INTEGRATED REPORT 2024

kap

BEING THE CHANGE

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INTRODUCTION

ABOUT THIS REPORT

Scope and boundary

Our 2024 integrated report provides an overview of the company's ability to create and preserve value for our stakeholders through delivery on our strategy and purpose.

Throughout this report, we provide a holistic overview of our governance practices, our strategy, our financial and non-financial performance for the 2024 financial year, and our prospects. We also include extracts from our consolidated annual financial statements ('AFS') in our discussion of financial performance.

We refer to time frames throughout this report. We consider a time frame of less than three years as short term, between three and five years as medium term, and more than five years as long term.

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

We report primarily on the financial year from 1 July 2023 to 30 June 2024 ('FY24'), which is compared throughout the report to the previous financial year, from 1 July 2022 to 30 June 2023 ('FY23').

Integrated reporting boundary

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

Strategy, page 15
Business model, page 17
Material themes, page 27
Operating environment, page 28
Stakeholder engagement, page 34
Risks and opportunities, page 38

Our key stakeholders include:

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

Our key business inputs include:

- FC Financial capital
- TA Tangible assets
- IA Intangible assets
- IM Input materials
- EM Employees
- SR Other key stakeholder relationships

Financial reporting boundary

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

PG BISON SAFRIPOL UNITRANS FELTEX RESTONIC optix

Our reporting scope and boundary are unchanged from our 2023 integrated report.

Principles and frameworks

Frameworks considered, aligned to or applied

Integrated report

- The International Reporting <IR> Framework
- JSE Limited ('JSE') Listings Requirements
- JSE Sustainability and Climate Disclosure Guidance
- Sustainability Accounting Standards Board ('SASB') Standards
- International Sustainability Standards Board ('ISSB') and International Financial Reporting Standards ('IFRS® Accounting Standards') and Sustainability Disclosure Standards ('IFRS® Sustainability Disclosure Standards')

Consolidated and company annual financial statements

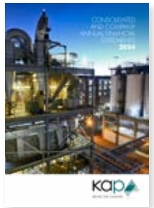
- Companies Act, No. 71 of 2008 of South Africa ('Companies Act')
- IFRS Accounting Standards and its interpretations adopted by the International Accounting Standards Board ('IASB') in issue
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee
- Financial pronouncements as issued by the Financial Reporting Standards Council
- JSE Listings Requirements
- King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™')[1]

Corporate governance report and notice of annual general meeting ('AGM')

- Companies Act
- Companies Regulations, 2011
- JSE Listings Requirements
- King IV™
- Other Good Practice Codes and Standards as espoused by institutions such as the Corporate Secretaries International Association, the Chartered Governance Institute of Southern Africa and the Institute of Directors South Africa ('IoDSA')
- Memorandum of incorporation ('MOI')

Reporting suite

Consolidated and company annual financial statements



Corporate governance report

Notice of AGM

The reports are available on our website at www.kap.co.za.

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

ABOUT THIS REPORT (CONTINUED)

Materiality

We apply the principle of materiality in considering the information that should be included in our integrated report. We therefore focus primarily on those matters that can impact, either directly or indirectly, the sustainability of the group and our ability to create value for shareholders and other stakeholders over time. Our material matters are grouped under the following themes and discussed throughout this report:

- M1 Allocating capital effectively and improving returns
- M2 Growth in a subdued macroeconomic environment
- M3 Business resilience
- M4 Attracting, developing and retaining talent
- M5 Sustainability

Assurance

This report has been prepared by senior and executive management, under the supervision of the board, which retains ultimate responsibility. The information included in this report was compiled from KAP and divisional board discussions and meetings, business plans and other internal and external documentation and information necessary to meet the requirements of the <IR> Framework.

This report has been subject to various internal and external assurance processes. Our auditor, KPMG Inc., has provided external assurance on our FY24 AFS and expressed an unqualified audit opinion. The auditor has also reviewed the accuracy of the financial information extracted from the FY24 AFS that appears in the integrated report. Our sustainability data has limited external assurance, with our Scope 1 and Scope 2 emissions assured by Catalyst Solutions and our B-BBEE data by AQRate.

Restatement

In October 2023, management detected that a raw material supplier had incorrectly applied a contractual pricing formula for the period 1 February 2022 to 30 September 2023. This resulted in one of our divisions (Safripol) being overcharged by R183 million for raw material purchases, R163 million of which relates to the period prior to 1 July 2023. The error was immediately corrected, and the overcharges recovered from the supplier.

The FY23 financials have been restated to correct the impact of the error, effectively increasing prior period earnings. The impact of the restatement is disclosed in the notes to the FY24 AFS. Management considered the circumstances that led to the restatement and implemented the necessary controls to prevent the recurrence of such an error.

Forward-looking statements

This report contains certain forward-looking statements about the group's financial condition, results, performance, operations and strategy, which are discussed in our CEO's review (page 23), our CFO's review (page 43) and our divisional review (page 51).

Forward-looking statements involve inherent risk and uncertainty as they relate to future events and circumstances and are based on assumptions related to such future events and circumstances. As a result, the group's actual future financial condition, results and performance may differ materially from these forward-looking statements. Any forward-looking statement contained herein has not been reviewed or reported on by the external auditors. The group furthermore undertakes no obligation to update any forward-looking statements.

Board responsibility statement

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

The board approved the FY24 AFS on 29 August 2024, on recommendation of the audit and risk committee, and the KAP integrated report on 31 October 2024, on recommendation of a special ad hoc committee of the board.

Signed on behalf of the board

Patrick Quarmby
Chairperson

Gary Chaplin
Chief executive officer

Frans Olivier
Chief financial officer

Feedback

We welcome any feedback on our integrated reporting suite. Please send any commentary to our investor relations and sustainability executive, investors@kap.co.za.

MESSAGE FROM OUR CHAIRPERSON

Patrick Quarmby
Independent non-executive chairperson

Key messages

- KAP's business model and strategy have proved resilient during challenging operating conditions and a major investment cycle.
- The resilience and adaptability of KAP's business model is reflected in the FY24 results, with five of the group's six divisions delivering improved performances, despite a subdued economic environment.
- The board is confident that KAP has built a solid foundation for growth and enhanced shareholder value.

Introduction

On behalf of the board, I am pleased to present our 2024 integrated report, which reflects KAP's performance during the year, and summarises our efforts to preserve and create long-term value for our stakeholders.

FY24 performance

Our 2024 financial year demonstrated the resilience and adaptability of the group in operating in a challenging trading environment, characterised by continued macroeconomic headwinds, infrastructure disruptions and subdued consumer demand. Five of our six divisions showed an increase in profitability, with good progress being made with various restructuring and cost-saving initiatives. This was unfortunately overshadowed by a weaker result from our polymers division, Safripol, which experienced a deeper-than-expected cyclical low in the global polymers industry year.

The group completed several multiyear major capital projects in the second half of the financial year, within targeted timelines and budgets, which represents a significant milestone in the execution of KAP's strategy. This is a commendable achievement, given the inflationary environment, commodity price volatility and supply chain disruptions experienced during the construction of these projects. In completing these projects, the group has concluded a major investment cycle, in line with our strategy to deliver sustainable, value-accretive growth for our stakeholders by building a portfolio of market-leading businesses.

Overall, the group's performance translated into an 8% decline in earnings before interest and taxation ('EBITDA'), an 11% decline in operating profit and a 4% decline in headline earnings per share ('HEPS'). As noted above, the decline in performance is largely attributable to Safripol.

More detail on the results can be found in the CFO's review.

Read more: CFO's review, page 43

Creating value for our stakeholders

The group consists of a portfolio of quality unlisted companies with well-known and respected brands. The board and management team continuously evaluate the most effective ways to allocate capital to deliver on our strategy and fulfil our purpose of creating lasting economic and social value. We believe that our ability to create value is supported by the following:

- Most of our divisions are leaders in their respective sectors, with high barriers to entry and competitive cost structures enabling them to compete on both a local and global scale.
- Our manufacturing businesses work with customers to deliver products that meet their needs, contribute to government localisation targets, and promote sustainability efforts, positioning them ahead of importers.
- Our manufacturing businesses own assets with long useful lives and are equipped with the latest technology, enhancing their competitiveness and entrenching their market position.
- The diversified nature of revenue and cash flow in our portfolio supports risk mitigation and sustainable earnings growth over time.

During the year, we created value for our stakeholders as follows:

- We paid R307 million in corporate taxes to government.
- We paid R5 299 million in employee remuneration and benefits and invested R122 million in employee training and development.
- We invested R75 million in enterprise and supplier development ('ESD') and continued to support businesses with the necessary B-BBEE credentials, with 75% of our local procurement spend directed to suppliers with Level 4 B-BBEE ratings and better.
- We provided R32 million in support to communities in the form of socioeconomic development ('SED') projects, which largely focused on community development, education and nutrition.

MESSAGE FROM OUR CHAIRPERSON (CONTINUED)

- We reinvested R2 182 million in our business, of which c. 81% related to expansions, to support the sustainability of our operations and future growth.
- We paid R1 092 million in finance costs, considering the completion of our major capital projects, and concluded a R3 billion revolving credit facility, at favourable interest rates and covenants, to refinance maturing facilities.

The group maintained its Level 4 B-BBEE rating.

As a board and management team, we have focused on the below material items during the year to enhance value for our shareholders and other stakeholders. These items also address areas of concerns raised by our shareholders and investors during our engagements with them, particularly around net debt levels, Unitrans' performance, project execution risk, and our remuneration implementation report. These are discussed in more detail in the CEO's review on page 23, stakeholder engagement on page 34 and remuneration review on page 98.

FY24 focus areas		Progress and outcome
Ensure operational performance in line with targets and strategy	✓	Five of the group's six divisions showed growth on the prior period, with PG Bison achieving a record performance. Safripol's result was well below expectations, due primarily to lower than anticipated global polymer margins.
Ensure successful completion of the group's major capital projects in FY24, on time and within budget	✓	All projects were completed in 2H24. These multiyear projects amounted to c. R2.5 billion.
Ensure adequate progress is made with the Unitrans restructure to deliver improved performance	✓	Good progress has been made with the restructuring of Unitrans. Fixed assets employed reduced by R697 million due to disposals of underproductive assets. Additionally, activities that contributed to losses of R107 million were closed in FY23, and cost savings of c. R100 million were realised in FY24.
Ensure the group remains within financial covenants and contains net debt levels, considering the completion of major capital projects in an uncertain and challenging operating environment	✓	The group was well within its covenants. Net interest-bearing debt increased by only R299 million, despite the material investment in major capital projects. The group also raised a R3 billion revolving credit facility to refinance a combination of the previous revolving facility and term debt and bonds.
Review the remuneration policy, as more than 25% of the shareholder votes at the 2023 AGM did not support the implementation report	✓	We have engaged with dissenting shareholders to understand their needs and concerns and amended our policy.

The board's key focus areas for FY25 are as follows:

- ensuring sufficient value realisation from the group's recently completed major capital projects, aligned with the projects' feasibility studies;
- ensuring that the restructuring of Unitrans maintains momentum to deliver an operating profit improvement; and
- ensuring that the group reduces its net debt levels, with a targeted reduction of R1 billion in FY25.

The group's remuneration policy has been amended to align incentives with the above objectives, as outlined in our remuneration review. The board's focus areas for FY25 are outlined in our corporate governance report, available on our website.

Read more: Corporate governance report

Board composition

At the conclusion of our AGM, which was held on 21 November 2023, Jo Grové retired and stepped down from his position as lead independent non-executive director on the board. We thank Jo for his service and invaluable contribution to the board over many years.

The following portfolio changes were made during the year: Johan Holtzhausen was appointed as lead independent non-executive director in Jo's stead on 18 December 2023. Viv McMenamin stepped down as a member of the sustainability, social and ethics and human capital and remuneration committees, effective 1 September 2023, due to her increased executive responsibilities at Mondi Group, but retained her position as an independent non-executive director on the KAP board. Tamara Esau-Isaacs stepped down as a member of the investment committee, effective 18 December 2023.

The following new appointments were made during the year: Andrew Mthembu was appointed as an independent non-executive director on 15 January 2024. He also serves as a member of the human capital and remuneration and investment committees. Sipho Maseko was appointed as an independent non-executive director on 15 March 2024. He also serves as a member of the sustainability, social and ethics and investment committees. We welcome Andrew and Sipho to the board and look forward to their contributions.

After a period of almost 12.5 years on the KAP board, eight years of which as the audit and risk committee chairperson and three years as board chairperson, and having reached the age of 70, I have decided to retire from the board after the 2024 AGM. Serving on the board has been an honour and privilege and I wish Gary, Frans, Penwell and their fantastic executive team and employees all the best for the future.

The board has resolved to appoint Johan Holtzhausen as the new chairperson following my retirement. I am very pleased with this appointment and believe that Johan is well equipped to guide the board and the company through its next phase. On behalf of the board, I congratulate Johan on his appointment and wish him every success in the role.

I believe that we have a well-balanced, independent, and diverse board, with a wide range of skills and industry experience both to discharge our governance and oversight role, and to steer and set the strategic direction of the group. I also have full confidence that our executive directors and management team have the necessary drive, skills and experience to execute our strategy.

MESSAGE FROM OUR CHAIRPERSON (CONTINUED)

Dividend

After taking into consideration the subdued and uncertain macroeconomic outlook and KAP's current debt levels, the board decided not to declare a dividend in 2024. As we have a flexible dividend policy, the board will continue to evaluate the best way to reward shareholders when considering the capital allocation opportunities available to the group.

Outlook

The board has confidence in KAP's strategy and its approach to building market-leading businesses, and we are comfortable with the current composition of its portfolio.

We are encouraged by the measures being taken to address certain underperforming areas and further increase resilience in the group, considering the still challenging and uncertain operating environment, which is establishing a strong foundation for future long-term growth. Considering the group's strategic initiatives, detailed in our CEO's review, together with the contribution of the recently completed major capital projects, the board is positive about KAP's outlook and its ability to achieve growth, improve returns, reduce net debt, and thereby enhance shareholder value.

Appreciation

I am indebted to my colleagues on the board and our management team, led by our CEO, Gary Chaplin, for the crucial role they played over the past year in positioning KAP for future performance. Their leadership, focus and resilience enable us to deliver on our strategy and, where necessary, to restructure and realign our divisions to deliver value-accretive growth.

I thank our employees for their contribution and dedication during a challenging year. Their remarkable resilience, skills, knowledge and experience are fundamental in executing and achieving our strategy and purpose.

Finally, I would like to express my deep gratitude to our shareholders, funders and all our stakeholders, all of whom play a central and crucial role in our sustainability and success.

Patrick Quarmby
Independent non-executive chairperson

FY24 HIGHLIGHTS

Financial performance

Revenue	EBITDA	Operating profit	Operating margin	HEPS
R29.1 billion	R3.7 billion	R2.3 billion	7.7%	45.3 cents
▼ 2%	▼ 8%	▼ 11%	▼ 80 bps	▼ 4%

Earnings per share	Cash generated from operations	Net working capital	Expansion capex	Net interest-bearing debt
43.8 cents	R3.5 billion	R2.9 billion	R1.8 billion	R8.3 billion
▲ 106%		▲ R239 million	primarily PG Bison MDF project	▲ R299 million

Environmental performance

GHG emissions (Scope 1 and 2)	Renewable electricity consumption	Water withdrawals	Waste purchased to produce products*	Internally generated waste recycled*	Total waste disposal	Capex related to renewable energy
867 977 tCO_2e	21 856 MWh	1 280 megalitres	14 086 tonnes	24 877 tonnes	13 202 tonnes	R68 million
▼ 7%	6% of total	unchanged	▲ 20%	▲ 25%	▲ 11%	▼ 38%

Social performance

Number of employees	Employee remuneration and benefits	Training and development	Black employees in management^	Female employees in management^
17 453	R5.3 billion	R122 million	61%	30%
▼ 3%	▲ 4%	▼ 7%	▲ 200 bps	▲ 300 bps

Employee and contractor fatalities	Contribution to enterprise development	Contribution to supplier development	Contribution to socioeconomic development	B-BBEE rating
2	R26 million	R49 million	R32 million	Level 4
unchanged	▼ 10%	▲ 9%	▲ 33%	unchanged

* Waste that may have otherwise ended up on landfill.
^ Reference to permanent South African employees, junior managers and above.

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OVERVIEW OF KAP

KAP AT A GLANCE

Our vision

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

Our purpose

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

Our values

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

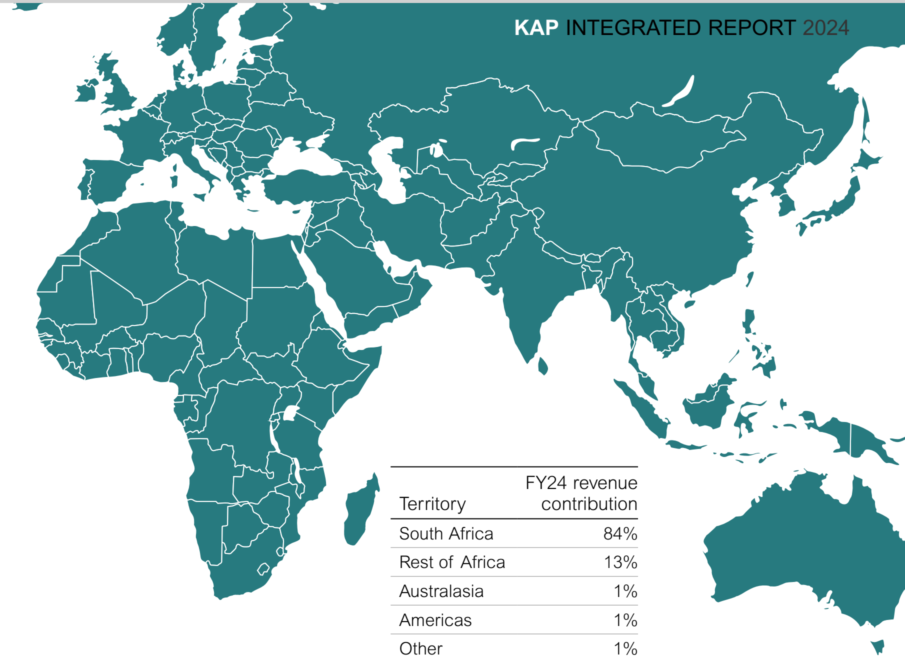
Who we are and what we do

KAP is a leading industrial group, owning a diversified portfolio of businesses ('our divisions') that operate in the following industries: wood-based decorative panels, polymers, end-to-end supply chain and operational services, automotive components, sleep products and road safety.

Our divisions have strong and respected brands, are connected by our purpose and values, and follow the same business principles. They operate in the business-to-business space, with customers ranging from medium-sized regional operators to large multinational organisations. Their products and services contribute to the manufacture or distribution of discretionary and non-discretionary products, which are used by consumers and integrated into their daily lives.

Geographic presence

Our divisions are largely based in South Africa, and most of our group revenue is generated in the country, with the remainder generated in the other markets we serve, either through an in-country presence or via exports.



Territory	FY24 revenue contribution
South Africa	84%
Rest of Africa	13%
Australasia	1%
Americas	1%
Other	1%

What differentiates us

Portfolio composition	We offer investors a vehicle to invest in a portfolio of quality, unlisted businesses, with well-known and respected brands.
Market leadership and cost competitiveness	Most of our divisions are leaders in their respective sectors, with high barriers to entry and competitive cost structures enabling them to compete on both a local and global scale.
Local manufacturer advantage	Our manufacturing businesses work with customers to deliver products that meet their needs, contribute to government localisation targets, and promote sustainability efforts, positioning them ahead of importers.
Asset lifecycle	Our manufacturing businesses own assets with long useful lives and are equipped with the latest technology, enhancing their competitiveness and entrenching their market position.
Diversification	The diversified nature of revenue and cash flow generation in our portfolio supports risk mitigation and sustainable earnings growth over time.

Read more: CEO's review, page 23 CFO's review, page 43 Divisional review, page 51 Sustainability review, page 68

Committed to sustainability

Sustainability principles are integrated with the commercial strategies of our divisions, aligned with our purpose and values, and considered in our capital allocation decisions.

We prioritise six sustainability matters ('priority matters'), which correspond with the below United Nations Sustainable Development Goals ('UN SDGs'). These represent matters that we consider as material to both the group and our stakeholders.

- Water management
- Waste management
- Greenhouse gas ('GHG') emissions and energy management
- Health and safety
- Attracting and retaining talent
- Community development

Read more: Sustainability review, page 68

GROUP STRUCTURE

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

PG BISON

Contribution to group metrics

Revenue
19%
(FY23: 18%)

Operating profit
43%
(FY23: 37%)

Net operating assets
37%
(FY23: 32%)

Inputs

- Raw materials, sourced locally and imported, comprising mainly timber, urea, methanol and decorative paper
- Energy (renewable and non-renewable)
- Three panel manufacturing complexes in South Africa as well as plantations in the northeastern Cape and southern Cape
- Employees and other key stakeholders

Outputs

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

Customers

- Resellers
- Kitchen and furniture manufacturers
- Trade retail chains
- Upgraders and shopfitters

Revenue drivers

- Lifestyle and consumer aspirations
- Residential and commercial construction and renovation activity
- Furniture retail demand

Areas of differentiation

- Largest decorative wood-based panel business in Africa
- New generation assets, utilising the latest technology, with long remaining useful lives
- Competitive cost positioning relative to local competitors and global peers
- Integrated value chain, supporting sustainability and cost competitiveness
- Innovative, high-quality value-added products that reflect global consumer and design trends
- Unique approach to customer enablement and consumer demand creation, supporting growth

Note: Upgraded particleboard and MDF are also referred to as value-add products.

GROUP STRUCTURE (CONTINUED)

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



SAFRIPOL shaping your world, responsibly

Contribution to group metrics

Revenue
31%
(FY23: 34%)

Operating profit
16%
(FY23: 36%)

Net operating assets
23%
(FY23: 23%)

Inputs

- Raw materials, sourced locally and imported, comprising mainly purified terephthalic acid, monoethylene glycol, ethylene and propylene
- Energy (renewable and non-renewable)
- Two manufacturing complexes with three plants
- Employees and other key stakeholders

Outputs

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

Customers

- Injection and blow moulding converters
- Bottlers and brand owners

Revenue drivers

- Growth in infrastructure and industrial sectors
- General consumption (consumer goods)

Areas of differentiation

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

GROUP STRUCTURE (CONTINUED)

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

Contribution to group metrics

Revenue
33%
(FY23: 33%)

Operating profit
23%
(FY23: 15%)

Net operating assets
26%
(FY23: 29%)

Inputs

- 4 069 vehicles, which includes specialised equipment sourced from key original equipment manufacturers ('OEMs')
- Fuel and tyres
- People and other stakeholders
- Operating systems

Outputs

Services and solutions provided to the following sectors:

- Agriculture
- Food
- Mining
- Passenger transport
- Petrochemical

Customers

- Commuters
- Food and beverage-producing companies
- Local governments
- Mining companies
- Oil, gas and chemicals companies

Revenue drivers

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

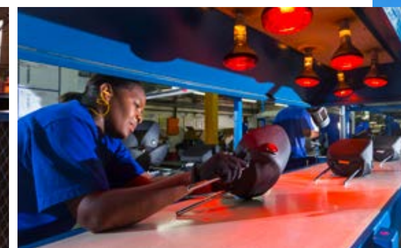
Areas of differentiation

- Established track record of superior safety standards, drivers and specialised assets
- Sector-specific technical and operational expertise and skill sets
- Scale and capacity enable quick and effective execution of large contracts
- B-BBEE Level 2 rating in South Africa (excluding passenger operations, which is at Level 4)

GROUP STRUCTURE (CONTINUED)

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





FELTEX

Contribution to group metrics

Revenue
9%
(FY23: 8%)

Operating profit
12%
(FY23: 9%)

Net operating assets
7%
(FY23: 7%)

Inputs

- Raw materials, sourced locally and imported, comprising mainly toluene diisocyanate ('TDI'), methylene diphenyl diisocyanate, polyol, stainless steel, recycled fabric, PP, PET and recycled PET ('rPET')
- Energy (non-renewable)
- 19 manufacturing plants across South Africa
- Employees and other key stakeholders

Outputs

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

Customers

- OEMs
- Automotive retailers

Revenue drivers

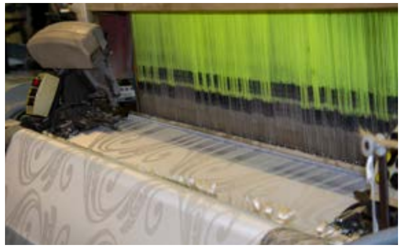
- South African automotive assembly volumes, which are influenced by global vehicle demand due to exports
- Light commercial vehicle ('LCV'), sport utility vehicle ('SUV'), heavy commercial vehicle and extra heavy commercial vehicle sales

Areas of differentiation

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

GROUP STRUCTURE (CONTINUED)

RESTONIC is an integrated manufacturer of sleep products under various brands, including Restonic, iDream, Green Coil and Genessi, as well as retail house brands for South African furniture and bedding retailers.



RESTONIC
BELIEVE IN THE POWER OF SLEEP

Contribution to group metrics

Revenue
6%
(FY23: 5%)

Operating profit
6%
(FY23: 3%)

Net operating assets
6%
(FY23: 7%)

Inputs	Outputs
• Raw materials, sourced locally and imported, comprising mainly steel, timber, PP, polyester, yarn, recycled fabric, low-density polyethylene, TDI and polyol • Energy (non-renewable) • Manufacturing assets • Employees and other key stakeholders	• Sleep products • Flexible polyurethane foam • Knitted and woven mattress fabrics

Customers	Revenue drivers
• Furniture and mattress retailers • Furniture and mattress manufacturers	• Population growth and demographic profile • Growing middle class with evolving aspirations • New home development and renovation activity

Areas of differentiation

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

GROUP STRUCTURE (CONTINUED)

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

optix SAFELY HOME

Contribution to group metrics

Revenue
2%
(FY23: 2%)

Operating profit
0%
(FY23: 0%)

Net operating assets
3%
(FY23: 3%)

Inputs

- Hardware sourced from leading global technology principals
- Artificial intelligence ('AI') and machine learning ('ML') data analytics services
- In-house technology platforms
- Data storage and analytics
- Employees and other key stakeholders

Outputs

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

Customers

- Fleet owners of vehicles and mobile equipment in various industries, including logistics, mining, waste management, telecommunications, fast-moving consumer goods and retail

Revenue drivers

- Escalating requirements of fleet owners to contribute to improved risk management and safety
- Competitive environment encouraging efficiency improvements (time and cost) and better risk management
- Low market penetration of advanced video telematics solutions
- Demand for technology to communicate with a driver on a real-time basis to proactively reduce risk

Areas of differentiation

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

STRATEGY AND THE ELEMENTS THAT SUPPORT EFFECTIVE EXECUTION

Our **strategy** is to **deliver sustainable, value-accretive growth** for our stakeholders by building a portfolio of market-leading businesses. We concentrate on areas where we can **leverage our competitive strengths**, which are mostly in manufacturing and logistics services, while remaining focused on Africa.

Our financial objectives

- Grow revenue
- Enhance margins
- Increase earnings
- Improve returns
- Increase free cash flow and reduce net debt

Elements that support effective strategy execution

The execution of our strategy and achievement of our financial objectives are supported by: 1) Our business principles 2) Our investment criteria 3) Our capital allocation framework

1. Our business principles

Although our divisions operate in different industries, they share a common set of principles. We believe these principles enable them to offer customers fit-for-purpose products and services that are differentiated from competitors and enhance their competitiveness, to support market share gains and protect revenue and margins.

VA Value-add/differentiation
We strive to develop products and services with high value-add to meet and exceed consumer and customers' needs and expectations.

OE Operational excellence
We invest in processes, technology, channels to market, backward integration, sustainable business practices and innovation to build brand equity and deliver products and/or services at the lowest cost.

EM Best employees
We seek to employ the best people, in the right roles, across the group to instil a culture of excellence and ensure successful strategy execution.

SR Strategic stakeholder relationships
We nurture strategic stakeholder relationships through regular engagements and collaboration on relevant matters.

Our business principles in practice during FY24

Some examples of the application of our business principles during the year are summarised below:

Examples	Principle/s
PG Bison's value-add sales volumes continue to grow due to its focus on the channel to market, customer enablement and consumer demand creation activities	VA OE EM SR
PG Bison's new MDF line is globally competitive as it employs the latest technology and is housed on an integrated site	OE EM SR
Unitrans' deep restructuring is restoring its performance to the required levels by focusing on our business principles, particularly operational excellence	VA OE EM SR
Safripol's HDPE conversion and extruder project resulted in an increase in capacity to produce higher-specification polymers and improved efficiencies	VA OE
Restonic's and Feltex's new Laroche fibre tearing lines support lower raw material consumption and the production of differentiated products	VA OE
Restonic's performance materially improved from the prior year following a focus on processes, product and brand equity	OE EM SR

Read more: Divisional review, page 51

STRATEGY AND THE ELEMENTS THAT SUPPORT EFFECTIVE EXECUTION (CONTINUED)

2. Our investment criteria

Our investment criteria guide our capital allocation decisions in relation to our existing divisions and any new businesses. While we are sector agnostic in terms of new businesses, we prefer to focus on areas where we can leverage our competitive strengths, which are predominantly in manufacturing and related areas.

Economically attractive, aligned with our sustainability values*

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

Market leadership and growth

- We prefer to own businesses that are, or have the potential to be, market leaders.
- Investments in our divisions should enhance their market position and increase their competitiveness to support growth.

Diversification

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

Value enhancement

- We endeavour to enhance the value of our divisions by supporting their growth through strategy development and specialised corporate services.

Our investment criteria in practice during FY24

During the year, we completed several major capital projects, which we believe will deliver future growth at attractive financial returns. These included the PG Bison MDF project, which increased the capacity of the division by 33%; the Safripol HDPE conversion and extruder project, which increased operational efficiency and the production of higher-specification polymers; and the Restonic/Feltex Laroche fibre tearing lines, which support lower raw material consumption and increased production of differentiated products from recycled material.

3. Our capital allocation framework

Our capital allocation priorities support our strategic objectives, value-creation and the long-term sustainability of our group.

Debt	Debt should be at a level that provides balance sheet flexibility and resilience. We target a net debt to EBITDA ratio of less than 2 times.^
Replacement (maintenance) capital expenditure	The maintenance of our asset base ensures the sustainability of our divisions.
Efficiency and resilience capital expenditure	Efficiency improvements and increased resilience enhance the competitive positioning of our divisions and ensure continuity of supply to customers.
Capacity expansions, acquisitions, share buy-backs and dividends	We consider expansion and acquisition opportunities (subject to our investment criteria) relative to share buy-backs and dividends.

* As measured through environmental, social and governance ('ESG') metrics.
^ Our debt covenant requires a net debt to EBITDA ratio of less than 3 times.

Our near-, medium- and long-term performance drivers

We believe that the following material items will support improved group performance and returns, based on our strategy and the execution thereof:

Contribution from our major capital projects

These projects, amounting to c. R2.5 billion, have an internal rate of return ('IRR') of more than 15%, and will start contributing to cash flows from FY25.

Improved performance from Unitrans

We are targeting an operating profit improvement of c. R300 million, relative to FY23, over the medium term and a return to an operating margin within our long-term guidance of 8% to 10%.

Reduction in net debt

We are targeting a reduction in net debt of R1 billion in FY25, with further reductions planned thereafter to ensure balance sheet flexibility and resilience in an uncertain and volatile operating environment. We expect that this will be primarily enabled by lower expenditure, relative to FY24, as our major capital projects are now completed, cash flow contribution from these projects, and an improvement in Unitrans' performance.

Continued focus on performance

In addition to the above, we remain focused on enhancing group performance by pursuing growth through market share gains, supported by our investments in capacity, people, processes, product and technology, as well as cost savings, operational efficiencies and asset optimisation, in line with our business principles.

Read more: CEO's review, page 23, CFO's review, page 43

VALUE-CREATING BUSINESS MODEL

We rely on various **resources and relationships** which, through our **business activities**, are transformed to **outputs** that have certain **outcomes for our stakeholders.** Given the diversified nature of our group, our divisions have their own business models. However, we view our business inputs, outputs and outcomes on a consolidated level.*

Business inputs

	Key resources and relationships	Availability and quality
FC	We have a healthy balance sheet, good cash generation and access to diverse and flexible sources of capital and funding. Our equity capital amounts to **R12 775 million** (FY23: R11 819 million) and our debt capital^ to **R9 420 million** (FY23: R9 096 million).	We have sufficient access to capital and have raised a R3 billion revolving credit facility to refinance maturing facilities. This revolving credit facility provides more favourable interest rates. Interest rates, however, remain elevated relative to history.
TA	We own and operate **33 manufacturing facilities** and **4 069 vehicles**. We also own **44 755 hectares** of forestry land, and we provide road safety solutions in over **40 countries**.	Our manufacturing divisions have state-of-the-art equipment and the availability of vehicles for our logistics division is acceptable. However, infrastructure disruptions present a risk to the uninterrupted operation of divisions. Our resilience strategy is focused on ensuring business continuity.
IA	We have recognised and respected brands, research and development capabilities, favourable supplier relationships, strong corporate governance and good ethical conduct.	We have policies to ensure good governance and guide ethical conduct. We innovate and invest in technology to lower costs and differentiate our products and services from competitors.
IM	We use timber (**c. 1 200 kilotonnes**), chemicals (**more than 500 kilotonnes**), electricity (**383 779 MWh**), diesel (**110 megalitres**), water (**1 280 megalitres withdrawn**) and waste products (**14 086 tonnes** and **c. 500 kilotonnes of biomass**) to produce and deliver our products, and/or to provide services to our customers.	While we have adequate access to raw materials, supply chain disruptions and reliance on key suppliers are risks. We are addressing these risks through our resilience strategy. Natural resources are finite, and we are working towards reducing our environmental impact.
EM	We employ **13 712 permanent** and **3 741 seasonal, fixed-term and temporary** employees.	Competition for critical and scarce skills is increasing. Our human capital strategy is focused on developing and growing talent from within the group, as well as attracting and retaining skills.
SR	We have constructive relationships with our key stakeholders, who play a role in our success and sustainability.	Social unrest and policy uncertainty can negatively affect our businesses. We continuously work to improve our relationships with key stakeholders through regular engagements to mitigate risks and positively impact society.

Business activities

We spend most of our time building our existing businesses (divisions), followed by optimising our portfolio for optimal performance, returns and value-creation and lastly, growing our portfolio through investments in new industries.

Building our businesses

- We work with our divisions to develop strategies to establish, grow or maintain market leadership, which may require investment (organic or acquisitive)
- We employ the best management teams to implement these strategies
- We provide specialised corporate services to our divisions to ensure effective strategy execution

Optimising our portfolio

- We review our portfolio to assess their performance and strategic fit, based on our investment criteria
- We address underperformance, and consider divesting if there is strategic misalignment

Growing our portfolio

We pursue organic or acquisitive investment in new industries, subject to our investment criteria and capital allocation priorities

Our investing activities (organic or acquisitive) are primarily supported by the cash flow generated in the group, and capital raised in the debt or equity markets, if necessary.

Business outputs

A diversified portfolio of market-leading businesses

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

Read more: Group structure, page 9

Inevitable byproducts of our inputs and business activities are waste and GHG emissions:^

Waste disposal	GHG emissions
13 202 tonnes	**867 977 tCO_2e**

Read more: Sustainability review, page 68

Business outcomes

Our business outcomes are discussed in the context of the value created for our key stakeholders on the following pages.

Our key stakeholders

Read more: Stakeholder engagement, page 34

* Detail on our divisions' individual inputs, business activities and outcomes are provided in our group structure, page 9.
^ Excludes lease liabilities

^ Scope 1 and 2 GHG emissions, Scope 3 not measured at this stage.

VALUE-CREATING BUSINESS MODEL (CONTINUED): BUSINESS OUTCOMES

Investors, shareholders and debt providers

Our measure of success

- Real earnings growth
- Industry-leading margins
- Attractive financial returns
- A healthy balance sheet
- Strong cash flow conversion

Stakeholder outcome in FY24

Five of our six divisions delivered improved results; however, this was offset by a weaker performance from Safripol, which was affected by a cyclical low in the global polymers industry.

Financial metrics

- Operating margin: 7.7% (FY23*: 8.5%)
- HEPS: 45.3 cents (FY23*: 47.3 cents)
- Operating cash flow conversion: 95% (FY23*: 97%)
- ROCE: 9.9% (FY23*: 11.6%)
- Net debt: EBITDA 2.3 times (FY23*: 2.0 times)

Strategy execution

- We successfully completed our major capital projects within targeted timelines and budget
- We made good progress with the deep restructuring of Unitrans

Distributions to shareholders and debt providers

- Dividends paid^: R79 million (FY23: R751 million)
- Finance costs paid: R1 092 million (FY23: R847 million)

Key external ratings

- Credit rating (long-term national scale): A+(za), negative outlook
- FTSE4Good: 3/5 (FY23: 3/5)

Actions to maintain or improve outcomes

- We are focused on the delivery of three major items, which we believe provides compelling prospects for the group over the near to medium term:
  - » realising value from our major capital projects which were completed in 2H24, the largest being PG Bison's new MDF line in Mkhondo;
  - » further streamlining of Unitrans and repositioning the division for growth; and
  - » increasing free cash flow and reducing net debt from FY25.

Additionally, our divisions will continue to target growth in market share and improved margins and returns through cost savings, operational efficiencies and asset optimisation.

* Restated.
^ Includes dividends paid to minorities.

Employees and trade unions

Our measure of success

- A safe, zero-harm work environment
- Adequate training and development opportunities
- The right people, in the right roles
- Recognising and rewarding performance
- A diverse, inclusive and engaged workforce
- Constructive, mutually beneficial relationships with organised labour

Stakeholder outcome in FY24

While we have made good progress in implementing our human capital strategy, this was overshadowed by an employee fatality at one of our sites. We are committed to providing our employees with a safe, injury-free work environment, and any loss of life is unacceptable.

Health and safety

- Employee fatalities: 1 (FY23: 0)
- DIFR: 1.1 (FY23: 1.0)

Training and development

- Total expenditure: R122 million (FY23: R131 million)
- Employees in training: 1 105† (FY23: 1 122)

Reward and recognition

- Annual employee remuneration and benefits: R5 299 million (FY23: R5 114 million)

Diversity and inclusion

- Black employees and managers: 89% and 61%#
- Female employees and managers: 20% and 30%◊

Relationship with organised labour

- Trade union membership: 70% (FY23: 58%)
- Successful conclusion of wage negotiations

Employee turnover

- Voluntary turnover rate: 6% (FY23: 6%)

Actions to maintain or improve outcomes

- Subsequent to an employee fatality at PG Bison's plantation operations, we are reinforcing standards, procedures and training, for employees and contractors, with emphasis on higher-risk harvesting and extraction operations.
- We continue to implement our human capital strategy. Areas of progress during the year included:
  - » Implementing a succession framework to ensure that we have a deep succession pipeline for leadership roles and specialist functions.
  - » Investing in work-integrated technical skills training and leadership development to improve product quality, operational efficiencies and leadership capacity.
  - » Implementing talent mapping for specialist functions and executive roles to mitigate succession risk and skills shortages and improve diversity and inclusion.
  - » Rolling out our employee value propositions and improving internal communication to retain skills and enhance employee engagement.

Reference to permanent South African employees. ◊ Reference to permanent South African employees, junior managers and above.
† Reference to apprenticeships, learnerships and internships.

VALUE-CREATING BUSINESS MODEL (CONTINUED): BUSINESS OUTCOMES

Suppliers and service providers

Our measure of success

- Maintaining constructive, mutually beneficial relationships with our suppliers
- Providing a safe, zero-harm environment for our contractors
- Ensuring suppliers adhere to our supplier code of conduct to ensure ethical business dealings and practices
- Contributing to the growth of our suppliers, especially in South Africa

Stakeholder outcome in FY24

We continued to support ESD during the year. Unfortunately, a contractor passed away while on duty at one of our sites. We are committed to providing our contractors with a safe, injury-free work environment, and any loss of life is unacceptable.

