Rainwater is harvested, recycled and reused at several of the company's operations. The use of technology also assists in reducing water consumption. PG Bison Boksburg, for example, upgraded its boiler system to return more condensate, thereby reducing water withdrawal by 21 million litres per year.

All the operations have the required Water Use Licences ('WULs') and all water disposal is in line with legislation.

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

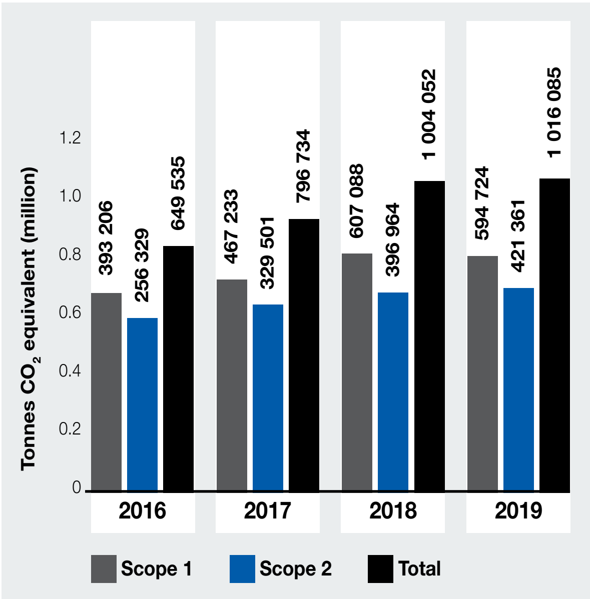
Unitrans control tower technology improves safety, customer service and reduces emissions
The Unitrans centralised control tower ('UCT') was established two years ago. The tower monitors the movement of vehicles through satellite tracking technology and GPRS information transfer. Vehicles are tracked against planned routes and managed through live exception reporting. Currently, more than 2 348 vehicles are monitored. The goal is to increase this amount to 3 000 vehicles by 2020.

The ongoing investment in the UCT has seen significant improvement in safety standards. Traffic violations have reduced by 45% and driver awareness and distracted driving have improved by 42% and 45% respectively. Any safety risks are monitored in real time, using a combination of software technology and video.

This technology has also improved route planning as the UCT can now, in the case of unplanned traffic delays, reroute vehicles in the most optimal way without compromising safety. Optimal route planning also reduces kilometres travelled, which reduces carbon emissions.

UCT monitoring has similarly improved customer service. Optimal route planning as well as live track and trace are providing customers with a more consistent service.

Carbon emissions
KAP is committed to the effective management of its climate-related risks and opportunities, as well as the reduction of its carbon footprint.

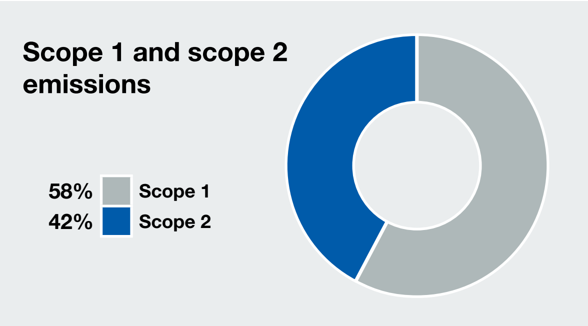


This year, significant improvements were made in the accurate measurement of the company's carbon footprint. An independent, accredited service provider has verified the accuracy and credibility of the data. The carbon footprint is calculated in accordance with the South African government's National Greenhouse Gas Emission Reporting Regulations (Gn 40762), as published in 2017. Where required, KAP is registered with the South African Department of Environmental Affairs to report on its greenhouse gas emissions.

KAP's carbon emissions, both scope 1 and scope 2, increased by only 1% year on year despite material increases in activity.

Scope 1 and scope 2 emissions

Scope 1 and scope 2 emissions for the 2019 financial year were 1 016 085 tonnes CO_2 equivalent (FY18: 1 004 052 tonnes CO_2 equivalent; FY17: 796 734 CO_2 equivalent; FY16: 649 535 CO_2 equivalent). Of this, 58% can be attributed to emission sources under direct operational control (scope 1), and 42% to emissions from purchased electricity and steam (scope 2).



KAP's main source of scope 1 emissions is the fuel consumed by its Contractual Logistics and Passenger Transport divisions. These emissions decreased as a direct result of reduced diesel consumption, which was brought on by a lower demand in the Contractual Logistics (South Africa) and Passenger Transport divisions, more fuel-efficient vehicles, as well as an improvement in logistics planning through the use of technology. Diesel consumption decreased by 3% to 166 million litres (FY18: 172 million litres).

