

Good governance in all aspects of KAP's businesses is non-negotiable. Systems and structures have been embedded across the group to ensure that the group conducts its operations in an ethical, responsible and sustainable manner.

Background and overview

The operations of the social and ethics committee ('S&E committee') of KAP are guided by a formal terms of reference, which provisions are in line with the requirements of the Companies Act, No. 71 of 2008 and the Companies Regulations 2001 (collectively the 'Companies Act'), as well as the Listings Requirements of the JSE Limited ('JSE LRs') and the recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™'). The terms of reference were approved by the KAP board of directors ('the board'). The terms of reference were recently reviewed and updated with the latest recommendations and requirements from King IV™.

The committee is both a statutory committee and a committee of the board of directors in

respect of other duties assigned to it by the board.

The committee enjoys the support and cooperation and draws on the competencies and experience of the members serving on the KAP audit and risk committee, the human resources and remuneration committee ('RemCom'), the executive committee ('Exco') and the BEE Exco in exercising certain overlapping duties in the areas of KAP's integrated reporting, remuneration, human resources, employment equity ('EE'), broad-based black economic empowerment ('B-BBEE'), and other aspects of the group's business.

Objective and scope

The role of the S&E committee is to assist the board with the oversight of social and

ethical matters relating to the group. The overall objectives of the S&E committee are as follows:

- to monitor KAP's activities with regard to the duties that are attributed to it by the Companies Act, the JSE LRs and King IV™, with a specific focus on those duties stated in regulation 43(5) of the Companies Act, relating to:
 - social and economic development
 - the prevention of fraud and corruption and the promotion of ethical behaviour
 - good corporate citizenship
 - the environment, health and public safety
 - public relations and consumer relationships
 - employment and labour relations
 - compliance with applicable legislation
 - the impact of KAP's activities, products and services on communities

- to draw matters within its mandate to the board's attention as required
- to report to the company's shareholders on the matters within its mandate

Overview of duties fulfilled

The S&E committee has discharged all its responsibilities as contained in its terms of reference, the Companies Act, the JSE LRs and King IV™. This is presented as an overview, and should not be regarded as an exhaustive list of all duties carried out.

Among others, the S&E committee received and considered reports relating to:

- KAP's standing in terms of the goals and purposes of the Ten Principles as set out in the United Nations Global Compact ('UNGC'), in the areas of human rights, labour, the environment and anti-corruption
 - the instruments of the Organisation for Economic Co-operation and Development ('OECD') aimed at combatting the fight against corruption and averting the solicitation of bribes and extortion
 - the instruments of the OECD aimed at promoting economic and social well-being of people
 - the protocol and recommendations of the International Labour Organisation on decent work and working conditions, freedom of association, the right to collective bargaining, elimination of forced or compulsory labour and discrimination in the workplace
 - the company's employment relationships with its employees and the labour unions
 - the company's contribution toward the educational development of its employees and other employee benefits
 - the company's compliance with:
 - the Employment Equity ('EE') Act
 - the Broad-Based Black Economic Empowerment ('B-BBEE') Act and the new Codes of Best Practice
 - the Occupational Health and Safety Act ('OHASA')
 - other relevant and applicable legislation in the areas of labour, the environment, health and public safety, insider trading, etc.
- The S&E committee reviewed KAP's position in terms of the goals and purposes of each of the aforementioned aspects and management's actions in applying the above across the business operations of the KAP Group, and the committee concluded that:
- KAP's practices are aligned with the principles and guidelines of the UNGC, those of the OECD as well as those recommended by the International Labour Organisation.
 - The group's controls are sufficient in mitigating the risks of fraud, bribery and extortion, and that the recent introduction of a politically exposed people ('PEP') interest declaration across the business would enhance the monitoring of risks associated with money-laundering, corruption, embezzlement, bribes and related criminal activities that are associated with politically exposed persons.
 - The group had filed its statutory EE reports with the Department of Labour. Progress towards achieving the three-year EE targets set and agreed with the Department of Labour is on track.
 - KAP's transformation progress is monitored on a constant basis by, among others, the various divisional human resources ('HR') and remuneration committees, the KAP BEE Exco and the KAP Exco.
 - Good progress has been made towards B-BBEE. A black ownership transaction was concluded in terms of which 45% of Unitrans Supply Chain Solutions Proprietary Limited was sold to black business partners, as a result of which a greater than 51% black-owned and greater than 31% black-women owned entity was established in the Contractual Logistics business environment.
 - The group has made positive strides in the areas of stakeholder and labour relationships since the appointment of an expert black industrial relations executive to the KAP Exco to guide the group's relationships with key government institutions, regulatory authorities, industry

associations as well as communities and local authorities.