Health and safety

- Contractor fatalities: 1 (FY23: 2)

Procurement spend

- Preferential procurement (qualifying spend*) on suppliers of B-BBEE Level 4 and higher: 75% (FY23: 77%)

Enterprise and supplier development

- Contribution to enterprise development: R26 million (FY23: R29 million)
- Contribution to supplier development: R49 million (FY23: R45 million)

Actions to maintain or improve outcomes

- We engage and collaborate with our suppliers to safeguard the continued supply of quality products and services to our customers and to lower the environmental footprint and costs across the relevant value chains.
- We continue to expand our ESD initiatives, aligned with our sustainability priority areas.
- Subsequent to a contractor fatality at PG Bison's plantation operations, we are further improving our processes for supplier appointments, onboarding and training, particularly relating to safety, to ensure the safety of our contractors on site.

* Only South Africa, excluding imports.

Customers and consumers

Our measure of success

- Delivering innovative, high-quality, fit-for-purpose products and solutions that meet our customers' needs and exceed their expectations
- Superior customer service and experience
- Growing our market share profitably

Stakeholder outcome in FY24

We believe that most of our businesses have sustained or gained local market share, as measured by their performance relative to the sectors in which they operate.

Investment to ensure continuity of supply and new, differentiated products

- Expansion capital expenditure:^ R1 759 million (FY23: R1 326 million)
- Replacement capital expenditure:# R423 million (FY23: R871 million)

Customer support and experience

- We received several awards within the group for safety, performance and competitiveness.◊
- PG Bison and Restonic developed digital order and communication platforms respectively to drive engagement, enhance customer service and further differentiate their offering from competitors.
- Optix developed a driver training platform, which empowers and supports professional drivers from a road safety perspective.
- Our divisions continued to develop innovative solutions and products for customers, such as rPET, and increased use of recycled materials in the sleep products and automotive sectors.

Actions to maintain or improve outcomes

- The expansion of PG Bison's MDF capacity, concluded in June 2024, will increase local supply and reduce customers' reliance on imports.
- Safripol's HDPE conversion and extruder project will increase local supply of higher-specification polymers used in large part blow moulding and durable applications, which will reduce customers' reliance on imports.
- We continue to focus on business resilience to ensure continued supply to our customers, despite potential disruptions in the operating environment.

^ Net of government grants received.
# Net of proceeds from disposal of property, plant and equipment, insurance proceeds and government grants received.
◊ Refer to the divisional review for awards per division.

VALUE-CREATING BUSINESS MODEL (CONTINUED): BUSINESS OUTCOMES

Communities and society

Our measure of success

- Maintaining engaged and constructive relationships with our communities
- Providing SED that has a positive and lasting impact on the communities in which we operate
- Supporting municipal infrastructure maintenance and service delivery
- Continuously reducing the impact of our operations on the environment

Stakeholder outcome in FY24

Our community engagement structures worked well during the year and there were no community-related disruptions. Additionally, we have taken great strides in our efforts to establish municipality infrastructure partnerships specifically relating to water and electricity infrastructure maintenance and supply.

Indirect support to communities and society

- Employee remuneration that contributed to the support of communities: R5 299 million (FY23: R5 114 million)
- Preferential procurement* on suppliers of B-BBEE Level 4 and higher: 75% (FY23: 77%)
- Safripol's 'Let's plastic responsibly' campaign educated consumers about the responsible use of plastics and encouraged them to remove plastic waste from the environment

Direct support to communities and society

- Contribution to SED: R32 million (FY23: R24 million)
- We provided support to municipalities in select areas where our businesses operate.

Actions to maintain or improve outcomes

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

* Only South Africa, excluding imports.

Government, regulators and industry associations

Our measure of success

- Establishing and maintaining engaged and constructive relationships with government, regulators and industry associations to support positive and lasting economic and social change
- Remaining compliant with all applicable regulatory requirements

Stakeholder outcome in FY24

We adhered to regulatory requirements and maintained strong governance policies and procedures and there were no incidents of material non-compliance during the year.

Payments to government

- Corporate taxes paid to government: R307 million (FY23: R467 million)

Incentives received from government

- Section 12I tax allowance of R790 million or R213 million benefit related to the new MDF line in Mkhondo
- Critical Infrastructure Programme ('CIP') grant

Localisation

- We have invested in local manufacturing capacity (new MDF line in Mkhondo), which supports government's industrialisation strategy and localisation policy objectives and creates jobs across both the forestry and furniture industry value chains.

Actions to maintain or improve outcomes

- We support and work with the relevant government departments in the UN Intergovernmental Negotiating Committee to develop an international, legally binding, treaty on plastic pollution.
- We participate in work streams of the National Logistics Crisis Committee to implement reforms of the cabinet-approved freight logistics map to improve the freight logistics system.
- We work with the Department of Trade, Industry and Competition ('DTIC') and the Eastern African Community structures to expedite the implementation of the Tripartite Free Trade Area agreement.
- We participate in the oversight committee of the South African Automotive Industry Masterplan ('SAAM') and the Automotive Production and Development Programme to support the adoption of new energy vehicles ('NEVs').
- We work with the International Trade Administration Commission of South Africa, the South African Revenue Service ('SARS') customs and the DTIC to address imports of undervalued goods.

KEY TRADE-OFFS BETWEEN RESOURCES AND RELATIONSHIPS

As we pursue our strategy to deliver long-term value-accretive growth for our stakeholders, there may, at times, be **near-term trade-offs between our resources and relationships.** During the year, we completed several major capital projects, advanced a major restructuring, and invested to build resilience in the group and reduce our environmental footprint. These actions will support future growth and the long-term sustainability of the group.

Major capital projects

Long-term value creation versus near-term financial performance

We completed the following major capital projects during the year:

- PG Bison's new MDF line in Mkhondo to produce MDF, which is currently in short supply in South Africa (R1 979 million total, R1 262 million during the year, completed and commissioned in June 2024)
- Safripol's HDPE conversion and extruder project to improve efficiencies and produce higher-specification polymers used in durable applications (R403 million total, R97 million during the year, completed in May 2024)
- Feltex and Restonic's Laroche fibre tearing lines to produce products from recycled waste textiles for internal use and external sales (R159 million total, R5 million during the year, completed in June 2023 and December 2023 respectively)

These multiyear projects negatively impacted our financial capital and contributed to higher net debt levels. However, we expect longer-term benefits to materialise over the medium term, including:

- The increased production of MDF will support a reduction in imports of MDF and finished furniture products, aligned with the South African government's localisation objectives, and support future growth, margins and ROCE
- The increased production of higher-specification polymers and products from recycled material will support future growth, margins and ROCE, and is aligned with our sustainability objectives
- One hundred and fifty permanent employment opportunities were created following the completion of the new MDF line in Mkhondo
- There is the potential to remove more than 6 000 tonnes of waste textiles from the environment with the operation of our new Laroche fibre tearing lines

Read more: CEO's review, page 23

Unitrans

Long-term sustainability of the business versus near-term effects of restructuring

Unitrans has experienced a consistent decline in performance for several years, with contributing factors including structural changes in certain logistics sectors and the loss of a major contract in FY23.

A consolidation of Unitrans' three businesses (Unitrans South Africa, Unitrans Africa, and Unitrans Passenger) and a deep restructuring of the business commenced in FY23, with the objective of materially improving the division's performance to ensure its long-term sustainability. The restructuring entails the exit of low-margin, low-return activities, the disposal of underutilised assets, significant cost reductions, a refined business development approach, an organisational and information technology ('IT') systems redesign and more stringent capital allocation.

The restructuring negatively affected our financial capital and tangible assets due to one-off restructuring costs and the disposal of assets, respectively. It also negatively affected our employee relationships as there were unfortunately retrenchments, necessitated by the restructuring, as well as our other key stakeholder relationships as we exited certain activities. However, we believe that the restructured Unitrans will provide better solutions for customers, a performance-based culture for employees, and materially improved financial performance, which will support the long-term sustainability of the business.

Read more: Divisional review, page 51

Resilience

Continuity of operations versus near-term cash flows

Our business resilience strategy is crucial to address risks that include infrastructure and service delivery interruptions, as well as possible disruptive events, to avoid business interruption and the potential damages and costs associated with such events. In some instances, building resilience will negatively impact our financial capital in the near term. However, we expect benefits to accrue over the medium to longer term.

The most material resilience investment during the year relates to a 9 MWp solar photovoltaic ('PV') plant of R45 million at PG Bison (FY23: R71 million) which, with the R174 million PV plant at Safripol (spent in FY22, FY23 and FY24), increases the total PV capacity of the group to 19 MWp.

Read more: Business resilience strategy, page 33

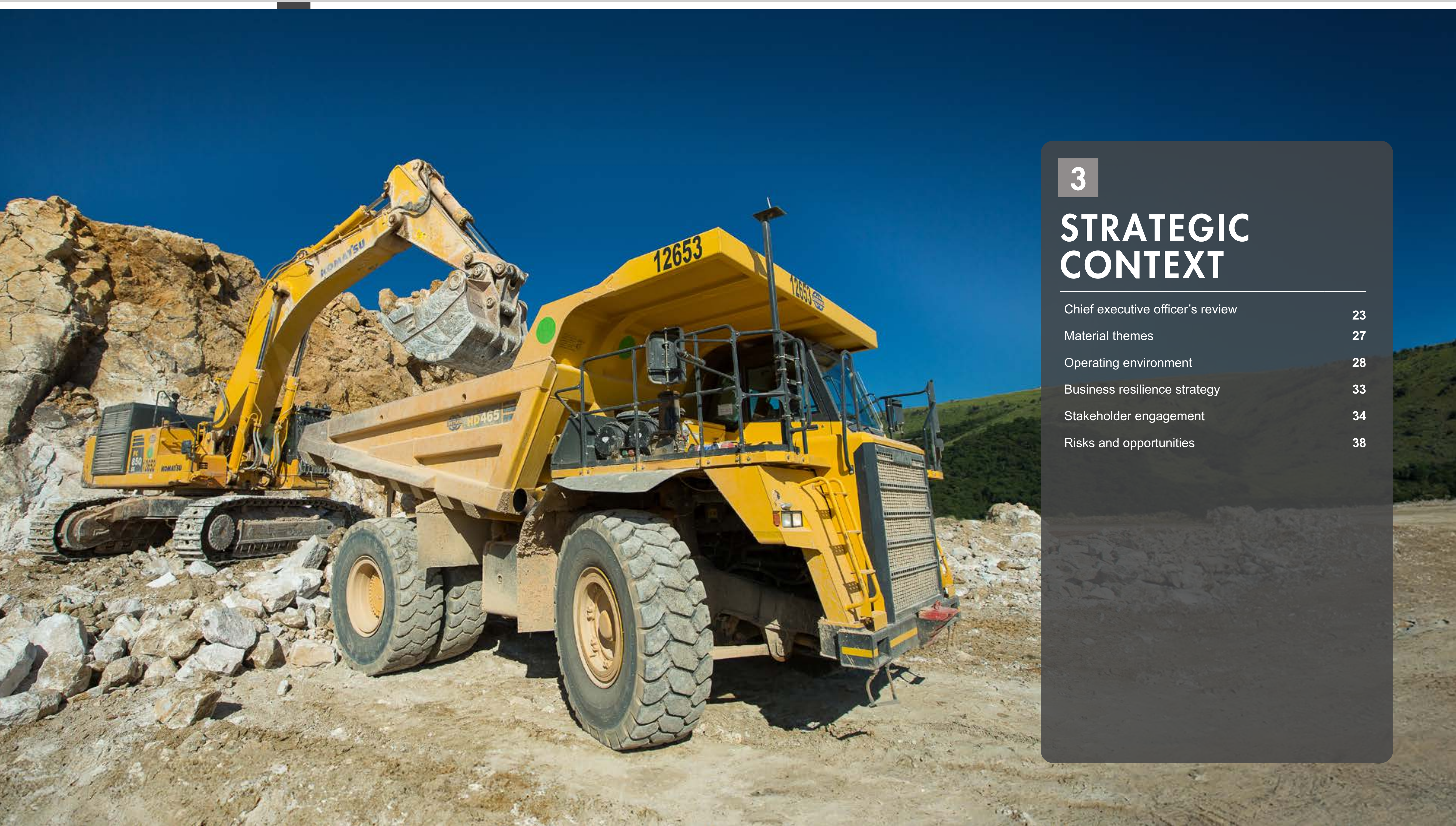
Environmental

Creating stakeholder value while safeguarding natural resources

We use renewable and non-renewable natural resources to produce and deliver products and services to our customers, which enables us to create value for our other stakeholders. However, non-renewable natural resources decrease through this process. We are committed to reducing our impact on the environment, as part our sustainability priority areas and our commitment to the UN SDGs. Additionally, a lower environmental footprint is linked to our business principles and ensures the long-term sustainability of our businesses. Examples of initiatives to reduce our environmental impact during the year include:

- increased renewable energy capacity, amounting to 6% of the group's total electricity consumption during the year;
- improved recycling of internally generated waste and increased purchase of external waste to produce saleable products; and
- increased production of polymers with post-consumer recycled content and higher-specification polymers used in durable applications.

Read more: Sustainability review, page 68



3

STRATEGIC CONTEXT

CHIEF EXECUTIVE OFFICER'S REVIEW

Gary Chaplin
Chief executive officer

Key messages

- We concluded a major investment cycle with the commissioning of our multiyear capital projects in 2H24.
- We made significant progress with a deep restructuring of Unitrans, which we expect to be completed in 1H25.
- KAP is now well-positioned for future growth following the conclusion of our investment cycle, supported by the realisation of benefits from the restructuring Unitrans.
- We target a debt reduction of R1 billion in FY25.

Introduction

Our strategy is to deliver value-accretive growth for our stakeholders through building a portfolio of market-leading businesses. Over the past decade, we have followed a growth-oriented capital allocation approach to achieve this, which is supported by our confidence in the medium to long-term outlook for South Africa.

Most of our businesses are market leaders in their respective industries and, following the conclusion of the most recent investment cycle, with the commissioning of major projects in FY24, we are well-positioned for future growth. Our manufacturing businesses, which make up c. 70% of our net operating assets, are equipped with new technology, which increases their competitiveness. Due to the recent investments, we also have limited capital replacement requirements over the medium to long term.

Our investments have, over time, resulted in growth in sales volumes and revenue, and improved margins. Other than our major capital projects completed during the year, we have further scope to extract value from historical investments, including those at Restonic and Optix.

There are, however, areas where our investments have not fully yielded the results we expected, primarily due to market conditions being weaker than anticipated, although this was self-induced in some instances. The most material of these relate to Unitrans, with the division's performance consistently below our expectations since FY19. Over the past two financial years, we have made good progress in addressing these areas of underperformance, with the objective of improving returns and delivering growth above our hurdle rates.

I am excited about the outlook for KAP. I believe that the combination of the conclusion of our investment cycle, the realisation of the value thereof, and the improvement in Unitrans' performance will support future earnings growth, increased free cash flows and a reduction in net debt, which is currently elevated due to our investment cycle. As we earn most of our revenue in South Africa, a better-than-expected recovery in South Africa's economic growth will further enhance the group's prospects.

Reflecting on our FY24 performance

KAP delivered a resilient performance in a challenging operating environment, characterised by subdued economic activity, infrastructure disruptions and pressure on consumer disposable income due to high interest rates and inflation. Five of our six divisions delivered improved performances compared with the prior year, achieved through market share gains, cost savings, and the benefits realised from restructuring, mostly at Unitrans. However, this was offset by a weaker result from Safripol, which was affected by a cyclical low in the global polymers industry. Although disappointing, the division made an operating profit of R352 million despite the industry being in a cyclical low.

We completed and commissioned certain multiyear capital projects during the second half of the financial year, which amounted to c. R2.5 billion. This is a major milestone in the execution of our strategy as it provides a foundation for future earnings growth and cash generation. Additionally, PG Bison's MDF project qualified for a section 12I tax allowance of R790 million (R213 million benefit) which enhances the return profile of this project.

Group revenue declined by 2% to R29.1 billion, due to the intentional cessation of low-margin, low-return activities at Unitrans and lower export sales volumes and selling prices at Safripol. Our other divisions delivered revenue growth. Operating profit before capital items decreased by 11% to R2.3 billion, with the decline mostly attributable to Safripol's performance. HEPS declined by 4% to 45.3 cents, mainly due to the lower operating profit and a 4% increase in net finance costs, caused primarily by higher interest rates, partly offset by a lower tax rate related to the above-mentioned tax allowance. Cash flow from operations decreased by 10% and net interest-bearing debt increased by only 4% to R8.3 billion despite the significant capital investments made during the year. Our net debt to EBITDA ratio of 2.3 times was below our covenant of 3.0 times at 30 June 2024.

Our financial results are described in the CFO's review on page 43.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

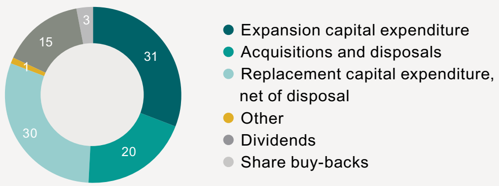
Investing for market leadership and growth

We execute on our strategy by investing in industries, largely in manufacturing and logistics services, that we believe have growth potential, including those of our existing businesses. We design and implement strategies to assume market leadership positions in those industries, on a globally competitive basis, and thereby extract value for our stakeholders.

At times, it is necessary for us to make large-scale capital investments to grow market share and build market leadership, with the monetary value of the investments only fully realised over the medium to long term. In evaluating the attractiveness of any new investment, we therefore take a longer-term view, with IRRs typically measured over 20 years, although most of our assets have much longer useful lives.

The graph below shows that we have utilised a growth-oriented capital allocation approach over the past decade, reflected in the expansionary capital expenditure and acquisitions. Alongside this, we have invested in maintenance and replacement to ensure that our asset base is appropriately maintained and incorporates the latest technology to support operational excellence.

KAP capital allocation, FY15 – 24 (%)



Note: Total capital allocated over FY15 to FY24.

Major acquisitions include Restonic (FY15), Autovest/Maxe (FY16), Safripol (FY17) and Optix (FY21).

Most of the expansion capital expenditure has been directed towards our three largest divisions: PG Bison, Safripol and Unitrans. From a replacement capital expenditure perspective, Unitrans has made up c. 60% of the spend, due to the shorter replacement cycle of vehicles relative to manufacturing assets. Following the major investment cycle over the past decade, our manufacturing divisions include assets that are equipped with new technology and have either been recently upgraded or newly built, with long useful lives. This limits the future maintenance and replacement capital expenditure requirements for these divisions.

Our investments have been focused primarily on South Africa, where economic growth has been pedestrian for several years. Despite the demanding macroeconomic environment, we invested for the following reasons:

- We see demand drivers for our divisions in South Africa and African markets, which we believe will support future growth.
- We believe that, by investing in capacity, technology, processes and people, we can significantly enhance our competitive positioning.

With the conclusion of our most recent investment cycle, being our c. R2.5 billion major capital projects, we are well-positioned for future growth by realising the value of these projects as well as other historical investments. For example, over the past three years, we have made investments in Restonic to increase capacity and operational efficiencies, and in Optix to support new product development and the scaling of the business.

Our investments have also resulted in a planned increase in net interest-bearing debt, ending at R8.3 billion for the 2024 financial year.

Our divisions are very cash generative from an operational perspective, with an average annual cash flow conversion ratio of c. 95% over the past decade. With our investment cycle now concluded, this cash generation will be focused on reducing our net debt levels, with a target to reduce net debt by a R1 billion in FY25, and further reductions thereafter. However, we will continue to invest in the maintenance and replacement of our assets, and to build resilience in the group, including renewable energy capacity to support the sustainability of our divisions, aligned with our capital allocation framework. This includes investing in Unitrans, where we expect maintenance and replacement capital expenditure to exceed depreciation over the near term. We curtailed Unitrans' capital expenditure during the restructuring of the division, focusing on the redeployment of assets to ensure optimal asset utilisation.

Addressing underperformance

Given the diversified nature of our portfolio, and the different industries in which we operate, some of our divisions may underperform relative to each other or our expectations at times. In most cases, we are able to identify and address underperformance quickly and successfully, whether it relates to market conditions or own goals. Examples include Feltex's restructuring in FY22 and Restonic's in FY23; both divisions improved their performance shortly after, reflected in our FY24 results. Their performances were influenced by market conditions and disruptive events, including the KwaZulu-Natal floods, post-Covid-19 pandemic volatility and cost escalations, and the excessive levels of loadshedding in FY22/23 which affected retail store footfall and vehicle assembly and sales.

The most material areas of underperformance in our portfolio relate to Unitrans and Safripol, with the reasons thereof and our initiatives to improve performance discussed below.

Unitrans

Unitrans has underperformed relative to our expectations since FY19. Its operating profit (before B-BBEE costs) fell by 21% during that year, largely due to adverse market conditions, contractual disputes and an onerous contract provision. In the same year, we restructured the South African operations, implemented a new management structure and separated the South African operations from the African operations to facilitate a B-BBEE transaction and with the intention of increasing focus for the businesses to pursue growth. We also closed loss-making businesses in FY21, including the intercity and tourism operations. While there was some initial improvement in performance, this was not sustained primarily for the following reasons:

- While the cost base increased since FY19 in anticipation of growth, the expected growth did not materialise, resulting in a misalignment between costs and activity levels.
- Unitrans lost a portion of a major petrochemical contract in Botswana in FY20 and a major retail contract in South Africa in FY23. Regrettably, the overhead structures and asset bases related to these contracts were not adjusted quickly enough.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

- Continued adverse weather conditions in Africa had a very negative effect on our agriculture operations due to lower volumes from our customers.
- Due to the pandemic, Botswana remained in a state of emergency for an extended period, with restrictions on operating conditions and border access negatively affecting performance.

After interrogating Unitrans' strategy and concluding that it is largely sound, we did a further deep, aggressive restructuring of the division in FY23/24, which included the following:

- consolidating the South African, African and passenger operations into a single business;
- ceasing low-return activities and disposing of related and underutilised assets;
- appointing a new CEO with experience in logistics and business turnarounds;
- restructuring the executive committee;
- refining the strategy;
- redesigning the organisational structure to match the strategy;
- redesigning the IT systems according to the strategy and organisational design; and
- aligning cost structures with activity levels and applying stringent capital allocation criteria, with a focus on delivering the required returns.

I am confident that Unitrans' performance has finally turned the corner on a sustainable basis, as reflected in our FY24 results: fixed assets employed are R697 million lower compared with FY23, loss-making activities of R107 million were closed in FY23, and c. R100 million cost savings were delivered during the year.

Safripol

Safripol's current underperformance is linked to a cyclical downturn in the global polymers market, due to significant capacity additions and subdued global demand growth. This downturn is expected to last until at least FY26/27. The cyclicality and volatility in the polymers industry has been more pronounced relative to our and industry expectations.

As most costs in Safripol are made up by index-priced raw materials, we have limited room to improve performance while the industry is in a cyclical low. We therefore focus on optimising raw material procurement, operating cost savings, tightly managing working capital and selling more higher-specification polymer grades which generally yield better margins.

While Safripol is currently experiencing a cyclical downturn, the division is profitable and cash generative and, based on current industry forecasts for raw material margins, is expected to remain so throughout the duration of the downcycle. It generated an average annual operating profit of R664 million from FY17 to FY24, at an average operating margin of 8%, which is indicative of its performance through previous polymer industry cycles.

Outlook

While the macroeconomic and sociopolitical environment is likely to remain challenging in the short term, as the management team and the board, we are positive about the outlook for the group and cautiously optimistic about the medium to long-term outlook for South Africa under the government of national unity ('GNU').

As described earlier, the following material items provide compelling prospects for the group over the near to medium term and our focus over this period therefore remains on organic growth:

- **Value realisation from our investments**

  We have invested significantly for future growth, and we are committed to realising the value thereof. PG Bison's new MDF line in Mkhondo, the largest of our recently completed projects, brings a significant expansion of the division's total production capacity, offering meaningful growth opportunities over the medium term.

- **Addressing underperformance**

  The most material area of underperformance in the group, not related to cyclical factors, is Unitrans. Through an organisational redesign, which started in 2H24, we are targeting a c. R300 million improvement in operating profit for the division (compared with FY23) over the medium term to enhance the improvements and cost savings already delivered during the restructuring in FY23/24. We endeavour to return the division to an operating margin level of 8% to 10%.

- **Increasing free cash flow and reducing net debt**

  Following our investment cycle, we plan to reduce our net debt. Our targeted debt reduction of R1 billion in FY25, and a further reduction in FY26, will be enabled by lower capital expenditure with our most recent investment projects concluded, cash flow contribution from these projects, and an expected improvement in Unitrans' performance. The reduction in debt, combined with an expected cycle of interest rate reduction, will reduce risk, increase balance sheet flexibility and enhance earnings.

In addition, we continue to focus on enhancing group performance by pursuing market share gains, lowering costs, improving operational efficiencies and optimising assets in each of our divisions. While we are cautious about the outlook for Safripol, we continue to implement initiatives to navigate the downcycle as described above.

In order to ensure effective execution of the above-mentioned initiatives, which we believe will unlock value for shareholders, we have amended elements of our remuneration policy to bring closer alignment between strategy and remuneration, which is described in detail in our remuneration review.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

Condolences

We had an employee fatality during the year, as well as one contractor fatality, in separate incidents. I am deeply saddened by the loss of life, and extend my sincere condolences to their families, friends, and colleagues.

Appreciation

I am deeply grateful to the management and employees of KAP. In an operating environment that remains extremely challenging, the dedication and commitment of our employees to the company and our customers is greatly appreciated.

I would like to express my appreciation to our shareholders, funders and other stakeholders, who play an important role in the ongoing operation of KAP.

In closing, I would like to thank our chairperson and board members for their guidance and support in navigating the group through the recent investment cycle and strategic review.

Gary Chaplin
Chief executive officer

MATERIAL THEMES

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

Our materiality determination process

We follow a quantitative and qualitative assessment in defining our material matters.

From a quantitative perspective, we define a matter as material if its expected financial impact is greater than 2% of normalised operating profit and greater than 0.2% of group net operating assets. From a qualitative perspective, we consider non-financial matters that could have a financial, reputational, operational, environmental, social, strategic or legislative impact on the group over the short, medium and long term. We also consider potential positive and negative effects our activities may have on society, including the environment.

We determine our material matters by assessing our internal and external context, including the resources and relationships we rely on, our risks and opportunities, and our understanding of our stakeholder needs and expectations.

Our material matters are reviewed internally and prioritised and approved by those charged with governance, including our board. While our material matters apply to the group, they may vary in terms of importance for our divisions. We review our material matters at least annually.

Our material matters are grouped under five material themes that are summarised below. Our response to these matters is discussed throughout our integrated report.

M1 Allocating capital effectively and improving returns

Material matters: Balance sheet resilience and debt | Restructuring and repositioning of Unitrans | Value realisation from major capital projects completed during the year

Our group ROCE of 9.9% is below our long-term target of more than 16% primarily due to planned investments in assets with long useful lives, most notably PG Bison's new Mkhondo MDF line, underperformance from Unitrans, and a downturn in the global polymers cycle. Our investments have also contributed to elevated debt levels and higher interest costs, although we remained well within our financial covenants with a net debt to EBITDA ratio of 2.3 times as at 30 June 2024.

Resources/relationships affected:

FC TA EM SR

M2 Growth in a subdued macroeconomic environment

Material matters: Cost positioning | Differentiation of products and services | Sales team capacity | New product development

The subdued South African macroeconomic environment presents headwinds for our divisions to grow and increases the competitive dynamics. Most of our divisions have encountered low to negative growth in their respective sectors over the past year.

Resources/relationships affected:

FC TA EM SR

M3 Business resilience

Material matters: Infrastructure disruptions and utility supplies | Deteriorating road infrastructure | Supply chain disruptions | Sustainability of key raw material supply | Polymers market cyclicality

The increased frequency in external shocks, extreme weather events and risks specific to South Africa present a risk to the sustainability of our operations and the safety of our employees. In addition, our polymers business faces specific risks related to the sustainability of key raw material supply, and volatility in the global polymers market.

Resources/relationships affected:

FC TA IA IM EM SR

M4 Attracting, developing and retaining talent

Material matters: Health and safety | Diversity and inclusion | Training and development | Organisational climate | Succession planning

The successful execution of our strategy is dependent on our people. We have lost key leadership and middle management technical skills to competitors and emigration over the past few years. The loss of key skills represents a risk to the group as we occupy market leadership positions in the sectors in which we operate, which limits the talent pipeline from which we can source suitable talent to support our growth requirements.

Resources/relationships affected:

FC TA IA IM EM SR

M5 Sustainability

Material matters: Water management | Waste management | Climate change | Energy management and GHG emissions management | Biodiversity | Communities

Investors, consumers and regulators have increased expectations for businesses with regard to sustainability, particularly in relation to climate change. Sustainability is intertwined with many of our group functions, is crucial to enable our divisions to sustain low-cost positions and global competitiveness, and supports the long-term growth and viability of our group. We are also committed to supporting the creation of an inclusive, prosperous and sustainable society for all.

Resources/relationships affected:

FC TA IA IM EM SR

OPERATING ENVIRONMENT

Our operating environment is largely shaped by **five macroeconomic and sociopolitical themes** and **three industry themes** that inform our key risks and opportunities. Importantly, we have considered the social, economic and commercial factors in our operating environment that influence – either positively or negatively – our ability to create value over the short, medium and long term. We therefore also highlight **two key regulatory developments** that occurred during the year and have implications for our divisions over the medium to longer term.

Macroeconomic and sociopolitical themes

1. Demanding South African operating environment
2. Subdued global growth
3. Social unrest
4. External shocks and commodity price volatility
5. Polymer market cyclicality

1 Demanding South African operating environment

Material themes	Resources and relationships affected
M1 M2 M3 M4	FC TA EM SR

Risks and opportunities

Subdued macroeconomic environment | Commercial risk following completion of major capital projects | Infrastructure disruptions and security of utility supplies | Elevated debt levels and increased cost of debt

In FY24, 84% of group revenue came from South Africa. The group's performance is therefore linked to the South African economy and operating environment.

The following five economic indicators illustrate the historical and expected national growth from 2022 to 2025:

Selected economic indicators for South Africa

	2025*	2024*	2023	2022
GDP growth (%)	**2.0**	1.1	0.7	1.9
Unemployment rate (%)	**33.1**	32.7	32.4	33.5
Inflation (%)	**4.3**	4.8	5.9	6.9
Prime interest rate (%)	**10.8**	11.3	11.8	10.5
Average ZAR/USD exchange rate	**17.66**	18.31	18.45	16.35

* Forecasts
Note: Reference to calendar years
Source: Absa South Africa Q3 24 Quarterly Perspectives

South Africa's economic growth has been subdued over the past year largely due to the following:

- Infrastructure disruptions related to electricity supply and rail and port logistics.
- Rising inflation and interest rates, which constrained consumer financial health.
- A less favourable global growth environment causing weaker terms of trade.

Absa economists expect South Africa's gross domestic product ('GDP') growth to improve from 2024, supported by the stabilisation of electricity supply and increased private sector investment. Government's Operation Vulindlela, established in 2020, envisions 35 reforms, of which 13 have been completed to date, including reforms in the energy sector which resulted in a positive private sector response. While consumers are expected to remain under pressure, their financial strain should ease as inflation softens and interest rates decline. The retirement reform implementation ('two-pot system') that came into effect on 1 September 2024 is expected to result in early withdrawals of R44 billion in 2024 and R34 billion in 2025, which could be used for reducing debt and additional spending.

While the outlook for South Africa is more positive compared with a year ago, there is uncertainty around the stability of the GNU. Additionally, geopolitical tensions cast uncertainty on the global growth outlook. These factors may affect the country's economic growth.

Implications for KAP

Our divisions generally experienced a subdued customer and consumer demand environment during FY24. While infrastructure disruptions affected our divisions to varying degrees, the impact was not material. However, primarily the higher interest rates negatively affected our net finance costs (including borrowing costs capitalised) by R147 million.

Despite the forecast improvement in economic growth, we believe domestic customer and consumer demand could remain under pressure in FY25 and that some infrastructure issues may remain. We therefore anticipate that challenging trading conditions will persist but are cautiously optimistic about the medium-term outlook for South Africa following the GNU.

Our strategic response

In order to support the continuity of our operations and growth in a demanding operating environment, we are focusing on the following:

Local market share gains

We estimate that our local market share varies from c. 20% to c. 90% between our businesses, implying potential for further gains. Our divisions target low-cost positions with high-quality, value-added products and services to differentiate and take share from local competitors and importers, enabled by investment in sales capacity.

New product development

Our divisions engage in research and development activities to develop new products to extend their current product range and/or to find new applications for their current products and/or to improve their sustainability footprint.

Growth into export markets

Due to the nature of their products, Safripol and PG Bison can access the export markets. Following the commissioning of PG Bison's new MDF line in Mkhondo, local MDF supply exceeds demand. Exports will therefore be an important sales channel for PG Bison over the near to medium term.

Business resilience

As part of our business resilience strategy, we engage with government, both directly and through participation in various industry associations, to contribute to and engage on policies that may stimulate growth in key sectors relevant to us. Our business resilience strategy also targets several initiatives aimed at ensuring the continuity of our operations, despite potential infrastructure and other disruptions in the operating environment.

OPERATING ENVIRONMENT (CONTINUED)

2 Subdued global growth

Material themes	Resources and relationships affected
M1 M2	FC IM SR

Risks and opportunities

Subdued macroeconomic environment | Geopolitical risk (emerging risk)

While our primary markets are South Africa and Africa, PG Bison and Safripol also export to deep-sea markets to supplement local sales, with exports comprising 6% of group revenue during the year. In addition, Feltex's revenue (9% of group revenue) is linked to vehicle exports, which rely on consumer demand mainly in Europe and other markets. Our divisions also compete with imports. In a softer global demand environment, for example, imports into South Africa could increase as producers in other territories seek new markets for their products.

The following key global economic indicators reflect the historical and expected growth for advanced versus developing economies from 2022 to 2025:

Growth indicators for selected economies

	2025*	2024*	2023	2022
GDP – advanced economies (% change)	**1.8**	1.8	1.7	1.9
GDP – emerging markets^ (% change)	**4.2**	4.2	4.4	4.0
GDP – sub-Saharan Africa (% change)	**4.2**	3.6	3.6	4.1
Global trade volumes (% change)	**3.4**	3.1	0.8	5.1

* Forecasts

^ Includes developing economies

Note: Reference to calendar years

Source: International Monetary Fund ('IMF') World Economic Outlook, October 2024

The IMF expects a modest improvement in global economic growth in 2024 and 2025, relative to 2023, supported by a wind-down of the impact of multiple consecutive crises over the past four years. However, the expected growth is low compared with historical levels. This is due to elevated interest rates, the tapering off of post-Covid-19 pandemic stimulus measures, the Russia-Ukraine and Israel-Hamas wars, an escalation in geoeconomic fragmentation and weak productivity growth. The fund expects that the modest improvement in growth will support global trade volumes. Geopolitical tensions, trade fragmentation and a regrouping of trade along geopolitical lines are key risks to global growth.

Implications for KAP#

An improvement in global growth and trade is positive for KAP as it creates a more favourable environment for exports and could support higher commodity prices, relevant for Safripol and PG Bison. However, as expected growth is lower compared with history, the export environment could remain challenging for PG Bison, Safripol and, indirectly, Feltex (for example, a major OEM announced during the year that it will reduce assembly volumes in South Africa due to softer global demand) and import competition could remain.

Our strategic response

In order to compete in the export markets and protect and grow market share from importers, we are focusing on the following:

Global competitiveness

Our divisions target low-cost positions with high-quality, value-added products to be able to defend local market share and penetrate export markets.

Market targeting

As our current penetration of the export market is small, we are actively developing select export markets where we can compete profitably on price and quality.

Diversification

We seek diversification in our customer base. For example, no OEM constitutes more than 23% of Feltex's revenue. This provides some revenue protection as demand across OEMs for various models may shift over time.

Matching capacity with demand

In instances where we are unable to export profitably, we would rather curtail production.

Excludes the impact on South African economic growth, which is factored into the South African economic growth numbers and forecasts shown on page 28.

3 Social unrest

Material themes	Resources and relationships affected
M3 M4	FC TA IA EM SR

Risks and opportunities

Supply chain disruption | Political risk (emerging risk)

Infrastructure and service delivery failures, rising crime, unemployment and inequality are contributing to the rising discontent of especially underserved communities. In particular, five of our biggest sites are located in four municipalities with deteriorating infrastructure and poor service delivery. While the risk of social unrest has stabilised since the disruptive July 2021 civil unrest, incidents of unrest continue. According to the Institute of Security Studies, 616 incidents of unrest were recorded during the year (FY23: 928). Social unrest has the potential to affect the sustainability of our operations. Encouragingly, none of the potential disruptions anticipated at the May 2024 elections materialised, and the election was declared free and fair by the Electoral Commission of South Africa.

Impact on KAP

While we did not experience a direct impact in FY24, increased social unrest could affect our and our customers' operations, and the safety of our employees and their families.

Our strategic response

Stakeholder engagement

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

Improved security

Also part of our business resilience strategy, we have strengthened security levels across the group.

OPERATING ENVIRONMENT (CONTINUED)

4 External shocks and commodity price volatility

Material themes	Resources and relationships affected
M1 M3	FC TA IM EM SR

Risks and opportunities

Supply chain disruption | Geopolitical risk (emerging risk)

Over the past four years, the global economy has experienced the Covid-19 pandemic and the Russia-Ukraine war (together causing a disruption of global trade, commodity price volatility and escalations), the Israel-Hamas war, an energy crisis in Europe, and vulnerabilities in the financial sector. According to the World Bank, global macroeconomic shocks, which are now more frequent than before, have become a major contributing factor to commodity price volatility. This affects our reliance on commodity inputs to produce products for and deliver services to our customers.

Impact on KAP*

Global supply chain disruptions may result in increased commodity prices and price volatility. We endeavour to pass along commodity price increases to our customers, although with a lag, which may cause margin pressure in an escalating commodity price environment.

There was no material impact on KAP due to external shocks in FY24. However, as we source raw materials from local and global suppliers and use them as inputs to produce the group's products, there is the risk that potential shocks could negatively affect the supply chain and hence our operations.

Our strategic response

Supply chain security

As part of our business resilience strategy, we are increasing our supply chain security by diversifying our raw material suppliers, and optimising procurement-to-sales cycles to reduce margin pressure associated with potential commodity price volatility.

* Excludes Safripol, which is discussed under the adjacent theme, polymer market volatility

5 Polymer market cyclicality

Material themes	Resources and relationships affected
M2 M3	FC IM SR

Risks and opportunities

Exchange rate and polymer raw margin exposure

Safripol contributed 31% to FY24 group revenue. Safripol's monomer and polymer pricing are based on global indices, which are influenced by global supply and demand, the oil price and the rand/US dollar exchange rate, which may be volatile and unrelated to domestic market conditions.

The global polymers industry is currently in a cyclical low due to increased capacity and subdued growth, which is expected to last until at least FY26/27. The Energy Information Administration expects Brent crude oil prices, which influence polymer prices, to decline from USD82 per barrel ('bbl') in 2023 to USD78 per bbl in 2025. However, the uncertainty about global growth influences oil demand and pricing.

Impact on KAP

Safripol's collective raw material margin declined by 6% in rand terms in FY24. PET margins, in particular, were very weak, which offset healthy HDPE margins and stable PP margins.

Our strategic response

Working capital management

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

Raw material supply

We have contracts with a key supplier that provide similar benefits to being an integrated manufacturer. Additionally, these raw materials are piped into our HDPE and PP plants in Sasolburg.

Value add (sales mix)

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

Production curtailment

We will reduce production when we are unable to export profitably.

Industry themes

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

1 South Africa Sector Masterplans

The Black Business Council and Business Leadership South Africa have welcomed the appointment of Parks Tau as the new Minister of Trade, Industry and Competition. *Engineering News*[1] reports that, because industrialisation was prioritised by the coalition partners in formulating the GNU Statement of Intent, supportive industrial policy, including at a sector level, was anticipated to be an immediate focus. This could be pursued through renewed commitment to the sector Masterplans already in place. The sector Masterplans are aimed at stimulating employment, export growth, local production and infrastructure investment in these sectors. While longer-term in nature, they should support growth in these sectors if successfully executed.

