

2021

KAAP AGRI

Governance Report



Contents

Governance

Approach to ethical and effective governance	1
King IV	1
Who are our stakeholders?	2
How does Kaap Agri create an ethical culture?	3
How does Kaap Agri ensure effective control?	4
How does Kaap Agri ensure good performance?	5
How does Kaap Agri ensure legitimacy?	5
King IV principles disclosure map	5
Governance structure	5
Board structure	6
Composition and expertise	6
Board meeting attendance	7
Board profiles as at 30 September 2021	8
Governance in 2021	11
Committees and their roles in governance	12
Board efficiency	16
Company Secretary	16
Executive committee	17
Evolving our stakeholder engagement	17
Stakeholder relations	17
B-BBEE transformation report	19
IM	20
Outlook	23

Governance

APPROACH TO ETHICAL AND EFFECTIVE GOVERNANCE

The Kaap Agri Group ("Kaap Agri", "Group" or "company") is committed to responsible and effective corporate governance. The role of the Board of Directors ("Board") is to provide ethical and effective leadership to the Group and ensure a consistently high level of business performance. There is a range of mechanisms, policies, procedures, committee structures and values that enable this, the most material of which are described in this governance report ("report").

KING IV

In completing this report, the Board reviewed our alignment to and application of the King Report on Corporate Governance™ for South Africa, 2016 ("King IV")¹ principles. We asked ourselves five questions:

- > **Who are our stakeholders?**
- > **How does Kaap Agri create an ethical culture?**
- > **How does Kaap Agri ensure effective control?**
- > **How does Kaap Agri ensure good performance?**
- > **How does Kaap Agri ensure legitimacy?**

¹ Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

WHO ARE OUR STAKEHOLDERS?

The Group identifies stakeholders according to the products our business segments provide. Stakeholders include those involved in the creation and delivery of products, to the ultimate end-users.

We interact with nine distinct stakeholder groups:

Priority	Stakeholder
A	Clients: This is a broad term for all end-users. For example, a farmer may be the primary purchaser of a product, but the primary user could be a labourer on the farm using the product. Our client base is predominantly determined by our geographic representation, with emphasis on participants in the commercial agricultural and retail sectors, covering all income groups and market segments.
A	Employees: All persons employed by the Group to enable the value creation activities of Kaap Agri. Their skills range from retail sales to logistics, procurement, manufacturing, seed processing and support services.
A	Suppliers: Due to our diverse product offering, the Group has a range of suppliers who supply, among other things: <ul style="list-style-type: none"> > Agri chemicals > Agri infrastructure > Animal feed > Fertilisers > Horticulture > Mechanisation services and products > Packing material > Automotive and lubricants > Building materials > Clothing and personal protective equipment > Fast-moving consumer goods > Gas > Hardware > Homeware and appliances > Irrigation products > Lighting and electrical products > Liquor > Outdoor products > Paint > Pet and animal products > Pool and gardening products > Sanware and plumbing products > Tools > Fuel
A	Financiers: Our ability to provide financing solutions to our clients depends on the relationships we have with credit providers. Our financing solutions include services and loans we obtain from a South African bank.
A	Shareholders: 67,18% of the Group's shares are held by three shareholders: Zeder Financial Services Limited, Dipeo Capital (RF) (Pty) Ltd, and Empowerment and Transformation Investments (Pty) Ltd ("ETI"). The Group listed on the speciality retailer sector of the main board of the Johannesburg Stock Exchange Limited ("JSE") on 26 June 2017. During the financial year ("year"), there were 3 179 444 shares to the value of R113 077 557 million traded.
A	Government and regulators: The Group adheres to regulations and laws prescribed for the various industry segments in which it operates. These include licences to operate our fuel business, and compliance with broad-based black economic empowerment ("B-BBEE") requirements.
B	Society: Kaap Agri defines society as the farming and local communities surrounding our operations. These include stakeholders influenced by our corporate social investment ("CSI") activities, such as learning institutions. In many communities and towns, the Group is the largest and only employer and provider of products and services, often outside its usual product and business parameters. This is how we contribute to society.
B	Industry bodies: We leverage effective operations across a broad geography through affiliation and association with relevant industry bodies such as Business Unity South Africa and Agbiz.
B	Bargaining councils: Kaap Agri complies with collective agreements negotiated with bargaining councils, which we view as valued partners. We liaise with council officials to obtain clarity on employee matters and ensure we apply all agreements fairly. These engagements support our business by prompting employee support offerings.