- Similar positive progress and improved relations were evident in respect of business development and, in particular, B-BBEE contracts with institutional customers and suppliers following the appointment of a black business development executive to Exco.
- KAP's efforts to provide affordable medical access to all its employees was commendable.
- The group's compliance, health, safety and environmental compliance aspects under OHASA were well managed, and no matters of material concern had been identified for escalation to the board.

The S&E committee expressed satisfaction with KAP's current Level 7 B-BBEE compliance status under the more stringent revised generic codes. The committee has, however, also placed emphasis on the need to improve the scorecard. The latest B-BBEE certificate is available on the KAP website.



The S&E committee has reinforced numerous controls and safeguards around conflicts of interests, ethics, employees' code of conduct, as well as the awareness of corruption and fraud. Fraud prevention was reinforced by an independent hotline through which unethical actions are reported anonymously for investigation by independent investigators. Anti-fraud and corruption were further combatted via awareness campaigns and training at HR induction sessions. Overall, indications are that KAP's code of ethics had been embedded deeply into the daily operations and lives of the group's employees. As espoused by the committee, KAP follows a consistent approach in actively pursuing and prosecuting perpetrators of fraudulent or other illegal activities across its business operations.

KAP has published on its website various important documents for wider stakeholder

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absorption, such as the group's HIV approach; its code of ethics; the promotion of access to information guide; its gender diversity policy and its race diversity policy; its environmental policy; the KAP board charter; its value-added statement; as well as an overview of its contributions to socio-economic development and training and development.

From a good corporate citizenship perspective, the S&E committee monitored:

- the promotion of equality across the operations of KAP;
- the prevention of unfair discrimination;
- KAP's contribution to the development of the communities in which its activities are predominantly conducted and its products and services are marketed; and
- the sponsorship and donations of the company to various communities.

In this regard, the committee reviewed and endorsed KAP's corporate social investment ('CSI') and socio-economic development ('SED') approach, in terms of which CSI and SED are managed within the dimensions of enterprise development projects, direct donations and humanitarian activities by each division in the communities in which KAP conducts its business. The group's CSI policy is primarily focused on child welfare, health and education. The S&E committee sanctioned the giving of donations, financial assistance and goodwill to alleviate poverty, combat crime, and enhance community development, education, health, art and agriculture.

Under the guidance of the committee, the following policies were formulated and adopted and are regularly reviewed:

- a communications policy, which, in particular, also makes provision for 'crisis communication'
- a communications policy for financial analysts
- a corporate social investment policy, including the group's donations policy
- a social media policy

- an environmental policy and strategy
- a hotline policy for prevention of fraud, crime and unethical behaviour
- a number of sustainability-related plans and guidelines focused on enhancing triple bottom-line and corporate governance aspects in support of KAP's business strategy

The S&E committee reviewed relevant information that was publicly disclosed in its 2017 integrated report and concluded that the integrity of the non-financial information disclosed therein was reliable and beyond reproach.

In collaboration with the JSE and FTSE Russell, and following an independent assessment of the group's publicly disclosed information, KAP secured inclusion on the FTSE4Good Index in the Industrial Goods and Services sector. KAP achieved an overall rating of 2.5 out of a maximum of 5 and a governance score of 4 out of 5. Under the guidance of the S&E committee, KAP will, in the coming financial year, work toward improving its public ESG disclosures with a view of improving its current social score of 2 and environment score of 1.8.

Membership

The committee is comprised of three members. The composition of the committee, which has been reviewed and approved by the KAP nomination committee, satisfies the requirements of the Companies Act and its regulations and, in addition, meets the higher requirements of King IV™ in that the majority of its members are independent non-executive directors.

During the review period, S&E committee members were:

- Mrs IN Mkhari (independent chairperson and member of the human resources and remuneration committee)
- Mr SH Müller (independent non-executive director and member of the human resources and remuneration committee)
- Mr GN Chaplin (chief executive officer)

The S&E committee is satisfied that the committee as a whole is appropriately diverse and has the required knowledge, experience and skills to discharge its responsibilities effectively.

Meetings and attendance

The S&E committee convenes once every year (unless circumstances dictate otherwise) and met on 17 July 2018. All members were in attendance, save for Mrs IN Mkhari. The meeting was chaired by Mr SH Müller in the absence of the regular chairperson. Attendance at meetings by other directors, officers or advisors is by way of invitation.

The company secretary is the secretary of the S&E committee and formal minutes are recorded.



IN Mkhari

Chairperson: KAP social and ethics committee

14 August 2018