What this means for KAP

Forestry Sector Masterplan

The Masterplan includes focus areas on increased investment in new afforestation and the return of unproductive plantation land to production. PG Bison uses wood fibres to manufacture its products with the increased investment in afforestation supporting its access to timber.

Masterplan for the South African Furniture Industry

The completion of the new PG Bison Mkhondo MDF line in June 2024 has enhanced the division's capacity to supply local furniture manufacturers. This aligns with the primary objectives of the Masterplan – to support increased local manufacturing of finished furniture. Key focus areas of the Masterplan include the investment in the competitiveness of the local industry in order to replace imports, grow exports, boost local production and the use of selective trade remedies to protect local manufacturers against undervalued imports.

OPERATING ENVIRONMENT (CONTINUED)

South African Automotive Industry Masterplan 2035

The Masterplan endeavours to grow local vehicle production to 1% of global production, increase local content in locally assembled vehicles, implement a transition to the localisation of NEVs and components, implement measures to retain and grow global export market share post-2025, and develop regional markets. Our automotive components division, Feltex, is a key supplier of vehicle components to OEMs locally.

Plastics Masterplan

While the Masterplan has stalled in the draft process, the current 2020 draft recognises the need to address critical challenges, including the sustainable use of resources, waste management, pollution reduction; to promote sustainable growth of the local plastic industry; to leverage opportunities within the value chain; and to balance economic growth with environmental sustainability. Safripol supplies polymers to the local plastics industry.

The National Transport Masterplan 2050 and the Freight Logistics Roadmap

The Masterplan is a framework for the implementation of a comprehensive, multi-modal and integrated road transport strategy. Its primary objectives include providing an improved and appropriately funded public transport system, improved mobility options for commuters and the implementation of technology to improve road safety standards, compliance and infrastructure. In addition, the cabinet approved the Freight Logistics Roadmap in December 2023, which will introduce reforms in the multi-modal freight logistics system in South Africa and improve sub-Saharan Africa regional freight corridors. The freight logistics map will enable Unitrans to provide better end-to-end multi-modal solutions for customers and mitigate the risk of cross-border congestion along major regional corridors.

2 Industry fragmentation

Several industries relevant to our divisions are being fragmented by a noticeable shift in spending from formal to informal markets, and an increase in smaller, independent companies competing with larger, brand-affiliated companies for reasons that include increased access to capital, technology, B-BBEE, and growth in informal markets.

What this means for KAP

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

While Restonic does not have a direct presence in the informal markets, it is actively exploring the channel to market to ensure that it remains relevant in an increasingly fragmenting market, which presents growth opportunities for the division.

Increased fragmentation in certain market segments has changed the competitive dynamics for Unitrans in these segments. The major restructuring of the division has clarified its focus and positioned it for an improved performance.

3 Environmental sustainability

With a growing awareness of the impact of human activity and consumption patterns on the planet, consumers are seeking products that are sustainably sourced, produced and/or recyclable. Worldwide, governments are implementing policies to promote environmental sustainability, such as green taxes on harmful activities, new environmental standards and loans or grants for green investments.

What this means for KAP

While environmental sustainability is relevant to all our divisions, four are exposed to the sustainability trends summarised below.

PG Bison's plantations absorb carbon while the wood-based panels it produces store carbon permanently. PG Bison should therefore benefit as demand for more sustainable building materials and furniture increases, with less resultant wastage and carbon emissions, compared with traditional materials.[2]

About 60% of Safripol's total production of polymers is used to produce packaging for the food sector. The remaining c. 40% is largely used to produce durable goods for the infrastructure and industrial sectors. Consumers may choose to reduce their use of particularly non-recyclable plastic packaging. Additionally, in March 2022, 175 nations voted to adopt a legally binding global treaty for plastic pollution, for implementation as soon as 2025, during the UN Environmental Assembly in Nairobi, Kenya. The treaty is still being negotiated and environmental organisations have urged that the treaty should address measures to phase out unnecessary plastic products such as single-use plastics and reduce overall plastics production and consumption. Safripol's 'Let's plastic responsibly' campaign continues to educate consumers about the value and responsible use of plastic. The business is also a member of Polyco's extended producer responsibility scheme, with fees from the scheme's members used to support the collection, sorting and recycling of recyclable waste. It also supports various collection and recycling projects with PETCO and Plastics SA. Safripol is increasing its production of polymers that contain post-consumer recycled content. It currently produces two rPET grades, which contain either 15% or 25% recycled PET. The Fraunhofer Institute in Germany has approved Safripol's rPET grades for food-grade applications. The business is also making progress in establishing strategic partnerships to facilitate the marketing and production of rHDPE and rPP.

The global automotive industry will invest USD515 billion[3] to facilitate the transition to NEVs and support decarbonisation of the industry. Due to the increased requirements for noise cancellation, NEVs could result in increased demand for Feltex's products. The DTIC has allocated R964 million[3] over the medium term to support a transition to NEVs in the country, in line with the DTIC's NEV White Paper, which was gazetted in 2023. The Automotive Business Council ('NAAMSA') is of the view that the implementation of government support for a transition to NEVs requires more urgency. There is therefore a risk that South African OEMs may lose exports as the European Union ('EU') implemented regulations in 2020 that ban the sale of internal combustion engine ('ICE') vehicles after 2035.[4] There are, however, indications that the regulations may be relaxed.

OPERATING ENVIRONMENT (CONTINUED)

In 2023, at the request of the German Federal Minister of Transport, the EU agreed that ICE vehicles may be sold after 2035, provided they run on e-fuels. However, the regulation has not yet been issued. Several countries are also pushing back against the ban over concerns that it may be negative for the European automotive industry.[5] We are engaging with government directly and through industry associations on the policy framework to stimulate local NEV demand and investment.

According to recent research,[6] transportation makes up c. 11% of South Africa's GHG emissions (and therefore has an important role to play in reducing emissions). Unitrans is the largest emitter of GHG emissions in the group due to the diesel used in its transportation activities. Unitrans is exploring various initiatives to reduce its emissions, including the deployment of automated route planning and technology that promotes fuel-efficient driving.

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Regulatory developments

1. Employment equity
2. Climate change

1 Employment equity

The Employment Equity Amendment Act, 4 of 2022 ('the Amendment Act'), which empowers the Minister of Employment and Labour ('the Minister') to set binding employment equity sector targets, was signed into law on 12 April 2023. On 1 February 2024, the then-Minister published the revised sectoral targets for public comment, which have not been promulgated to date. The newly appointed Minister has not issued any additional directives regarding the promulgation of the Amendment Act or the sectoral targets, which implies that the employment equity reporting from 1 September 2024 will be in accordance with the current legislative requirements.

What this means for KAP

KAP is compliant with current legislation. We have developed draft practical tools, procedures and templates to ensure that our divisions have controls in place to monitor and track compliance with the provisions of the Amendment Act. These will be refined once the employment equity regulations and final sectoral targets are published for implementation. In addition, we will continue to use talent mapping to ensure that we proactively identify suitable high-potential black and female candidates within the group and the job market, who could potentially be employed in positions where we are required to comply with new sectoral targets.

2 Climate change

The President officially signed the Climate Change Act, 22 of 2024 ('the Act') into law on 23 July 2024. The Act will come into operation on a date to be fixed by the President by proclamation in the *Government Gazette*.

The Act introduces a range of GHG mitigation measures planned for implementation. It also serves as the basis upon which future climate-related regulation will be released. The Act includes a national GHG emissions trajectory, emission targets for those GHG emitting sectors/sub-sectors identified by the Minister of Forestry, Fisheries and the Environment ('the Minister'), and the allocation of carbon budgets to entities within these sectors/sub-sectors. Such entities must submit a carbon mitigation plan to the Minister. A series of policies and measures will be used to achieve sectoral targets. Sectoral emission targets and carbon budgets are yet to be published.

What this means for KAP

KAP is compliant with current legislation. It is anticipated that, following the signature of the Act, regulation will now be released governing who is subject to carbon budgets, how the budgets are set and what penalties are incurred for exceeding the budgets. During the 2024 national budget review, National Treasury made mention of a R640 penalty for every metric tonne CO_2e emitted above an allocated budget. Companies that are allocated a carbon budget will have to prepare and submit a GHG mitigation plan to the Minister for approval.

We continue to submit progress reports on our pollution prevention plans. We have also initiated a project to formalise our GHG emission reduction efforts across the group and set targets for reduction, as part of our sustainability priority matters. We will align with the legislation once formalised.

BUSINESS RESILIENCE STRATEGY

Our **business resilience strategy** was developed in response to the increasingly volatile global and local operating environment. It **comprises seven elements** and is aimed at avoiding infrastructure and other disruptions in the operating environment to ensure continued supply to our customers and avert potential damages and costs associated with such disruptions.

Government partnership and industry leadership	We engage with government, both directly and through participation in various industry associations, to contribute to and engage on policies that may stimulate growth in industries relevant to us, such as the sector Masterplans. Read more: Stakeholder engagement, page 34 Risks and opportunities, page 38 Sustainability review, page 68
Business retention and expansion ('BRE') programme	Some of our operations are located in areas with poor municipal infrastructure. This affects our ability to operate efficiently and attract new talent. It also affects the quality of life of the communities and our employees who reside there. Through the BRE programme, we partner with municipalities and key community stakeholders to improve issues relating to SED. Read more: Stakeholder engagement, page 34 Risks and opportunities, page 38 Sustainability review, page 68
Community engagement	Our community engagement framework enables our businesses to strengthen engagement with communities, proactively manage community relations, and address issues raised by community members. Strong relationships with our communities mitigate potential community unrest close to our operations. Read more: Stakeholder engagement, page 34 Risks and opportunities, page 38 Sustainability review, page 68
Security	We have independently reviewed our security arrangements and have closed the gaps identified during the year. In addition, we are participating in security partnerships with community structures and local government to improve security in communities in which our businesses operate. Read more: Risks and opportunities, page 38
Energy strategy	Our energy strategy is aimed at reducing consumption, mitigating interruptions and non-supply, self-generation, cogeneration and storage. We have installed 19 MWp PV capacity in the group over the past two financial years and are evaluating several renewable energy projects across the group, which could amount to 70 MWp. Read more: Risks and opportunities, page 38 Sustainability review, page 68
Water strategy	Our water strategy is aimed at optimising consumption, mitigating interruptions and non-supply and ensuring all legal compliances are in place (specifically related to water use licences). Read more: Risks and opportunities, page 38 Sustainability review, page 68
Supply chain security	Our divisions are ensuring the sustainability of raw material supply by assessing the sustainability of current suppliers, investigating a broader supplier base to reduce concentration risk, and maintaining strategic inventory. They are also continuously updating contingency plans to minimise potential inbound and outbound supply chain disruptions. Read more: Risks and opportunities, page 38

STAKEHOLDER ENGAGEMENT

Sustainable value creation is influenced by the successful engagement with our key stakeholders. Our aim is **ongoing improvement of our relationships** with them by engaging with them on a proactive and consistent basis, to identify key areas of interest and concern. The sustainability, social and ethics committee, which supports our board in fulfilling its governance role, oversees stakeholder engagement across the group.

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

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

Self-assessment of our level of engagement

H HIGH

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

M MEDIUM

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

L LOW

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

Investors, shareholders and debt providers

Level of engagement **H**

Why we engage

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

How we engage

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

Areas of interest and our response

Focus areas and topics of interest

- Execution risk related to major capital projects
- Net debt levels
- Performance of Unitrans
- Capital allocation priorities
- Safripol cyclicality
- Remuneration implementation report
- Sustainability (GHG emissions)

Our response

» We have completed and commissioned our major capital projects during 2H24. We expect that the projects will contribute positively to cash flows and net debt reduction from FY25.

» The board has not declared a dividend for FY24 to prioritise debt reduction.

» We are restructuring Unitrans and good progress was made during the year. We expect a further improvement in the division's performance in FY25.

» We are navigating the global polymers downcycle by optimising the procurement-to-sales cycle, tightly managing working capital and increasing sales of higher-grade polymers.

» We have engaged with dissenting shareholders who voted against our FY23 remuneration implementation report.

» We have increased PV capacity in the group which resulted in a 2% reduction in GHG emissions during the year.

STAKEHOLDER ENGAGEMENT (CONTINUED)

Employees and trade unions

Level of engagement H

Why we engage

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

How we engage

- Employee climate surveys
- Employment equity forums
- Meetings between employees and line managers
- Trade union interaction through industry bargaining councils
- CEO webcasts and engagement forums
- Performance reviews and exit interviews
- Independently managed 24/7 confidential ethics line and alternative disclosures mechanism

Areas of interest and our response

Focus areas and topics of interest

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

Our response

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

» We have B-BBEE and employment equity targets.

» We prioritise the safety of our employees and target zero fatalities.

» We have wellness programmes across the group.

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

» We negotiate terms and conditions of employment for bargaining unit employees.

Suppliers and service providers

Level of engagement M

Why we engage

Our suppliers contribute to the sustainability of our businesses. We engage with our suppliers to build trust and provide opportunities to develop innovative ideas that benefit both our business and society.

How we engage

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

Areas of interest and our response

Focus areas and topics of interest

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

Our response

» We regularly review supplier SLAs and costings.

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

» We have strengthened our supply chain and have long-term supply contracts in place.

» We work with selected suppliers to reduce the environmental footprint in the value chains of our businesses such as the incorporation of post-consumer recycled content into PET, used in the production of packaging materials.

» We prioritise the safety of our contractors and target zero fatalities.

STAKEHOLDER ENGAGEMENT (CONTINUED)

Customers and consumers

Level of engagement H

Why we engage

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

How we engage

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

Areas of interest and our response

Focus areas and topics of interest

- Market and product development
- Differentiation and quality of our products and services
- Competitive pricing
- Responsibility as the largest supplier in certain sectors
- Sustainability and growth of our customers' industries and operations

Our response

» We develop and invest in our products to meet our customers' needs.

» We hold annual competition law training for sales and senior executives.

» We invest in the latest technologies to ensure that we offer competitive products and solutions.

» We participate actively in industry forums to facilitate industry growth.

» We create and promote market-leading brands.

Communities and society

Level of engagement M

Why we engage

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

How we engage

- Community forums
- Community liaisons
- Municipality local economic development forums
- Meetings between operations management and community members

Areas of interest and our response

Focus areas and topics of interest

- Education in communities
- ESD
- Impact of waste on communities and society
- Service delivery and infrastructure disruptions
- Sustainability, health and well-being of communities

Our response

» We offer the community learnerships, training and development programmes.

» We fund several school and university programmes.

» We implement several ESD initiatives and support local businesses.

» We promote the responsible use of plastics, participate in waste clean-up initiatives and work actively to minimise our environmental footprint.

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

» We work with recognised non-governmental and non-profit organisations and educators to implement SED plans to support education and nutrition initiatives.

STAKEHOLDER ENGAGEMENT (CONTINUED)

Government, regulators and industry associations

Level of engagement H

Why we engage

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

How we engage

- Direct meetings with various government departments and regulatory bodies, including the National Treasury, the DTIC, Department of Forestry, Fisheries and the Environment ('DFFE'), Department of Cooperative Governance and Traditional Affairs and South African Local Government Association, as well as local municipalities in areas where our businesses operate
- Participation at government-organised summits and events
- Membership of relevant industry associations and associations with several KAP and divisional executives serving on the boards of some of them to provide thought leadership
- Industry events

Areas of interest and our response

Focus areas and topics of interest

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

Our response

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

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

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

» We are compliant with applicable legislation.

RISKS AND OPPORTUNITIES

Risks are those events that affect our ability to deliver on our strategy to create sustainable, value-accretive growth for our stakeholders. Some of these risks also present us with opportunities to grow our market share, strengthen stakeholder relationships, and pursue new avenues of growth.

As we report only our material strategic risks, some of these risks are discussed under our material matters themes.

Risk management approach

Our objectives with regard to risk management are to:

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

We address risk management in the group through our governance framework, as reported through our corporate governance report, and our audit and risk committee report in the FY24 AFS, which is available on our website. Ultimately, the board is accountable for risk management, sets the risk management policy, and determines risk tolerance[1] and appetite[2] levels. The audit and risk committee oversees the ongoing governance of risk management, which includes processes to ensure the effectiveness of risk management within the group.

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

[1] Risk tolerance: The boundaries of risk-taking beyond which the group is not prepared to venture to deliver on its strategy.

[2] Risk appetite: The amount and type of risks the group is willing to pursue or accept given the current context of the organisation.

Below is an update on the group's risk management priorities:

Focus areas	Comment
FY24 priorities update	
Further improve group resilience capabilities	Significant progress has been achieved with electricity supply projects, and work is underway to address emerging issues of water and gas security. Continuous improvements are being made in IT security and resilience measures.
Improve risk scanning capabilities to respond to emerging risks earlier	Through training and awareness work and other measures, the information flow across the group to identify, report on and respond to emerging issues is continually improving.
Improve combined assurance mapping to better identify areas of risk where assurance on key mitigating controls can be improved	The mapping of assurance work across all levels of defence was completed, and significant progress has been made with the identification of assurance gaps or opportunities for consolidation of assurance efforts.
Implement additional assurance programmes on controls for key risks	Through the combined assurance framework, key risks have been identified where additional or improved assurance work is required.
Maintain focus on improving operational risk management and control environment	Work in this area continues, and includes a full update of the group's operational risk management standards.
FY25 priorities*	
Identify further resilience measures needed and continue work on current initiatives	The volatile and uncertain nature of the risk landscape requires a focused and integral resilience programme in addition to controls and other risk prevention and mitigation measures.
Improve mapping, analysis, control design and mitigation measures for specific risk areas	Examples include cyber risk, supply chain risk and utility supply risks.
Maintain focus on improving operational risk management and control environment	Work in this area is also crucial in securing the sustainability of the group's insurance programme.
Formally assess risk management maturity and address any framework and methodology improvement areas	This is in preparation for an internal audit review of risk management maturity scheduled for FY26.

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

Risk transfer and insurance

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

RISKS AND OPPORTUNITIES (CONTINUED)

Risk impact scale

Insignificant Minor Moderate Major Severe

Group risks and opportunities

Our risks have evolved during the year, with execution risk related to the restructuring of Unitrans, and commercial risk related to the completed major capital projects added as new risks. Additionally, three of our emerging risks from last year – water security, natural gas security and raw materials – moved to current risks.

We note the trend in these risks, which indicates whether either the likelihood or severity of the risk is increasing, decreasing or unchanged compared with the prior year. Our risk impact scale indicates the *potential* impact of the risk issues on our ability to deliver on our strategic objectives, if the risks as described materialise. A combination of group resilience measures and early warning via environmental scanning affords the opportunity to react to issues as they develop.

The following risks affect most of our divisions to varying degrees:

Subdued macroeconomic environment M1 M2 M3 M4

Risk impact and trend

FY22 FY23 FY24

Likelihood of risk occurring: Certain and current

Risk impact after considering all mitigating measures: Moderate

Context

Our businesses earn 84% of their revenue from South Africa, which has a challenging economic growth outlook, as discussed under Operating environment, page 28. As a result of this, market demand for key products may be adversely affected.

Opportunities to create value

Pursuing favourable cost positionings and differentiated products and services can support local market share gains and growth in a subdued market. Pursuing exports could expand our international footprint and offset local market weakness.

Response and risk mitigation areas

- Our divisional strategies target a low-cost position through investment in processes, technology and business innovation.
- Our divisions' sales mix includes value-added products and services to differentiate them from competitors.
- PG Bison and Safripol export products (although at lower margins) to select markets to supplement local demand. Should they, however, not be able to export profitably, production will be lowered, with commercial shutdowns if necessary.
- We have a government relations and policy advocacy strategy, and engage with government both directly and through participation in various industry associations, to contribute to and engage on policies that may stimulate growth in key local sectors.

Infrastructure disruptions and security of utility supplies M3

Risk impact and trend

FY23 FY24 FY22

Likelihood of risk occurring: Certain and current

Risk impact after considering all mitigating measures: Moderate

Context

Deteriorating national and municipal infrastructure related to electricity, water, roads, ports and telecommunications poses a risk to our supply chain, the uninterrupted operation of our businesses, our ability to attract talent to outlying areas where we have significant operations and, in some instances, the quality of life of our employees.

To date, the most material of the above issues has been electricity supply. However, over the past year, the security of water and natural gas has come to the fore. Natural gas supply is at risk due to Sasol's suspension of supply to the industry from June 2027, with resultant price escalation anticipated. In addition, the group experienced inbound and outbound supply chain disruptions due to bottlenecks at the Durban port in the last quarter of the 2023 calendar year.

Opportunities to create value

We can strengthen community, government and employee relations, revive rural communities and support a future talent pool through our actions in communities. As a reliable local supplier, we can entrench our position with our customers and support market share gains. Energy self-generation provides us with a high-return capital allocation opportunity.

Response and risk mitigation areas

- We have completed 19 MWp of renewable energy projects. We are also evaluating several other projects to reduce consumption and increase our energy self-sufficiency. This will further mitigate supply risks and future cost escalations, and support the sustainability of our operations.
- We are considering several projects with the aim of reducing consumption and ensuring long-term sustainability of process water supply.
- We have initiated an investigation to prepare for the possibility of disruption in gas supply and/or substantial increases in gas pricing in the short to medium term. We manage the potential supply risk through our membership in the Industrial Gas Users Association of Southern Africa.
- We work with several government departments, associations and local municipalities in areas where our businesses operate to support the provision of basic municipal services, maintenance of existing infrastructure, and investment in new bulk infrastructure.

RISKS AND OPPORTUNITIES (CONTINUED)

Risk impact scale

Insignificant Minor Moderate Major Severe

Supply chain disruption M3

Risk impact and trend

FY23 FY24 FY22

Likelihood of risk occurring: Certain and current

Risk impact after considering all mitigating measures: Minor

Context

We have material concentration risk emanating from dependence on and potential disruptions of key supplies of raw materials. Local and international geopolitical, environmental, social and economic events also have the potential to exacerbate the risk to supply chains of not only our divisions' manufacturing processes, but also those of key divisional customers.

Opportunities to create value

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

Response and risk mitigation areas

- We hold strategic raw material inventory to mitigate potential shortages that may arise due to supply chain disruptions to ensure our plants operate without interruptions.
- We are implementing business development initiatives to broaden our supplier base and lessen dependence on key contracts, while also pursuing contract negotiations to ensure the security of key raw materials. The group has a specific exposure to Sasol as a key supplier. We have therefore conducted a specific risk analysis for supply of utilities and raw materials from Sasol. We are satisfied that, taking into account the various contracts and operational risk controls that are in place, the residual supply risk from Sasol is within our risk appetite.

Elevated debt levels and increased cost of debt M1

Risk impact and trend

FY23 FY24

Likelihood of risk occurring: Certain and current

Risk impact after considering all mitigating measures: Minor

Context

South Africa's prime interest rate increased by 350 basis points over the previous 24 months, which increased our net finance costs, including borrowing costs capitalised, by 17% compared with the prior year. The group's net interest-bearing debt increased by R299 million to R8 326 million. Interest rates are expected to decline in FY25 but remain at elevated levels.

Opportunities to create value

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

Response and risk mitigation areas

- We have concluded a R3 billion syndicated revolving credit facility, which replaced a previous R750 million revolving credit facility, to refinance the latter and upcoming term loans and bonds. This facility also provides more favourable interest rates and financial covenants.
- We are focused on delivering value from our major capital projects, which were completed in 2H24, to contribute positively to cash flows and debt reduction.
- We are driving cost savings across the group, with significant cost savings realised in Unitrans as a result of its restructuring.
- During the year, we curtailed non-essential capital expenditure and optimised the utilisation of existing assets. This included the disposal of underutilised assets in Unitrans which resulted in a reduction of R697 million in fixed assets employed compared with FY23.
- We are optimising working capital monthly by managing inventory, debtors' and suppliers' terms.

Operational risks and opportunities

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

Commercial risk following completion of major capital projects M1

Risk impact and trend

FY24

Likelihood of risk occurring: Certain and current

Risk impact after considering all mitigating measures: Moderate

Context

Our major capital projects were completed towards the end of the current financial year. In particular, PG Bison's new MDF line in Mkhondo, which is the largest of the projects, significantly increased local supply of MDF. Considering the uncertain local and global economic environment, there is a risk that the additional capacity cannot be sold at the quantum or pricing of our feasibility expectations.

Opportunities to create value

The successful execution of the commercial and marketing plans for the additional capacity will increase and entrench market share under challenging economic conditions and open new export markets that were previously unexploited.

Response and risk mitigation areas

PG Bison has developed a full commercial strategy that includes:

- Local demand creation and customer enablement activities to displace MDF imports, including product development to replace other materials with MDF; and
- The development of select export markets to supplement near-term local sales.

RISKS AND OPPORTUNITIES (CONTINUED)

Risk impact scale

Insignificant Minor Moderate Major Severe

Significant plantation fires M3 M5

Risk impact and trend

FY22 FY23 FY24

Likelihood of risk occurring: Certain and current

Risk impact after considering all mitigating measures: Minor

Context

PG Bison sources timber from its own and third-party plantations. There is a risk of damage to its plantations from fires caused by either extreme weather conditions or arson. The division had major fires at its southern Cape plantations in 2017 and 2018, which damaged 5 301 hectares or c. 12% of the plantations, and in 2023 at its northeastern Cape plantations, which damaged 2 492 hectares or c. 6% of the plantations.

While we consider the controls implemented by the division as best practice for the forestry industry, a major area-wide fire could overwhelm its own and local authority response capabilities and severely interrupt the division's supply chain.

Opportunities to create value

The successful management of the plantations contributes to job creation in rural areas, secures raw material supply for PG Bison and, over the longer term, contributes to the group's sustainability efforts.

Response and risk mitigation areas

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

Exchange rate and polymer raw material margin exposure M1

Risk impact and trend

FY22 FY23 FY24

Likelihood of risk occurring: Certain and current

Risk impact after considering all mitigating measures: Moderate

Context

Safripol's raw material and polymer prices are influenced by global supply and demand dynamics, which often differ, and contribute to the cyclicality of polymer raw material margins. Furthermore, prices are based in US dollars, which expose the division's margins to exchange rate risk. Safripol makes up 31% of group revenue.

Opportunities to create value

Shifting production and sales to higher-specification polymer grades reduces our exposure to grades used to produce single-use plastics and offers better margins relative to more commoditised polymer grades.

Response and risk mitigation areas

- Safripol does not hedge this exposure. Rather, risk is managed by optimising key raw material procurement, minimising the procurement-to-sales cycle, and increasing value-add by selling more non-commodity polymer grades and polymer grades used in durable applications.
- Safripol's ethylene and propylene supply contracts moderate an element of the cyclicality in polymer margins.

Emerging risks

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

Climate change

Our operations and employees are at risk of being directly impacted by climate change-induced events such as extreme weather, wildfires, water constraints and increased temperatures. These may also affect our customers and suppliers. In addition, we are at risk of being impacted indirectly by climate change through potential increases in carbon taxes and the possible legislation of net-zero targets.

Political risk

The GNU formed after the May 2024 election is showing early signs of holding together, which has resulted in improved business confidence and sentiment in the financial markets. Nevertheless, policy disagreements over, for example, National Health Insurance and the Basic Education Laws Amendment bill have emerged and there remains a risk that key policies (for example, sector Masterplans) that affect the group's operations and our employees will take time to be implemented, or will be referred back for reconsideration.

Organised and other forms of crime

South Africa is affected by pockets of seemingly uncontrolled organised crime in certain economic sectors. In addition, the group is increasingly impacted by high frequency, low impact issues like fraud, theft, illegal imports, non-compliance by competitors, security, vandalism and corrupt officials. These developments, as well as government efforts to address the problem, are closely monitored for potential spillover into other sectors of the economy, such as transport.

Geopolitical risk

Major geopolitical events and trends have the potential to impact the group's operations indirectly through their effects on global economic conditions and/or South African foreign relations and policy. Examples include the Russia-Ukraine and Israel-Hamas wars, US-China trade relations, and the upcoming US presidential election.

Emerging technologies

Several rapidly emerging technologies, including but not limited to various forms of AI, could fundamentally alter the social, economic, operational and competitive environments in which the group operates. For example, the group is already monitoring an increase in the frequency and sophistication of attempted cybercrimes.

4

PERFORMANCE REVIEW

CHIEF FINANCIAL OFFICER'S REVIEW

Frans Olivier
Chief financial officer

Key messages

- Five of the group's six divisions showed earnings growth in a challenging economic environment.
- We maintained net debt levels in FY24 despite R1.8 billion invested in expansion projects.
- We raised a R3 billion revolving credit facility to refinance maturing facility, at more favourable interest rates and financial covenants.
- Management is focused on increasing free cash flow and reducing net debt.

Introduction

The South African operating environment was challenging during the year, despite the easing of electricity loadshedding in the second half of the financial year. Infrastructure disruptions, not related to loadshedding, continued to challenge businesses. Generally, economic activity was subdued, exacerbated by political uncertainty ahead of the May 2024 elections and pressure on consumer disposable income, which persisted due to elevated interest rates and inflation.

KAP was resilient in this environment, with five of our six divisions delivering an improved performance compared with the prior year. This was offset by a weaker result from Safripol, which was affected by a cyclical low in the global polymers industry. Overall, the group's performance was supported by market share gains, cost savings, and the benefits realised from various restructuring initiatives, particularly at Unitrans.

The group completed and commissioned certain multiyear capital projects during the second half of the financial year, which amounted to c. R2.5 billion. This is a major milestone in the execution of the group's strategy as it will provide a foundation for future earnings growth and cash generation.

Revenue declined by 2% to R29.1 billion. EBITDA decreased by 8% to R3.7 billion, while operating profit before capital items decreased by 11% to R2.3 billion, with the decline mostly attributable to Safripol. HEPS declined by 4% to 45.3 cents, mainly due to the decline in operating profit before capital items and a 4% increase in net finance costs, caused primarily by higher interest rates.

HEPS was supported by a lower effective taxation rate of 15.0% (FY23: 37.0%) related to investment incentives associated with the PG Bison Mkhondo MDF project.

Cash flow from operations decreased by 10%, largely due to the lower EBITDA. Net interest-bearing debt only increased by 4% to R8.3 billion despite the significant capital investments made during the year. The net debt to EBITDA ratio increased from 2.0 times to 2.3 times, which was below our covenant of 3.0 times at 30 June 2024.

The group raised a R3 billion revolving credit facility to refinance maturing facilities. This facility also provides more favourable interest rates and certain financial covenants.

While we anticipate that the operating environment may remain challenging, we are confident that the execution of the following material items provides compelling prospects for the group over the near to medium term, as discussed in the outlook:

- value realisation from our major capital projects;
- further streamlining of Unitrans and repositioning the division for growth; and
- increasing free cash flow and reducing net debt.

In addition to the above, we remain focused on enhancing group performance by pursuing market share gains, lowering costs, improving operational efficiencies and optimising assets in each of our divisions.

Key metrics	FY24	FY23 Restated	% change
Revenue (Rm)	**29 062**	29 628	(2)
EBITDA (Rm)	**3 694**	4 020	(8)
Operating profit before capital items (Rm)	**2 250**	2 523	(11)
Headline earnings (Rm)	**1 125**	1 170	(4)
Headline earnings per share (cents)	**45.3**	47.3	(4)
Basic earnings per share (cents)	**43.8**	21.3	106
Cash generated from operations (Rm)	**3 491**	3 889	(10)
Free cash flow before dividends (Rm)	**(79)**	308	(> 100)

Restatement

During October 2023, management detected that a raw material supplier had incorrectly applied a contractual pricing formula for the period 1 February 2022 to 30 September 2023. This resulted in Safripol being overcharged, with a resultant overstatement in raw material purchases amounting to R183 million, of which R163 million related to the period prior to 1 July 2023. The error was immediately corrected and the overcharges recovered from the supplier. The prior year has been restated to correct the impact of the error, effectively increasing the prior year's earnings. Management considered the circumstances that led to the restatement and has implemented the necessary controls to prevent the recurrence of such an error.

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

Financial performance

Revenue decreased by 2% to R29 062 million (FY23: R29 628 million). Four of our six divisions increased revenue, as illustrated below:

Revenue	Year ended 30 Jun 2024 Audited Rm	Year ended 30 Jun 2023* Audited Rm	% change
PG Bison	**5 758**	5 349	8
Safripol	**9 312**	10 310	(10)
Unitrans	**9 689**	10 052	(4)
Feltex	**2 654**	2 338	14
Restonic	**1 720**	1 590	8
Optix	**595**	523	14
	29 728	30 162	(1)
Intersegmental eliminations	**(666)**	(534)	
	29 062	29 628	(2)

EBITDA decreased by 8% to R3 694 million (FY23: R4 020 million). Operating profit before capital items decreased by 11% to R2 250 million (FY23: R2 523 million) and the operating margin decreased to 7.7% (FY23: 8.5%). The lower operating profit and margin were primarily due to a material decline in Safripol's performance, which was affected by a cyclical low in the global polymers sector due to increased capacity and weaker demand. Divisional operating profit and margin percentages are reflected as follows:

Operating profit and margin %	Year ended 30 Jun 2024 Audited Rm	30 Jun 2024 margin %	Year ended 30 Jun 2023* Audited Restated Rm	30 Jun 2023 margin %	Operating profit change %	Margin change %
PG Bison	**1 001**	**17.4**	933	17.4	7	–
Safripol	**352**	**3.8**	920	8.9	(62)	(5.1)
Unitrans	**508**	**5.2**	385	3.8	32	1.4
Feltex	**264**	**9.9**	226	9.7	17	0.2
Restonic	**125**	**7.3**	66	4.2	89	3.1
Optix	**–**	**–**	(7)	(1.3)	100	1.3
	2 250	**7.7**	2 523	8.5	(11)	(0.8)

* During the year, the fibre recycling business, Connacher, was transferred from the Restonic to the Feltex division as the bulk of its products is utilised in the automotive sector, with Feltex already being a major client. The comparative information has been re-presented.

The operating profit includes R64 million (FY23: R343 million) insurance income, of which R19 million is related to the business interruption caused by the KwaZulu-Natal floods in April 2022, R25 million to the Mozambique floods in February 2023, and R15 million to the fires at PG Bison's northeastern Cape plantations in August 2023. In the prior year, insurance income of R178 million is related to the business interruption caused by the KwaZulu-Natal floods and R148 million to plant stoppages at Safripol Durban in January and February 2022. Safripol, Feltex and Unitrans recognised insurance income of R216 million, R80 million and R30 million respectively in relation to these events. An insurance claim pertaining to the major equipment failure at the Safripol Durban plant in September 2022 remains subject to insurance assessment, which is expected to be finalised in FY25.

Unitrans incurred foreign exchange losses of R52 million (FY23: R12 million gains), due mainly to the Malawian government's devaluation of the Malawian kwacha in November 2023.

Capital items of R46 million (FY23: R816 million, mainly comprising a R713 million impairment of trademarks and goodwill related to Unitrans) are made up as follows:

Capital items	Year ended 30 Jun 2024 Gross Rm	Year ended 30 Jun 2024 Net* Rm	Year ended 30 Jun 2023 Gross Rm	Year ended 30 Jun 2023 Net* Rm
Impairments	**16**	**13**	813	641
Goodwill	**–**	**–**	51	51
Intangible assets	**–**	**–**	665	521
Property, plant and equipment	**16**	**13**	97	69
Loss on disposal of property, plant and equipment	**42**	**30**	48	35
Insurance income	**(12)**	**(9)**	(45)	(34)
	46	**34**	816	642

* Net is the value after the impact of taxation.

The group performs annual impairment assessments on all assets in terms of the requirements of the IFRS Accounting Standards. No material impairment was recognised during the year.

The prior year impairment comprised a R51 million impairment of goodwill and a R662 million impairment of trademarks in the Unitrans division. This was as a result of the muted outlook for South African economic growth, structural changes in the South African logistics industry, the loss of a major food retail contract and the resultant decline in Unitrans' performance. In addition, in terms of the rationalisation process taking place at Unitrans involving the closure of underperforming operations and contracts and the disposal of related assets, Unitrans impaired affected logistics assets in property, plant and equipment by R74 million in the prior year.

Net finance costs, as reflected in the income statement, increased by 4% to R825 million (FY23: R794 million). Net finance costs including the impact of borrowing costs capitalised on the major expansion projects increased by 17% or R147 million. The increase is mainly due to increased interest rates, as gross debt levels remained fairly stable throughout the year. Borrowing costs capitalised for the year amount to R173 million compared with R57 million in the prior year.

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

The effective tax rate of 15.0% (FY23: 37.0%) resulted from a section 12I tax allowance incentive of R790 million related to the PG Bison MDF project completed and brought into use during June 2024. In the prior year, the effective tax rate was elevated due to the impairments of R704 million (trademarks of R653 million and goodwill of R51 million) which were not tax deductible.

HEPS decreased by 4% to 45.3 cents (FY23: 47.3 cents) and adjusted HEPS decreased by 22% to 36.7 cents (FY23: 46.8 cents) after taking into account material and non-trading items which affected the results.

Adjusted headline earnings per share	FY24 Cents	FY23 Cents Restated	% change
Reported	**45.3**	47.3	(4)
PG Bison section 12I tax allowance	**(8.6)**	–	
Unitrans termination penalty	**–**	(0.5)	
	36.7	46.8	(22)

Basic earnings per share ('EPS') increased by 106% to 43.8 cents (FY23: 21.3 cents), as the prior year included a R570 million non-cash impairment of intangibles, net of taxation, related to Unitrans.

Statement of financial position

Net interest-bearing debt only increased by R299 million compared with the prior year despite an increase in expansion capital expenditure related to major capital projects and higher net working capital. The group remained within its financial covenants during the year.

The group's balance sheet remains resilient and should strengthen further following the completion of the major capital projects and an expected reduction in capital expenditure and net debt in FY25.

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

Asset base	FY24 Rm	% of total	FY23 Rm	% of total
Plant and machinery (including rental assets)	**7 905**	**39**	5 624	29
Long-haul vehicles and buses	**4 243**	**21**	4 848	25
Land and buildings	**3 193**	**16**	2 870	15
Intangible assets	**1 790**	**9**	1 728	9
Biological assets	**1 586**	**8**	1 536	8
Goodwill	**659**	**3**	662	3
Capital work in progress	**343**	**1**	1 486	7
Right-of-use assets	**300**	**1**	390	2
Renewable energy assets	**242**	**1**	145	1
Other assets	**117**	**1**	121	1
	20 378	**100**	19 410	100

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

Net operating assets/(liabilities) and ROCE (%)	Year ended 30 Jun 2024 Rm	30 Jun 2024 ROCE %	Year ended 30 Jun 2023* Restated Rm	30 Jun 2023 ROCE %	ROCE change %
PG Bison	**8 505**	**12.8**	7 137	13.8	(1.0)
Safripol	**5 237**	**6.8**	5 104	18.6	(11.8)
Unitrans	**6 041**	**8.2**	6 403	5.6	2.6
Feltex	**1 558**	**17.6**	1 440	16.3	1.3
Restonic	**1 464**	**8.4**	1 520	4.5	3.9
Optix	**773**	**–**	709	(1.1)	–
Corporate, consolidation and elimination	**(317)**		(259)		
	23 261	**9.9**	22 054	11.6	(1.7)

* During the year, the fibre recycling business, Connacher, was transferred from the Restonic to the Feltex division as the bulk of its products is utilised in the automotive sector, with Feltex already being a major client. The comparative information has been re-presented.

ROCE is a key management focus area. It decreased from 11.6% to 9.9% and remains lower than our targeted rate of more than 16%. The completion and capitalisation of major capital projects impacted ROCE negatively as these projects

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

will take time to deliver the expected returns. Return on equity ('ROE') decreased to 9.4% from 10.1%.

Replacement capital expenditure is managed over time in relation to the annual depreciation charge. Depreciation and amortisation (excluding right-of-use asset depreciation) for the year amounted to R1 309 million (FY23: R1 370 million), while replacement capital expenditure net of proceeds from disposal, insurance proceeds and government grants received amounted to R423 million (FY23: R871 million). Management disposed of underutilised vehicles and trailers or redeployed these internally to improve capital efficiency in Unitrans. Proceeds from asset disposal in Unitrans totalled R319 million (FY23: R296 million) and largely concludes the rationalisation of the Unitrans fleet.