Primary



Secondary

HOW DOES KAAP AGRI CREATE AN ETHICAL CULTURE?

We encourage ethical and accountable behaviour through a distinct Group culture, captured by a commitment to the following values:

C



COMMUNICATE

Focus:

Open, clear, honest

A



ALIGNMENT

Focus:

Shared services,
shared results

R



RELATIONSHIP

Focus:

Authentic,
recognition, time

E



EMPOWERING

Focus:

Development, better
off, ownership, grow

Ethical decisions are rooted in a commitment to a robust code of ethics that applies to every employee. The Board charter stipulates ethical expectations for the behaviour of its members. The internal audit function aligns all activities with the code of ethics and the International Standards for the Professional Practice of Internal Auditing.

Clear guidelines from the Group's code of ethics support ethical behaviour and provide mechanisms for correction, e.g. the internal whistleblowing facility operated by Deloitte. Transgressions are addressed and remedial action applied in terms of the disciplinary code of the Group.

The supplier trade agreement and conditions of supply policy contain a specific section on ethics, and suppliers are expected to take action in the case of any breach.

As a number of non-executive directors are direct or indirect customers of the Group and have ongoing business with the Group, Kaap Agri discloses the value of such related party transactions in the annual financial statements ("AFS") starting on page 78 of the 2021 integrated report.

HOW DOES KAAP AGRI ENSURE EFFECTIVE CONTROL?

We ensure effective control by properly managing and mitigating risks, and basing decisions on quality information within clearly defined roles and responsibilities. To support effective control, Kaap Agri has a Board-approved decision-making framework that defines clear levels of accountability and authority.

Kaap Agri uses a combined assurance model to ensure the accuracy of information used in key decision-making activities. Key elements of the combined assurance model are summarised below.

1st line of defence

2nd line of defence

3rd line of defence

Operational departments

Management and the Board approves annual capital budgets. The decision-making framework determines authority to act on behalf of the company, with the finance department providing final approval. Middle management oversees employees' day-to-day operations.

The Financial Director acts as gatekeeper. Any payments have to be approved by the finance department. The internal audit function, and from time to time the external auditors, verify that actions are in line with policies and procedures on a continuous basis and guard against fraud and corruption. The legal and compliance departments assist when required.

On an operational level, final responsibility rests with the Executive committee. All managers report to executive directors.

Financing services department

Officials at branch level evaluate applications for credit.

Applications are evaluated and approved at central office.

The Financial Director must sign off on applications exceeding particular amounts as set out in the credit policy.

The Finance committee approves the credit policy and must approve applications exceeding certain amounts. Underlying securities are subject to an annual review by external attorneys. Internal and External auditors monitor compliance with policies, assisted by the legal department.

Information management ("IM")

We continuously monitor infrastructure availability and conduct maintenance. Security coverage is provided for end-points. Our email and firewall security is of a high standard, with proper back-up and disaster recovery plans in place.

The compliance office is responsible for the compliance function in co-operation with internal audit and the legal department. Contracts are negotiated and entered into in line with the decision-making framework and in co-operation with the legal department.

Final responsibility rests with the Executive committee.

Auditing processes

Managers at all levels oversee day-to-day operations, and final responsibility rests with executive directors.

Internal audit is responsible for monitoring effective compliance with policies.

External auditors are responsible for executing audits in line with accepted accounting practices.

General

Managers and employees in all divisions receive continuous training.

Processes and policies are in place to ensure compliance with good governance.

Risks are evaluated and insurance cover negotiated annually with a reputable insurer.

Directors have unlimited access to all personnel and information.

The Group has committees that are mandated to ensure a level of control and governance in the business. Refer to page 12 for an overview of their purpose and composition.