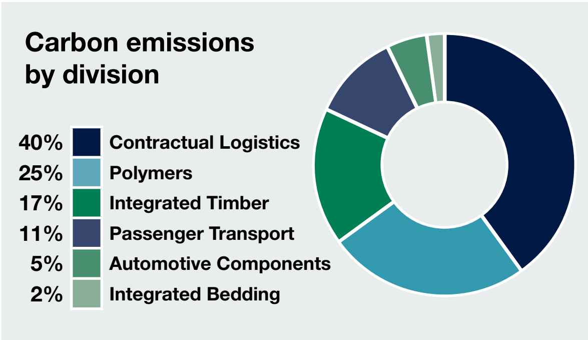
Fuel is a significant operating cost in our logistics divisions, but the operations are continually focusing on reducing this cost by investing in fuel-efficient vehicles, technology and improved vehicle utilisation. Drivers receive ongoing training and are rewarded for achieving lower fuel consumption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

Scope 2 emissions rose by 6% due to the increased electricity consumption of 10% to 418 345 MW/h (FY18: 379 096 MW/h). This upsurge is the result of the material increase in production volumes across our Polymers, Automotive Components, Integrated Bedding and Integrated Timber divisions.

Consumption of fossil fuels is our largest source of greenhouse gas emissions. For this reason, we use alternative fuels where possible. Instead of using emissions-intensive coal, our Integrated Timber division, for example, uses biomass to generate thermal energy. This biomass comprises shavings, offcuts and wood chips which are by-products of our manufacturing process.

There are ongoing initiatives in place to reduce energy consumption. This year, for example, PG Bison's Piet Retief operation rerouted waste material to be used in a downstream drying process, resulting in savings of approximately 120 MW/h per annum.

Given the diversity of the KAP operations, it is not practical to set a group carbon emission reduction target. Where appropriate, targets are set at divisional and operational levels.



Our people

KAP has a strategic and multifaceted approach to developing human capital and managing identified talent for the future

Level 6
B-BBEE RATING

19 579
PERMANENT AND SEASONAL EMPLOYEES

15 978

TRAINING INTERVENTIONS (FY18: 15 623)

R154 million

INVESTED IN TRAINING AND PEOPLE DEVELOPMENT (FY18: R129.6 MILLION)

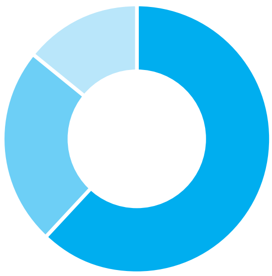
One of the company's strategic objectives is to be an industry leader in its chosen markets. This implies a requirement to attract and retain only the finest people in the industry and to consistently improve their skills.

This strategy is underpinned by our corporate culture and reinforced through our code of ethics to create a competitive advantage for KAP.

To enable us to achieve this strategic objective, our annual investment in terms of remuneration and benefits is R4.5 billion, which represents 56% of the wealth created.

KAP employs 19 579 permanent and seasonal employees. The latter are employed primarily by our Contractual Logistics (Africa) division, operating in the agricultural sector.

Permanent staff profile



Women play an important role and add significant value throughout the company, representing 15.7% (FY18: 13.3%) of our permanent employees. Although progress has been made, several initiatives are under way to increase female representation across all operations and levels of management. Of the employees studying for a degree or diploma, 37% (FY18: 33%) are women and, in terms of participants enrolled in learnership or apprenticeship programmes, 27% (FY18: 13%) of existing employees and 41% (FY18: 34%) of external participants are female. We promoted 296 (FY18: 328) people this past year, of whom 20% (FY18: 18%) were women. Women currently represent 22% (FY18: 21%) of all middle and senior management promotions.

Despite the physical industrial nature of the industries we operate in, the company has 54 employees with disabilities.

KAP focuses on developing and retaining its employees. Permanent staff turnover for the past year was only 4%, which is in line with industry trends. The company proactively aligns day-to-day business practices in South Africa with its B-BBEE commitments and creates opportunities for the youth through learnerships and educational upskilling.

We acknowledge the importance of creating a healthy and safe work environment, giving our employees a 'voice', and ensuring we reward them relative to market standards.

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

Training and development

KAP encourages employees to further develop themselves by creating a positive environment through either financial assistance and/or time off to pursue degree or diploma courses. We have 146 (FY18: 102) full-time employees currently studying toward a degree or diploma, of whom 122 (FY18: 91) are black employees. We have 54 (FY18: 34) women studying toward a degree or diploma. The company invested R154 million (FY18: R129.6 million) in training and people development and trained 7 305 (FY18: 6475) employees during the past year.