Expansion capital expenditure of R1 759 million (FY23: R1 326 million), net of government grants received, was invested in the group's asset base to drive growth and efficiency benefits.

The split of capital expenditure per division is illustrated below:

Total capital expenditure	FY24 Rm	% of total	FY23* Rm
PG Bison	**1 437**	66	831
Safripol	**279**	13	332
Unitrans	**253**	12	610
Feltex	**110**	5	175
Restonic	**17**	1	194
Optix	**86**	3	54
Corporate, consolidation and eliminations	**–**	–	1
	2 182	100	2 197

* During the year, the fibre recycling business, Connacher, was transferred from the Restonic to the Feltex division as the bulk of its products is utilised in the automotive sector, with Feltex already being a major client. The comparative information has been re-presented.

Major expansion and replacement projects of R2 541 million and renewable energy projects of R160 million were completed during the year. While these projects did not generate income for most of the year, they did accumulate interest. Management therefore carefully monitored the group's capital expenditure to control debt levels, finance costs and financial covenants.

As these projects are now commissioned, they are expected to contribute towards increasing future earnings and reducing net debt levels.

Net working capital levels increased by R239 million compared with the prior year. Inventory and accounts receivable increased by R340 million and R82 million respectively, offset by an increase in accounts payable of R183 million.

Inventory increased mainly due to additional raw materials acquired to mitigate supply risk and an increase in engineering spares associated with the completion of the major capital projects. Increased focus has been placed on optimising net working capital, specifically through aligning production and inventory levels with domestic demand and exports, where commercially viable.

The R258 million insurance claims receivable at 30 June 2023 were collected during the year.

The net asset value per share increased by 7% to 500 cents (FY23: 466 cents).

Statement of cash flows

Cash generated from operations of R3 491 million (FY23: R3 889 million) is R398 million less than the prior year, comprising R339 million less cash generated from trading and R59 million more cash invested in net working capital.

The cash conversion ratio of EBITDA to cash flow from operations ended at 95%, above our internal target of greater than 90%.

Free cash outflow (before dividends paid) of R79 million is R387 million lower than the prior year, mainly due to R398 million less cash generated from operations and an increase of R208 million in net finance costs paid, offset by R160 million less taxation paid and a decreased spend of R41 million on investing activities.

Free cash flow (before dividends paid and expansion capital expenditure) of R1 680 million increased by R46 million compared with R1 634 million in the prior year. The company did not pay dividends during the year (FY23: R717 million).

Capital structure

We are committed to maintaining a sound capital structure by maintaining appropriate gearing and ensuring access to sufficient funding to sustain our operations and facilitate growth. Our debt funding is diversified in nature, at competitive rates, and from a variety of funding sources. Our central treasury function supports operations and monitors gearing on a group-wide basis, ensuring that our treasury and funding requirements operate within our internal targeted debt serviceability ratios. No shares were repurchased or cancelled during the year.

Net interest-bearing debt of R8 326 million increased by R299 million compared with the prior year, while the net interest-bearing debt to equity (gearing) ratio decreased to 67% from 70% in the prior year.

Debt serviceability ratios for the year of net debt to EBITDA at 2.3 times and EBITDA to interest cover at 3.7 times remained within our financial covenants of less than 3.0 times and greater than 3.0 times respectively. The net debt to EBITDA ratio is below our internal target of 2.5 times; however, the EBITDA to interest cover is less than our internal target of 4.5 times. As noted above, with the major capital projects now complete, management plans to reduce debt from FY25. This debt reduction will only materialise from 2H25, due to an expected normal seasonal increase in net working capital in the first half of the financial year.

During the year, a new revolving credit facility of R3 billion was raised to refinance a combination of the previous revolving credit facility, term debt and bonds. The facility comprises R2 billion in three-year and R1 billion in five-year tenures, both at lower interest rates than existing facilities, and with favourable covenants. This facility provided refinancing certainty during a period of earnings volatility, specifically related to Safripol, in the context of an uncertain local and global macroeconomic environment and the completion of our major capital projects. The R1 billion unutilised portion at 30 June 2024 was utilised after year-end (July 2024) to refinance maturing bonds.

A key risk mitigation of the new facility is a covenant ratchet in respect of the interest cover ratio for the next three financial years. The previous interest cover covenant required greater than 3.5 times. The new facility provides for greater than 3.0 times at 30 June 2024, greater than 3.25 times at 30 June 2025 and greater than 3.5 times at 30 June 2026. The net debt to EBITDA ratio reduced to less than 3.0 times (previously less than 3.2 times). This revolving credit facility replaces the previous R750 million revolving credit facility.

In addition, during the year, bonds and term debt to the value of R1 852 million were settled and new funding of R500 million was raised through a bond issuance with a maturity of three years, at more favourable interest rates.

Global Credit Rating Co. Proprietary Limited reviewed KAP's credit rating in November 2023 and confirmed its rating as A+(za), but revised the outlook from stable to negative.

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

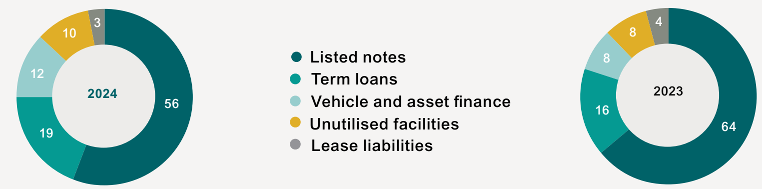
The debt structure, movement in net interest-bearing debt and financial covenant ratios are reflected as follows:

Debt structure and capacity ratios	30 Jun 2024 Audited Rm	30 Jun 2023 Audited Restated Rm
Loans and borrowings non-current	6 710	6 849
Loans and borrowings current	2 710	2 247
Lease liabilities non-current	273	323
Lease liabilities current	82	126
Non-interest-bearing loans and borrowings	(51)	(65)
Cash and cash equivalents	(1 398)	(1 453)
Net interest-bearing debt	8 326	8 027
Movement in net interest-bearing debt		
Balance at the beginning of the year excluding lease liabilities	7 578	6 981
Net interest-bearing loans and borrowings received	364	309
(Decrease)/increase in accrued interest on loans and borrowings	(17)	43
Net (increase)/decrease in cash and cash equivalents	(16)	276
Net acquisition of subsidiaries	(9)	6
Effects of exchange rate translations on cash and cash equivalents	71	(37)
Net interest-bearing debt excluding lease liabilities	7 971	7 578
Lease liabilities	355	449
Net interest-bearing debt	8 326	8 027
EBITDA[1]	3 694	4 020
Net finance costs including capitalised borrowing costs	998	851
EBITDA: interest cover (times) > 3.0[2, 3]	3.7	4.7
Net debt: EBITDA (times) < 3.0[3]	2.3	2.0
Gearing %	67	70

[1] Operating profit before depreciation, amortisation and capital items.
[2] EBITDA: Interest cover covenant requirement increases:
2025: 3.25
2026: 3.50
[3] Financial covenant triggers.

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

Funding structure (%)

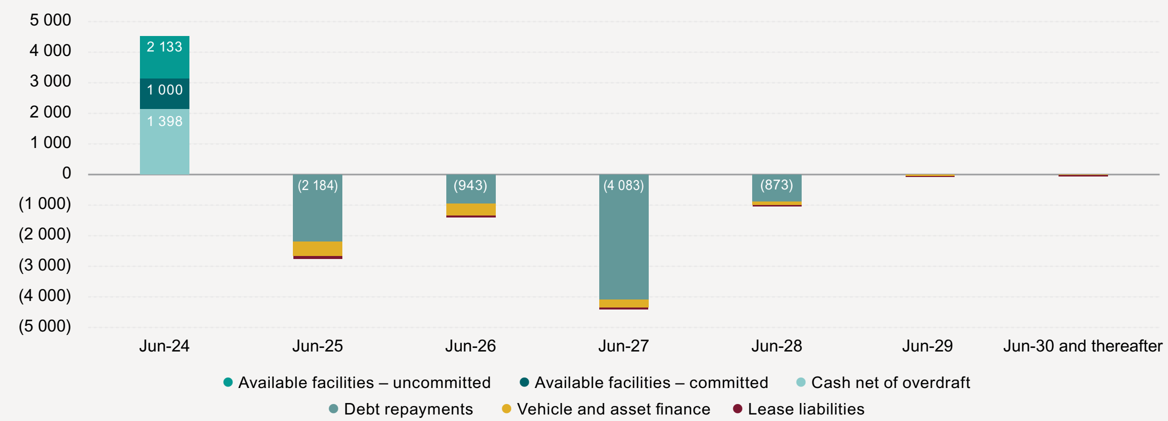


All our debt funding is at variable rates and any anticipated future reduction in interest rates will immediately benefit the group.

Management will continue to refinance certain of the group's debt from time to time through a combination of bank term debt and corporate bonds in line with our planned debt reduction.

The debt maturity profile, as reflected below, is healthy and within the serviceable capacity of the group:

Maturity of net interest-bearing debt as at 30 June 2024 (Rm)



CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

Dividend

KAP completed a number of major capital projects during the year, which have extended over several years. The board is confident that these investments will be value-accretive to shareholders over the medium to long term. However, they have resulted in increased net debt levels in the short term. Considering KAP's debt levels within the context of the subdued and uncertain macroeconomic environment, and elevated interest rates, the board believes it prudent to focus on debt reduction. A dividend was therefore not declared for the 2024 financial year.

Corporate activity

The group continued with strategic corporate activities to enhance the group's quality of earnings and our sustainability into the future. In line with our investment criteria, effective 1 March 2024, KAP Automotive Proprietary Limited acquired 100% of the shares in Imvusa Interior Trim Proprietary Limited ('Imvusa') for R86 million. Imvusa is a supplier of soft trim components that are supplied to the automotive industry.

Governance

Our decentralised business model allows our divisions to operate autonomously and to cultivate an entrepreneurial culture within a governance framework established at centre by the company. It is through this framework that compliance with policies, procedures and internal controls is monitored. The primary control environment of the company is key to the success of our decentralised model, in terms of both governance and providing effective support to enable divisional management to grow their businesses.

We acknowledge the importance of technology and the benefits that are unlocked through visibility of accurate information, as well as the improved control environment that is related to robust systems. Our divisions all operate on separate operating systems appropriate to their businesses.

In the prior year we initiated a strategic project to develop divisional digital strategies incorporating process and capability improvements, intelligent use of data and system architecture. The implementation of the project is progressing according to plan. We regularly invest in upgrading these systems to ensure that they remain effective.

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

The group will place increased focus on procurement to ensure we remain globally competitive. We will develop a group procurement strategy which will include improved uniformly configured procurement data and appropriate procurement competence and capacity to execute the strategy.

Outlook

Despite the challenging operating environment during the past year, our divisions have sustained or grown their market shares and positions, demonstrating their resilience and ability to operate in volatile and uncertain market conditions.

While we anticipate that the macroeconomic and sociopolitical environment may remain challenging, we are positive about the outlook for the group. We have strategies in place to grow market share and improve margins and returns through cost savings, operational efficiencies and asset optimisation. We are committed to executing on the following material items, which we believe provide compelling prospects for the group over the near to medium term:

- **Value realisation from our major capital projects**
  We completed c. R2.5 billion of capital projects in the second half of the year. The largest of these is PG Bison's MDF project in Mkhondo, which resulted in a 33% increase in the division's total production capacity and offers meaningful growth opportunities over the medium term. The additional capacity will be used to grow the division's domestic and export market shares. We are targeting a four-year ramp-up of the MDF line.

  Our other two major projects, the Restonic and Feltex fibre tearing lines and Safripol's project to produce more higher-specification HDPE grades, support increased production of value-add products and reduced costs for these divisions.
- **Further streamlining of Unitrans and repositioning the division for growth**
  Good progress has been made with the restructuring of Unitrans:
  - » fixed assets employed are R697 million lower compared with FY23;
  - » loss-making activities of R107 million were closed in FY23; and
  - » c. R100 million cost savings were delivered during the year.

  Our target to deliver a c. R300 million improvement in operating profit, relative to FY23, remains intact. We believe that the organisational redesign, which started during the second half of the financial year, will enhance the improvements and cost savings already delivered, to realise this target over the medium term. Business development activities are ongoing to pursue growth opportunities at attractive margins and returns, which we believe will deliver value from FY26.
- **Increasing free cash flow and reducing net debt**
  We are targeting a R1 billion reduction in net debt in FY25, enabled by:
  - » lower capital expenditure (relative to FY24), as our major capital projects are completed;
  - » cash flow contribution from our major capital projects from FY25; and
  - » an expected improvement in Unitrans' performance.

While we are cautious about the outlook for Safripol, as industry expectations are for the polymers downcycle to persist until at least FY26/27, we continue to implement initiatives to navigate the downcycle, which includes optimising the procurement-to-sales cycle, tightly managing working capital and increasing value-add by selling more polymer grades used in durable applications. The diversified nature of revenue and cash flow generation in the group provides resilience during such industry and business cycles.

Frans Olivier
Chief financial officer

HISTORICAL FINANCIAL REVIEW

Ten-year review

	Financial definition	10-year CAGR %[a]	2024 Rm	2023 Rm[b]	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
Extracts from income statement – continuing operations													
Revenue		7	**29 062**	29 628	27 979	23 956	21 591	25 602	22 813	19 783	16 047	15 664	14 471
EBITDA	1	5	**3 694**	4 020	4 340	3 419	2 703	3 713	3 944	3 361	2 797	2 450	2 230
Operating profit	2	4	**2 250**	2 523	2 936	2 102	1 419	2 527	2 901	2 499	1 997	1 666	1 480
B-BBEE cost			**–**	–	13	3	3	196	–	–	–	–	–
Net finance costs			**825**	794	499	466	654	707	697	515	312	289	327
Taxation expense/(benefit)			**213**	352	578	506	(395)	533	520	510	487	361	309
Headline earnings		3	**1 125**	1 170	1 851	1 099	460	1 237	1 646	1 431	1 172	969	801
Extracts from statement of financial position													
Goodwill and intangible assets			**2 449**	2 390	3 046	2 669	2 687	5 242	5 392	5 333	2 078	1 598	1 290
Property, plant and equipment and investment property			**16 043**	15 094	14 130	12 957	12 630	12 536	12 513	11 832	8 128	7 129	6 633
Right-of-use assets[c]			**300**	390	426	358	438	–	–	–	–	–	–
Consumable biological assets			**1 586**	1 536	1 491	1 565	1 754	1 900	1 919	1 978	1 890	1 824	1 875
Net working capital[d]	3		**2 883**	2 644	2 462	1 925	1 911	1 132	1 330	623	(27)	352	170
Net operating assets	4	9	**23 261**	22 054	21 555	19 474	19 420	20 810	21 154	19 766	12 069	10 903	9 968
Gross interest-bearing debt			**9 724**	9 480	9 189	7 281	8 042	6 273	7 878	7 786	4 671	3 459	4 024
Interest-bearing loans and borrowings			**9 369**	9 031	8 711	6 884	7 576	6 273	7 878	7 786	4 671	3 459	4 024
Lease liabilities[c]			**355**	449	478	397	466	–	–	–	–	–	–
Cash and cash equivalents			**(1 398)**	(1 453)	(1 730)	(751)	(1 001)	(1 785)	(2 151)	(2 009)	(2 602)	(1 370)	(1 348)
Net interest-bearing debt			**8 326**	8 027	7 459	6 530	7 041	4 488	5 727	5 777	2 069	2 089	2 676
Equity attributable to owners of the parent		6	**12 475**	11 542	11 531	10 250	9 566	12 825	12 155	11 035	8 667	7 761	6 709
Extracts from statement of cash flows													
Cash generated from operations			**3 491**	3 889	4 081	3 485	2 076	4 033	3 308	2 958	3 285	2 275	1 888
Cash flows from investing activities[e]			**(2 257)**	(2 298)	(2 736)	(1 807)	(1 939)	(1 142)	(1 723)	(6 083)	(2 285)	(871)	(828)
Expansion capital expenditure			**(1 759)**	(1 326)	(1 127)	(899)	(671)	(420)	(811)	(1 050)	(735)	(509)	(403)
Replacement capital expenditure			**(423)**	(871)	(1 067)	(918)	(1 241)	(811)	(837)	(1 190)	(965)	(683)	(653)
(Acquisition)/disposal of investments			**(77)**	(37)	(392)	–	(13)	101	(29)	(3 781)	(573)	328	276
Other investing activities			**2**	(64)	(150)	10	(14)	(12)	(46)	(62)	(12)	(7)	(48)
Free cash flow before dividends		5	**(79)**	308	22	810	(791)	1 983	594	(4 006)	417	913	600

a Compound annual growth rate.
b Restatement of 2023 with regard to error in Safripol.
c IFRS 16 was adopted on 1 July 2019 on a forward-looking basis.
d Net working capital for 2022 has been re-presented to include non-current derivative financial instruments to reflect more accurately the nature thereof.
e Cash flow from investing activities has been restated from 2014 to 2016 to include capitalised interest in net finance costs. It was previously included in additions to property, plant and equipment.

HISTORICAL FINANCIAL REVIEW (CONTINUED)

	Financial definition	10-year CAGR %[a]	**2024 Rm**	2023 Rm[b]	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
Key information													
Headline earnings per share (cents)		3	**45.3**	47.3	75.1	37.9	13.7	42.9	59.8	54.2	47.8	40.2	33.8
Headline earnings per share (cents) – continuing operations		3	**45.3**	47.3	74.4	43.0	17.5	45.9	61.6	55.6	48.2	40.6	34.1
Dividends per share (cents)			**–**	–	29	15	–	23	23	21	18	15	12
Net asset value per share (cents)		6	**500**	466	466	405	372	474	454	415	355	320	286
Weighted average number of shares (million)		1	**2 486**	2 475	2 487	2 555	2 630	2 696	2 671	2 574	2 433	2 384	2 346
Shares in issue (million)		1	**2 494**	2 477	2 472	2 531	2 571	2 704	2 678	2 662	2 441	2 423	2 346
Ratios													
Operating margin (%)[f]	6		**7.7**	8.5	10.5	8.8	6.6	10.6	12.7	12.6	12.4	10.6	10.2
EBITDA margin (%)[f]	7		**12.7**	13.6	15.6	14.3	12.5	15.3	17.3	17.0	17.4	15.6	15.4
Effective tax rate (%)	8		**15.0**	37.0	24.6	29.8	(17.0)	31.2	24.1	26.0	28.8	26.9	27.1
Cash conversion ratio (%)[f]	9		**95**	97	94	106	77	105	85	89	118	93	85
Gearing (%)	10		**67**	70	65	64	74	35	47	52	24	27	40
Gearing – gross debt (%)	11		**78**	82	80	71	84	49	65	71	54	45	60
EBITDA: interest cover (times)			**3.7**	4.7	8.2	7.3	4.1	5.3	5.7	6.5	9.0	8.5	6.8
Net debt: EBITDA (times)			**2.3**	2.0	1.7	1.9	2.6	1.2	1.5	1.7	0.7	0.9	1.2
Gross debt: EBITDA (times)			**2.6**	2.4	2.1	2.1	3.0	1.7	2.0	2.3	1.7	1.4	1.8
Return on capital employed (ROCE) (%)[f]	12		**9.9**	11.6	14.4	10.8	7.1	13.0	14.2	15.7	17.4	16.0	15.0
Return on equity (ROE) (%)[f]	13		**9.4**	10.1	17.2	9.8	3.3	10.8	13.8	14.2	14.2	13.3	12.3
Weighted average cost of capital (WACC) (%)[f]	14		**14.3**	13.3	12.7	13.0	12.1	10.0	11.3	11.2	11.6	9.5	9.7
Dividend cover (times)	15		**–**	–	2.6	2.5	–	1.9	2.6	2.6	2.7	2.7	2.8

[a] Compound annual growth rate.
[b] Restatement of 2023 with regard to error in Safripol.
[f] Excluding B-BBEE cost.

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

DIVISIONAL REVIEW

PG BISON

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

Gerhard Victor
Chief executive officer

Key metrics

Revenue
R5 758 million

Operating profit
R1 001 million

Operating margin
17.4%

ROCE
12.8%

FY24 performance review

Highlights

- Record performance delivered for the year
- Local sales volumes relatively stable despite subdued market conditions
- Exports made up 21% of total sales, reflecting continued development of export markets
- Completion and commissioning of the Mkhondo MDF line ahead of schedule and close to budget

Lowlights

- Boksburg MDF production affected by municipal electricity and water disruptions

Operating environment

The South African operating environment remained challenging during the year, with a slowdown in consumer spending due to higher interest rates and inflation, exacerbated by uncertainty ahead of the national elections. This is reflected in the building sector, where activity levels have been volatile and subdued following a post-Covid-19 pandemic recovery in FY21. We have seen a contraction of retail sales of hardware, paint and glass, usually indicative of home improvement or renovation activity, for the past three years.

While electricity loadshedding eased during the second half of the financial year, infrastructure issues persisted, with non-loadshedding related electricity disruptions, water interruptions and port congestion increasing operational complexity for businesses.

DIVISIONAL REVIEW: PG BISON (CONTINUED)

Selected indicators	FY24	FY23	FY22	FY21	FY20
South Africa building plans					
Building plans passed (Rm)	**70 027**	88 962	93 215	92 085	85 044
Building plans passed (% change)	**(21)**	(5)	1	8	(28)
Building plans completed*^ (Rm)	**40 000**	46 857	56 560	51 582	61 554
Building plans completed (% change)	**(15)**	(17)	10	(16)	(31)
South Africa retail sales					
Hardware, paint and glass* (Rm)	**90 009**	93 240	98 591	105 245	89 085
Hardware, paint and glass (% change)	**(3)**	(5)	(6)	18	(7)
South Africa building materials mined					
Index of volume of materials mined# (% change)	**(4)**	(2)	(6)	19	(19)

* In constant 2019 prices
^ Includes additions and alterations
\# 2019 = 100
Statistics for formal markets shown; informal market statistics not reported.
Source: Statistics South Africa

Results discussion

Financial metrics	FY24	FY23	% change
Revenue (Rm)	**5 758**	5 349	8
EBITDA (Rm)	**1 220**	1 139	7
EBITDA margin (%)	**21.2**	21.3	(0.1)
Operating profit (Rm)	**1 001**	933	7
Operating profit margin (%)	**17.4**	17.4	–
Net working capital (Rm)	**944**	970	(3)
Cash flow (Rm)*	**1 145**	959	19
Net operating assets (Rm)	**8 505**	7 137	19
ROCE (%)	**12.8**	13.8	(1.0)

* Cash flow from operations less replacement capital expenditure.

Despite the subdued economic environment, domestic demand for value-add particleboard and MDF was good throughout the year, with domestic demand for MDF exceeding domestic production capacity. Production at our MDF plant in Boksburg was unfortunately affected by intermittent municipal electricity and water supply interruptions. Total sales volumes declined by 1%, with 3% lower domestic sales volumes largely offset by an 11% increase in exports of primarily particleboard to African and deep-sea markets, supported by the global competitiveness of our products. Exports are an important element of our strategy to operate our plants at full capacity. The increase in exports materialised despite the congestion at the Durban port. Value-add sales increased from 62% of total sales volumes to 67%, attributable to improved upgrading press availability and continued demand creation activities by our marketing teams.

Revenue increased by 8%, supported by the increased value-add sales, which are sold at a higher price than non-upgraded board, and a price increase to offset the impact of cost escalations. Operating profit improved by 7%, largely owing to increased value-add sales, technology-driven efficiency improvements and a biological asset revaluation of R49 million (FY23: R24 million). These factors offset the margins achieved on exports to deep-sea markets, which made up approximately half of our exports during the year and are lower than domestic margins. The operating margin of 17.4% is in line with the prior year and just below our long-term guidance of 18% to 20%.

Net working capital was well managed, with a 3% decrease reported over the period, due to an increase in capital expenditure creditors related to the new MDF line. Cash flow was 19% higher owing to the increased profitability and lower working capital. ROCE was lower at 12.8%, below our long-term guidance of 15% to 17%, due to the additional capital spent on the new MDF line, which was not operational during the period.

Mkhondo MDF project

The MDF line was commissioned in June 2024, almost a month ahead of schedule and close to the budget of R1.9 billion, a pleasing outcome considering the high inflationary environment experienced during the construction of the project.

The MDF project entailed expanding our MDF capacity by 274 000 m^3, equating to a 33% expansion in our total capacity. This expansion will enable us to gain market share in MDF from imports and local competitors. It will also enable us to produce thinner panels at our existing Boksburg MDF line to target the traditional hardboard market, which we do not currently supply. The MDF produced at Mkhondo is globally competitive on both cost and quality as it incorporates the latest technology and is housed on an integrated site, which includes a resin plant, two paper treatment lines and a particleboard line. The site is also close to plantations and export ports.

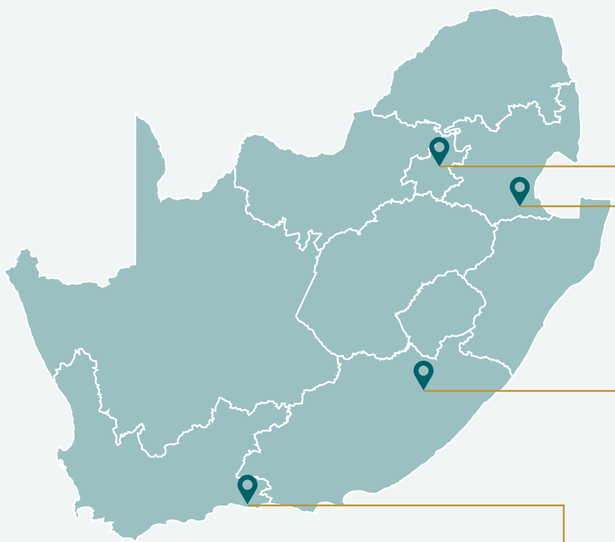
Due to the significant increase in capacity, which we estimate resulted in domestic capacity being more than domestic demand, our sales strategy will incorporate a mix of domestic and export sales. Our preference is to prioritise domestic sales, followed by exports to the rest of Africa. We have a direct presence in Africa through a joint venture in Kenya and have exported particleboard to African countries for several years. We were unable to export MDF prior to the expansion as local demand exceeded available capacity (with the balance being met by imports). We also export to deep-sea markets to optimise production capacity, however, our margins on these exports are lower than to Africa or domestic sales.

We expect that it will take a few years to sell the full capacity of the MDF line, in accordance with domestic demand growth and the establishment of sustainable export markets. We further expect our sales mix for the new MDF line to be weighted more towards exports than domestic sales during the ramp-up phase.

DIVISIONAL REVIEW: PG BISON (CONTINUED)

Our operations

PG Bison operates three panel manufacturing complexes across South Africa. It has total raw board capacity of 1 100 000 m^3 per year and upgrading capacity of c. 600 000 m^3 per year. It also operates a sawmill in the George area of the southern Cape, and owns plantations in the northeastern Cape.



PG Bison, Boksburg

- MDF line
- 2 x MFB* upgrading presses
- Foil press
- 2 x hot coating lines for gloss and matt finishing

PG Bison, Mkhondo

- Resin plant
- 2 x paper treatment lines
- Particleboard line
- MDF line
- 3 x MFB* upgrading presses

PG Bison, Ugie

- Particleboard line
- 2 x MFB* upgrading presses
- Laminate worktop line

North East Cape Forests

- Forestry activities

South Cape Forests

- Sawmilling, pole and forestry activities

*Melamine faced board

Raw material security

Our plantations are essential in securing sustainable timber supplies as a key raw material. We sourced 35% of our timber requirements from our own sustainably managed plantations during the year and the balance from sustainable suppliers through a mix of long-term contracts, swap arrangements and spot purchases.

Our strategy with regard to timber raw material supply to our Mkhondo site is to own or lease plantations that provide one third of our requirement, have one third on long-term supply contracts and purchase one third on the open market. For the new MDF line at Mkhondo, additional timber resources of c. 342 000 tonnes per annum are required.

Outlook

We anticipate that the pressure on consumer disposable income and demand may persist in FY25. Our focus will remain on growing local market share, which will be accelerated by the additional MDF capacity added during the year, increasing exports to other African markets and supplementing sales with exports to select deep-sea markets.

Our FY25 profitability will be negatively impacted by an additional depreciation charge of c. R100 million relating to the new MDF line, as well as c. R170 million of finance costs, previously capitalised. We further expect that our operating margin may decline over the near term and remain below our long-term guidance of 18% to 20% as we ramp up the line. This is largely due to the stop and start nature of the ramp-up, additional depreciation and expected lower margins on deep-sea exports. Additionally, our value-add ratio will reduce over this period, we expect the absolute volume of value-add products to continue to grow. We expect our operating margin to normalise to our guided range over time as production efficiencies and volumes normalise and the mix of domestic and African sales volumes increases relative to deep-sea exports.

DIVISIONAL REVIEW (CONTINUED)

SAFRIPOL shaping your world, responsibly

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

Nico van Niekerk
Chief executive officer

Key metrics

Revenue
R9 312 million

Operating profit
R352 million

Operating margin
3.8%

ROCE
6.8%

FY24 performance review

Highlights

- Domestic sales volumes stable
- HDPE conversion and extruder project successfully completed
- HDPE raw material margins healthy, PP raw material margins stable

Lowlights

- Material cyclical decline in PET raw material margins
- HDPE and PP production affected by electricity disruptions

Operating environment

The global polymers industry is currently in a cyclical low, due to an increase in global capacity coinciding with subdued demand, which resulted in an oversupply of polymers globally and constrained regional polymer raw material margins over the past year. This downcycle follows a polymers super cycle which lasted from 1992 to 2021, as well as the post-Covid-19 pandemic upcycle during FY22 and FY23. Industry expectations are for the downcycle to persist until at least FY26/27. Raw material margins may therefore remain under pressure in the absence of meaningful industry consolidation and rationalisation.

Global freight rates remain volatile and increased during the second half of the financial year, a combination of geopolitical tensions that resulted in route diversions, and inefficiencies in ports and global supply chains. The increase in freight rates affects the pricing of raw materials and end-products, as producers endeavour to pass the increases on to consumers, which may further affect margins and demand.

DIVISIONAL REVIEW: SAFRIPOL (CONTINUED)

In South Africa, infrastructure inefficiencies and disruptions also persisted. Although electricity loadshedding eased during the second half of the year, electricity disruptions and delays at the Durban port contributed to increased operational complexity during the year. Domestic demand for plastic products was stable to higher during the year, despite the subdued economic environment.

Selected indicators	FY24	FY23	FY22	FY21	FY20
South Africa: plastic production					
Index of plastic products produced* (% change)	**2**	6	–	2	(7)
Macroeconomic indicators					
Brent crude oil price	**85**	87	92	54	51
USD/ZAR	**18.70**	17.76	15.21	15.39	15.68
Global container freight rates (average)	**2 447**	2 956	9 335	3 589	1 418
Global container freight rates (year-end)	**4 994**	1 270	6 583	6 851	1 780

* Volumes produced, 2019 = 100
Source: Statistics South Africa, Datastream

Results discussion

	PET		HDPE		PP		Total	
Operational metrics	**FY24**	FY23	**FY24**	FY23	**FY24**	FY23	**FY24**	FY23
Revenue (Rm)	**4 256**	4 615	**2 903**	3 200	**2 103**	2 418	**9 262**	10 233
Production volumes (tonnes)	**174 991**	203 082	**132 017**	139 014	**103 523**	117 933	**410 531**	460 029
Sales volumes (tonnes)	**193 299**	193 027	**128 840**	143 370	**99 493**	122 046	**421 632**	458 443

Note: Revenue, production and sales volumes exclude compounded polymers.

Financial metrics	FY24	FY23*	% change
Revenue (Rm)	**9 312**	10 310	(10)
EBITDA (Rm)	**527**	1 099	(52)
EBITDA margin (%)	**5.7**	10.7	(5.0)
Operating profit (Rm)	**352**	920	(62)
Operating margin (%)	**3.8**	8.9	(5.1)
Net working capital (Rm)	**1 103**	1 076	3
Cash flow (Rm)^	**331**	735	(55)
Net operating assets (Rm)	**5 237**	5 104	3
ROCE (%)	**6.8**	18.6	(11.8)

* Restated
^ Cash flow from operations less replacement capital expenditure.

Domestic demand and sales volumes were fairly stable during the period despite the subdued economic environment. Exports of HDPE and PP were constrained by lower production volumes. HDPE and PP production was affected by electricity disruptions at Sasolburg, with PP production further affected by a transformer failure and the planned shutdown of the HDPE plant to facilitate the completion of the conversion and extruder project. The PET plant in Durban had an improved operational performance. However, production was lower due to:

- a five-week commercial shutdown to balance the improved production levels with domestic demand during the first half of the financial year; and
- a mandatory five-year maintenance shutdown in the second half of the financial year.

Exports of PET were intentionally curtailed due to very weak global raw material margins. Export sales made up 10% of the division's total sales volumes compared with 19% in the prior year.

Revenue decreased by 10%, mainly due to an 8% reduction in sales volumes. Safripol's average sales basket price (average PET, HDPE and PP domestic and export prices) declined by 7% in US dollar terms, but by only 2% in rand terms because of a 5% weakening in the rand relative to the US dollar. The decline in polymer pricing related to a 6% weakening in the oil price as well as the global supply and demand imbalances.

DIVISIONAL REVIEW: SAFRIPOL (CONTINUED)

The operating margin of 3.8% was below our through-the-cycle guidance of 7% to 9%, and lower than the prior year margin of 8.9%. The deterioration in the operating margin was largely attributable to:

- a material weakening in PET raw material margins;
- lower production volumes of all three polymers;
- a non-recurrence of R216 million insurance income recognised in the prior year related to business interruption and plant stoppages; and
- R63 million of costs associated with the five-year statutory shutdown of the PET plant.

In rand terms, HDPE raw material margins remained healthy and PP raw material margins were in line with the prior year. PET margins were materially weaker than the prior year and 10-year average. Adjusted for the R63 million costs associated with the five-year statutory shutdown of the PET plant, HDPE and PP were profitable while PET was close to breakeven during the year, despite the cyclical low.

The division completed its annual shutdowns for the HDPE and PP plants during the year, while the HDPE conversion and extruder project was executed successfully. This project resulted in an increase in HDPE capacity from 160 000 tonnes to 180 000 tonnes, which will support increased production of higher-specification polymers, as well as improved operational efficiencies.

Net working capital increased modestly, with the prior year elevated due to insurance receivables of R189 million. Cash flow was 55% below last year largely due to the decrease in profitability. ROCE reduced from 18.6% to 6.8% due to the lower profitability.

During the year, management detected that a raw material supplier had incorrectly applied a contractual pricing formula for the period 1 February 2022 to 30 September 2023, which resulted in Safripol being overcharged by R183 million for raw material purchases. The error was immediately corrected and the overcharges recovered from the supplier. Since R163 million of this overcharge related to the period prior to 1 July 2023, the prior year has been restated to correct the impact of the error.

Our operations

We have three polymer manufacturing facilities in South Africa, with the following capacities:

Location	Plant	Capacity per annum (tonnes)
Sasolburg	HDPE	180 000
	PP	120 000
Durban	PET	237 000

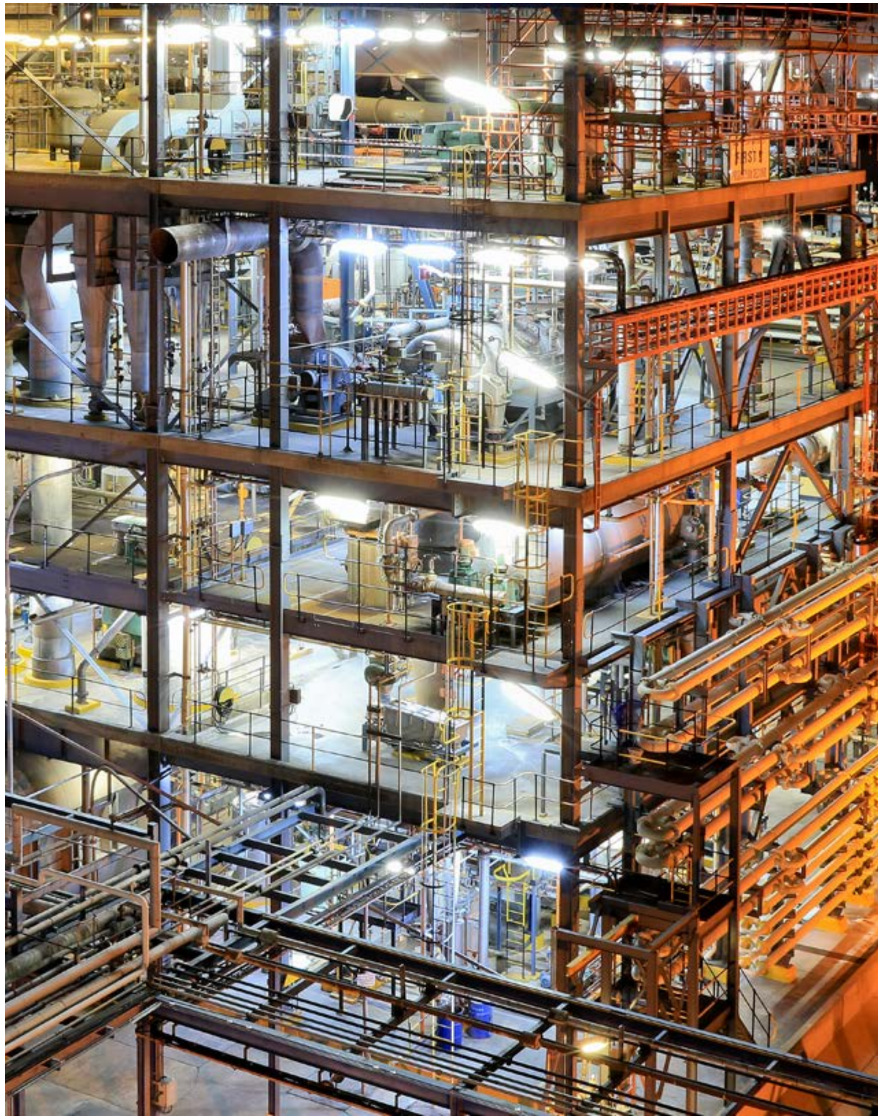
Key FY24 awards

- Winner of the Chemical & Allied Industries' Association ('CAIA') Responsible Care® Initiative of the Year award for corporate social responsibility (community-led waste collection and recycling)
- Runner-up for the CAIA Responsible Care® Initiative of the Year award for corporate social responsibility (enabling sustainability through circularity)

Outlook

The outlook for the global polymers market remains challenging. While there is optimism that consumer demand may improve as inflation slows and interest rates are cut, global oversupply is expected to persist, which will weigh on raw material margins. Although rationalisation of production capacities is taking place, particularly at older and higher-cost plants in Europe and Asia, new polymer capacity is still being added, mainly in the Middle East, China and India. The market is therefore expected to remain at a cyclical low until at least FY26/27.

Our approach to the downcycle is to manage the factors that are within our control. This includes minimising the procurement-to-sales cycle, tightly managing working capital, driving cost savings and increasing production of higher-specification polymers that earn better margins than commodity grades.



DIVISIONAL REVIEW (CONTINUED)

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

Edwin Hewitt
Chief executive officer

Key metrics

Revenue
R9 689 million

Operating profit
R508 million

Operating margin
5.2%

ROCE
8.2%

FY24 performance review

Highlights

- Good progress with the restructuring of the division
- Steady to improved performance for most operations
- Revenue only 4% lower despite fixed assets employed being R697 million lower than the prior year

Lowlights

- Disappointing performance from our agriculture operations due to adverse weather conditions and foreign exchange losses

Operating environment

Port and rail infrastructure challenges have over time resulted in a shift from rail to road for the transport of products such as containers and certain commodities. However, during the year, the subdued South African macroeconomic environment affected general industrial activity and consumer demand in several sectors. This resulted in lower transport volumes for the road logistics on an aggregated basis. The combination of lower consumer demand and port and logistics inefficiencies and disruptions resulted in increased customer demand for warehousing space. Passenger and commuter road transport volumes continued to recover. Adverse weather continued to impact selected African territories and caused wet field conditions and lower volumes. Additionally, currencies in several African territories devalued relative to the rand.