In addition to the verification role of internal audit, Kaap Agri has clearly defined policies covering key operational and risk areas. Kaap Agri developed a strategic risk register, identifying and rating risks according to their likelihood and potential impact on its strategic goals. Ratings were completed on the inherent risks (before mitigating measures) as well as the residual risks (after mitigating measures were taken into consideration). More details about risk policies and approaches are available in the risk report, which forms part of the 2021 integrated report.

Policies on the following subjects exist:

- > Conditions of service
- > Corporate governance
- > Dealing in securities
- > Ethics
- > Financing
- > Operational requirements
- > Organisational culture
- > Procurement
- > Protection of personal information
- > Remuneration
- > Socio-economic development
- > Talent management
- > Whistleblowing

HOW DOES KAAP AGRI ENSURE GOOD PERFORMANCE?

Kaap Agri believes good performance can only be achieved by employing the right people. This means recruiting individuals with the right skills and attitude who display values that align to our high-performance culture.

Value-generating performance starts with the Board. The Chairman takes responsibility for ensuring adequate capacity and expertise to support effective Board performance.

The Executive committee's performance is annually assessed with remuneration incentives linked directly to performance and attainment of specific objectives. These objectives are derived from the Group's strategy and appropriate key performance indicators ("KPIs") are developed for each.

The Executive committee presents the proposed Group strategy to the Board for discussion and review at an annual strategy session. Strategic objectives include clearly defined targets for implementation. All business segments report on outcomes of the strategy execution via the Group's electronic management tool. Additionally, information derived from the reports provides valuable business intelligence to direct improvements and corrective actions.

Individual employee performance is incentivised through recognition and reward schemes, as well as short-term incentive and long-term incentive schemes. Refer to our remuneration report on page 30 of the 2021 integrated report for details.

HOW DOES KAAP AGRI ENSURE LEGITIMACY?

Our legitimacy is based on our ability to create value for stakeholders. The Group seeks to be relatable to clients and customers, and to ethically resolve problems within our sphere of business influence. We aim to provide access to products at a fair price to enable clients to do business with us. We support our stakeholders' interests throughout our value chain and expand market opportunities for suppliers. Refer to the "Evolving our stakeholder engagement" section on page 17.

Kaap Agri also earns legitimacy through our brand and our people, who are essential to ensuring a reputation of quality. Our brand has always been about community. We are trusted and have long-standing relationships. Our people hold themselves accountable to our CARE values and engagement with all our stakeholders are underpinned by our CARE philosophy. This principle defines the business as an accountable and highly engaged corporate citizen that considers the needs and interests of our stakeholders. We ensure our activities align with the views and attitudes of our primary stakeholders, while continuously forging mutually beneficial relationships with suppliers and other stakeholders.

KING IV PRINCIPLES DISCLOSURE MAP

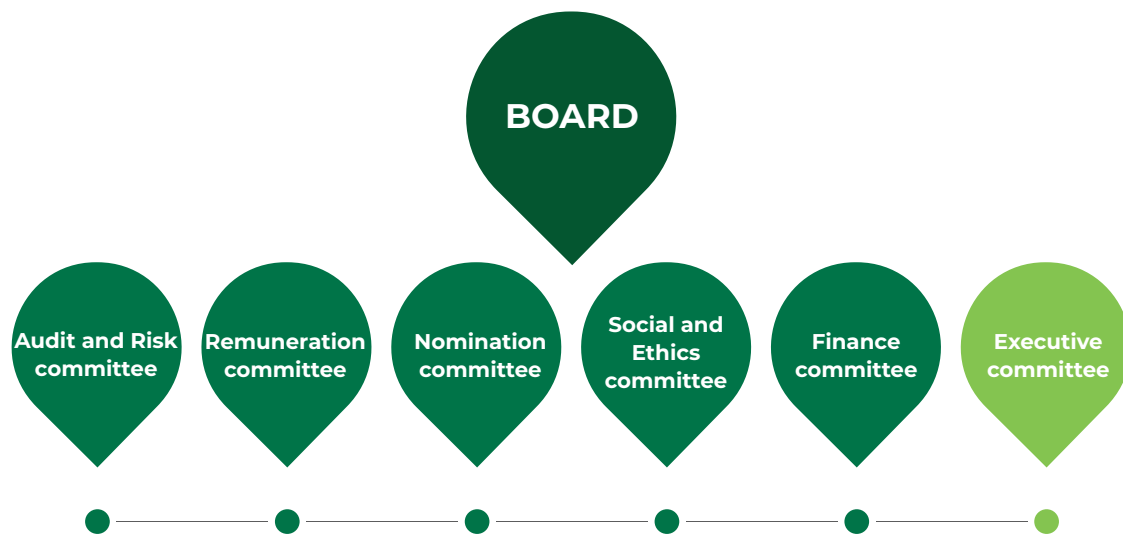
The Group explains its application of appropriate King IV principles in the disclosure map on the Kaap Agri website, and is transparent in areas of non-compliance. The disclosure map provides a high-level overview of responses to the 16 applicable King IV principles, with an indication of the level of application and an explanation of the Group's King IV disclosure. Icons are used to indicate the maturity of such disclosure. Where relevant, reference is made to other areas of the 2021 integrated or governance report where detailed information can be found.