KAP currently has 1 032 (FY18: 1 551; F17: 843) participants enrolled in learnership, apprenticeship and internship programmes, of whom 91% (FY18: 76%) are black and 36% (FY18: 24%) are female. We invested R69 million (FY18: R56 million) in these programmes. The company furthermore subsidises 663 non-employees who are participating in third-party learnerships, apprenticeships or internships recognised across the various divisions. Of these 663 participants, 271 are women and 79 are learners with disabilities. These learnership programmes provide both a theoretical and practical learning environment. If positions become available within the company, candidates are sourced from this pool of learners.

Each division has submitted a three-year employment equity ('EE') plan and target to the South African Department of Labour. The EE plan identifies the skills and the target number of people across all management levels required to balance gender and race diversity levels within the organisation to better reflect the demographics of our communities. Progress is measured against these targets in each division to ensure we have a sustainable supply of educated talent for the future needs of the company and that we simultaneously achieve our gender and race diversity targets.

KAP has developed a leadership competency model and the company's leadership group has been assessed on their leadership competencies. In the forthcoming year, identified leaders will be undertaking a leadership development programme covering 41 topics. The 'e-learning' programme will be facilitated by the Harvard Business School. This year R5.2 million was spent on leadership development.

Employee engagement

Quarterly engagement forums aimed at all senior employees across the various divisions encourage interaction and create a platform to share experiences and case studies. Senior executives receive training at these forums on relevant topics, e.g. competition legislation, ethics, ESG and other leadership-related matters.

The various divisional managers provide regular feedback and communication to all levels of staff through a variety of mechanisms, including the established union structures as well as divisonal CEO roadshows and plant-based meetings. All operations have detailed grievance procedures in place that allow every employee to raise a grievance without fearing victimisation, thereby ensuring the ongoing respect for the employee's rights.

The culture of open communication in the company is further encouraged through staff climate surveys and staff can access KAPREF – an independently managed and confidential reporting hotline. All incidents reported on the hotline are investigated in detail and reported to the social and ethics committee, as well as discussed in divisional board meetings.

Creating a safe work environment

Our health and safety policy is embodied in our code of ethics. CEO Gary Chaplin is ultimately responsible for health, safety and environmental issues and ensures that this responsibility is delegated throughout the organisation. The various divisions are accountable for identifying potential health and safety risks, managing and reporting these risks, as well as conducting appropriate health and safety training for employees and contractors by equipping them with the necessary knowledge and skills that will ensure a healthy and safe work environment.

KAP has a continuously evolving health and safety system that involves a legal register, risk register, incident register, risk management plan (with regular hazard identification and risk assessments), internal audits, safety training, management reviews and third-party audits undertaken on existing as well as any new projects. All incidents are measured and recorded, remedial actions are taken and reported to the relevant authorities and regulatory bodies. In-depth investigations are conducted into all incidents and mitigation procedures are continuously reviewed.

Various recognised safety systems, processes and procedures have been adopted by the various divisions. Where applicable, ISO 9001, ISO 14001, ISO 45001 and ISO 18001 have been adopted. Each division has a qualified risk manager or a safety, health, environment and quality officer who is responsible for health and safety oversight and reporting. Each division is required to report to the executive, the audit and risk committee and, ultimately, to the KAP board on health and safety matters.

KAP also has a supplier code of conduct in place, requiring companies who do business with us to provide a safe and healthy work environment for all their employees. All supplier employees or representatives providing on-site services in a KAP facility are also required to adhere to KAP safety standards and site rules.

Significant progress was made in the measurement and reporting of reportable injuries ('Compensation of Occupational Injuries and Diseases/COID') in the past year. These statistics are reported to the social and ethics committee as well as the KAP board.

Senior executives are measured on their divisional health and safety targets. KAP has set a target of zero fatalities across all operations. Unfortunately, the company experienced seven fatalities this past year. Six of these fatalities occurred in the Contractual Logistics and Passenger Transport divisions. These divisions travel more than 380 million kilometres per annum on public roads where they are exposed to several uncontrollable factors. Road safety is an ongoing challenge, particularly seen in the context of South Africa's poor road safety record. According to the World Health Organisation ('WHO'), South Africa has 39.1 fatalities per 100 000 people versus the global average of 18 per 100 000. The company mitigates this risk through ongoing training, investing in and maintaining a modern fleet of vehicles, and the live monitoring of driver performance and behaviour using a variety of technologies. The group remains committed to creating a safe work environment.