DIVISIONAL REVIEW: UNITRANS (CONTINUED)

Selected indicators	FY24	FY23	FY22	FY21	FY20
South Africa land transport					
Road freight payload (thousand tonnes)	**834 250**	887 058	751 522	679 297	667 097
Road freight payload (% change)	**(6)**	18	11	2	(12)
Passenger journeys (thousands)	**269 590**	251 690	229 613	211 572	263 119
Passenger journeys (% change)	**7**	10	9	(20)	(15)
South Africa fuel volumes*					
Fuel consumption (million litres)	**12 031**	12 367	12 048	11 462	12 565
Fuel consumption (% change)	**(3)**	3	5	(9)	(13)
South Africa mining output					
Index of volumes produced (% change)	**1**	(5)	–	8	(9)

* Reference only to petroleum, liquefied petroleum gas, paraffin, jet fuel and aviation gasoline
Sources: Statistics South Africa, Department of Mineral Resources and Energy

Results discussion

Operational metrics	FY24	FY23*	% change
Vehicles	**4 069**	4 398	(7)
Distance travelled (million km)	**238**	265	(10)
Financial metrics			
Revenue (Rm)	**9 689**	10 052	(4)
EBITDA (Rm)	**1 344**	1 294	4
EBITDA margin (%)	**13.9**	12.9	1.0
Operating profit (Rm)	**508**	385	32
Operating margin (%)	**5.2**	3.8	1.4
Net working capital (Rm)	**709**	427	66
Cash flow (Rm)^	**1 009**	907	11
Net operating assets (Rm)	**6 041**	6 403	(6)
ROCE (%)	**8.2**	5.6	2.6

* FY23 includes one month of the lost food retail contract (not included in FY24).
^ Cash flow from operations less replacement capital expenditure. Replacement capital expenditure restricted in favour of asset redeployment during the year as part of the restructuring process.

The division made good progress with the consolidation of the South African, African and Passenger businesses and a deep restructuring process, which commenced in FY23 and continued in FY24. The restructuring focused on the following:

- ceasing low-return activities and disposing of related and underutilised assets;
- aligning cost structures with activity levels;
- applying stringent capital allocation criteria; and
- implementing an organisational and IT systems redesign.

The progress to date includes:

- ceasing activities that contributed to losses of R107 million in FY23;
- cost savings of c. R100 million, realised predominantly in 2H24;
- a reduction in fixed assets employed of R697 million due to the disposal of underutilised assets, the ceasing of low-return activities and the curtailment of capital expenditure and redeployment of assets;
- the appointment, on 1 January 2024, of a new CEO, Edwin Hewitt, with logistics and restructuring expertise; and
- the organisational redesign started in 2H24.

The division's business development function has also been refined and will target growth at the required margins and returns by focusing on sales pipeline prioritisation and end-to-end customer solutions.

Revenue for the year was 4% lower, which was mainly due to the intentional cessation of low-return activities, in line with the restructuring, including rail and certain general freight. Operating profit improved by 32%, with steady to improved performances from the food, petrochemical, passenger and mining operations offsetting a poor performance from the agriculture operations. These operations were negatively impacted by foreign exchange losses of R52 million, compared with gains of R12 million in the prior year. This was mainly a consequence of the Malawian government's devaluation of the Malawian kwacha in November 2023. The division's 2H24 operating profit was 8% lower than 1H24 despite the c. R100 million cost savings. This was largely attributable to the poor performance from the agriculture operations which, in addition to the foreign exchange losses, was negatively impacted by adverse weather conditions that resulted in wet field conditions and reduced volumes. Additionally, the full benefit of the cost savings will only be realised in FY25.

The operating margin of 5.2% is above the prior year margin of 3.8%, but still below our long-term guidance of 8% to 10%.

Net working capital increased by 66% largely due to late debtor payments, the bulk of which was received post-year-end. Cash flow improved largely due to the restriction of capital expenditure and the disposal of underutilised assets.

DIVISIONAL REVIEW: UNITRANS (CONTINUED)

Our operations

We have a fleet size of 4 069 units (vehicles, trailers, buses, yellow plant and agricultural machinery, ancillary vehicles and drones), and operate at customer sites and our own depots. The revenue split of our operations is as follows:

Operation	Contribution to revenue	Territories	Key activities
Food	23%	South Africa	Primary and secondary distribution of fresh and frozen foods as well as ambient goods, bulk distribution, warehousing and specialised services to the poultry industry
Petrochemical	32%	South Africa, Botswana, Eswatini, Lesotho, Mozambique, Namibia,	Transportation of bulk fuel, gas, cryogenics, bulk chemicals and liquid food products
Mining	6%	South Africa, Botswana, Madagascar, Namibia	On-mine bulk handling, load and haul, road maintenance, stockpile management and site rehabilitation
Agriculture	15%	South Africa, Eswatini, Malawi, Mozambique, Tanzania, Zambia	In-field services, including land preparation, applying fertilising and ripping agents, and crop loading and hauling
Passenger	24%	South Africa, Mozambique	Commuter and personnel transport and managed services

Key FY24 awards

- Rio Tinto Best Contractor Partner award
- Runner-up for the CAIA Responsible Care® Logistics Service Provider award
- Runner-up for the CAIA Responsible Care® Water award (Adopt-a-River project)

Outlook

We are targeting a c. R300 million improvement in Unitrans' operating profit, relative to FY23, over the medium term. We believe that the organisational redesign, which started in 2H24, will enhance the improvements and cost savings already delivered to realise this target. The division's ongoing business activities are to pursue growth opportunities at attractive margins and returns, which we believe will deliver value from FY26.

DIVISIONAL REVIEW (CONTINUED)

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

Ugo Frigerio
Chief executive officer

Key metrics

Revenue
R2 654 million

Operating profit
R264 million

Operating margin
9.9%

ROCE
17.6%

FY24 performance review

Highlights

- Sales volume recovery in line with local OEM vehicle build
- Bolt-on acquisition of Imvusa to provide growth opportunities

Lowlights

- Strike at Transnet negatively impacted operations at the Durban port affecting vehicle exports
- Subdued new vehicle sales volumes both domestically and internationally

Operating environment

The subdued economic environment and elevated interest rates negatively affected vehicle sales during the period. Constrained consumer spending also meant that consumers were less likely to accessorise new vehicles with items such as bull bars and side steps.

While South African vehicle assembly increased by 6% during the year, due to higher export volumes, the second half of the financial year was 11% lower than the first. Lower 2H24 exports to Europe were related to subdued economic growth in Europe as well as the impact of port disruptions in South Africa. Approximately 70% of South Africa's vehicle production is exported to Europe.

DIVISIONAL REVIEW: FELTEX (CONTINUED)

Results discussion

Operational metrics*	FY24	FY23^	% change
OEM vehicle build	**642 092**	605 789	6
LCV sales	**144 549**	148 603	(3)
SUV sales	**142 166**	161 905	(12)
Passenger sales	**193 121**	200 244	(4)
Financial metrics			
Revenue (Rm)	**2 654**	2 338	14
EBITDA (Rm)	**374**	325	15
EBITDA margin (%)	**14.1**	13.9	0.2
Operating profit (Rm)	**264**	226	17
Operating margin (%)	**9.9**	9.7	0.2
Net working capital (Rm)	**200**	189	6
Cash flow (Rm)#	**265**	217	22
Net operating assets (Rm)	**1 558**	1 440	8
ROCE (%)	**17.6**	16.3	1.3

* Industry statistics; indicative of changes in Feltex's production and sales volumes (Source: NAAMSA).
^ During the year, our fibre recycling business, Connacher, was transferred from Restonic to Feltex in order to support growth in the automotive sector, with Feltex already being a major client. The prior year's results have therefore been re-presented.
# Cash flow from operations less replacement capital expenditure.

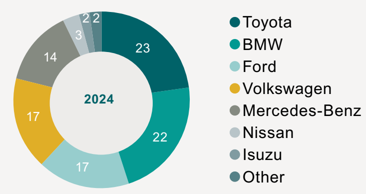
Revenue increased by 14%, largely due to increased sales volumes in the division's OEM business (which produces components for vehicle interiors, fitted during vehicle assembly) and price adjustments related to raw material cost recoveries and contractual volume shortfalls. Feltex's sales volumes largely mirror OEM production volumes due to a fairly diversified spread of OEM customers. The division's aftermarket business was, however, affected by the decline in SUV and LCV sales. The components produced by the aftermarket business are fitted after assembly of the vehicles, typically at the dealer.

The operating margin improved from 9.7% to 9.9%. Operating profit includes insurance income of R19 million (FY23: R80 million) related to business interruption following the KwaZulu-Natal floods in April 2022.

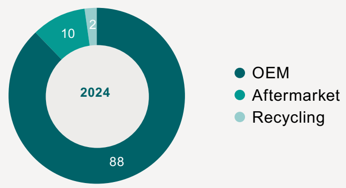
The division acquired Imvusa, a supplier of soft trim components to OEMs in the automotive industry. The acquisition will support further growth for Feltex and provide opportunities to extract synergies between Imvusa and Feltex.

Net working capital increased by 6%, following the acquisition of Imvusa and bearing in mind that the prior year included R30 million relating to insurance claims. Cash flow improved by 22%, primarily due to increased profitability.

Customer mix by revenue (%)



Revenue composition per business category (%)



DIVISIONAL REVIEW: FELTEX (CONTINUED)

Our operations

We have 19 plants across South Africa, close to OEMs, which include two associates:

Business	Type of business	Durban	Gqeberha	East London	Rosslyn	Silverton
Feltex Automotive Trim	OEM	X*	X	X	X	X
Fehrer Automotive (joint venture)	OEM	X	X	X	X	
Feltex Foam	OEM	X				
Caravelle Automotive Carpets	OEM			X		
Autoneum (associate)	OEM				X	
Auria (associate)	OEM			X		
Imvusa	OEM	X				
Maxe	Aftermarket	X				
Connacher	Recycling	X				

* Four plants in Durban

Key FY24 awards

- Feltex Automotive Trim (Durban): Runner-up for the Toyota SA Stable Production award
- Fehrer Automotive: MBSA Supplier Heritage award
- Maxe: Runner-up for the Toyota SA Conversions and Accessories Supplier of the Year award
- Imvusa: Toyota SA Localisation award
- Feltex Foam: Toyota SA Cost Competitiveness award

Outlook

The policy framework for the South African automotive sector remains supportive under SAAM. The programme is designed to enable automotive component manufacturers to grow their value-adding capabilities to support the creation of additional employment throughout the value chain. With its Level 3 B-BBEE rating, Feltex is well positioned to take advantage of the localisation opportunities presented by this programme. During the year, a new OEM entered the South African market, which could be positive for Feltex over the longer term.

While the DTIC published a White Paper in December 2023 on the advancement of NEVs in South Africa, domestic uptake of NEVs may remain slow over the near term due to the lack of incentives to purchase NEVs and infrastructure challenges. However, Feltex's product range is just as relevant for NEVs as for ICEs and they are well positioned should the transition to NEVs accelerate.

While NAAMSA forecasts a recovery in vehicle production in the 2024 and 2025 calendar years, the industry body cautions that high inflation, elevated interest rates and household debt levels continue to constrain vehicle affordability domestically and that vehicle exports to Europe have been affected by regional economic challenges during the 2024 calendar year. We anticipate that our sales volumes and profitability may be challenged during the first half of FY25 by a key model change and possible lower production volumes from a key customer.

DIVISIONAL REVIEW (CONTINUED)

RESTONIC is an integrated manufacturer of sleep products under various brands, including Restonic, iDream, Green Coil and Genessi, as well as retail house brands for South African furniture and bedding retailers.

Michael Borcherds
Chief executive officer

Key metrics

Revenue
R1 720 million

Operating profit
R125 million

Operating margin
7.3%

ROCE
8.4%

FY24 performance review

Highlights

- Continued benefits realised from FY23 restructuring of operations
- Price increases recovered raw material cost escalations
- Market share maintained and/or increased at key customers

Lowlights

- Foam operations continued to underperform
- Pressure on retail price points

Operating environment

Consumer demand for sleep products was subdued during the year, impacted by lower retail store footfall due to loadshedding in the first half, uncertainty ahead of the national elections in the second half, and general pressure on consumer disposable income due to elevated interest rates and inflation. Consumers were also sensitive to price increases which negatively affected industry sales volumes.

The strain on consumer household finances is reflected in retail sales of household furniture, appliances and equipment, which has been subdued over the past three years.

DIVISIONAL REVIEW: RESTONIC (CONTINUED)

Selected indicators	FY24	FY23	FY22	FY21	FY20
South Africa retail sales					
Household furniture, appliances and equipment* (Rm)	**53 670**	52 601	52 251	52 256	43 541
Household furniture, appliances and equipment (% change)	**2**	1	–	20	(5)

* In constant 2019 prices.
Source: Statistics South Africa.

Results discussion

Operational metrics	FY24	FY23*	% change
Bedding units (number)	**866 114**	823 100	5
Foam (tonnes)	**5 835**	5 435	7
Textile (thousand metres)	**7 747**	7 101	9
Financial metrics			
Revenue (Rm)	**1 720**	1 590	8
EBITDA (Rm)	**180**	121	49
EBITDA margin (%)	**10.5**	7.6	2.9
Operating profit (Rm)	**125**	66	89
Operating margin (%)	**7.3**	4.2	3.1
Net working capital (Rm)	**136**	158	(14)
Cash flow (Rm)^	**208**	144	44
Net operating assets (Rm)	**1 464**	1 520	(4)
ROCE (%)	**8.4**	4.5	3.9

* During the year, our fibre recycling business, Connacher, was transferred from Restonic to Feltex in order to support growth in the automotive sector, with Feltex already being a major client. The prior year's results have therefore been re-presented.
^ Cash flow from operations less replacement capital expenditure.

Sales volumes of bedding units increased by 5%, despite the furniture market being generally subdued. The furniture market has traded sideways since FY21, following a meaningful post-Covid-19 pandemic demand uptick. Demand was particularly soft during the fourth quarter of the financial year, although this is partly seasonal in nature. Foam and textile sales volumes increased by 7% and 9% respectively, largely due to the increased sales of bedding units.

Revenue increased by 8%, largely due to higher sales volumes and price increases to recover cost escalations. The increased sales volumes are attributable to improved sales capacity, focused sales and marketing efforts and the introduction of new products. Operating profit improved by 89% due to the higher sales volumes, product specification enhancements, better process efficiencies and cost savings. While much better, the division's operating margin of 7.3% remained below our long-term guidance of 13% to 15%.

Our foam business, which makes up c. 13% of the division's third-party revenue, remained a drag on the division's performance, contributing a loss during the year. The performance of the foam business was affected by an unfavourable product mix and insufficient volumes. This business was fundamentally restructured during the year to rationalise the product portfolio, improve efficiencies and reduce costs, while sales capacity was increased and new products launched to improve future sales volumes.

Net working capital was managed well and reduced by 14%, despite increased costs and selling prices. Cash flow improved materially due to increased profitability and lower working capital.

The division's prior year results have been re-presented to reflect the transfer of Connacher to Feltex.

Our operations

We operate four major manufacturing complexes across South Africa and in Namibia:

Location	Product
Cape Town	Textiles, foam and sleep products
Durban	Foam and sleep products
Windhoek	Foam and sleep products
Johannesburg	Foam and sleep products

Outlook

While we anticipate that consumer sentiment may improve in FY25 due to an expected easing of inflation and interest rates, we are preparing for a continuation of the challenging trading environment experienced this year as it takes time for the positive sentiment to translate into improved consumer spend. We will therefore continue to focus on market share gains through range extension, which entails introducing innovative new products, focused sales and marketing efforts, and cost savings.

Our long-term margin target remains 13% to 15%. We aim to achieve this over time through increased sales volumes, supported by new product launches and an improved performance from our restructured foam operations. We have invested in several expansion and process optimisation projects since FY19, including the expansion of our Johannesburg and Durban facilities, a foam line upgrade and a new fibre tearing line in Johannesburg, which will underpin future growth.

DIVISIONAL REVIEW (CONTINUED)

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

Steve Ford
Chief executive officer

Key metrics

Revenue
R595 million

Operating profit
breakeven

Operating margin
–

ROCE
–

FY24 performance review

Highlights

- Successful launch of Safe&Sound platform
- Infrastructure investments to support larger scale operations
- Investment in sales capacity to support sales growth
- Launch of multinational client strategy

Lowlights

- Installation of certain devices hindered by customer vehicle availability

Operating environment

There are a number of trends globally supporting the demand for fleet management market services, including:

- Increased focus on fleet safety: AI and ML technology can help drivers and fleet managers correct distracted driving behaviours such as cell phone use and not adhering to stop signs through in-cab alerts. In-cab footage can also be used to empower drivers to change their behaviour through coaching sessions.
- Increased focus on solutions: Fleet owners are seeking sophisticated customised solutions, rather than just the data collected through telematics systems and software, for example, the optimal schedule for a particular vehicle, considering road and traffic conditions.
- Increased connectivity: The rise of connected, cloud-based solutions combined with advanced telematics systems provide fleet managers with real-time access to information about their fleets, which results in better decision-making. As the global 5G rollout continues, fleet management productivity will increase.

DIVISIONAL REVIEW: OPTIX (CONTINUED)

Results discussion

Operational metrics	FY24	FY23	% change
Hardware sales (units)	**20 952**	20 462	2
Subscriptions – South Africa (units)	**57 438**	50 703	13
Subscriptions – Australasia (units)	**11 201**	9 059	24
Financial metrics			
Revenue (Rm)	**595**	523	14
EBITDA (Rm)	**42**	35	20
EBITDA margin (%)	**7.1**	6.7	0.4
Operating profit (Rm)	**–**	(7)	100
Operating margin (%)	**–**	(1.3)	1.3
Net working capital (Rm)	**127**	99	28
Cash flow (Rm)*	**13**	14	(7)
Net operating assets (Rm)	**773**	709	9
ROCE (%)	**–**	(1.1)	1.1

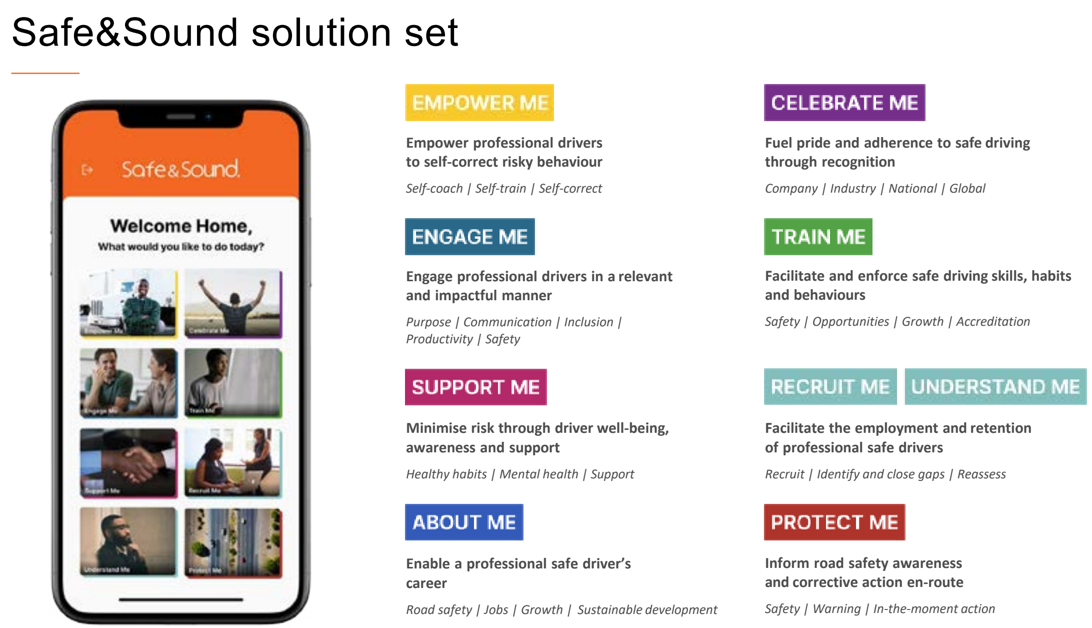
* Cash flow from operations less replacement capital expenditure.

Optix delivered healthy growth of 15% in subscription volumes and 2% growth in hardware sales, which supported a 14% increase in revenue. Hardware sales were affected by fleet owners opting to rent units rather than purchasing them upfront, whereby the revenue is recognised over the period of the rental rather than on the date of sale. However, the increased demand for rental units provides future annuity income. The installation of units and thus sales volumes were also somewhat constrained by customer vehicle availability and related installation capacity. Although up on the prior year, operating profit performance was disappointing, affected primarily by costs associated with product development and scaling the business in line with our strategic objectives, and an increase in rental units versus hardware sales.

We launched our Safe&Sound solution set during the year. It consists of a set of solutions aimed at empowering and supporting professional drivers, while cultivating a culture of road safety that benefits professional drivers, our clients, the industry, and the society in which we live and operate. The intention is for these solutions to be commercialised as products, both independently and collectively, initially in South Africa, and then to be scaled globally.

Working capital increased largely related to higher stock levels due to a bulk shipment of hardware and slightly lower sales volumes in South Africa.

The Safe&Sound solution set, which will evolve over time, is depicted below:



Outlook

Optix has made good progress during the year in developing new products, targeting new territories and investing in sales capacity. The division is focused on monetising these investments during FY25. Interest in the product offering is strong and the sales pipeline is promising, providing compelling prospects for the division.

5

SUSTAINABILITY REVIEW

OUR APPROACH TO SUSTAINABILITY

Sustainability framework

At KAP, sustainability means ensuring that we are able to deliver on our purpose of creating long-term economic and social value. We therefore consider commercial, social and environmental dimensions in our decision-making, which is underpinned by our foundation of being a responsible business. These three dimensions are interlinked and often positively impact each other.

Integrating sustainability with our strategy

Sustainability principles are integrated with the commercial strategies of our divisions through the application of our business principles of value-add/differentiation, operational excellence, best people and strategic stakeholder relationships. Our business principles enable our divisions to deliver fit-for-purpose products and services that are differentiated from competitors and enhance their competitiveness, to support the execution of our strategy.
A practical example of this integration is operational excellence; to achieve low-cost positions, our divisions need to be as efficient as possible in their use of raw materials, and thus natural resources, to minimise waste.

Material sustainability matters

Our material sustainability matters guide our sustainability reporting and represent those matters that we consider as material to either the group or our stakeholders, as identified through a materiality assessment, which is both qualitative and quantitative in nature. Material matters are considered and approved by our board. From our material sustainability matters, we prioritise six which represent those matters we consider as material to both the group and our stakeholders ('priority matters'). We believe that by focusing on these matters, we have the greatest potential to drive positive change through our business activities.

Read more: Material themes, page 27

The adjacent sustainability framework summarises our material and priority matters and alignment with the objectives of the UN SDGs. As a signatory to the United Nations Global Compact ('UNGC'), we support the creation of an inclusive, prosperous and sustainable society for all. Although our group activities are aligned with most of the SDGs, nine resonate with our priority matters.

KAP sustainability framework

Our foundation

We have a foundation of being a responsible business that guides how we do business and engage with our stakeholders.

- Corporate governance
- Compliance with laws and regulations
- Ethical conduct
- Human rights
- Responsible procurement
- Sound tax practices

Our business principles

Our business principles support the effective execution of our strategy and enable us to realise our purpose to create lasting economic and social value through our business activities.

- Value-add/differentiation
- Operational excellence
- Best employees
- Strategic stakeholder relationships

Our material sustainability themes

Creating long-term economic value

- Financial performance
- Balance sheet resilience
- Long-term financial stability

Having an engaged workforce

- Attracting and retaining talent
- Organisational culture
- Health and safety
- Diversity and inclusion
- Training and development
- Succession planning

Delivering social value

- Socioeconomic development
- Enterprise and supplier development
- Municipal infrastructure support

Driving resource efficiency

- Water management
- Waste management
- Climate change
- Energy management and GHG emissions
- Biodiversity
- Product stewardship

Our priority matters

Our priority matters represent those matters we consider as material to both the group and our stakeholders.

- Water management
- Waste management
- Energy management and GHG emissions
- Attracting and retaining talent
- Health and safety
- Community development

Our priority SDGs

OUR APPROACH TO SUSTAINABILITY (CONTINUED)

Sustainability governance

Our board is ultimately responsible for sustainability governance in the group and delegates the oversight and monitoring of sustainability matters to specific board committees namely the sustainability, social and ethics committee, the human capital and remuneration committee and the audit and risk committee. The following group committees and teams have accountability for various areas of sustainability: the KAP executive committee, the divisional executive committees and the relevant operational management teams within our divisions. Where necessary, experts on specific areas of sustainability are consulted, for example, on climate change.

KAP corporate services executives regularly update the board on sustainability matters and external stakeholder views, bearing in mind the diverse nature of sustainability within the group.

The relevant focus areas, policies and frameworks pertaining to sustainability matters are set at a KAP level, with guidance and approval thereof by our board, and are adopted by our divisions. Read more in our corporate governance report on our website.

Managing sustainability risks and opportunities

Our group enterprise risk management framework addresses all material risks that could influence the group's ability to create value for its stakeholders. These risks include strategic, financial, operational, compliance and sustainability risks.

Our risk management approach is precautionary in nature, identifying potential material risks and ensuring we have the necessary plans in place to mitigate those risks. In considering our potential risks, including those related to sustainability, we also evaluate whether these risks could present opportunities for value creation. For example, by increasing renewable energy capacity to mitigate the risks of electricity interruptions and non-supply, we can also earn attractive financial returns and reduce our Scope 2 GHG emissions.

Sustainability performance and reporting

We are on a journey to improve not only our sustainability performance, but also how we report on sustainability matters to our stakeholders.

Our sustainability reporting is guided by materiality; we apply our material sustainability matters, as outlined in our sustainability framework, to the following voluntary frameworks in consideration of our sustainability reporting: JSE Sustainability Disclosure Guidance, SASB and the IFRS S1 and S2 sustainability disclosures.

We use the FTSE4Good assessment as our ESG benchmark. Our 2024 score was 3/5 (unchanged from 2023), based on information that was in the public domain as of December 2023. We scored 3.6/5 for governance, 2.4/5 for environment and 3.3/5 for social, resulting in a total score of 3/5.

Considering the complexity of sustainability reporting and the vast data requirements, we are not yet fully aligned to the above voluntary frameworks. However, we endeavour to improve our reporting disclosures over time.

In the following pages, we discuss our foundation, being a responsible business, as well as our sustainability themes:

- having an engaged workforce;
- delivering social value; and
- driving resource efficiency.

We discuss our remaining sustainability theme, creating economic value, throughout our integrated report and in our 2024 AFS, available on our website.

BEING A RESPONSIBLE BUSINESS

We are committed to complying with all laws and regulations and to acting in a fair, honest and ethical manner in our business dealings, engagements with one another, and our external stakeholders. In doing so, we not only mitigate the risks of potential non-compliance to laws and regulations, but also ensure the long-term sustainability of the group.

FY24 salient features

- No material incidents of non-compliance with laws and regulations
- Ethics line cases reported: 59 (FY23: 38)
- Meaningful increase in ethics line cases highlights increased awareness of ethical matters

Corporate governance

Our group is overseen by strong governance structures, from the KAP board of directors to our divisional board and management structures, as outlined in our corporate governance report and governance framework available on our website. It sets out our framework for ethical business practices, governance, risk management and internal control. Our policies and procedures are set at a KAP level, which includes approval by the board of directors, and adopted at a divisional level and ensure that we have high standards in place for core issues such as ethics, anti-bribery and corruption, human rights and responsible tax practices. More detail can be found in our corporate governance report and our group policies, available on our website.

Read more: Corporate governance report, Governance framework

Compliance with laws and regulations

We have divisional compliance trackers to assess the status of legal compliance with applicable material legislation in relation to the operational activities at divisional facilities, based on the regulatory universe applicable to a division. Any potential areas of non-compliance are detailed and discussed at divisional audit and risk committee meetings and monitored at the KAP compliance committee meetings.

Regarding environmental compliance, we follow a robust process of reporting and mitigating environmental incidents, including any deviations from legal requirements. Our approach is based on an incident classification system which includes assessing incidents based on their potential to create significant degradation to or pollution of the environment. We collaborate with the authorities on environmental inspections conducted at our facilities. Our responses to findings include key remedial interventions aimed at sustaining compliance.

The group was compliant with all applicable legislative requirements during the year.

Ethical conduct

Our code of ethics

Our business conduct is underpinned by our code of ethics, which is explained to permanent employees during their induction process and must be signed by them as a condition of employment. Our code of ethics deals with the core ethical principles of the group, which includes legal compliance, conflicts of interest, gifts, anti-bribery, political contributions, accurate financial record keeping, ethical dealings, human rights and labour practices, health and safety, confidential and proprietary information, environmental stewardship and insider trading. Our code of ethics is supported by separate policies, including our human rights policy, ethics line policy, supplier code of conduct and environmental policy. These policies are available on our website and contain further detail on what we deem acceptable and ethical behaviour in both our own operations and supply chain.

Human rights

Our group subscribes to the principles of human rights as expressed through the following human rights standards and instruments:

- The Bill of Rights in the Constitution of the Republic of South Africa, 1996 (Chapter 2)
- The UN Guiding Principles on Business and Human Rights
- The International Bill of Human Rights (consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights)
- The International Labor Organization Declaration on Fundamental Principles and Rights at Work
- The Organization for Economic Cooperation and Development Guidelines for Multinational Enterprises
- The UNGC, of which we are a signatory

Our human rights policy encompasses the following human rights principles:

- Non-discrimination – to prevent any form of discrimination or harassment based on race, religion, gender, colour, creed, age, political opinion and affiliation, social status, sexual orientation or disability

BEING A RESPONSIBLE BUSINESS (CONTINUED)

- Workplace health and safety – to ensure employees and contractors have a safe and healthy working environment
- Fair wages and compensation and standard of living – to provide employees with fair and competitive remuneration and benefit packages, relevant to the industries and territories in which we operate
  Our workforce is entitled to meal intervals during working hours, rest periods, paid leave and working hours within the legal limit.
- No child labour or forced/bonded labour – to take all reasonable steps to verify the age of workers (including contractors) prior to employment
  We have a zero tolerance for modern slavery, forced labour and human trafficking.
- Freedom of association and collective bargaining – to allow employees to join trade unions and negotiate terms and conditions of employment
- Community engagement – to constructively engage and contribute positively to the communities in which our businesses operate
  We respect the legitimate rights, interests and perspectives of indigenous peoples – generally accepted as those individuals who historically occupied land – and consider their unique and special connections to land, water and other natural resources.

  Prior to any material investment decision, we identify the key community opportunities and risks and, where appropriate, in conjunction with the community, develop strategies that mitigate risk and create opportunities for both the group and the relevant community.
- Right to privacy – to respect the privacy of all individuals by complying with the applicable laws regarding the collection, processing, storage, use, retention, transfer, protection and deletion of personal data
  We only process data lawfully and will only keep personal data for as long as is strictly necessary or legislatively required and for the purpose for which it was collected.

Further detail is available in the policy available on our website, with elements thereof discussed in this report.

We require our suppliers to adhere to human rights principles, as outlined in our supplier code of conduct and included in all new contracts. We do not yet do audits to assess our suppliers' adherence to our supplier code of conduct.

Read more: Human rights policy

Political contributions

Our code of ethics prohibits political contributions in the group and no direct or indirect contributions were made during the year.

Reporting and monitoring ethical or human rights concerns

We have an anonymous ethics line (web-based, email and phone) through which employees, suppliers and the communities in which we operate can report illegal or unethical behaviour, including mismanagement, discrimination, harassment, vandalism, bribery, corruption, violence, theft and human rights abuses. The ethics line is independently managed and available 24 hours a day, seven days a week, and is available in all official South African languages during working hours (English outside of working hours). The ethics line is confidential and non-retaliatory and is available to both national and international callers. Ethics line activities are reported to our sustainability, social and ethics committee, audit and risk committee and board. The ethics line contact details are available on the landing page of our website and posters are displayed throughout the group, illustrating behaviours that should be reported and encouraging employees to make use of our ethics line.

Every reported incident is logged and investigated by an internal ethics panel. Where incidents are found to be valid, appropriate actions are taken and referred to law enforcement agencies in accordance with the law. The outcomes of the investigations are communicated internally and reported to the sustainability, social and ethics committee, the audit and risk committee and the board.

During the period, 59 ethics line cases were reported, compared with 38 in the prior year. We attribute the increase in cases to increased awareness around the whistle-blowing mechanism and employees wanting to work in an ethical work environment. Investigations have been concluded for 71% of the cases, of which 67% were found to be valid, with investigations into the remaining cases ongoing. Although our code of ethics stipulates what is deemed ethical behaviour in the group, we are in the process of rolling out an ethics training programme across the group to give our employees practical examples.

Environmental compliance and incidents

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

We had three material environmental incidents during the year:

- A neighbouring community complained that brine from PG Bison's reverse osmosis water treatment plant in Mkhondo was discharged into a water catchment area outside the premises, which was outside the specifications of general discharge. The matter was investigated, the parameters of the reverse osmosis plant were adjusted and operators were trained to avoid future contamination. PG Bison also engaged with the community to discuss the actions taken to resolve the matter and cleaned all contamination. There was no negative impact on the community.
- One of Unitrans' businesses experienced a spillage of petroleum which leaked onto a paved area. The required documentation was submitted to the DFFE and the matter was resolved after the reporting period.
- Three Feltex sites' atmospheric emissions licences ('AELs') expired prior to the renewals being issued. The renewals were submitted before the expiration date. For two of these sites, the AELs were subsequently received and the division is awaiting receipt of the last.

Number of environmental incidents	FY24	FY23	FY22
Type of incident			
Unauthorised waste disposal	**–**	–	1
Air emissions (including dust and gases)	**–**	1	1
Spills	**2**	2	–
Legal and regulatory compliance	**1**	–	1
Total	**3**	3	3

BEING A RESPONSIBLE BUSINESS (CONTINUED)

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

Responsible procurement

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

Sound tax practices

Our tax strategy

Our tax strategy is to pay the correct amount of tax in each of the jurisdictions where the group operates while remaining fully compliant with all applicable tax laws. It is based on the following principles, which are set out in our group tax policy:

- Full compliance with all the tax laws applicable in the jurisdictions in which we operate
- Ensuring that tax is considered in all significant business and investment decisions, including consideration of available incentives and exemptions provided by governments
- Fostering constructive and transparent relationships with tax authorities
- Avoidance of over- or underpayment of taxes by applying diligent professional care and judgement to ensure all decisions are well-considered and documented

Our tax strategy, as underpinned by our tax policy, is approved by our audit and risk committee.

Our approach to regulatory compliance

We seek to have and maintain professional, courteous, proactive, transparent and constructive relationships with tax authorities to minimise the extent of disputes, to achieve early agreement on disputed issues when they arise and achieve certainty, wherever possible.

We seek to provide quick, clear and reliable responses to queries raised by revenue authorities, creating an open communication channel and a cooperative atmosphere. Any errors in submissions are addressed and fully disclosed to the revenue authorities as soon as reasonably possible after they are identified once all facts have been established.

Where disputes cannot be resolved within the applicable dispute resolution framework, justified from a commercial and economic perspective, we will pursue tax litigation.

Tax governance and control framework

Our board has ultimate responsibility for overseeing the group's tax affairs, with operational responsibility delegated to our CFO, assisted by the tax executive. We manage tax risk in line with our combined assurance framework, following a risk-based approach and considering materiality levels approved by the board.

The centralised group tax function, reporting to our CFO, is responsible for providing operational guidelines aimed at ensuring a robust control environment, implementing risk management initiatives and supporting local management, who is responsible for everyday tax affairs, in all tax matters.

Our approach to public policy advocacy on tax

We are actively involved in the legislative process by commenting on new legislation and guidance issued by tax authorities and by lobbying for legislative change where required, either directly or through representative bodies.

BEING A RESPONSIBLE BUSINESS (CONTINUED)

Extent of exposure to countries and jurisdictions recognised for their corporate tax rate, tax transparency and tax haven status

We have a presence in 11 countries in sub-Saharan Africa and in Australasia. We are not present in countries and jurisdictions recognised for their corporate tax rate, tax non-transparency or tax haven status. We own an investment holding company in Mauritius for expansion into Africa and one in Singapore for expansion into Australasia.

Government incentives

Through an external services provider, the group avails itself of tax incentives provided by the South African government either through special allowances in terms of the Income Tax Act, No. 58 of 1962 ('the Income Tax Act') or incentive programmes offered by the DTIC. The group benefited from the following incentives/allowances during the year:

Incentive	Division	Comment	Allowance Rm	Value Rm
Industrial policy project grants in terms of section 12I	PG Bison	The MDF project in Mkhondo was approved as an Industrial Policy Project with preferred status on 17 May 2024	790*	213
Learnership allowances in terms of section 12H	Various	Registered learnership agreements	35	9
Research and development allowances in terms of section 11D	Safripol	Development of alternative synthesis routes	9	2
Critical Infrastructure Project ('CIP')	PG Bison	PG Bison's CIP application was approved for a maximum grant value of R50 million for development costs of qualifying infrastructure relating to the MDF project	–	39
Section 12BA allowance on renewable energy assets	PG Bison, Safripol	Installation of PV plants at PG Bison's Boksburg and Mkhondo sites and Safripol's Sasolburg site	26	7
Total				**270**

* Includes inflationary adjustment of R57 million.

Environmental certifications and accreditations

PG Bison

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

Safripol

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

Unitrans

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

- ISO 9001, ISO 14001, ISO 45000, ISO 22000, ISO 9000 and NOSA
- RTMS – Road Transport Management System for road-use self-regulation
- AFMA – Animal Feed Manufacturers Association for agricultural transportation protocols
- SQAS – CAIA accreditation for chemical transportation protocols

Feltex

- Our plants have several ISO certifications and 15 of our plants also have IATF 16949 certification.

Restonic

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

HAVING AN ENGAGED WORKFORCE

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

FY24 salient features

- Employee remuneration and benefits: R5.3 billion (FY23: R5.1 billion)
- Investment in training and development: R122 million (FY23: R131 million)
- Of our permanent employees, 89% are black (FY23: 89%) and hold 61% of managerial positions (FY23: 59%)
- Women comprise 20% of permanent employees (FY23: 20%) and hold 30% of managerial positions (FY23: 27%)
- Number of employee fatalities while on duty at KAP sites: 1 (FY23: 0)
- Number of contractor fatalities on KAP sites: 1 (FY23: 2)
- Compensation for Occupational Injuries and Diseases ('COID'): 350 (FY23: 329)
- Our priority SDGs:

2 ZERO HUNGER
4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH

Composition of our workforce

We employ 13 712 permanent and 3 714 seasonal, fixed-term and temporary employees. Our seasonal employees reside in Unitrans' African agriculture operations and vary depending on the timing of the harvesting season in different territories.

Our workforce reduced by 3% during the year, largely due to fewer seasonal workers used in Unitrans' agriculture operations, which were affected by adverse weather conditions during the year. Currently, 79% of our total workforce is based in South Africa. Of our permanent employees, 86% are based in South Africa.

Our workforce per division is summarised in the table below:

Workforce per division	Permanent	Seasonal	Other*	Total	% change from FY23
PG Bison	1 819	–	208	**2 027**	2
Safripol	402	–	48	**450**	(3)
Unitrans	8 022	1 534	1 012	**10 568**	(5)
Feltex	1 519	–	854	**2 373**	(2)
Restonic	1 546	–	72	**1 618**	(2)
Optix	359	–	12	**371**	23
Corporate services	45		1	**46**	–
Total	**13 712**	**1 534**	**2 207**	**17 453**	**(3)**

* Includes fixed-term and temporary employees

Our people risks and opportunities

Our operations are people-intensive, and some of our operations require highly technical skills. Over the past four years, we have lost key leadership and middle management technical skills to competitors and emigration. Our average voluntary turnover rate (permanent employees) for the year was 6% (FY23: 6%), with higher turnover rates in junior and middle management. The loss of critical leadership and technical skills represents a strategic risk for the group. We occupy market leadership positions in the sectors in which we operate, which limits the talent pipeline from which we can source suitable talent to support the execution of our strategy.