GOVERNANCE STRUCTURE

The key roles and responsibilities of the Board include acting as the focal point for and custodian of corporate governance, determining the strategic objectives of the Group, and monitoring the implementation of its approved strategies, decisions, values and policies. The Board is satisfied it has fulfilled the responsibilities required by its mandate during the year.

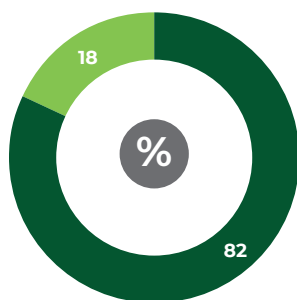
The Board is chaired by a non-executive director and has 11 members. The Board is supported by five committees, each with clear terms of reference that aid the execution of their duties and determine the due governance required in each area of the business.

The roles of the Chairman and the Chief Executive Officer ("CEO") are clear and separate. The CEO is tasked with the day-to-day operations of the business in line with the Group's decision-making framework. The CEO is supported by the Executive committee, two members of which are Board members. The Board is satisfied that the decision-making framework provides a clear basis for the exercising of duties and contributes to clarity and accountability. Additionally, the Board charter ensures there is an appropriate balance of power in the deliberations of the Board, and no single director has unlimited or unfettered powers of decision-making.

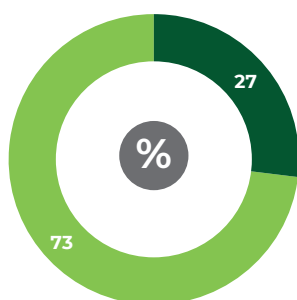


BOARD STRUCTURE

COMPOSITION AND EXPERTISE



■ Male
■ Female



■ Black¹
■ White

¹ The Board continuously strives to improve Board composition to reflect the demographics of South Africa, focusing on black and female representation.

Field of expertise	Number of Board members
Financial markets and investments	6
Agriculture	8
General business	11
Mergers and acquisitions	7
Retail operations	5
Marketing	7
Logistics/supply chain	6
Transformation	10
Risk management	9
Legal	8
Human resources	9
Sustainability	9
Governance	6

The Board is satisfied that the current composition enables ethical and effective leadership, but it will seek to improve diversity further.

In terms of tenure, the Board members' profiles indicate appointment dates since the unbundling in 2011 and the establishment of Kaap Agri in its current form. Some Board members were involved with Kaap Agri prior to the unbundling.

The Board considered the performance of directors serving longer than nine years and is satisfied they are competent, objective and unbiased in decision-making.

BOARD MEETING ATTENDANCE

Overall Board meeting attendance was high and was in line with King IV requirements, which is evidence of the Board's commitment to high levels of governance and performance.

Member	Meetings attended
I Chalumbira	4/4
BS du Toit	4/4
D du Toit	4/4
JH le Roux	4/4
EA Messina	4/4
WC Michaels	4/4
CA Otto	4/4
GW Sim*	4/4
HM Smit	4/4
GM Steyn	4/4
S Walsh*	4/4

* Executive.