The KAP health and safety statistics for the past financial year are reflected in the table below:

	Lost time injuries ('LTI')	**Occupational diseases ('ODI')**	**COID, no lost time**	**Total COID**	**Fatalities**
Employees	379	5	233	617	7
Contractors	36	Not measured	Not measured	36	0
Total	415	5	233	653	7

There are regular interactions to continuously ensure the health and safety of our staff. Safety representatives are appointed from the shop floor in accordance with the South African Occupation Health and Safety Act. We continuously train our staff and contractors in health and safety. During the period under review, R16 million was spent on health and safety-related training.

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

Programmes are in place to ensure the health of all KAP employees. HIV/Aids is addressed in divisional policies, and divisions have holistic and comprehensive programmes in place to promote awareness, prevention, voluntary testing and support. Policies cover aspects of confidentiality, non-discrimination and commitment to implement programmes relevant and of value to that division and its employees. Where applicable, local communities are involved in initiatives such as World Aids Day. This past year, 4 640 people received HIV/Aids education.

Certain divisions, where appropriate, have on-site health clinics for their staff. Within our transport environment, mobile clinics are available on the main routes. Our clinics have qualified nursing staff, assisted by doctors, to provide workplace health risk assessments, including TB monitoring, industrial hygiene, medical surveillance, as well as outcome management and incident management in line with the Health Risk Control section of the Healthcare Model.

Creating an ethical culture

The KAP code of ethics was reviewed and updated by the social and ethics committee. This code, as published on the website, is specific in terms of behaviour expected from KAP employees. All employees are provided with the code of ethics as part of the company's induction process.

In addition, a supplier code of conduct was introduced into the company. This code addresses issues such as bribery, health and safety, environment and labour, as well as human rights practices the company expects suppliers to adhere to.

KAP wishes to avoid anti-competitive conduct or any appearance thereof. There is ongoing training for senior and relevant middle management across all the operations on competition law and the changing competition regulations.

New and additional measurements and reward systems were adopted during the past year. In addition to financial and growth-based measures, management are measured and rewarded on B-BBEE targets, health and safety compliance, succession planning, internal audit compliance and ESG targets.

Responsible employment

KAP subscribes to the principles of the UNGC and the recommendations of the International Labour Organisation. Our code of ethics provides employees with a summary of what constitutes unlawful or unethical practices and behaviour, and provides guidelines on topics that include basic human rights, gender and race diversity.

Freedom of association is guaranteed in the South African Constitution. Of our 15 249 South African employees, 56% are unionised. KAP is actively involved and prominent in all associated industry bargaining councils. The primary task of the bargaining councils is to determine industry terms and conditions of employment. The bargaining councils are regulated and require both employer and employee representation. A senior executive, with the assistance of the divisional human resource managers, is tasked with stakeholder engagement and working with the relevant bargaining councils. There is ongoing engagement with all the main unions represented in the various divisions as well as other industry representatives. Almost 95% of all the group's collective bargaining is conducted through centralised structures.

KAP meets or exceeds all minimum wage requirements as legislated in the territories it operates. Furthermore, our employees voluntarily participate in both medical and health schemes. Memberships to retirement schemes are compulsory for permanent employees. Overtime is strictly monitored and reported to ensure KAP remains compliant with all local labour laws.

R16 million
WAS SPENT ON HEALTH AND SAFETY-RELATED TRAINING

Value-added statement 30 June 2019

	2019 Rm	%	2018 Rm	%
Revenue	**25 765**		23 038	
Net cost of raw materials, goods and services	**(17 643)**		(14 783)	
Wealth created by trading operations	**8 122**		8 255	
Capital items	**(149)**		(66)	
Income from investments	**89**		59	
Total wealth created	**8 062**	**100.0**	8 248	100.0
Distributed as follows				
Employees				
Benefits and remuneration	**4 487**	**55.7**	4 368	53.0
Governments				
Taxation	**522**	**6.5**	501	6.1
Providers of capital	**1 429**	**17.7**	1 373	16.6
Finance costs	**773**	**9.6**	743	9.0
Distributions to shareholders	**618**	**7.7**	559	6.8
Distributions to non-controlling interests	**38**	**0.5**	71	0.9
Retained for growth	**1 624**	**20.1**	2 006	24.3
Depreciation and amortisation	**1 190**	**14.8**	1 045	12.7
Profit attributable to the owners of the parent[1]	**415**	**5.1**	981	11.9
Profit attributable to non-controlling interests[2]	**19**	**0.2**	(20)	(0.2)
	8 062	**100.0**	8 248	100.0

[1] Profit for the year attributable to owners of the parent less dividends paid.
[2] Profit for the year attributable to non–controlling interests less dividends paid.