Our strategic response to people risks and opportunities

Our human capital strategy, which has been in implementation since FY22, drives our approach to our employees. Our strategy is to inspire a high-performance culture where every employee is fully engaged, motivated and equipped to contribute their best effort to help the group achieve its strategic and business objectives. Given our current context, we are prioritising the following areas:

- implementation of an optimal organisational design;
- recruitment of key leadership to execute the group strategy, where necessary;
- leadership development and succession;
- diversity and inclusion;
- attracting and retaining talent;
- health and safety; and
- incentivisation alignment with strategy.

Elements of the above are discussed in the following pages and in our remuneration review on page 98.

HAVING AN ENGAGED WORKFORCE (CONTINUED)

Attracting and retaining talent

Employee relations and organisational climate

We conducted climate surveys during FY23 to assess the organisational climate and employee experiences across the group. Leading risk factors identified through the climate surveys included communication, role clarity and personal and work stress levels. Following the surveys, we have implemented several management interventions to address these risks, which included:

- **Communication:** We improved our internal communication to explain to employees how the company is addressing external environmental shocks and the strategies in place to future-proof the organisation. This continues to be driven through various internal communication channels, including KAP CEO webcasts and divisional CEO townhalls and road shows. In addition, our divisions are currently implementing an internal WhatsApp communication platform to engage employees directly and ensure rapid dissemination of news and activities.
- **Clarification of roles and responsibilities:** We have implemented a framework that enables line managers to define expectations and performance measurements for each position. As part of our human capital strategy, our divisions have implemented the Remprofile job profiling system to construct job profiles and document competency requirements for all the roles in the organisation. The next phase, which will focus on defining performance expectations and measurements, will be implemented during 1H25.
- **Employee wellness:** The employee wellness campaign is designed to assist employees to cope with various societal and economic factors that negatively impact their personal lives and those of their families. In addition to focusing on health and financial education initiatives, our divisions have implemented Employee Assistance Programmes to enable employees to receive professional confidential counselling to help them cope with stressful events.

Onboarding

We have invested in comprehensive employee onboarding processes to integrate new employees into the group, which we believe contributed to increased employee engagement and retention levels during the year. Through the onboarding processes, new employees are familiarised with company policies, values and culture. The process also enables managers to clarify the roles of new employees and key results areas to improve performance and reduce the risk of misaligned job expectations.

Training, development and succession planning

Our expenditure on training and development was R122 million during the year compared with R131 million in the previous year. We offered internships, learnerships and apprenticeships worth R66 million to both employees and unemployed learners as part of our human capital development programme and the number of employees in these programmes decreased to 1 105 from 1 122. We offer both on-site and off-site training by accredited providers.

Our training and development include health and safety training, which amounted to R4 million during the year.

Training and development expenditure	FY24 Rm	FY23 Rm	FY22 Rm
Bursaries and institution-based training	**7**	6	6
Internships, learnerships and apprenticeships	**66**	75	56
Work-integrated learning	**6**	5	7
Informal training	**9**	9	10
Other in-house related training cost	**34**	36	74
Total	**122**	131	153

Most of our businesses occupy leading market positions in their respective sectors, which limits the pool of available skills from which they can easily source experienced technical employees. As market leaders in our respective sectors, we have adopted the following approach to employee training and development:

- We invest heavily in work-integrated technical skills learning programmes to upskill our permanent employees and temporary employees, which is necessary to improve product quality and overall operational efficiencies.
- We invest in artisan and graduate development programmes across various engineering disciplines to create a pool of technical skills for absorption into technical roles. We believe that this is necessary to mitigate the national and sector-based skills shortages.
- In addition to technical skills programmes, we support leadership development training focused on supervisory, middle and senior management occupational levels to build leadership capacity and pipeline to address succession gaps.
- We have invested in training infrastructure that includes training personnel, equipment, and training centres to build internal training capacity. We are reviewing this training delivery model as part of initiatives to reduce fixed costs and modernise training delivery through technology platforms.

HAVING AN ENGAGED WORKFORCE (CONTINUED)

Diversity and inclusion

Embracing diversity is one of our values and an integral part of building a high-performance culture. Our divisions have made good progress in identifying and eliminating barriers to employment equity and have various structures in place to ensure legislative compliance.

We are compliant with the provisions of the Employment Equity Act and have implemented our code of ethics and human rights policy, which prohibit discrimination and harassment in the workplace because of race, religion, gender, colour, creed, age, political opinion and affiliation, social status, sexual orientation or disability. We also comply with the provisions of the Broad-Based Black Economic Empowerment Act, as well as with the Codes of Good Practice issued under this Act. As a group, we have a Level 4 B-BBEE rating, with divisions being rated individually and having between Levels 2 and 4 ratings. Our B-BBEE verification process is conducted independently by AQRate.

Race diversity

Our permanent workforce comprises 89% black employees (FY23: 89%) and 61% (FY23: 59%) of management (junior management and higher) comprises permanent black employees. On a senior management level, black employees comprise 15% (FY23: 16%) of total positions. As we are witnessing higher turnover rates of our junior and middle-management black employees, we are focused on increasing black representation across all managerial levels in line with the Economically Active Population statistics in terms of the provisions of the Employment Equity Act.

Composition of our workforce by race* (%)

Composition of managerial positions by race^ (%)

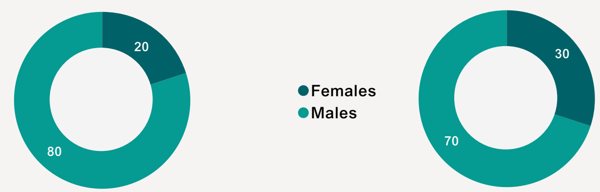
Note: Percentages have been rounded.
* Reference to permanent South African employees
^ Reference to permanent South African employees, junior managers and above

Gender diversity

Gender diversity is also a key focus. Management has set internal targets to improve gender diversity in leadership positions, and to improve female representation across all operations. At board level, 25% of our directors are female, with 17% of the board comprising black females. Females comprise 20% (FY23: 20%) of our permanent workforce and hold 30% (FY23: 27%) of managerial positions (junior management and higher). On a senior management level, females comprise 19% (FY23: 18%) of total positions.

Composition of our workforce by gender* (%)

Composition of managerial positions by gender^ (%)



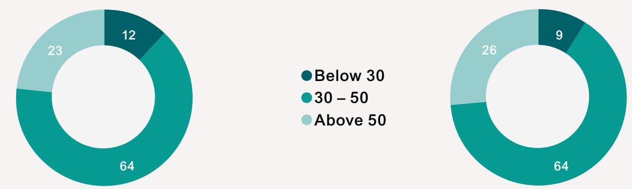
Although we have made good strides in improving race and gender diversity in the group, we have more work to do. We believe that a top-down proactive planning approach is required to improve race and gender diversity across all levels of the organisation. We identify positions where we generally have high turnover over time and proactively identify high-potential suitable candidates within the group and in the job market. This could enable us to proactively build a large pool of candidates and track their career progress over time to give us the ability to employ them when an opportunity becomes available.

Age diversity

We believe age diversity in our workforce provides an opportunity for employees of different ages to collaborate, share knowledge, provide different perspectives and transfer skills. Most of our workforce is between the ages of 30 and 50.

Composition of our workforce by age* (%)

Composition of managerial positions by age^ (%)



We are also committed to providing an accommodating work environment for people with disabilities. Of our employees, 40 (FY23: 45) are people with disabilities.

HAVING AN ENGAGED WORKFORCE (CONTINUED)

Health and safety

Safety

Our group CEO is ultimately responsible for health and safety within the group, a responsibility he has delegated to specific individuals at divisional level. We are committed to a zero-harm environment for all our employees and contractors and target zero fatalities.

At an operational level, we have comprehensive safety management systems, processes and procedures in place aligned with the Occupational Health and Safety Act ('OHSA'), which covers employees, contractors and members of the public that enter our facilities or sites. Several facilities are ISO 45001:2018 accredited. Each division identifies, measures and reports on health and safety matters. Compliance is reported at the divisional audit and risk committee meetings and monitored at the KAP compliance committee meetings.

We continuously train employees and contractors in health and safety procedures applicable to their work environment. All employees and contractors undergo general health and safety training during induction and annual refresher training, in addition to continuous training required by the OHSA. Due to the diversity of our operations, the latter is performed in line with the type of operations and operational exposure, as required by the OHSA.

Our divisions are regularly assessed by internal health and safety representatives. Where required, assessments by accredited, external, independent assurance providers ensure compliance with relevant health and safety statutory and legal requirements. The frequency of assessments depends on the statutory or legal requirements specific to their facilities and operations.

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

Because the equipment and certain raw materials used at some of our manufacturing facilities can potentially be dangerous to our employees, they are trained to adhere strictly to all required health and safety regulations. Specific training, such as working at heights or in confined spaces, lockout and safe work procedures, is given to specific employees and contractors who encounter these environments, in accordance with a training plan which is tracked and monitored.

In our logistics operations, road accidents present the most material risk to the safety of our employees. To reduce road accidents, we conduct driver training and roll out broad-based road transport safety campaigns for our truck drivers. Optix focuses on improving safety on our roads by deploying video telematics and predictive analytics.

Our safety performance is summarised below.

Reportable occupational injuries and diseases	FY24 Rm	FY23 Rm	FY22 Rm
Employees			
Lost-time injuries ('LTI')	**234**	236	273
Occupational diseases	**2**	–	9
COID (no lost time)	**114**	93	87
Total COID	**350**	**329**	**369**
Contractors			
LTI	**16**	15	17
Total	**366**	344	386
DIFR	**1.1**	1.0	1.2

There was unfortunately one employee fatality (FY23: none) and one contractor fatality on site (FY23: 2). These fatalities are unacceptable losses of life. A thorough investigation was conducted into each fatal incident, and urgent risk mitigation measures were put in place. These include intensified training and safety awareness campaigns, refresher hazard identification, risk assessment and legal liability training for both employees and contractors. There will be additional focus on reviewing and formalising contractor management and accountability as management improves the safety culture through visible leadership.

Our Disabling Injury Frequency Rate ('DIFR') increased largely due to multiple large capital projects being completed during the year.

Our employees can report work-related hazards and/or what they perceive to be hazardous situations through our ethics line and alternative disclosures mechanism.

Health

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

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

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

Our divisions have wellness programmes and employee assistance programmes to assist employees with their overall wellness, both from a professional and a personal perspective.

HAVING AN ENGAGED WORKFORCE (CONTINUED)

Labour relations

We nurture the belief that constructive engagement with our employees is critical to the sustainability of our business. We comply with the provisions of applicable labour and employment legislation in all the countries in which our businesses operate. We have established an employment compliance committee as part of our combined assurance framework to develop and implement the controls, systems and processes necessary to ensure labour and employment legislative compliance. We have sound relationships with our key stakeholders, including industry organisations and trade unions, and we create an environment conducive to achieving mutually beneficial outcomes and collective agreements with these unions. We also play a meaningful role in industry collective bargaining structures, including the bargaining council structures and employer organisations in the industries in which our divisions operate. Trade union representation in our operations remains stable and continues to form a solid base for employee engagement with approximately 70% (FY23: 58%) of our South African workforce belonging to collective bargaining units in FY24.

Our divisional union representation is summarised below.

Union representation in the group	FY24 %
PG Bison	63
Safripol	41
Unitrans	73
Feltex	61
Restonic	89
Optix	–
Average	**70**

Fair labour practices and remuneration

Our approach to our labour practices and remuneration is outlined in our human rights policy. We comply with the provisions of the Labour Relations Act, Basic Conditions of Employment Act and other labour laws, which promote collective bargaining, prohibit forced labour, regulate hours of work, meal intervals, rest periods and overtime work, and we do not employ children under the age of 18 years. Our divisions monitor and report on overtime work to ensure that we have a healthy workforce and create a safe working environment for our employees. We have established an employment compliance committee as part of our combined assurance framework to develop and implement the controls, systems and processes necessary to ensure labour and employment legislative compliance.

We meet or exceed all minimum wage requirements as legislated in South Africa and all the countries in which our businesses operate.

Our employees have the option to participate voluntarily in both medical and health schemes, while membership of a retirement scheme is compulsory for all our permanent employees.

DELIVERING SOCIAL VALUE

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

FY24 salient features

- Contribution to SED: R32 million (FY23: R24 million)
- Contribution to ESD: R75 million (FY23: R74 million)
- Preferential procurement (qualifying spend*) on suppliers of B-BBEE Level 4 and higher: 75% (FY23: 77%)
- We have a Level 4 B-BBEE rating (FY23: Level 4)
- Our priority SDGs:

* Only South Africa, excluding imports

Our communities

Our communities include those that are situated directly next to our operations ('fenceline communities') as well as those in the areas in which our businesses operate.

Community risks and opportunities

Five of our biggest sites are situated in four municipalities with deteriorating infrastructure and poor service delivery, which impact the sustainability of our businesses and the quality of life of the communities. These include the Mkhondo and Elundini local municipalities and the Ekurhuleni municipality, where three PG Bison sites are located; the Metsimaholo local municipality, where the Safripol HDPE and PP sites are located; and the Ethekwini metro municipality's Jacobs district, where Safripol's PET and Feltex's sites are located.

Infrastructure and service delivery failures affect the quality of life of the communities and our employees that reside there. Additionally, these failures, together with rising crime, unemployment and inequality are contributing to rising discontent in underserved communities which may result in social unrest that could affect our ability to operate efficiently.

By engaging with communities, understanding their needs and concerns and contributing to community development, we can strengthen our relationships with them, revive rural communities and support a future talent pool.

DELIVERING SOCIAL VALUE (CONTINUED)

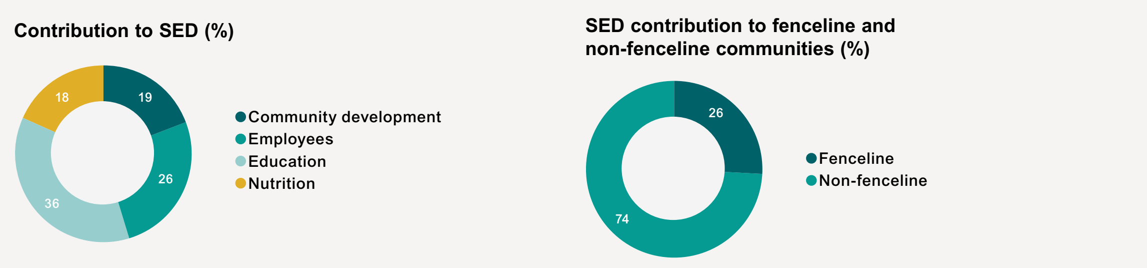
Our strategic response to community risks and opportunities

Our first imperative is to ensure that our divisions operate in a responsible manner to minimise any potential negative effects on communities. This includes ensuring that we operate in an environmentally and socially responsible manner and adhere to all legislative requirements. Our second imperative is to partner with local communities to create positive social change. Our community engagement is based on the following:

- **Direct engagement with communities through the community engagement forums:** Continued engagement enables us to build and maintain relationships of trust with surrounding communities to understand their needs and concerns. Our three largest divisions, PG Bison, Safripol and Unitrans, have established community forums involving traditional leaders, community leaders, local government, non-governmental, non-profit, public benefit and community-based civil organisations which enable them to manage community relations proactively and address grievances of community members.
- **Socioeconomic investment and development to support community and social development:** We work with several organisations to enhance our community development activities. Our focus is on childhood nutrition, education and community development, including ESD, with the objective of reducing poverty and unemployment. Importantly, some of our manufacturing businesses operate in communities that are affected by unemployment, poverty, poor service delivery and related socioeconomic issues. As many of our employees live in these communities, we are deeply committed to ensuring that they are stable and sustainable.
- **Municipal partnerships to mitigate the risk of critical municipal services failure in areas where our businesses operate:** In 2011, PG Bison partnered with the Elundini local and Joe Gqabi district municipalities under the Business-Adopt-A-Municipality programme and implemented various SED initiatives, which included disaster management, revitalisation of the small towns of Maclear and Ugie, and setting up a furniture factory. This partnership has directly benefited the communities, and indirectly PG Bison's Ugie operations. Considering the success of this partnership, we are involved in various Small-Town Regeneration ('STR') programmes with municipalities in the areas in which we operate and have also adopted the broader BRE framework. The STR and BRE programmes are aimed at supporting municipalities in the provision of basic municipal services, maintenance of existing infrastructure, and investment in new bulk infrastructure to enable municipalities to retain and attract businesses, create jobs, and invest in community development.

Socioeconomic development

Our SED spend was R32 million in FY24 compared with R24 million in the previous year, of which 26% was directed to fenceline communities. We have initiated a process to consolidate our SED activities to focus our impact and deliver on our key objectives.



Note: Percentages have been rounded.

DELIVERING SOCIAL VALUE (CONTINUED)

SED case studies

Examples of our division's community development initiatives can be found on their websites. We therefore highlight only select initiatives below in the areas of education, nutrition and community development:

KAP sani2c, a partnership between KAP and sani2c, is a three-day mountain bike event that attracts more than 2 000 riders per event and provides permanent and temporary employment for the local community. Sixteen local schools are 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.

The Ugie CREATE education programme, launched in 2009, focuses on school infrastructure, learning materials and teacher support for both primary and high school learners in the rural areas of Ugie and Maclear in the Eastern Cape where PG Bison operates. The programme is a collaboration between PG Bison and Infundo, an independent Level 2 B-BBEE social enterprise consultancy specialising in educational development throughout the country. The initiative works with seven schools in the district whose pass rates have improved significantly since the inception of the programme. In the 2023 National Senior Certificate examination, they had an average pass rate of 83.9%, up from 74.8% in 2022. The initiative is also focusing on integrating crèches into the programme to ensure that the educational interventions across the child's whole education journey, from preschool to high school, are aligned. Following the success of the Ugie CREATE initiative, the Mkhondo CREATE initiative was launched in 2021, also in partnership with Infundo. PG Bison is working with Infundo to co-create needs-based activities for the youth in the community that are linked to outcomes with a longer-term impact.

Safe-Hub, the biggest programme PG Bison supports, provides children in the Knysna area with nutrition and access to education from pre-primary to tertiary level. Safe-Hub has a dedicated youth development programme which focuses on engaging youth in sport, education and training pathways to work and leadership. The Safe-Hub facility in Knysna employs 20 people from the local community every year, including 13 young people, who are placed in NQF Level 4 learnerships and exit the programme into local employment. Through its contributions, PG Bison enjoys naming rights of the facility, the PG Bison Knysna Safe-Hub.

DELIVERING SOCIAL VALUE (CONTINUED)

PG Bison's annual community soccer tournament was hosted in Mkhondo and in Ugie during April 2024. We provided food for approximately 4 000 children and community members during these events.

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

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

In partnership with INANI Startwell Foundation, Safripol is supplying protein-rich cereal daily to feed children in ECD centres. The programme aims to address childhood stunting, one of the major causes of which is nutritional deficiencies. The cereals are supplied to the schools in rigid containers produced from Safripol's HDPE polymer. The containers are returned and refilled for subsequent use. The focus areas of the programme are the Durban South Basin and Zamdela in Sasolburg. The programme benefited 2 700 children in FY24 (FY23: 1 100).

The YES programme is a joint initiative between the private sector and government to assist South Africa's youth to gain work experience through employment placement. In FY24, Safripol placed 210 YES youth in small businesses that are aligned with the circular economy.

DELIVERING SOCIAL VALUE (CONTINUED)

Preferential procurement and ESD

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

Over the past year, we have invested R75 million (FY23: R74 million) in ESD programmes to support small and black-owned businesses. We provided support through areas such as early payment terms, interest-free financing, machinery and tools and training. We are also committed to supporting suppliers with the necessary B-BBEE credentials through preferential procurement. Over the past year, more than 75% of our local procurement of R12.6 billion was directed to suppliers with Level 4 ratings and better.

B-BBEE

We are in compliance with the B-BBEE Act, 53 of 2003 ('B-BBEE Act') and the Codes of Good Practice issued under the B-BBEE Act. In addition, the B-BBEE compliance status of some of our divisions is determined with reference to the B-BBEE sector codes applicable in their respective sectors. Our B-BBEE scorecard, which is verified by AQRate, is shown below. Our B-BBEE certificate is available on our website.

Group B-BBEE rating	FY24	FY23	Weighting
Equity ownership	**20.00**	19.06	25
Management control	**7.30**	6.90	19
Skills development	**13.51**	13.76	20
Enterprise and supplier development	**38.98**	38.32	42
Socio-economic development	**5.00**	5.00	5
Total	**84.79**	83.04	
Level	**4**	4	

PG Bison, Safripol and Feltex have Level 3 B-BBEE ratings. Unitrans' passenger operation has a Level 4 B-BBEE rating and the rest of its South African operations a Level 2 rating. Restonic has a Level 4 B-BBEE rating.

DRIVING RESOURCE EFFICIENCY

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

FY24 salient features

- Scope 1 and 2 emissions: 867 977 tCO_2e (FY23: 935 995 tCO_2e)
- PG Bison's operations* absorbed 205 772 tCO_2e for the 2023 calendar year
- Non-renewable electricity consumption: 361 923 MWh (FY23: 379 280 MWh)
- Renewable electricity consumption: 21 856 MWh of renewable electricity (FY23: Nil)
- Renewable energy investment: R68 million (FY23: R110 million)
- Diesel consumption: 110 million litres (FY23: 118 million litres)
- Water withdrawals: 1 280 megalitres (FY23^: 1 281 megalitres)
- Waste disposal: 13 202 tonnes (FY23: 11 864 tonnes)
- Waste purchased: 14 086 tonnes (FY23: 11 713 tonnes)
- Waste internally recycled: 9 267 tonnes (FY23: 6 987 tonnes)
- Our priority SDGs:

* Through its plantations and production of wood-based panels
^ Restated to exclude reused process water and incorporate refined estimates

Climate change

We recognise the impact of climate change on the planet and support the global climate change goals outlined in the United Nations Framework Convention on Climate Change and the Paris Agreement, which aim to stabilise GHG concentration at a level that would significantly reduce the risks and impact of climate change.

Climate change risks and opportunities

Based on a high-level assessment by a climate change consulting group, we have deduced the potential impact of climate change on our operations. The framework used for the assessment is one developed by the Task Force on Climate-related Financial Disclosures, which defines two main categories of exposure:

- Transition: risks and opportunities associated with the low-carbon economy transition; and
- Physical: risks and opportunities associated with changing physical climate.

All transition risks and opportunities were assessed against the most ambitious transition scenario developed by the International Energy Agency, called Net Zero Emissions by 2050. The results showed that the highest transition risks for the group were in the areas of policy and legal, specifically in the areas of enhanced reporting obligations and increased pricing of GHG emissions. Some of our divisions are exposed to carbon tax, which could increase their tax liability.

For the initial physical risk assessment, 10 key group production sites were selected. The basis for selection was the materiality to group revenue and/or the location of the site in an area known to be affected by climate change dynamics. The risk was measured against the worst of the five scenarios used by the Intergovernmental Panel on Climate Change ('IPCC'), called Shared Socioeconomic Pathway 5-8.5, for future annual carbon emissions. The following physical risks were considered: fire, water stress and drought, rainfall-induced landslides, extreme rainfall and flooding, river flooding, and extreme cold and heat. The preliminary assessment indicated that the overall physical risk to key sites was low to moderate.

From an opportunity perspective, self-generated/internally generated renewable energy provides us with a high-return capital allocation opportunity and mitigates potential interruptions in energy supply, which would enhance our position as a reliable local supplier.

Our strategic response to climate change risks and opportunities

Our response to the two main categories of exposure is as follows:

- **Transition:** We are in the process of enhancing our sustainability data collection and reporting, in line with key reporting frameworks. Additionally, we are increasing renewables in our energy mix, which will also lower our GHG emissions and carbon tax. Our current renewable energy capacity is 19 MWp, and we have the potential to generate another 70 MWp through projects we are currently reviewing. Our divisions are also implementing initiatives across the group to improve energy efficiencies, which ultimately reduces energy consumption and thus GHG emissions.
- **Physical:** Our most material near-term physical risks are an increase in wildfires, which could negatively affect PG Bison's forestry operations. As a risk mitigation measure, we invest in fire detection and firefighting capabilities and implement standard forestry fire-prevention practices. We also conduct annual fuel load risk assessments and constantly engage with landowners, stakeholders and communities to manage this risk on a collaborative basis.

DRIVING RESOURCE EFFICIENCY (CONTINUED)

Energy management

Energy risks and opportunities

Infrastructure disruptions, such as electricity supply interruptions and non-supply, pose a risk to the uninterrupted operation of our businesses, our ability to attract talent to outlying areas where we have significant operations and, in some instances, the quality of life of our employees.

By addressing electricity supply interruptions and non-supply, we can ensure the continued operation of our businesses and entrench our position with customers. We can strengthen community, government and employee relations, revive rural communities and support a future talent pool through our actions in communities. Energy self-generation, using renewable sources, provides us with a high-return capital allocation opportunity and contributes to climate change mitigation.

Our strategic response to energy risks and opportunities

Our energy strategy is aimed at mitigating supply risks and cost escalations, becoming energy independent (where possible) to ensure sustainability and evaluating opportunities to create value from our energy generation. This will support a lowering in our energy costs and GHG emissions over time. We are focusing on the following initiatives in the group:

- **Improved energy measurements systems:** We concluded the implementation of digital measuring of electricity for all our major sites, which improved the accuracy of our energy measurements. We have commenced with the installation of meters to measure steam, natural gas and electricity from generator usage, utilising the same electronic platform. Improved visibility on usage will provide us with an opportunity to manage and reduce consumption. We expect this process to be completed in FY25.
- **Energy-efficiency programmes:** We have appointed an independent specialist to conduct energy-efficiency studies on our major sites to identify opportunities to reduce consumption. This includes using technology to improve the quality of electricity supplied to our sites, which improves energy efficiency and reduces consumption. While good progress has been made with our energy-efficiency programmes, we anticipate that it will take 12 to 24 months to implement all identified opportunities.
- **Renewable energy:** We have increased our renewable energy capacity in the group which includes the following:
  - » 10 MWp PV capacity at Safripol Sasolburg, completed in FY23; and
  - » 9 MWp PV capacity at PG Bison (Boksburg and Mkhondo sites), largely completed in FY24.

  The capital expenditure related to the above projects was R68 million during the year, with a total investment of R290 million.
- **Sustainable energy supply:** We have designed microgrids for our major sites to facilitate a blended supply of energy from available sources for sustainable and economic energy supply.
- **Curtailment agreements:** Our large manufacturing sites procure electricity with curtailment arrangements from Eskom or municipalities, which provides us with the flexibility to reduce consumption without supply being cut off completely.

DRIVING RESOURCE EFFICIENCY (CONTINUED)

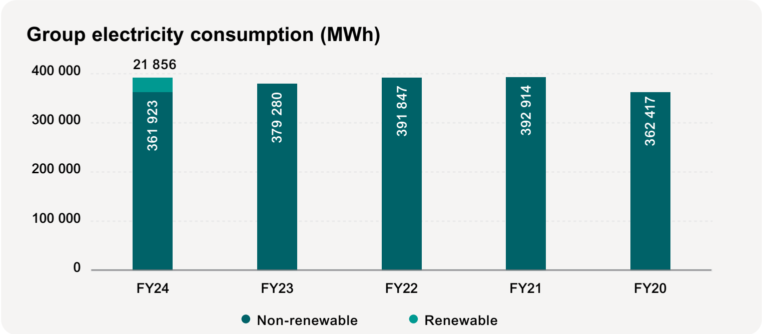
Electricity and diesel consumption

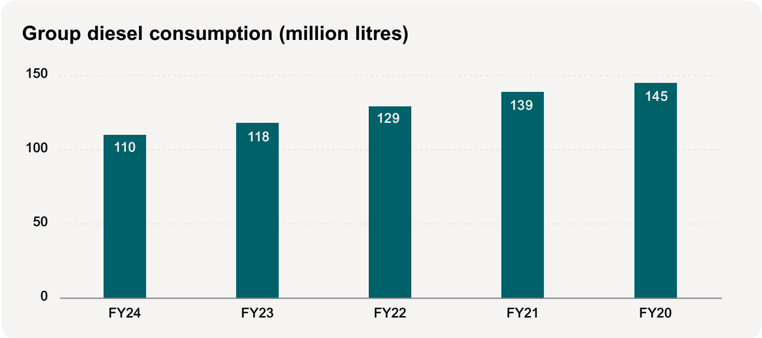
Our electricity consumption for the year was 383 779 MWh, a 1% increase compared with last year. Approximately 6% of our electricity consumption was supplied by internally generated renewable electricity from Safripol's Sasolburg PV plant and PG Bison's Boksburg and Mkhondo PV plants. The modest increase in electricity consumption was largely due to increased production at some of our sites and reduced loadshedding. PG Bison and Safripol account for most of the electricity consumption in the group.

We are pursuing energy-efficiency initiatives throughout the group to lower electricity consumption across our divisions. However, with the completion of the new MDF line at Mkhondo, we expect electricity consumption to increase.

Our diesel consumption for the year was 110 million litres, a 7% reduction from the prior year, mainly due to lower volumes and kilometres travelled by Unitrans following the closure of low-margin, low-return activities. The 24% reduction in our diesel consumption since FY20 is largely attributable to a continued decline in volumes at Unitrans with a resultant decrease in kilometres travelled. Unitrans contributes 96% to our total diesel consumption and is pursuing a reduction in its fuel consumption by:

- using routing algorithms and real-time data analysis to ensure optimal delivery routes and thus less kilometres travelled;
- employing driver training programmes to enhance driver skills in fuel-efficient driving practices;
- using data visibility systems to monitor fleet fuel consumption; and
- deploying new technology engines with better fuel consumption/efficiency.





DRIVING RESOURCE EFFICIENCY (CONTINUED)

GHG emissions

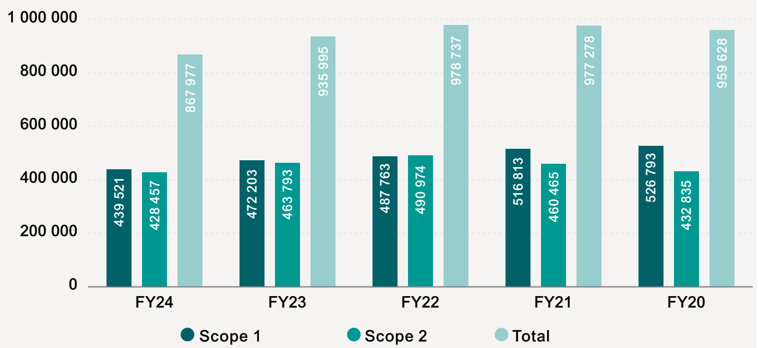
Our carbon footprint is determined in line with the GHG Protocol Corporate Accounting and Reporting Standard. We use emission factors from the 2006 IPCC Guidelines and the 2021 Technical Guidelines for Validation and Verification of Greenhouse Gas Emissions by Industry of the DFFE. Our GHG emissions are verified each year by an independent third-party.

The bulk of our emissions stem from our logistics operations due to their use of vehicles to deliver their services to customers, with no near-term, practical or economical solution available to move to zero-emission vehicles. The remainder of our emissions relate to the electricity used in the group, primarily in our manufacturing divisions.

Our Scope 1 and 2 emissions for the year were 867 977 tCO_2e, a 7% decrease from the prior year. The lower emissions are largely a result of lower kilometres travelled by Unitrans and the use of self-generated renewable energy in the group, which resulted in a 2% reduction in emissions from the prior year.

Scope 1 emissions make up 51% of our carbon footprint. At 76% of emissions, Unitrans is the biggest contributor to our Scope 1 emissions, due to the diesel used in its transport fleet. Scope 2 emissions make up 49% of our carbon footprint, with PG Bison and Safripol contributing the majority of the emissions due to the electricity consumption at their plants.

Group GHG emissions (tCO_2e)



Divisional contribution to Scope 1 GHG emissions (%)

Divisional contribution to Scope 2 GHG emissions (%)

Note: Percentages have been rounded

Carbon absorption

PG Bison's plantations are net absorbers of carbon. The division quantifies the carbon absorbed by its plantations and submits these metrics to the DFFE for approval for carbon tax purposes. The DFFE has approved the 205 772 tCO_2e of carbon absorbed for the 2023 calendar year compared with 157 332 tCO_2e in the 2022 calendar year. In addition to this, the carbon permanently stored in our wood-based decorative panels produced at our operations in the 2023 calendar year was 526 396 tCO_2e compared with 400 179 tCO_2e in the 2022 calendar year. PG Bison's carbon emissions during the year were therefore mostly offset by the carbon absorbed through its own operations.

PG Bison continues to use renewable biomass to generate energy (heat and steam) for its processes. It is typically offcuts or shavings from the timber it processes, which would otherwise end up in landfill. The use of this biomass not only diverts waste from landfill, but also displaces coal that would have been used in its place. PG Bison applies sustainable forestry management practices, in line with global certification standards as set out by the Forest Stewardship Council ('FSC'), with only a portion of trees harvested each year in line with the sustainable yield of the plantation. The harvested areas are replanted with new trees.

DRIVING RESOURCE EFFICIENCY (CONTINUED)

Water management

We withdraw most of our water from municipal supply with some water supply from third parties and groundwater/boreholes. In our manufacturing operations, we use water predominantly for our manufacturing processes and cooling, whereas for our logistics operations, we use it mainly for the washing of vehicles in dedicated wash bays.

Our water risks and opportunities

Potential water interruptions or restrictions may therefore impact our ability to operate continuously. We believe that the near-term risk related to water supply is failing infrastructure rather than availability. During the year, PG Bison's Boksburg operations were affected by water disruptions due to municipal supply issues, although this was not material on a group level.

There are also several communities around our major operations. Service delivery failures, including water, may affect our employees who live in these communities. Service delivery failures may also result in community unrest, which may impact our operations.

We believe that, by proactively mitigating the risks associated with potential water disruptions, we can entrench our position as a reliable local supplier. Additionally, improved water efficiency safeguards a scarce resource.

Our strategic response to water risks and opportunities

We have finalised our water strategy for the group. Its aim is to:

- mitigate supply risks;
- reduce consumption;
- become water independent (where possible) to ensure sustainability; and
- ensure responsible use and compliance with legislation.

Our initial focus is to update our baseline of all water used in the group and ensure the accurate measurement of water by installing electronic metering across the group. Our divisions' initiatives to reduce water consumption include:

- ensuring our water infrastructure is adequately maintained to avoid water leaks in our operations;
- increasing the reuse of water used in manufacturing processes to reduce the amount of effluent and water consumption; and
- increasing the harvesting of rainwater in the group.

The new PG Bison MDF line in Mkhondo considered water supply risks in its scoping. The site is therefore self-sufficient with water secured from boreholes, surface water (a dam) and an on-site water treatment plant.

Our water management practices

We use a combination of water meters, utility bills and, in some instances, estimations to determine water withdrawals and discharges. During the year, water meters have been installed at certain sites, with full coverage of all material sites planned in FY25. This will improve the accuracy of our water data collection and enable us to measure the impact of our water efficiency measures.

Our plantations are not irrigated and their water consumption is thus of groundwater and rain. In the cases of plantation fires, water is withdrawn from major water bodies. e.g. dams, which we do not measure.

We adhere to regulatory requirements in terms of water use licences for all our operations, including our plantations.

Where possible, water used in our manufacturing processes is treated on-site and reused. Water used for cooling runs in a circular system to ensure efficient utilisation. In our logistics operations, water used in the wash bays are treated on site. Effluent is treated to adhere to minimum requirements and sent to third-party wastewater treatment sites or, in some instances, discharged in stormwater drains, where minimum legal requirements are met. The water quality of effluent is tested regularly to ensure compliance with legal requirements.

Water used for general consumption is discharged as a municipal wastewater stream. Because our manufacturing operations are carried out within factories or on covered areas, the impact on groundwater is limited.

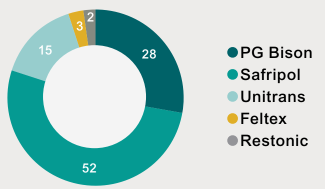
Water withdrawals

Our water withdrawals were largely unchanged during the year. PG Bison and Safripol account for the highest proportion of water withdrawals in the group, at 28% and 52% respectively. Approximately 17% of the water withdrawn is reused in our processes.

Water withdrawal by source (kl)	FY24	FY23	FY22
Surface water (rain, wetland, river, creek, lake)	**14 131**	57 894	29 747
Groundwater/borehole (geologic formation aquifer)	**58 795**	43 644	94 400
Municipal	**1 114 042**	1 081 229	1 131 953
Third-party supply	**92 961**	98 020	96 303
Total withdrawals	**1 279 929**	1 280 788	1 352 403

Note: We have refined our water estimations in the group and also excluded reused processed water from our withdrawal calculations, which were included in our prior year disclosure. We have therefore restated FY23 and FY22 data. Currently, less than 10% of our water withdrawals are estimated.

Water withdrawal per division (%)



DRIVING RESOURCE EFFICIENCY (CONTINUED)

Waste management

Our operations generate waste, mostly through their production processes, of which a significant portion is recycled internally or externally. The bulk of the waste generated in the group is not hazardous in nature. Our fibre tearing lines in Feltex and Restonic buy external waste (textiles) to process into saleable products.

Our waste risks and opportunities

We are not yet in a position where all our waste is recycled. Although not financially material on a group level, most end up in landfill and has a negative environmental impact. There is a risk that, with the reduction of landfill space, we may need to transport waste, at a cost, to landfill sites situated further from our operations. Regulations may also reduce the amount of waste companies send to landfill. However, there is an opportunity to recycle or reprocess internally generated waste, saving costs and reducing our environmental footprint, as well as recycling or reprocessing externally generated waste into usable products. This not only reduces raw material costs in some instances, but also delivers on customers' growing demand for products made using recycled materials.

Our strategic response to waste risks and opportunities

We are in the process of finalising our waste strategy, which includes establishing a baseline for all our waste streams. In the near term, we are focused on reducing, reusing and recycling waste to reduce the amount of waste sent to landfill.

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

- PG Bison purchases waste biomass for use in its products and uses its internally generated waste biomass to generate energy (heat and steam) used in the production of its products. Excess biomass is sent to third parties to provide energy or produce compost.
- Feltex and Restonic purchase textile waste from the clothing and textile industries and process the waste into reusable fibres used in the sleep products and automotive sectors. During the year, the divisions commissioned two Laroche fibre tearing lines and the amount of externally purchased waste will increase over time as these lines ramp up capacity. This waste may otherwise end up on landfill. The capital expenditure related to these new fibre tearing lines was R5 million during the year, with a total investment of R159 million.
- Safripol launched its first recycled content polymer range, ASPIRE® 15 and ASPIRE® 25, containing 15% and 25% post-consumer recycled polymer respectively in FY23. Safripol's ASPIRE® range enables upcycling for bottle-to-bottle applications, thereby maximising the value of post-consumer PET.

Our waste management practices

Our divisions have waste reporting standard operating procedures at site with data obtained either directly on-site or from accredited waste disposal service providers.

Given the diversity of our operations and the different types of waste generated and reused in the group, waste management is site-specific. Our sites have policies in place that detail how waste should be managed on-site. Some of our sites have general waste licences, issued by local authorities, for on-site sorting, grinding and shredding. Some of our sites also have hazardous waste licences for the storage of hazardous waste. Some of our sites also have active waste recycling programmes, where waste is sorted and removed for recycling.

Hazardous and non-hazardous waste is removed by accredited waste disposal service providers and disposed of at accredited facilities, with safe disposal certificates issued.

Waste recycling and disposal

A significant proportion of the non-hazardous waste generated is reused internally, with the remainder sent to third-party recyclers or disposed of at accredited landfill or other facilities. During the year, we disposed of 13 202 tonnes of waste in an environmentally responsible manner, an 11% increase from the prior year. This increase was largely due to a three-yearly boiler shut at PG Bison's Boksburg site, which resulted in the disposal of c. 700 tonnes of plant-generated dust and the breakdown of a regrind machine in Feltex, used to recycle waste in the division.