BOARD PROFILES AS AT 30 SEPTEMBER 2021

I Chalumbira (50)		Non-executive director
Appointment date:	September 2018	
Qualifications:	BSc (Industrial Psychology) MBA (Strategy)	
Committee membership:	N/A	
Other board memberships:	AIH Properties (Pty) Ltd Amber Cascades Trading 202 (Pty) Ltd Arlozone (Pty) Ltd Border Auto Centre (Pty) Ltd C-Max Investments 71 (Pty) Ltd Kebraware (Pty) Ltd Lionsecurity (Pty) Ltd Lionshare Developments (Pty) Ltd Lionshare Financial Services (Pty) Ltd Lionshare Holdings (Pty) Ltd Lionshare Logistics (Pty) Ltd Lionshare Management Services (Pty) Ltd Lionshare New Properties 2 (Pty) Ltd Lionshare Properties (Pty) Ltd Lionshare Property Management (Pty) Ltd Lionshare Trading (Pty) Ltd	Lionshare Venture Holdings (Pty) Ltd Matoppi Investments (Pty) Ltd Musina Intermodal Terminal (Pty) Ltd Nabuphase (Pty) Ltd Proc Corp 27 (Pty) Ltd Thovela Welkom Hospitality (Pty) Ltd Tungsten Bay (Pty) Ltd TFC Operations (Pty) Ltd TFC Properties (Pty) Ltd
BS du Toit (64)		Independent non-executive director
Appointment date:	November 2011	
Qualification:	BAgric (Management)	
Committee membership:	Audit and Risk	
Other board memberships:	Freshgold SA Exports (Pty) Ltd Langrivier Beleggings (Pty) Ltd Langrivier Boerdery (Pty) Ltd	Wydekloof (Pty) Ltd 32 Degrees South Fruit (Pty) Ltd
D du Toit (45)		Independent non-executive director
Appointment date:	March 2017	
Qualification:	BComm (Hons)	
Committee membership:	Audit and Risk Remuneration	
Other board memberships:	De Keur Agri (Pty) Ltd De Keur Beherend (Pty) Ltd De Keur Berries (Pty) Ltd De Keur Landgoed (Pty) Ltd De Keur Marketing (Pty) Ltd	De Keur Verpakking (Pty) Ltd Tipmar (Pty) Ltd Witzenberg Pals (Partners in Agri Land Solutions) PBO
JH le Roux (46)		Non-executive director
Appointment date:	April 2014	
Qualifications:	BAcc (CTA), HDip (Tax), CA(SA)	
Committee membership:	Finance (chairman)	
Other board memberships:	Bakenskraal Investments (Pty) Ltd Capespan Group Limited Cerula 23 (Pty) Ltd Clean Air Nurseries Agri Global (Pty) Ltd The Logistics Group (Pty) Ltd Zaad Holdings Limited	Zeder Africa (Pty) Ltd Zeder Corporate Services (Pty) Ltd Zeder Financial Services (Pty) Ltd Zeder Investments Limited Zeder Management Services (Pty) Ltd

EA Messina (63)		Independent non-executive director
Appointment date:	March 2017	
Qualifications:	BA (Hons), MA (Southern African Studies), MA (History), DPhil (History)	
Committee membership:	Social and Ethics (chairman) Nomination	
Other board memberships:	Bridge House School NPC Cape Town Radio (Pty) Ltd Du Toit Group (Pty) Ltd Groot Constantia Trust	TFC Operations (Pty) Ltd TFC Properties (Pty) Ltd
WC Michaels (48)		Independent non-executive director
Appointment date:	August 2017	
Qualifications:	BSc (Hons), MSc, PhD (Polymer Chemistry)	
Committee membership:	N/A	
Other board memberships:	N/A	
CA Otto (72)		Independent non-executive director
Appointment date:	November 2011	
Qualifications:	BComm, LLB	
Committee membership:	Audit and Risk (chairman) Remuneration (chairman) Nomination	
Other board memberships:	Capevin Holdings Limited Capitec Bank Limited Capitec Bank Holdings Limited Distell Group Holdings Limited Kalandar Kapitaal (Pty) Ltd	PSG Financial Services Limited PSG Group Limited Zeder Financial Services Limited Zeder Investments Limited
GW Sim (51)		Group Financial Director (executive)
Appointment date:	August 2015	
Qualifications:	BComm (Acc) (Hons), CA(SA)	
Committee membership:	Finance	
Other board memberships:	Agriplas (Pty) Ltd Empowerment and Transformation Investments (Pty) Ltd KAL Corporate Services (Pty) Ltd Kaap Agri (Aussenkehr) (Pty) Ltd Kaap Agri Bedryf Limited Kaap Agri (Namibia) (Pty) Ltd Mirage Motors (Pty) Ltd	Tego Plastics (Pty) Ltd TFC Operations (Pty) Ltd TFC Properties (Pty) Ltd
HM Smit (58)		Independent non-executive director
Appointment date:	November 2011	
Qualifications:	BEcon, MA (Town and Regional Planning)	
Committee membership:	Finance Social and Ethics	
Other board memberships:	B&B Farms (Pty) Ltd FG Farms (Pty) Ltd HH Smit Boerdery (Pty) Ltd	

GM Steyn (62)		Independent non-executive director (Chairman)	
Appointment date:	May 2012		
Qualifications:	BA (Law), LLB		
Committee memberships:	Remuneration Nomination		
Other board memberships:	Agristar Holdings (Pty) Ltd Du Toit Group (Pty) Ltd (chairman) George & Miets Beleggings (Pty) Ltd GMS Beleggings (Pty) Ltd Leopard Creek 21 (Beleggings) (Pty) Ltd Neusberg Boerdery (Pty) Ltd NS Beleggings (Pty) Ltd RCL Foods Limited Stellenkaroo (Pty) Ltd		
S Walsh (55)		CEO (executive)	
Appointment date:	November 2011		
Qualification:	BEcon (Hons)		
Committee membership:	N/A		
Other board memberships:	Agriplas (Pty) Ltd Kaap Agri Bedryf Limited Kaap Agri (Namibia) (Pty) Ltd Tego Plastics (Pty) Ltd		
RH Köstens (64) ¹		Company Secretary	
Appointment date:	November 2011		
Qualifications:	BA (Law), LLB, LLM, HDip (Tax) , MBA		

¹ Retired November 2020.

GOVERNANCE IN 2021

Key governance initiatives for the year

The Board undertook the following key activities:



Continuous online training provided on POPIA; Safety, Health, Environment and Quality ("SHEQ"); and King IV, among others



Improving B-BBEE and communications strategies; developing and strengthening brand equity and positioning; and implementing environmental projects focusing on sustainability



Focusing on internal financial control, risk assessment and a safe information technology environment

Approach to compliance

The Board recognises its responsibility to ensure compliance with all applicable laws and adherence to industry charters, codes and standards.

The Audit and Risk committee is updated on compliance contraventions and material legal matters. The Compliance Officer operates alongside the internal audit function, as well as the Senior Manager: risk and the legal department. The Compliance Officer obtains support from subject matter experts on speciality focus areas such as environmental law or B-BBEE compliance. These experts filter appropriate information to the Compliance Officer for further action. The Audit and Risk committee monitors actions taken by the Compliance Officer and/or internal audit.

The Audit and Risk committee evaluates the internal audit plan according to its mandate. The Audit and Risk committee also considers the material findings of internal audit and management's response to these. Internal audit has unlimited access to the Audit and Risk committee.

There were no contraventions of agricultural law, penalties or fines reported during the year. To the Group's knowledge, there are no material legal arbitration or other proceedings pending or in progress. Refer to the report of the Audit and Risk committee on page 81 of the 2021 integrated report.

Conflicts of interest

Board members are required to state any possible conflicts of interest, financial or otherwise, at the start of each Board meeting. These include directorships or positions in any other form of business. Board members are prohibited from gaining any undue benefit from their position, as outlined in the Board mandate subscribed to by each member.