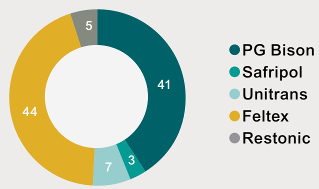
The amount of waste reused/recycled internally increased by 33% and that by third parties by 21% supported by an internal focus to increase recycling across the group.

Waste management (tonnes)	FY24	FY23	FY22
Waste reused/recycled internally	9 267	6 987	5 409
Waste reused/recycled by third parties	15 610	12 876	8 333
Total waste reused/recycled	**24 877**	19 862	13 742
Total waste disposal	13 202	11 864	12 252
Total purchased waste	14 086	11 713	9 642
Net waste movement*	**(884)**	151	2 610

Note: Waste figures exclude biomass.

* Waste disposal minus purchased waste

Total waste disposal per division (%)



DRIVING RESOURCE EFFICIENCY (CONTINUED)

Biodiversity

PG Bison operates commercial forestry plantations in the northeastern and southern Cape areas of South Africa. The forestry businesses consist of North East Cape Forests ('NECF') that operate in the Ugie area of the northeastern Cape and South Cape Forests ('SCF') that operates in the George area of the southern Cape. In total, these businesses operate on an area of c. 96 157 hectares of which 44 755 hectares is commercially afforested plantations. The remainder consists of indigenous vegetation such as grassland, fynbos, wetlands, riparian zones and a limited number of indigenous forests. NECF also operates a commercial herd of cattle as part of a multiple land use approach.

The management of both NECF and SCF is certified by the FSC. The FSC is an international, non-profit organisation that supports environmentally appropriate, socially beneficial and economically viable management of the world's forests. It is an association of members comprising a diverse group of representatives from environmental and social groups, the timber trade and the forestry profession, indigenous people's organisations, community forestry groups and forest product certification organisations from around the world.

Commercial forestry has potential negative environmental impacts on water, soil and biodiversity. PG Bison recognises these potential impacts, and the division's forestry operational procedures aim to minimise them through detailed operational planning processes that determine the mitigating measures which minimise negative environmental and social impacts.

The management of natural areas is facilitated by a dedicated Conservation Management Plan ('CMP') for each plantation. Central to the CMP is the mapping and categorisation of all non-commercial areas on the plantations, using the forestry industry's Environmental Conservation Database Standards and Methodology. Periodic field visits are used to verify the mapping and classification as well as the levels of alien weed invasion of conservation areas.

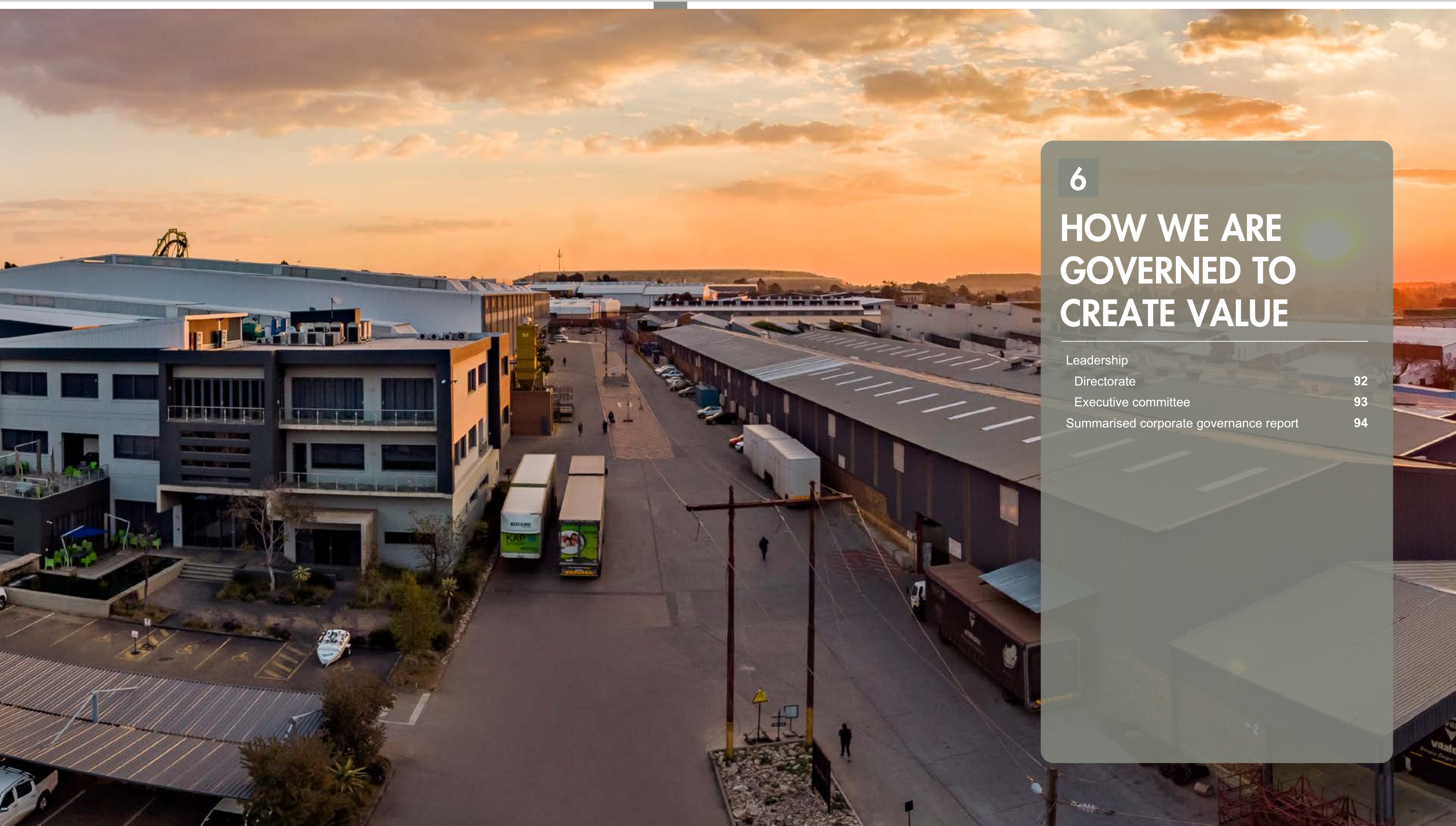
The general objectives of all CMPs are to provide:

- Land cover classification of all areas not planted to commercial plantation compartments
- Identification of management units
- Identification of areas with high biodiversity and cultural importance requiring specific management programmes
- Scheduling of conservation operations for all conservation areas, including weeding, burning and special protection of areas of importance
- Long-term protection of biodiversity values and attributes throughout the forestry/conservation landscape

For NECF, a total of 34 Priority Conservation Areas ('PCAs') have been identified, totalling more than 18 000 hectares. These include nesting sites of endangered bird species, habitats of rare bird species, significant wetland systems and rare plant communities. For SCF, a total of eight PCAs have been identified, totalling 6 100 hectares. These include indigenous forests, wetland, fynbos and a peat bog.

Numerous rare, threatened and endangered bird, plant, mammal and fish species have been recorded in PG Bison's plantations and, wherever necessary and feasible, forest management planning and practices consider and mitigate potential negative impacts of operations on such species and populations.

Environmental monitoring is conducted periodically to provide valuable management information on the effect of forest management on the natural environment. Monitoring includes aquatic biomonitoring, water quality monitoring, grassland monitoring, indigenous forest monitoring, observations of rare, threatened and endangered species and monitoring of cultural heritage sites. Monitoring results and management recommendations from specialists indicate where management practices need to be reviewed and revised to achieve conservation objectives.



6

HOW WE ARE GOVERNED TO CREATE VALUE

LEADERSHIP

Directorate

Executive directors

GN (Gary) Chaplin (54)
CA(SA)
Chief executive officer
Appointed: 2014
Tenure: 10 years
Committee memberships:
Sustainability, social and ethics, Investment
Other listed directorships: 0

FH (Frans) Olivier (45)
CA(SA)
Chief financial officer
Appointed: 2016
Tenure: 8 years
Committee memberships:
Investment
Other listed directorships: 0

SP (Penwell) Lunga (49)
BJuris, LLB, MBA, MSc (HR)
Corporate affairs executive
Appointed: 2021
Tenure: 3 years
Committee memberships:
None
Other listed directorships: 0

Independent non-executive directors

Full director CVs can be viewed on our website.

PK (Patrick) Quarmby (70)
CA(SA) (Hons)
Independent non-executive chairperson
Appointed: 2012
Tenure: 12 years
Committee memberships:
Nomination (chairperson), Investment
Other listed directorships: 0

JA (Johan) Holtzhausen (54)
Bluris, LLB, HDip Tax
Lead independent non-executive director
Appointed: 2023
Tenure: 1 year
Committee memberships:
Nomination, Investment, Human capital and remuneration
Other listed directorships: 2

TC (Tamara) Esau-Isaacs (48)
CA(SA)
Independent non-executive director
Appointed: 2021
Tenure: 3 years
Committee memberships:
Audit and risk, Sustainability, social and ethics
Other listed directorships: 1

Independent non-executive directors

Z (Zellah) Fuphe (56)
BSocSci, CD(SA), GIBS GEDP
Independent non-executive director
Appointed: 2020
Tenure: 4 years
Committee memberships:
Sustainability, social and ethics (chairperson), Nomination, Audit and risk
Other listed directorships: 0

KT (Ken) Hopkins (69)
BCom (Hons), CA(SA)
Independent non-executive director
Appointed: 2019
Tenure: 5 years
Committee memberships:
Audit and risk (chairperson)
Other listed directorships: 1

SN (Sipho) Maseko (56)
BA, LLB
Independent non-executive director
Appointed: 2024
Tenure: 0.5 years
Committee memberships:
Sustainability, social and ethics, Investment
Other listed directorships: 0

V (Viv) McMenamin (61)
MSc (Econ)
Independent non-executive director
Appointed: 2019
Tenure: 5 years
Committee memberships:
None
Other listed directorships: 0

AFB (Andrew) Mthembu (68)
BSc (Chem, Biol), BSc (Civ Eng), MSc (Const Mgmt), Advanced Management Programme
Independent non-executive director
Appointed: 2024
Tenure: 0.5 years
Committee memberships:
Human capital and remuneration, Investment
Other listed directorships: 0

SH (Steve) Müller (63)
BAcc (Hons), CA(SA), Sanlam EDP
Independent non-executive director
Appointed: 2012
Tenure: 12 years
Committee memberships:
Human capital and remuneration (chairperson), Investment (chairperson), Audit and risk, Sustainability, social and ethics
Other listed directorships: 2

LEADERSHIP (CONTINUED)

Executive committee

Full executive CVs can be viewed on our website.

GN (Gary) Chaplin (54)
CA(SA)
Chief executive officer

FH (Frans) Olivier (45)
CA(SA)
Chief financial officer

SP (Penwell) Lunga (49)
BJuris, LLB, MBA, MSc (HR)
Corporate affairs executive

H (Neels) Kornelius (51)
BEng (Chem), MBL
Enterprise risk executive

C (Corné) van der Schyff (48)
CA(SA)
Finance executive

LML (Mike) Besteiro (55)
MSc (Ind Eng)
IT executive

CH (Christina) Steyn (44)
BSc, BSc Hons (Physics), MSc (Physics), PhD (Physics), MBA, Cert.Dir
Investor relations and sustainability executive

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

RH (Reino) Louw (51)
BCom (Law), LLB, LLM
Treasury and legal executive

G (Gerhard) Victor (58)
N6 Mechanical Engineering certificate
PG Bison chief executive officer

N (Nico) van Niekerk (62)
BEng (Chem Eng), MBA
Safripol chief executive officer

E (Edwin) Hewitt (58)
Master's Diploma in Technology: Metallurgical Engineering
Unitrans chief executive officer

UMG (Ugo) Frigerio (64)
BA Hons, MPhil
Feltex chief executive officer

M (Michael) Borcherds (52)
Restonic chief executive officer

SM (Steve) Ford (55)
MSc (Eng)
Optix chief executive officer

SUMMARISED CORPORATE GOVERNANCE REPORT

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

Introduction

This corporate governance summary provides an overview of our governance framework and our approach to governance. Our comprehensive corporate governance report, together with our governance framework, is published on our website and contains details of the approach we have adopted to ensure the application of the principles contained in the King Report on Corporate Governance™ for South Africa, 2016 (King IV™) during the financial year ended 30 June 2024. Please refer to this report to understand how KAP 'applies and explains' the principles contained in King IV™.

Governance approach

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

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

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

Application of King IV™

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

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

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

Read more: Governance framework, Corporate governance report

SUMMARISED CORPORATE GOVERNANCE REPORT (CONTINUED)

Our governance framework

KAP shareholders

Non-executive and executive* directors
(Appointed by shareholders)

KAP board

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

External auditor
(Appointed by shareholders)

KAP board structure^

- Audit and risk committee (Appointed by shareholders)
- Human capital and remuneration committee
- Sustainability, social and ethics committee
- Nomination committee
- Investment committee
- Guarantee and financial assistance subcommittee
- Treasury subcommittee

KAP corporate structure

Chaired by CEO

- Executive committee

Chaired by CFO

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

Chaired by corporate affairs executive

- Employment compliance committee
- B-BBEE compliance committee

Divisional structure#

Chaired by CEO

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

Chaired by CFO

- Non-statutory audit and risk committee

Chaired by divisional IT executive

- IT divisional steering committee

Chaired by divisional CEO

- Divisional executive committee

Committee accountable to:

- KAP board
- KAP shareholders

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

SUMMARISED CORPORATE GOVERNANCE REPORT (CONTINUED)

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

Ethical culture	We have entrenched our values in our decision-making, conduct and the relationships between the group, our stakeholders and broader society.
Adequate and effective controls	We have implemented adequate and effective control through our structures, our people and our processes to ensure the integrity of the information we use for internal decision-making, and the integrity of financial and non-financial information that we report publicly.
Performance and value creation	Performance and value creation are reflected in the achievement of our strategy and fulfilment of our purpose, the positive outcomes and effects of which are evident on people, the planet and profit.
Trust, good reputation and legitimacy	We form an integral part of broader society, and we display the positive conduct that characterises a good corporate citizen.

Board of directors and board committee structures

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

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

Conclusion

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

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REMUNERATION REVIEW

BACKGROUND STATEMENT

Introduction

Our remuneration review sets out the remuneration policy for the group and the implementation and remuneration disclosures ('remuneration implementation report') for the remuneration of executives and non-executive directors ('NEDs') for the 2024 financial year and is presented in three parts:

1. The background statement, which provides context for our remuneration policy and performance;
2. An overview of the forward-looking remuneration policy applicable in the 2025 financial year; and
3. The remuneration implementation report which sets out in detail how the existing remuneration policy was implemented during the 2024 year under review, including disclosure on remuneration earned by executive directors and other executive committee members and paid to NEDs.

Remuneration governance

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

In terms of the recommendations of King IV™, board committees should have cross membership to ensure a balanced distribution of power and to enhance effective collaboration. In line with these recommendations, SH Müller, chairperson of the committee, is also a member of the sustainability, social and ethics committee, the audit and risk committee and the investment committee. JA Holtzhausen, who was appointed as lead independent NED on the board on 21 November 2023, is a member of this committee, the investment committee and the nominations committee. AFB Mthembu, who was appointed to the committee on 15 January 2024 is also a member of the investment committee.

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

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

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

Due to the group's decentralised management structures, the committee has established divisional human capital and remuneration subcommittees ('the divisional subcommittees'). The divisional subcommittees are supported by experienced human capital practitioners at group and divisional level. They hold the responsibility for the implementation and management of human capital and remuneration strategies, policies and practices, at a divisional level, in line with those set by the committee. The divisional subcommittees comprise our CEO, CFO and corporate affairs director, as well as our divisional CEOs and human capital executives. Our CEO chairs the divisional subcommittees.

BACKGROUND STATEMENT (CONTINUED)

Remuneration philosophy

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

Our remuneration objectives are achieved by:

- positioning guaranteed executive salary packages in line with industry benchmarks; and
- designing short and long-term incentives to ensure, as practically as possible, the delivery of the group's strategic objectives and to reward performance.

While our remuneration philosophy serves as an essential tool in enabling our employees to deliver on our strategic objectives, we acknowledge that it should support sustainable value creation for our key stakeholders, including ensuring alignment between executive remuneration and shareholder interests. In this regard, we believe that our remuneration decisions are fair and remain appropriately aligned with shareholder and stakeholder interests over the long term.

Key committee activities

The committee met formally during the year on 2 August 2023, 14 September 2023 and 16 November 2023 with all its members present. The following were the key activities of the committee:

- reviewing the group's human capital strategy and the alignment thereof with the company's business strategy;
- evaluating the human capital management practices in place across the group to ensure fairness, responsibility, transparency, alignment with King IV™, and compliance with the specific requirements of the relevant labour legislation;
- reviewing the group's approach to diversity and inclusion, with specific reference to employment equity;
- reviewing succession plans of executives and senior management levels in the group;
- reviewing the risk associated with the loss of key personnel and the implementation of associated talent retention measures;
- approving the remuneration of executives, including guaranteed salary increases, annual incentive bonus ('AIB') payments and share right scheme ('SRS') vesting outcomes;
- reviewing the remuneration policy and making changes following the negative non-binding advisory shareholder votes relating to our remuneration policy and implementation report resolutions during the November 2022 AGM; and
- making recommendations for adjustments to the forward-looking fees of the NEDs to our board for approval and voting by shareholders at the November 2023 AGM.

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

Access to information and advisors

Members of the committee may access any information to inform their independent judgement on remuneration and related matters. During the year, the committee received reports from Remchannel Proprietary Limited ('Remchannel') to ensure that the group's remuneration levels are competitive and appropriate within our specific markets and geographical areas of operation.

In addition, the committee engaged PricewaterhouseCoopers Incorporated ('PwC') to evaluate whether the variable pay measurement criteria included in the proposed FY25 remuneration policy is appropriate and credible relative to other JSE-listed companies and to conduct an independent benchmarking study to assess whether the NED fee structure and levels were still appropriate prior to the presentation of the 2024 NED fee proposal to the board for onward presentation to shareholders for approval.

The committee is satisfied that Remchannel and PwC are independent and objective.

The environment in which we remunerate

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

- The challenging macroeconomic environment, including the negative effects of elevated inflation and interest rates, low economic growth, subdued consumer demand, loadshedding and deteriorating national and municipal infrastructure that affect our operations.
- The escalating risk of loss of key personnel to competitors, other industries and emigration, bearing in mind that we compete globally for scarce skills.
- The need to reward our employees appropriately for their contribution to the group's performance, taking into consideration the complex, uncertain and competitive operating environment, to ensure a balanced outcome for our key stakeholders over the long term.
- The shareholder support of 80.20% and 66.21% received on our remuneration policy and implementation report respectively at the November 2023 AGM.

BACKGROUND STATEMENT (CONTINUED)

Changes to the FY23 remuneration policy

The group's strategic focus areas in FY24 were the following:

- completion of major capital projects;
- major restructuring of Unitrans;
- growing market share locally and in export markets;
- implementing operational initiatives to deliver cost savings;
- improving asset utilisation and disposing of underutilised assets; and
- optimising working capital, increasing free cash flow generation and containing debt.

The committee made changes to the FY24 remuneration policy relating to the measurement criteria for the vesting of the AIB scheme to ensure continued alignment between the above strategic focus areas and to consider feedback following engagement with dissenting shareholders who voted against our FY23 remuneration policy.

- In respect of the core HEPS growth target for FY24, while GDP growth + consumer price inflation ('CPI') remains a key hurdle for performance, the base year for calculation of the target, being FY23 HEPS, was adjusted upward from 42.7 cps to 50.3 cps to account for exceptional items during FY23. This effectively increased the HEPS hurdle required for achievement of FY24 AIBs by executives by 18%.
- In view of the subdued macroeconomic and operating environment that was anticipated for FY24, high interest rates, and debt levels that increased over time during the completion of the major capital projects, significant focus was placed on remaining within debt covenants. The achievement of budgeted debt covenant ratios, which are more onerous than the actual debt covenants, was therefore included as an AIB measurement criterion to improve alignment between shareholder expectations and management remuneration in FY24.
- All non-financial measurements, which formed part of the FY23 AIB measurement criteria, were removed from the FY24 measurement criteria except for the achievement of the budgeted B-BBEE score. This was amended from a 10% proportion of the AIB to a 10% penalty against total allocation if not achieved.

Business performance and remuneration outcomes for FY24

During the year, the domestic macroeconomic and operating environment remained challenging. Elevated inflation and interest rates negatively affected consumer demand, and infrastructure disruptions increased operational complexity for our divisions. The global polymers industry deteriorated further in a cyclical low, due to increased global capacity and subdued global demand growth.

Five of our six divisions delivered an improved operating profit during the year. However, this was more than offset by a deterioration in Safripol's profitability, which was affected more than anticipated by a cyclical low in the polymers industry. EBITDA declined by 8%, operating profit by 11% and HEPS by 4%, which meant that the HEPS targets for the AIB were not met. Although the group was within its debt covenants and raised a R3 billion revolving credit facility with favourable interest rates and covenants, the actual debt covenants did not meet the target set by the board for the AIB. The details of the vesting of the variable incentive schemes are set out in the remuneration implementation report on page 109.

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

The following reflects the non-binding advisory shareholder votes at the AGM held on 21 November 2023:

	Votes in favour %	Votes against %
Remuneration policy	80.20	19.80
Implementation report	66.21	33.79

As a result of receiving less than 75% shareholder support for the remuneration implementation report, we provided a platform to engage with dissenting shareholders. This engagement was via an invitation released on SENS on 22 November 2023, inviting them to submit, in writing, recommendations in relation to the remuneration policy and/or implementation report, for consideration by the committee. The committee responded to each submission through a direct engagement with the relevant dissenting shareholders.

Following this engagement, the committee amended certain aspects of remuneration to balance shareholder concerns with the need to reward executives appropriately for their contribution to the achievement of our strategic objectives.

BACKGROUND STATEMENT (CONTINUED)

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

Issue raised	Shareholder feedback	Committee action
ROE > WACC SRS return measurement	ROE in the SRS should be assessed relative to the cost of equity. Alternatively, ROCE should be used as a return metric relative to WACC.	The committee has revised the remuneration policy and ROCE will be used as the return metric for measurement periods effective from FY25.
Stretch targets for both AIB and SRS vesting	The core HEPS growth > GDP growth + CPI measurement in the AIB scheme and SRS do not constitute sufficient stretch targets to justify incentive payments.	Following a period of significant capital investment and business restructuring, the board approved a five-year strategic plan in June 2024, which provides compelling growth targets for the group. This means that the more stable earnings growth targets of GDP growth + CPI, as incorporated in the FY24 remuneration policy, are no longer relevant in isolation. While earnings growth in excess of GDP growth + CPI over time remains an important deliverable, certain key measures from the group's five-year strategic plan have been incorporated into the AIB scheme and SRS to drive ownership of the plan and delivery against recent investments and restructuring as below: • In terms of the proposed remuneration policy, HEPS growth targets for the FY25 AIB scheme will be set by the board through the budget process and will be disclosed retrospectively in the FY25 implementation report in order not to present an earnings or profit forecast. • The longer-term HEPS growth targets for the December 2024 SRS awards are also referenced to the five-year strategic plan and are disclosed in the policy.
Use of 'core' figures	The use of 'core' figures to measure HEPS, EBITDA and operating profit growth targets for vesting purposes in the AIB scheme and SRS can be subject to abuse.	In terms of the proposed remuneration policy, actual reported earnings will be used to measure earnings growth in both the AIB scheme and SRS effective FY25. 'Core' will no longer be used.
Binary target approach to SRS vesting	The use of linear or tiered vesting (i.e. threshold, target and stretch) is preferred over the binary target approach in the SRS for executive directors.	The shareholder recommendation for tiered vesting has been incorporated in the earnings measurement criteria in both the AIB scheme and SRS.
Guaranteed salary levels for the CEO and CFO	The guaranteed pay for the CEO and CFO is high relative to the market and peers.	As part of the group's remuneration policy, the committee engages regularly with independent external advisors to assess the guaranteed pay levels of executives, including the CEO and CFO. Following shareholder feedback, independent assessment and verification thereof was conducted by PwC, Remchannel and Emergence during FY24. The outcome of this assessment reaffirmed the previous independent assessments that the executive guaranteed pay levels are in line with those of companies of comparable size, sector, business complexity, markets and geographical location. Despite this outcome, the committee used its discretion not to award an inflation-linked salary increase to the CEO and CFO for FY24, which kept their guaranteed salary at FY23 levels. These reports were rolled forward by one year and reconsidered by the committee in relation to CEO and CFO salary adjustment for FY25.

The changes referred to above are detailed in the remuneration policy and will be presented to shareholders for a separate non-binding advisory vote at our upcoming AGM in November 2024.

BACKGROUND STATEMENT (CONTINUED)

Planned focus areas in relation to FY25

We expect the South African macroeconomic and operating environment to remain challenging and for the global polymers downcycle to persist in the coming year. The group is committed to executing on the following material items:

- value realisation from our major capital projects;
- completing the restructuring of Unitrans and repositioning the division for growth;
- increasing free cash flow; and
- reducing net debt.

Additionally, all our divisions will focus on growing market share, improving margins and returns, and optimising assets. These items are aligned with the targets set in the remuneration policy.

Based on the above strategic objectives, the committee intends to focus on the following areas in FY25:

- The continued implementation of a human capital strategy, informed by our values, to ensure that we are an employer of choice with a culture, policies and procedures that set high expectations for performance, while simultaneously providing a stimulating and inclusive environment for our people.
- Implementing an optimal organisational design for the group and recruiting key leadership to execute both the group and divisional strategies.
- Ensuring that the capacity, competence and balance of divisional executive committees ('Excos') is in place to determine and execute their respective strategies.
- Ensuring that the group has the necessary sales competence and capacity to execute the strategy.
- Reviewing and adjusting executives' key performance indicators ('KPIs') in line with the group's strategic objectives.
- Implementing policies and practices that promote diversity, inclusion and depth of succession talent.
- Remaining up to date with key issues that influence remuneration in the current dynamic operating environment.

Conclusion

The committee is satisfied that it has fulfilled the requirements of its charter and that the objectives of the remuneration policy have been met, without material deviation.

REMUNERATION POLICY FOR 2025

Introduction

The human capital and remuneration committee ('committee') has made changes to certain aspects of our remuneration policy to balance shareholder concerns with the need to reward executives appropriately for their contribution to the achievement of our strategic objectives. These changes are reflected in our proposed remuneration policy applicable to the 2025 financial year.

Remuneration governance

The board carries ultimate responsibility for the remuneration policy. The committee functions as a subcommittee of the board in terms of a board-approved mandate to evaluate and monitor the company's remuneration philosophy and practices and to ensure consistency with governance principles and company strategy. The committee implements a remuneration policy, which is approved by the board, to assist in the achievement of the company's strategy. The remuneration policy is reviewed on an annual basis and is aligned with the recommendations of King IV™, based on the following principles:

- Remuneration practices throughout the company are aligned with the applicable business vision and strategy.
- Remuneration is set at levels that are competitive and appropriate within the specific markets, geographical 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, strategic initiatives critical to the achievement of the company and divisional strategies and business plans and individual KPIs.
- Executive remuneration is fair, responsible and transparent within the context of the overall remuneration of the company.

Linking remuneration to the group strategy

In June 2024, the board approved the group's five-year strategic plan, the mechanism the group uses to quantify the financial impact of the strategic focus areas. In terms of the group's five-year strategic plan, management will focus on executing on the following material items: value realisation from our major capital projects, repositioning our divisions for organic and expansionary growth, increasing free cash flow and reducing net debt. Additionally, all our divisions will focus on growing market share, improving margins and returns, and optimising assets. These key measures have been incorporated in the AIB scheme and SRS to drive ownership and execution of the group's five-year plan by executive directors and management.

Alignment between human capital strategy, remuneration philosophy and policy

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

Benchmarking of remuneration

Benchmarking of the remuneration of our executive directors and management is undertaken every two years, using the services of independent experts, in order to ensure that remuneration is market-related and equitably awarded through our remuneration systems and practices. The committee aims to ensure an appropriate balance between the guaranteed and performance-related elements of remuneration, as well as 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.

REMUNERATION POLICY FOR 2025 (CONTINUED)

Elements of remuneration

Our remuneration policy covers three elements of remuneration: guaranteed salary, variable performance-related incentives and operational executive retention.

Guaranteed salary ('salary')

Guaranteed salary incorporates all guaranteed cash benefits on a total cost-to-company ('CTC') basis and is intended to provide employees with a competitive level of remuneration. Company performance, individual performance, the economic environment and changes in responsibilities are taken into consideration when determining annual CTC salaries.

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

- Job profiles are compiled for each approved position in the company, and these are graded using the Paterson grading system.
- A competency profile is also determined for each approved position. Performance reviews of employees against these profiles may lead to an employee receiving merit increments from time to time, which may result in an individual earning remuneration above the market median, but within market norms. The remuneration levels of key management categories are benchmarked every two years, using the market median of independent salary surveys as reference.
- The qualifications, skills and experience of the individuals concerned are taken into account relative to the relevant job, competency profiles and performance requirements.

Inflationary remuneration adjustments are considered annually, taking into account relevant CPI indices and market benchmarks.

The remuneration of employees, other than those represented by unions and other bargaining structures, is contracted on a CTC basis, which includes basic cash remuneration, allowances and contributions by the company to retirement savings, risk insurance and medical schemes. In terms of this arrangement, a minimum level of healthcare cover is a condition of employment at certain levels.

The company does not provide employees with post-retirement healthcare benefits. Employees throughout the group are able to contribute to various independently administered defined-contribution retirement schemes.

We encourage union membership and collective bargaining among our employees in order to provide for responsible and structured engagement. Wages and substantive conditions of employment of 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. Multiyear arrangements are favoured as they promote stability and consistency in industrial relations. Access by these employees to suitable medical, retirement and associated insured benefits is also facilitated by the company, where appropriate.

Variable performance-related incentives ('incentives')

The principle underlying this policy is to ensure that executives and senior managers are rewarded for performance that advances the company strategy. Variable pay is designed to incentivise and reward both individual and team effort and serves as a tool to attract, motivate and retain employees of the calibre required to achieve the company strategy. This policy is also intended to ensure that executives and senior management are duly motivated to achieve organisational goals and strategic objectives to ensure the long-term sustainability of the company in a balanced and socially and environmentally responsible manner, to the benefit of stakeholders.

Incentives are reported in the annual remuneration implementation report in the period in which they are earned, together with the relevant performance targets and achievement against those targets. The committee retains discretion in terms of the award of incentives, which is only exercised in exceptional circumstances. When exercised, it is reported accordingly in the annual remuneration implementation report.

Annual incentive bonus ('AIB')

The AIB is intended to incentivise short-term performance on an annual basis.

The committee has made changes to the measurement criteria in order to better align the short-term incentives to the group's five-year strategic plan and shareholder interests. The committee has set measurement criteria and targets for the FY25 AIB scheme, based on three considerations:

- **Financial:** The group's five-year strategic plan, which incorporates our divisional strategies and the impact of recent capital investments and restructuring activities, guided the financial targets set by the committee. The committee also considered the prior year performance, market conditions and the group's long-term strategy.
- **Operational:** The group's five-year strategic plan also informed the operational targets.
- **Individual:** The committee introduced individual KPIs to reward senior management of corporate services for the implementation of strategic and operational initiatives that support group performance.

a) Corporate services AIB framework

The committee made the following changes in the FY25 AIB scheme for corporate services to better align the short-term incentives to the group's five-year strategic plan and shareholder interests:

- HEPS growth, exceeding GDP growth + CPI, as incorporated in previous remuneration policies, remains a key deliverable over the long term. The FY25 HEPS growth target is, however, based on financial targets derived from the group's five-year strategic plan, which incorporates the impact of recent major capital investments and restructuring activities. The FY25 HEPS growth target will therefore be retrospectively reported in our FY25 remuneration implementation report to avoid the publication of an earnings or profit forecast, in contravention of the JSE Listings Requirements and/or applicable regulations. Performance against the target and any incentives potentially earned will also be reported in our FY25 remuneration implementation report.
- The cash flow conversion measurement criteria and target remain unchanged.

REMUNERATION POLICY FOR 2025 (CONTINUED)

- The FY24 remuneration policy included a net debt to EBITDA target to ensure that the company remained within its budgeted debt covenants during FY24, in the context of high interest rates, the completion of major capital projects, elevated debt levels and the uncertain macroeconomic environment.
- As reflected in the FY24 results, this covenant risk has now been mitigated through the successful completion of these projects and the raising of a R3 billion revolving credit facility at more favourable interest rates and covenants. The FY25 remuneration policy has therefore been amended with the net debt to EBITDA target replaced by a rand value net debt reduction target. This target aims to improve the risk profile of KAP's balance sheet and better align management incentives with shareholder interests. This measurement criterion only relates to executive directors.
- Individual KPIs (none previously) were introduced for senior management instead of net debt reduction.
- The punitive criteria for not meeting the targeted B-BBEE score remains unchanged.

The committee has also introduced tiered vesting (threshold, on-target and stretch) for the HEPS growth target in the AIB scheme. This follows engagement with and feedback from shareholders in relation to HEPS targets.

The FY25 performance metrics for executive directors and senior management of corporate services will therefore be based on targets for HEPS growth, cash flow conversion and net debt reduction and/or the achievement of individual KPIs, as summarised below:

Measurement criteria	Target	Executive director proportion	Executives/senior management proportion
HEPS growth*	≥ 95% of target (threshold)	20%	15%
	= 100% of target (on-target)	20%	15%
	≥ 105% of target (stretch)	20%	15%
Cash flow conversion	> 90%	20%	20%
Net debt reduction	R1 billion	20%	–
Individual KPIs	Specific to the individual/function	–	35%
Punitive measurement			
Non-achievement of the B-BBEE score^	Target	(10%)	(10%)

Note: The maximum participation levels for executive directors are at 150% of CTC and for corporate executives and senior management between 25% and 75% of CTC.
* The FY25 HEPS growth target will be retrospectively disclosed in our FY25 remuneration implementation report.
^ The non-achievement of the B-BBEE score relative to target is applied as a 10% penalty.

b) Divisional AIB framework

Our divisions each have a five-year strategic plan which aligns with the group five-year strategic plan. The committee made the following changes to the FY25 AIB scheme for the divisions, which is based on their performance, independent of the performance of the group, to ensure the achievement of divisional strategic and financial initiatives:

- Real operating profit growth exceeding GDP growth + CPI, as incorporated in previous remuneration policies, remains a key deliverable over the long term. The FY25 operating profit growth targets are based on financial targets derived from the divisions' five-year strategic plans, which incorporate the impact of recent major capital investments and restructuring activities.
- The cash flow conversion measurement criteria and target remain unchanged.
- Key operational initiatives which are based on divisional strategies, with specific deliverables and targets, have been included as measurement criteria to drive divisional performance. These hold benefit for the current and future years. Divisional strategic initiatives are specific to each division and are weighted according to the level of impact.
- The punitive criteria for not meeting the targeted B-BBEE score remain unchanged.

The committee has also introduced tiered vesting (threshold, on-target and stretch) for the operating profit measurement criteria in the AIB scheme.

The FY25 performance metrics for divisional executives will therefore be based on targets for operating profit and cash flow conversion, and the implementation of key operational initiatives, as summarised below:

Measurement criteria	Target	Proportion
Operating profit	≥ 95% of target (threshold)	Division specific; ranges from 30% to 100%
	= 100% of target (on-target)	
	≥ 105% of target (stretch)	
Cash flow conversion	≥ 90% (Unitrans ≥ 95%)	20% (except for Optix, which is at 10%)
Operational initiatives*	Division specific, measured relative to target	Division specific; ranges from 20% to 60%
Punitive measurement		
Non-achievement of B-BBEE score^	Target	(10%)

Note: The maximum participation levels for divisional CEOs are at 150% of CTC, COO/CFO at 100% of CTC and other divisional executives between 50% and 75% of CTC.
* Division-specific operational initiatives include targets in relation to sales volume, cost reduction, organisational design and restructuring, operational uptime and asset utilisation.
^ The non-achievement of the B-BBEE score relative to target is applied as a 10% penalty.

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

REMUNERATION POLICY FOR 2025 (CONTINUED)

Long-term incentive schemes

LTIs are awarded through the shareholder-approved SRS to promote the sustainable performance of the group through business and investment cycles, aligning performance of key management with the business strategy and stakeholder interests.

In terms of the rules of the SRS, share rights are awarded to participants and vest in terms of board-approved measurement criteria. Participation in the SRS is determined by the committee on an annual basis in respect of the rules of the scheme and applies to individuals who are key to determining and implementing the long-term vision and strategy of the group.

a) Corporate services SRS framework

The committee made the following changes to the measurement criteria for the future vesting of the December 2024 ('FY25 SRS') awards to Corporate services to ensure alignment between the SRS, achievement of the group's five-year strategic plan and shareholder interests:

- HEPS growth exceeding GDP growth + CPI, as incorporated in previous remuneration policies, remains a key deliverable over the long term. However, a more ambitious HEPS growth target, based on the group's five-year strategic plan, has been set for the FY25 SRS award to incorporate the impact of recent major capital investments, restructuring activities and growth initiatives. This strategic five-year plan is updated each year and therefore each successive update will form the basis of that successive year's SRS HEPS growth targets. The committee has also introduced tiered vesting (threshold, on-target and stretch) for the SRS HEPS growth target, following engagement with and feedback from shareholders. The SRS HEPS growth targets are management targets used for remuneration purposes and do not represent an earnings or profit forecast.
- The committee replaced the previous ROE > WACC target with a ROCE target that is aligned with the group's strategic five-year plan and considers the impact of recent capital investments and restructuring activities. The ROCE target is intended to incentivise executive directors to focus on initiatives that will extract value from recent investments and improve capital allocation. The incorporation of this target is in line with the outcomes of the committee's engagement with shareholders.
- The financial performance criteria were previously measured on a cumulative basis over a three-year period. This has been amended, whereby the FY27 targets as incorporated in the five-year strategic plan, will be used as the measurement targets for the vesting of the FY25 SRS awards in December 2027.
- The committee introduced a net debt to EBITDA target for the FY25 SRS awards to incentivise executive directors to implement strategic initiatives that will improve the capital structure of the company over the long term.

The FY25 SRS performance metrics for executive directors and senior management of corporate services will therefore be based on targets for HEPS, ROCE and net debt to EBITDA, and the delivery of individual KPIs, as summarised below:

Measurement criteria	Targets for FY27	Proportion
HEPS	Threshold – 25% CAGR relative to FY24	8.33%
	On-target – 30% CAGR relative to FY24	8.33%
	Stretch – 35% CAGR relative to FY24	8.33%
ROCE	≥ 14%	25%
Net debt/EBIDTA	< 2 times	25%
Achievement of individual KPIs*	Specific to the individual/function	25%

* Individual KPIs align with the group's strategic initiatives and are designed to reward sustained executive performance and the achievement of long-term goals.
The maximum participation levels for the KAP CEO and CFO are at 167% of CTC, the KAP corporate affairs director is at 133% of CTC, and corporate executives and senior management between 33% and 67% of CTC.

It should be noted that:

- In relation to the FY25 SRS, which will be measured for vesting in December 2027, HEPS growth will be determined using actual 'adjusted FY24 HEPS' of 36.7 cps for the base year.
- The ROCE target is below the guided long-term target of > 16% in FY27 due to the impact of major capital investments and the time required to bring the facilities up to full capacity.

b) Divisional SRS framework

To align the SRS to the achievement of the group's five-year strategic plan and shareholder interests, the committee made the following changes to the measurement criteria for the vesting of FY25 SRS awards to divisions:

- Real operating profit growth, exceeding GDP growth +CPI, as incorporated in previous remuneration policies, remains a key deliverable over the long term. However, a more ambitious operating profit growth target, based on the divisional five-year strategic plans, has been set for the FY25 SRS awards to incorporate the impact of recent major capital investments, restructuring activities and growth initiatives, and the specific dynamics of each division. The strategic five-year plan is updated annually and therefore each successive update will form the basis of that successive year's SRS operating profit growth targets.
- The committee replaced the previous ROCE > WACC + 30% target with a ROCE target that is aligned with the strategic five-year plan and considers the impact of recent capital investments and restructuring activities as well as the specific dynamics of each division. The ROCE target is intended to incentivise management to focus on initiatives that will extract value from recent investments and improve capital allocation. The incorporation of this target is also in line with the outcomes of the committee's engagement with shareholders.
- The financial performance criteria were previously measured on a cumulative basis over a three-year period. This has been amended, whereby the FY27 targets as incorporated in the five-year strategic plan, will be used for the measurement targets of the FY25 SRS awards in December 2027.