The strong stakeholder-focused nature of our evolving Board means we have several members with interests in peripheral businesses that interact with the Group. These include roles as customers or service providers. Periodic scrutiny ensures none of these interests pose an undue influence on the individual's relationship with the Board, and the Group deems these relationships to be negligible. Details are available in the notes to the AFS in the 2021 integrated report.

A register of directors' interests in and outside the Group is kept and updated regularly. A conflict of interest declaration form is available to Board members. The Chairman of the Group is not prohibited from serving on other boards, provided this is disclosed to the Kaap Agri Board. The Kaap Agri dealings in securities policy has an annexure stating directors as well as the Company Secretary need to obtain permission to deal in securities, and details of any dealings must be disseminated on the JSE Stock Exchange News Service ("SENS"). No dealing is permitted during prohibited periods. Certain employees, as determined by the CEO, also need permission to deal in shares. Employees are further directed by policies on private interests, extramural activities and external remuneration to avoid conflicts of interest.

The Group has a gift register for recording receipt of tangible and intangible gifts. The register protects employees from attempts by interest groups or suppliers to exert undue influence by means of gifts. Executive directors, non-executive directors and senior managers must disclose any gifts and record these in the register.

COMMITTEES AND THEIR ROLES IN GOVERNANCE

The Group's committees facilitate the discharge of certain Board responsibilities with oversight, guidance and governance application in mandated areas. Each committee chairman reports to the Board to ensure comprehensive insight and appropriate decision-making at Board level. The qualifications and experience of each member are disclosed on pages 46 to 49 of the 2021 integrated report.

Committee	Members ¹	Meetings attended
Audit and Risk committee ("the committee")	<ul style="list-style-type: none"> > Chairman: CA Otto² > BS du Toit³ > D du Toit⁴ 	2
Total meetings: 2	Invitees <ul style="list-style-type: none"> > GM Steyn – independent non-executive director > S Walsh – executive director (CEO) > GW Sim – executive director (Financial Director) > GC Victor – Group Manager: finance > P Steyl – Executive Manager: internal audit > A Hugo – external auditor, PwC 	2

Mandate

The committee assists the Board by providing an objective and independent view on the Group's finance, accounting and control mechanisms.

During the year, the following was actioned:

- > The accounting policies of the Group were reviewed, and the committee is satisfied the policies are in line with generally accepted accounting principles.
- > The effectiveness of the Group's information systems and internal controls was established.
- > External auditors were appointed, and their effectiveness monitored. This included ensuring the use of external auditors for non-audit services was kept to a minimum.
- > The 2021 integrated report and the AFS therein were reviewed and approved.
- > Regarding the AFS, the committee focused on ethics and governance, controls, provisioning, impairment, tax compliance, correctness and accuracy. The Group addressed these considerations through proper provisioning in terms of existing policies.
- > The committee considered presentations by internal audit on ethics, governance and controls, and management reports on operational and financial matters. Recommendations were made to the Board on several matters. The committee deems the internal financial controls of the Group to be adequate.
- > The committee reviewed the Group's risk assessment, assessment of the controlled environment and governance. This was done to ensure risks are properly addressed and the level of compliance, with proper governance, is in line with expectations. The committee is satisfied with the outcome of these evaluations.
- > The reports of the external auditor were reviewed and appropriate action taken.
- > The Group's going concern status and compliance with applicable legislation and requirements of regulatory authorities were confirmed.
- > In terms of risk management (through consultation with the external auditor), the committee ensured management's processes and procedures are adequate to identify, assess, manage and monitor Group-wide risks.

¹ All committee members are independent non-executive directors.

² Chairman from 4 May 2017. Re-appointed to the committee at the AGM held on 11 February 2021.

³ Re-appointed to the committee at the AGM held on 11 February 2021.

⁴ Re-appointed to the committee at the AGM held on 11 February 2021.