The FY25 SRS performance metrics for divisional executives will therefore be based on targets for operating profit and ROCE and the delivery of individual KPIs, as summarised below:

Measurement	Targets for FY27	Proportion
Operating profit	FY27 target at the time of the award	37.5%
ROCE	FY27 target at the time of the award	37.5%
Achievement of individual KPIs	Specific to the individual/function	25%

Note: The maximum participation levels for the divisional CEOs are 133% of CTC, divisional executives are between 50% and 67% of CTC, and senior management between 33% and 50% of CTC.

REMUNERATION POLICY FOR 2025 (CONTINUED)

Polymer index

In terms of both the AIB and SRS, the inclusion of a polymer index in the measurement criteria was intended to protect shareholders from excessive management incentives during a polymer upcycle and to protect management from forfeiting incentives in a polymer downcycle. However, this proved to be ineffective over the two prior years due to a favourable contract renegotiation and adjustments to management targets. While a polymer index will continue to form part of the committee's considerations, it will apply discretion to the extent necessary to ensure an alignment of incentives with shareholder interests in the event of extreme index volatility.

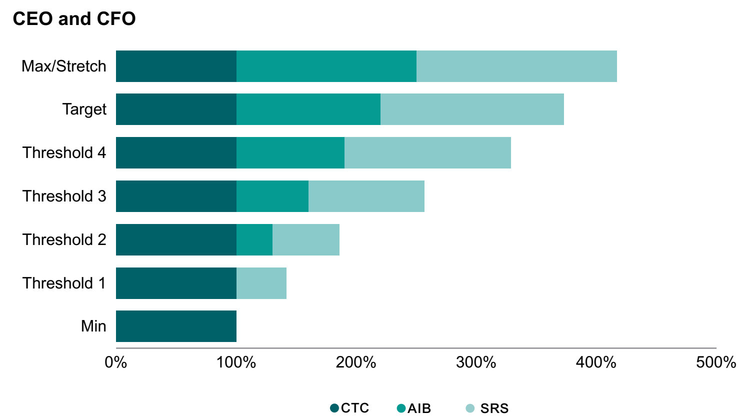
Executive operational management retention

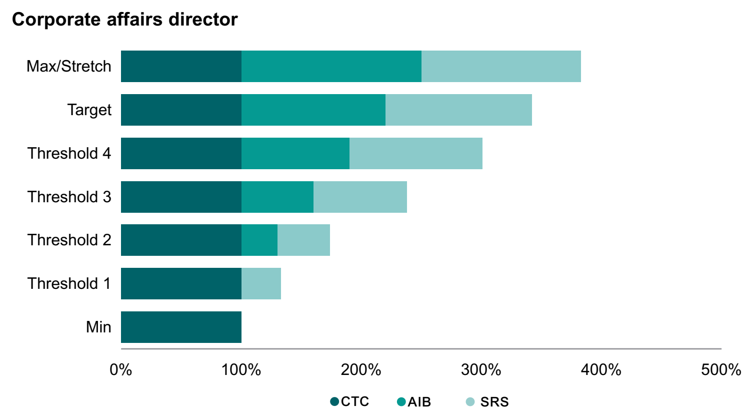
KAP is dependent on the retention of key operational management for the execution of our strategy and the efficient running of our operations. In view of the escalating risk of loss of key skills in South Africa, we issued, on a one-off basis effective 1 November 2022, 34 million cash-settled notional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

This is not a share scheme as defined in the JSE Listings Requirements or Companies Act and does not apply to the executive directors, i.e. CEO, CFO and corporate affairs director.

Single-figure remuneration relative to tiered threshold, target and stretch remuneration mix

The AIB scheme and the SRS have various measurement criteria, the vesting of which may occur independently of one another. As a result, several possible vesting scenarios exist. The graphs and table below illustrate the total potential remuneration under different potential performance scenarios for executive directors, based on their participation levels in terms of the policy:





Graph notes

Performance level	Description
Minimum	Guaranteed salary only
Scenario 1	KPI achievement for SRS
Scenario 2	KPI and threshold HEPS achievement for SRS Threshold HEPS achievement for AIB
Scenario 3	KPI, threshold HEPS and target net debt to EBITDA achievement for SRS Threshold HEPS and target cash flow conversion achievement for AIB
Scenario 4	KPI, threshold HEPS, target net debt to EBITDA and ROCE achievement for SRS Threshold HEPS, target cash flow conversion and net debt reduction achievement for AIB
On Target HEPS	KPI, target HEPS, net debt to EBITDA and ROCE achievement for SRS Target HEPS, cash flow conversion and net debt reduction achievement for AIB
Max/Stretch HEPS	KPI, stretch HEPS, target net debt to EBITDA and ROCE achievement for SRS Stretch HEPS, target cash flow conversion and net debt reduction achievement for AIB

REMUNERATION POLICY FOR 2025 (CONTINUED)

Minimum shareholding requirements

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

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

Statement of fair and responsible remuneration

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

Malus and clawback

To the extent that the measurement criteria of either the AIB scheme or SRS are achieved because of intentional fraud, misstatement, misrepresentation or non-compliance with relevant legislation by any participant of these schemes, the effect of this fraud, misstatement, misrepresentation or non-compliance will be reversed in the consideration of whether the relevant qualifying criteria have been achieved. In addition, any participant directly involved in the fraud, misstatement, misrepresentation or non-compliance will not qualify for an incentive. The company will pursue legal action for the recovery of any incentives paid because of intentional fraud, misstatement, misrepresentation or non-compliance with relevant legislation by any participant of these schemes. In addition, the company will pursue disciplinary action.

Service contracts

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

Non-executive director fee policy

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

Regulatory compliance

In line with the recommendations of King IV™, in addition to the statutory requirement to obtain shareholder approval for the payment of fees to the NEDs, 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 remuneration implementation report by 25% or more of the total voting rights exercised at the AGM, the committee will issue an invitation to dissenting shareholders to engage with them in order to address legitimate and reasonable concerns.

IMPLEMENTATION AND REMUNERATION DISCLOSURE FOR 2024

Introduction

Our remuneration implementation report provides details on how we implemented our FY24 remuneration policy, relative to our performance in FY24. The FY24 remuneration policy received more than 75% shareholder support during the November 2023 AGM.

The committee applied our remuneration policy without deviation. This remuneration implementation report will be put to a non-binding advisory vote by shareholders at our AGM on 29 November 2024.

Disclosure amendment

The FY23 remuneration implementation report, published in our 2023 integrated report, reflected AIBs and LTIs paid during FY23, which actually related to the performance for FY22. This created a misalignment since amounts earned by executives in FY22, paid in FY23, are reported in the context of the FY23 results as reflected in the integrated report.

The disclosures of remuneration (guaranteed salary, AIBs and LTIs) in this report have been amended to reflect amounts *earned* by executives during FY24 in relation to the group's FY24 performance. The equivalent guaranteed salary was also paid during FY24. However, since the equivalent AIB and LTI amounts are only determined after finalisation of the AFS, these amounts are fully provided for in FY24 but will only be paid during FY25.

Since this is a change in disclosure, comparatives of remuneration *earned* by executives during FY23 in relation to the group's FY23 performance, are also disclosed. The equivalent guaranteed salary was also paid during FY23. However, since the equivalent AIB and LTI amounts are only determined after finalisation of the AFS, these amounts were provided for in FY23 and paid during FY24.

The context for our remuneration outcomes in FY24

The South African operating environment was challenging during FY24, despite the easing of electricity loadshedding in the second half of the financial year. Infrastructure disruptions, not related to loadshedding, continued to challenge businesses. Generally, economic activity was subdued, exacerbated by political uncertainty ahead of the May 2024 elections and pressure on consumer disposable income, which persisted due to elevated interest rates and inflation.

KAP was resilient in this environment, with five of our six divisions delivering an improved performance compared with the prior year. However, this was offset by a weaker result from Safripol, which was affected by a cyclical low in the global polymers industry. Overall, the group's performance was supported by market share gains, cost savings, and the benefits realised from various restructuring initiatives, particularly at Unitrans.

The group completed and commissioned certain multiyear capital projects during the second half of the financial year, which amounted to c. R2.5 billion. This is a major milestone in the execution of the group's strategy, as it provides a foundation for future earnings growth and cash generation.

Group revenue declined by 2% to R29.1 billion. EBITDA decreased by 8% to R3.7 billion, while operating profit before capital items decreased by 11% to R2.3 billion, with the decline attributable to Safripol. HEPS declined by 4% to 45.3 cents, mainly due to the decline in operating profit before capital items and a 4% increase in net finance costs, caused primarily by higher interest rates. HEPS was supported by a lower effective taxation rate of 15.0% (FY23: 37.0%) related to investment incentives associated with the PG Bison Mkhondo MDF project.

Cash flow from operations decreased by 10%, largely due to the lower EBITDA. Net interest-bearing debt only increased by 4% to R8.3 billion despite the significant capital investments made during the year. The net debt to EBITDA ratio increased from 2.0 times to 2.3 times, which was below our covenant of 3.0 times at 30 June 2024. The group raised a R3 billion revolving credit facility to refinance maturing facilities. This facility also provides more favourable interest rates and financial covenants, which are described in the financial review.

Salient features of the group's performance are discussed in the CFO's review on page 43, with further detail provided in the FY24 AFS, available on our website.

Guaranteed salary

Guaranteed salary or CTC increases for FY24 were awarded across the group with reference to inflation, except where there were changes in responsibilities and roles that warranted higher or lower adjustments. We awarded a general inflation-linked increase of 6%, with effect from 1 July 2024 to employees who fall outside a collective bargaining unit. Increases for bargaining unit employees were implemented in line with the collective agreements of relevant bargaining unit structures.

Our FY22 implementation report received less than 75% support from shareholders at our November 2022 AGM. In line with King IV™ requirements, the board invited dissenting shareholders to share their concerns with the company. One shareholder submitted concerns. Following engagement with this dissenting shareholder during FY23, it was noted that one of their concerns related to the guaranteed salary level of the CEO and CFO. While grading and remuneration benchmarking is performed every two years in terms of the remuneration policy, in response to this concern the committee commissioned an extensive grading and benchmarking analysis on the remuneration of the executive directors utilising the services of three independent parties: Remchannel, PwC and Emergence. While these studies reflected that the executive directors guaranteed salaries were not out of line with market benchmarks for companies of similar size and complexity, the committee resolved not to award our CEO and CFO an inflationary salary increase for FY24.

IMPLEMENTATION AND REMUNERATION DISCLOSURE FOR 2024 (CONTINUED)

The guaranteed salary of executive directors, earned during the year, is reflected as follows:

Executive directors	Guaranteed salary earned 2024 R	2023 R	Increase in guaranteed salary earned %
GN Chaplin	**10 907 000**	10 907 000	–
FH Olivier	**6 890 000**	6 890 000	–
SP Lunga	**4 804 000**	4 664 000	3
Total	**22 601 000**	22 461 000	

Note: The corporate affairs director (SP Lunga) was awarded a 6% salary increase with effect from 1 January 2024. The amounts reflected above relate to guaranteed salary earned during the year. In FY23, SP Lunga received an additional amount of R233 333 comprising backpay in relation to FY22 and is therefore excluded from the amount earned during FY23.

The total guaranteed salary of other Exco members, which was earned during the year, is reflected as follows:

	Guaranteed salary earned 2024 R	2023 R	Decrease in guaranteed salary earned %
Other executive committee members	**46 956 750**	50 287 250	(7)

The total guaranteed salary of other Exco members is lower than the prior year due to the resignation of TB Mlilo and the consolidation of the three Unitrans divisions into a single division, which reduced the Exco membership from 16 to 12 members during the year. The average annual guaranteed salary increase awarded to other Exco members in FY24 was 4%.

Annual incentive bonus

a) Measurement criteria applicable to the FY24 AIB scheme

Measurement criteria are designed to motivate executives and senior management to achieve the group's strategic and financial priorities. The FY24 remuneration policy, which includes the measurement criteria set for FY24, received more than 75% shareholder support at the November 2023 AGM. The table below sets out the measurement criteria and targets applicable to the FY24 AIB scheme for executives and our performance against these:

Measurement	Proportion	Base adjusted target	Achievement	Target achieved	Proportion achieved
Core HEPS* growth > GDP^ growth + CPI#	**15%**	53.1 cps	45.3 cps	X	–
Core HEPS growth > GDP growth + CPI + 1%	**15%**	53.6 cps	45.3 cps	X	–
Core HEPS growth > GDP growth + CPI + 2%	**15%**	54.1 cps	45.3 cps	X	–
Core HEPS growth > GDP growth + CPI + 3%	**15%**	54.6 cps	45.3 cps	X	–
EBITDA cash flow conversion ≥ 90%	**20%**	90%	93%	✓	20%
Achievement of budget debt covenants:	**20%**				–
Net debt: EBITDA (times)		1.9	2.3	X	
EBITDA: interest cover (times)		4.1	3.7	X	
B-BBEE score against budget	**(10%)**	Level 4	Level 4	✓	–
	100%				**20%**

* The HEPS growth target was based on an 18% upward adjusted FY23 core HEPS of 50.3 cents per share compared to actual reported FY23 HEPS of 42.7 cents per share.
^ GDP growth = 0.2%
\# CPI = 5.3%

IMPLEMENTATION AND REMUNERATION DISCLOSURE FOR 2024 (CONTINUED)

Only 20% of the total FY24 AIB allocation vested in respect of executives based on the following:

- Growth in HEPS > GDP growth + CPI remains the foundation of performance targets for the group over time. The human capital and remuneration committee however adjusted the base year (FY23), used to calculate HEPS growth, by 18% to account for items which were considered to be abnormal and/or non-recurring. This significantly increased the performance hurdle for management incentives for FY24.

  In setting the FY24 HEPS growth target, the committee did not anticipate the significant weakness in polymer prices and margins which materially affected the group's FY24 results. The AIB scheme includes a polymer index intended to protect shareholders from excessive management incentives during a polymer upcycle and management from forfeiting incentives in a polymer downcycle. The index was ineffective due to the raw material supply contract renegotiation (applicable since FY21) and the upward adjustment of the HEPS base. It was therefore not applied during the year.

  Based on the group's actual FY24 core HEPS growth, the FY24 target was not met.
- The achievement of stretch debt covenant targets, which were more onerous than the actual debt covenants, were included as an AIB measurement criterion to ensure that the company remained within its debt covenants during the completion of major capital projects in the context of the challenging operating environment, high interest rates and elevated debt levels.

  The group remained within its actual debt covenants and raised a R3 billion revolving credit facility, at favourable interest rates and covenants, which significantly reduced covenant and refinancing risk for the group.

  The debt covenant targets were not met.
- The group exceeded the EBITDA cash flow conversion target by 300 bps.
- The group achieved the budgeted B-BBEE score.

The committee applied the rules of the scheme and obtained independent assurance from the company's independent internal auditors on the application of the rules and the relevant incentive calculations. On this basis the committee was satisfied that the awards were in accordance with the approved measurement criteria applied to the group's performance for FY24, as shown in the table above and approved the AIB awards on 10 October 2024. The committee did not exercise its discretion to make any adjustments to incentives awards to the executive directors.

b) Measurement criteria applicable to the FY23 AIB scheme

The table below sets out the measurement criteria and targets applicable to the FY23 AIB scheme for executives, and our performance against these:

Measurement	Proportion	Target	Actual results	Target achieved	Proportion achieved
Core HEPS* growth > GDP growth^ + CPI#	**15%**	67.4 cps	42.7 cps	X	–
Core HEPS growth > GDP growth + CPI + 1%	**15%**	68.0 cps	42.7 cps	X	–
Core HEPS growth > GDP growth + CPI + 2%	**15%**	68.7 cps	42.7 cps	X	–
Core HEPS growth > GDP growth + CPI + 3%	**15%**	69.3 cps	42.7 cps	X	–
EBITDA cash flow conversion ≥ 90%	**20%**	90%	97%	✓	20%
B-BBEE score against budget	**10%**	Level 4	Level 4	✓	10%
Internal audit and compliance	**10%**	Satisfactory	Satisfactory	✓	10%
	100%				**40%**

* Growth targets based on FY22 core HEPS of 62.7 cents per share compared to reported HEPS of 74.4 cents per share.
^ GDP growth = 0.4%
# CPI = 7.1%

Only 40% of the total FY23 AIB allocation vested in respect of executives based on the following:

- Based on the group's FY23 core HEPS growth, the FY23 target was not met.

  In setting the relevant FY23 HEPS growth target, the committee did not anticipate the significant weakness in polymer prices and margins which materially affected the group's FY23 results. The AIB scheme includes a polymer index intended to protect shareholders from excessive management incentives during a polymer upcycle and management from forfeiting incentives in a polymer downcycle. The index was ineffective due to the raw material supply contract renegotiation (applicable since FY21). It was therefore not applied during the year.
- The group exceeded the EBITDA cash flow conversion target.
- The budgeted B-BBEE and the internal audit and compliance scores were achieved.

The committee applied the rules of the scheme and obtained independent assurance from the company's independent internal auditors on the application of the rules and the relevant incentive calculations. On this basis the committee was satisfied that the awards were in accordance with the approved measurement criteria applied to the group's performance for FY23, as shown in the table above and approved the AIB awards on 16 November 2023. The committee did not exercise its discretion to make any adjustments to incentives awards to the executive directors.

IMPLEMENTATION AND REMUNERATION DISCLOSURE FOR 2024 (CONTINUED)

The following table sets out the AIBs earned by executive directors and other Exco members in relation to the performance of the company and our divisions for FY24 and FY23 relative to the above-mentioned measurement criteria and targets:

	Bonus earned 2024 R	2023 R
Executive directors		
GN Chaplin	**3 272 100**	8 725 600
FH Olivier	**2 067 000**	5 512 000
SP Lunga	**1 483 200**	2 798 400
	6 822 300	17 036 000
Other executive committee members	**34 065 200**	30 560 850

With respect to AIBs earned by other Exco members, there were varying levels of achievement against the divisional measurement criteria, with some divisions not achieving the required targets and others achieving 100%.

Long-term incentives

LTIs awarded to executives in December 2021 ('FY22 SRS') were in accordance with the FY22 remuneration policy, which received more than 75% shareholder support at the November 2021 AGM. These awards will vest in December 2024 and relate to the cumulative three-year period from 1 July 2021 to 30 June 2024 (earned in FY24).

In terms of the comparative period, the LTIs awarded to executives in December 2020 ('FY21 SRS'), which vested in December 2023, related to the cumulative three-year period from 1 July 2020 to 30 June 2023 (earned in FY23).

The following measurement criteria were applicable in respect of FY21 SRS and FY22 SRS:

Measurement	Proportion
Core HEPS growth > GDP growth + CPI	**37.5%**
ROE > WACC	**37.5%**
Achievement of individual KPIs	**25%**
	100%

Vesting of FY22 LTIs

FY22 SRS awards will vest on 1 December 2024, based on the measurement criteria and targets set out above, after which shares will be issued to executives. The vesting thereof is dependent on the continued employment of the participants until the vesting date or being deemed a good leaver.

The following table sets out the measurement criteria and targets applicable to the December 2024 vesting of the FY22 SRS awards and the group's performance against these:

December 2024 vesting related to the performance for FY22, FY23 and FY24

Measurement	Proportion	Cumulative measurement target	Results	Target achieved	Proportion achieved
Core HEPS growth > GDP growth + CPI	**37.5%**	161.8	149.9	X	–
ROE > WACC	**37.5%**	13.4%	11.1%	X	–
Achievement of individual KPIs	**25%**	Per individual	Per individual	✓	25%
	100%				**25%**

Core HEPS growth measurement: HEPS growth is measured over the cumulative three-year period from 1 July 2021 to 30 June 2024. Performance over this period was negatively impacted by the floods and civil unrest in KwaZulu-Natal, extensive electricity loadshedding, continued deterioration and inefficiency of state infrastructure, high inflation and elevated interest rates. While the polymer sector globally was very buoyant in FY22, it declined in FY23 and FY24 to the cyclical low experienced before the Covid-19 pandemic. General consumer demand was subdued over this period.

The HEPS growth target was not achieved, primarily due to the poor performances of Unitrans and Restonic.

ROE measurement: ROE is measured over the cumulative three-year period from 1 July 2021 to 30 June 2024. During this period, the group was engaged in several major, multiyear capital projects to entrench our market leadership position in select industries and support future growth. These projects, completed in 2H24, contributed to an increase in capital employed over this period without contributing yet to earnings.

The ROE target was not achieved, primarily due to the impact of the major capital projects and the poor performance of Unitrans and Restonic.

Individual KPIs: The group has a rolling five-year strategic plan, which incorporates strategic initiatives at both KAP and divisional level, with specific deliverables and targets.

We have developed an implementation framework, consisting of eight strategy implementation workstreams, to drive the implementation of the company's and divisional strategic initiatives by Exco members. These include: the KAP value realisation, organisational design, operational strategy, human capital strategy, resilience strategy, sustainability strategy, brand and communications strategy, and IT/digital strategy.

Individual KPIs in relation to the LTIs are based on the implementation of these workstreams, as summarised in the KPI assessment framework overleaf, and are designed to reward executive performance for the achievement of our long-term goals. Progress on the workstreams is monitored by the KAP board, our Exco and the divisional boards.

IMPLEMENTATION AND REMUNERATION DISCLOSURE FOR 2024 (CONTINUED)

KPI assessment framework

KPI	Deliverable	Actual performance
KAP value realisation	Develop and implement strategic initiatives to create and sustain meaningful shareholder value over time	✓ Achieved
Organisational design	Implement an organisational design and select and grow key leadership to execute the strategy	✓ Achieved
Operational strategy	Develop and implement a framework to ensure that divisional operational strategies are embedded in the divisions and reviewed annually during the budget cycle	✓ Achieved
	Standardise executive KPIs and performance scorecards to execute the strategy	✓ Achieved
Human capital strategy	Develop and embed the KAP and divisional people value propositions across the group to optimise our human capital in order to best execute the strategy	✓ Achieved
Resilience strategy	Develop and implement strategic initiatives to ensure optimal continuation of operations to mitigate the risk of a deteriorating and inefficient state infrastructure, political and social instability and a decline in the rule of law	✓ Achieved
	Actively engage government and industry bodies to support a growth-oriented industrial policy framework, infrastructure development and industry competitiveness	✓ Achieved
Sustainability strategy	Develop a framework to measure and articulate KAP's sustainability approach and objectives and its integration with the KAP and divisional commercial strategies	✓ Achieved
IT/digital strategy	Establish a fit-for-purpose IT strategy to ensure that the group has optimal systems architecture, designs and applications to support the execution of the KAP and operational strategies	✓ Achieved
Brand and communications strategy	Create a clear, focused brand strategy that creates a meaningful connection between the KAP and operating brands	✓ Achieved
	Develop a communication strategy and messaging sequence to multiple stakeholder audiences	✓ Achieved

The committee reviewed the performance of the Exco members against the deliverables set out in the KPI assessment framework and approved the awards related to individual KPI performance metrics.

Vesting of FY21 LTIs

FY21 SRS awards vested on 1 December 2023, based on the measurement criteria set out in the FY21 remuneration policy, are reflected below for comparative purposes:

December 2023 vesting related to the performance for FY21, FY22 and FY23

Measurement	Proportion	Cumulative measurement target	Results	Target achieved	Proportion achieved
Core HEPS growth > GDP growth + CPI	**37.5%**	58.2	155.8	✓	37.5%
ROE > WACC	**37.5%**	13.0%	12.1%	X	–
Achievement of individual KPIs	**25%**	Per individual	Per individual	✓	25%
	100%				**62.5%**

IMPLEMENTATION AND REMUNERATION DISCLOSURE FOR 2024 (CONTINUED)

Share rights summary

The following table reflects the number of share rights allocated in terms of the SRS, the number of rights forfeited due to non-achievement of measurement criteria targets, the number of rights exercisable, and the value thereof for FY24 and FY23. The rules of the SRS were applied without deviation.

Value of share rights exercisable	Number of rights allocated R	Number of rights forfeited R	Number of rights exercisable R	Value of rights exercisable R
2024[1]				
Executive directors				
GN Chaplin	**3 914 419**	**(2 935 814)**	**978 605**	**2 789 024**
FH Olivier	**2 472 665**	**(1 854 498)**	**618 167**	**1 761 776**
SP Lunga	**1 211 845**	**(908 883)**	**302 962**	**863 442**
	7 598 929	**(5 699 195)**	**1 899 734**	**5 414 242**
Other executive committee members	**5 895 183**	**(2 467 284)**	**3 427 899**	**9 769 512**
2023[2]				
Executive directors				
GN Chaplin	5 137 051	(1 926 394)	3 210 657	7 801 897
FH Olivier	3 123 882	(1 171 455)	1 952 427	4 744 398
SP Lunga	1 669 020	(625 882)	1 043 138	2 534 825
	9 929 953	(3 723 731)	6 206 222	15 081 120
Other executive committee members	10 327 821	(3 407 698)	6 920 123	16 815 899

[1] The share price at 30 June 2024 of R2.85 is used as indication of the value on 1 December 2024.
[2] The market price of share rights exercised was R2.43 on 1 December 2023.

IMPLEMENTATION AND REMUNERATION DISCLOSURE FOR 2024 (CONTINUED)

The following table reflects the outstanding share rights of our executive directors at 30 June 2024, which have been allocated in terms of the rules of the SRS:

Executive directors	Offer date	Vesting date	Number of rights awarded	Number of rights lapsed/ forfeited	Number of rights as at 30 June 2024	Market value of rights at grant date R	Market value of rights on vesting R	Market value of rights at 30 June 2024 R
GN Chaplin	Dec-21	Dec-24	3 914 419	(2 935 814)	**978 605**	16 557 992	–	**2 789 024**
	Dec-22	Dec-25	4 020 903	(3 015 677)	**1 005 226**	17 289 883	–	**2 864 894**
	Dec-23	Dec-26	7 087 428	–	**7 087 428**	18 710 810	–	**20 199 170**
			20 159 801	(7 877 885)	**9 071 259**	67 712 985	7 801 897	**25 853 088**
FH Olivier	Dec-21	Dec-24	2 472 665	(1 854 498)	**618 167**	10 459 373	–	**1 761 776**
	Dec-22	Dec-25	2 540 022	(1 905 016)	**635 006**	10 922 095	–	**1 809 767**
	Dec-23	Dec-26	4 477 160	–	**4 477 160**	11 819 702	–	**12 759 906**
			12 613 729	(4 930 969)	**5 730 333**	42 416 622	4 744 398	**16 331 449**
SP Lunga	Dec-21	Dec-24	1 211 845	(908 883)	**302 962**	5 126 104	–	**863 442**
	Dec-22	Dec-25	1 369 342	(1 027 006)	**342 336**	5 888 171	–	**975 658**
	Dec-23	Dec-26	2 413 665	–	**2 413 665**	6 372 076	–	**6 878 945**
			6 663 872	(2 561 771)	**3 058 963**	22 309 960	2 534 825	**8 718 045**
			39 437 402	(15 370 625)	**17 860 555**	132 439 567	15 081 120	**50 902 582**

Note: The SRS values relating to 2024 remuneration are based on the share price as at 30 June 2024.

IMPLEMENTATION AND REMUNERATION DISCLOSURE FOR 2024 (CONTINUED)

Disclosure of single-figure remuneration

Our executive directors earned the following single-figure remuneration during FY24 and FY23 respectively:

	2024 R	2024 %	2023 R	2023 %
GN Chaplin	16 968 124	100%	27 434 497	100%
CTC	10 907 000	65%	10 907 000	40%
AIB	3 272 100	19%	8 725 600	32%
SRS	2 789 024	16%	7 801 897	28%
FH Olivier	10 718 776	100%	17 146 398	100%
CTC	6 890 000	65%	6 890 000	40%
AIB	2 067 000	19%	5 512 000	32%
SRS	1 761 776	16%	4 744 398	28%
SP Lunga	7 150 642	100%	9 997 225	100%
CTC	4 804 000	67%	4 664 000	47%
AIB	1 483 200	21%	2 798 400	28%
SRS	863 442	12%	2 534 825	25%

Our executive directors' single-figure remuneration represents the following percentages of total possible remuneration:

CEO and CFO

FY24	CTC	AIB	SRS	Total
Possible maximum remuneration	100%	150%	167%	417%
Earned	**100%**	**30%**	**42%**	**172%**

FY23	CTC	AIB	SRS	Total
Possible maximum remuneration	100%	200%	167%	467%
Earned	100%	80%	105%	285%

Corporate affairs director

FY24	CTC	AIB	SRS	Total
Possible maximum remuneration	100%	150%	133%	383%
Earned	**100%**	**30%**	**33%**	**163%**

FY23	CTC	AIB	SRS	Total
Possible maximum remuneration	100%	150%	133%	383%
Earned	100%	60%	83%	243%

IMPLEMENTATION AND REMUNERATION DISCLOSURE FOR 2024 (CONTINUED)

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

The remuneration of the NEDs is not linked to the company's share price, its share performance or its results. NEDs do not receive incentive payments and are not participants in the KAP Performance Share Rights Scheme and therefore do not hold share rights under this scheme.

NEDs' fees are reviewed and adjusted annually, based on inflation, as well as market benchmarks following independent research every second year into trends in NED remuneration among companies of a similar size and complexity. From the 2022 benchmarking exercise conducted by an independent external remuneration expert, indications were that the majority of South African listed companies make use of an annual fixed-fee structure to compensate their NEDs. In light of this and the fact that the number of scheduled committee meetings had increased due to an increased volume of work, the committee recommended that the fee structure for NEDs be changed from a per meeting fee structure to a fixed-fee structure from 22 November 2023 onwards, to align with industry norms.

The proposed fees for the NEDs were approved at the 2023 AGM with the required majority of more than 75% of the eligible votes cast.

In terms of this fee structure, NEDs henceforth received a fixed all-encompassing fee for both board and board committee membership. Besides the investment committee members, who continued to receive fees on a per meeting attendance basis due to the nature of the committee's unpredictable meeting requirements, no other meeting attendance fees were paid to the NEDs, irrespective of the number of additional ad hoc meetings such directors may have attended during the year.

The following fees were therefore paid to NEDs in line with the fee structure approved at our AGM held on 21 November 2023:

Non-executive directors fees (excluding VAT)	2024 R	2023 R
J de V du Toit[1]	–	187 678
TC Esau-Isaacs	996 757	1 067 700
Z Fuphe	1 200 278	1 153 148
KJ Grové[2]	360 830	948 776
JA Holtzhausen[3]	949 499	383 159
KT Hopkins	1 217 296	1 205 134
SN Maseko[4]	251 554	–
V McMenamin	520 365	765 258
AFB Mthembu[5]	369 751	–
SH Müller	1 246 678	1 289 273
PK Quarmby	1 493 481	1 323 447
	8 606 489	8 323 573

[1] Resigned effective 22 November 2022.
[2] Resigned effective 21 November 2023.
[3] Appointed effective 1 March 2023.
[4] Appointed effective 15 March 2024.
[5] Appointed effective 15 January 2024.

Updated, forward-looking proposed NEDs' fees will be presented for shareholder approval at our AGM on 29 November 2024.

Benchmarking of remuneration

The committee engaged PwC to conduct an independent benchmarking study to assess whether the NEDs' fee structure and levels were still appropriate prior to the presentation of the 2024 NEDs' fee proposal to the board for onward presentation to shareholders for approval.

There was no requirement to perform a grading and benchmarking analysis on the remuneration of the executive directors in relation to FY24. In terms of the two-year cycle specified in our remuneration policy, the group will perform a grading and benchmarking review of remuneration of the executive directors during FY25.

Malus and clawback

There was no requirement to invoke the malus and clawback requirements of the remuneration policy during the year.

Minimum shareholding requirements

All relevant employees complied with the minimum shareholding requirements of the remuneration policy.

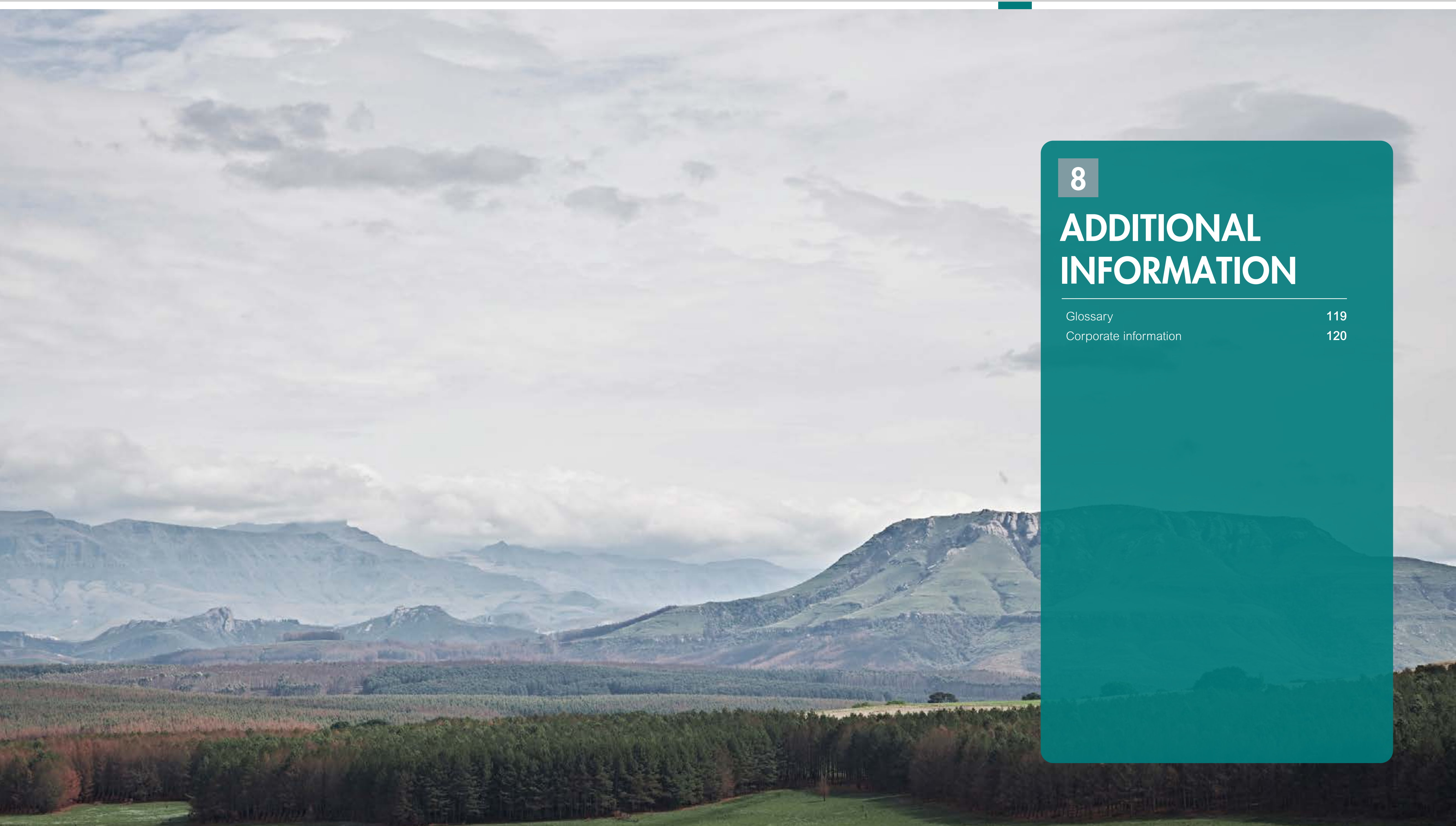
Service contracts

No service contracts were entered into during the year with specified termination packages or excessive notice periods.

Statement of fair and responsible remuneration

The committee is satisfied that the remuneration of executive directors and other senior executives takes appropriate account of remuneration and employment conditions of other employees in the group, and that the remuneration policy is fair and responsible in the context of overall employee remuneration.

The committee believes that the remuneration policy is fit for purpose and achieves the high-level objectives of attraction, retention and performance motivation of our executives, managers and employees across all levels of the group. The committee further believes that, in the context of a very challenging macroeconomic and sociopolitical environment, the remuneration matters have been managed appropriately and responsibly.



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ADDITIONAL INFORMATION

GLOSSARY

the Act	Climate Change Act, 22 of 2024
AELs	atmospheric emissions licences
AFS	consolidated annual financial statements
AGM	annual general meeting
AI	artificial intelligence
the Amendment Act	Employment Equity Amendment Act, 4 of 2022
B-BBEE	broad-based black economic empowerment
bbl	barrel
bps	basis points
BRE	business retention and expansion
CAGR	Compound annual growth rate
capex	capital expenditure
CEO	chief executive officer
CFO	chief financial officer
CIP	Critical Infrastructure Programme
CMP	Conservation Management Plan
COID	Compensation for Occupational Injuries and Diseases
Companies Act	Companies Act, No. 71 of 2008 of South Africa
cps	cents per share
DFFE	Department of Forestry, Fisheries and the Environment
DIFR	Disabling Injury Frequency Rate

divisions	a diversified portfolio of businesses
DTIC	Department of Trade, Industry and Competition
EBITDA	operating profit before depreciation, amortisation and capital items
ECD	early childhood development
EPS	earnings per share
ESD	enterprise and supplier development
ESG	environmental, social and governance
EU	European Union
fenceline communities	communities situated directly next to our operations
FSC	Forest Stewardship Council
FY23	1 July 2022 to 30 June 2023
FY24	1 July 2023 to 30 June 2024
GDP	gross domestic product
GHG	greenhouse gas
GNU	government of national unity
HDPE	High-density polyethylene
HEPS	headline earnings per share
IASB	International Accounting Standards Board
ICE	internal combustion engine
IFRS® Accounting Standards	International Financial Reporting Standards

IFRS® Sustainability Disclosure Standards	International Financial Sustainability Disclosure Standards
IMF	International Monetary Fund
Imvusa	Imvusa Interior Trim Proprietary Limited
IoDSA	Institute of Directors South Africa
IPCC	Intergovernmental Panel on Climate Change
<IR> Framework	International Reporting Framework
IRR	internal rate of return
ISSB	International Sustainability Standards Board
JSE	JSE Limited
King IV™	King IV Report on Corporate Governance™ for South Africa, 2016
LCV	light commercial vehicle
MDF	medium-density fibreboard
MFB	melamine faced board
the Minister	Minister of Employment and Labour
the Minister	Minister of Forestry, Fisheries and the Environment
ML	machine learning
MOI	memorandum of incorporation
NAAMSA	The Automotive Business Council
NECF	North East Cape Forests

NEVs	new energy vehicles
OEMs	original equipment manufacturers
PET	Polyethylene terephthalate
PP	Polypropylene
priority matters	six sustainability matters
PV	photovoltaic
ROCE	return on capital employed
ROE	return on equity
rPET	recycled PET
SAAM	South African Automotive Industry Masterplan
SARS	South African Revenue Service
SASB	Sustainability Accounting Standards Board Standards
SCF	South Cape Forests
SED	socioeconomic development
SENS	JSE Stock Exchange News Service
SLA	service-level agreement
STR	Small-Town Regeneration
SUV	sport utility vehicle
TDI	toluene diisocyanate
UNGC	United Nations Global Compact
UN SDGs	United Nations Sustainable Development Goals
WACC	weighted average cost of capital

CORPORATE INFORMATION

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Shareholders' diary

Annual general meeting 2024	Friday, 29 November 2024
Announcement of interim results	February 2025
Announcement of year-end results	August 2025
Annual general meeting 2025	November 2025

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