Committee	Mandate
Audit and Risk committee (continued)	<ul style="list-style-type: none"> > The committee recommended the re-appointment of the external auditor and determined its compensation. The external auditor is PwC, which has provided audit services to the Group for 84 years. The committee remains satisfied that the external auditor is independent and suitable for re-appointment by requesting and considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements. . The committee is satisfied with the arrangements for the external audit, and the effectiveness of the designated audit partner, A Hugo. The quality of the audit performed this year was deemed satisfactory by the committee and the independent auditor's report indicates the Group's financial statements fairly reflect the financial state of the company in accordance with International Financial Reporting Standards ("IFRS") and requirements of the Companies Act, 71 of 2008, as amended ("the Companies Act"). The Group complies with legislative and JSE requirements, rotating audit partners every five years. > The committee appraised and is satisfied with the appropriateness, expertise and experience of the Financial Director, who is driving the overall effectiveness of the Group's finance function. > The committee is satisfied that appropriate financial reporting procedures are in place and are operating. > The Group's combined assurance model provides assurance that actions are in line with good governance management. The committee deems it effective.

Committee	Members ¹	Meetings attended
Remuneration committee ("the committee")	<ul style="list-style-type: none"> > Chairman: CA Otto > GM Steyn > D du Toit 	2
Total meetings: 2	Invitees <ul style="list-style-type: none"> > S Walsh – executive director (CEO) > GW Sim – executive director (Financial Director) > DC Gempies –director human resources ("HR") (subsidiary – Kaap Agri Bedryf Limited) 	2

Mandate

The committee is primarily responsible for reviewing and approving the remuneration of executive directors and senior management, and for succession planning.

The committee assisted the Board in reviewing non-executive directors' remuneration recommendations in line with local and international best practice. This was done to ensure that such total remuneration is fair and reasonable to the directors and the Group.

More information about the committee and remuneration is available in the remuneration report on page 30 of the 2021 integrated report.

¹ All committee members are independent non-executive directors.

Committee	Members ¹	Meetings attended
Nomination committee ("the committee")	<ul style="list-style-type: none"> > Chairman: GM Steyn > CA Otto > EA Messina 	1
Total meetings: 1	Invitees <ul style="list-style-type: none"> > S Walsh – executive director (CEO) 	1

Mandate

The committee assists the Board in ensuring it has the appropriate composition in terms of structure, size, diversity, skills and independence for it to execute its duties effectively.

When identifying suitable candidates for appointment to the Board, the committee considers candidates on merit against objective criteria and with due regard to the potential benefits of gender and race diversity. The committee will continue to work towards a more representative Board and committee composition.

¹ All committee members are independent non-executive directors.

Committee	Members ¹	Meetings attended
Social and Ethics committee ("the committee")	<ul style="list-style-type: none"> > Chairman: EA Messina > T Sulaiman-Bray > HM Smit 	2
Total meetings: 2	Invitees <ul style="list-style-type: none"> > S Walsh – executive director (CEO) > P Steyl – Executive Manager: internal audit > DC Gempies – director HR (subsidiary Kaap Agri Bedryf Limited) 	2

Mandate

The committee monitors the Group's activities relating to its social and economic standing and development; corporate citizenship; SHEQ; consumer relationships and compliance to applicable laws.

The committee reported to shareholders on matters within its mandate and brought matters of relevance to the attention of the Board.

Read more about social and community investments in the Social and Ethics committee report on page 62 of the 2021 integrated report.

The committee's work plan focus areas included:

- > B-BBEE and employment equity
- > Consumer relations, including the company's advertising policy, protection of its brands and relations with stakeholders
- > Labour and employment matters regarding decent work and working conditions, and the company's contribution towards the educational development of its employees
- > SHEQ, including monitoring existing policies within its mandate, and the 10 principles set out in the United Nations ("UN") Global Compact
- > Creating an ethical culture in the company and developing policies and procedures to prevent fraud and corruption

Committee	Mandate
Social and Ethics committee (continued)	The following matters received particular attention:
Total meetings: 2	<ul style="list-style-type: none"> > The effectiveness of the company's whistleblowing process was discussed and evaluated > The Agri BEE codes and steps to improve the Group's B-BBEE score were considered > BEE recognition levels and appointments regarding employment equity received attention > The integrated transformation report, containing the employment equity plan as well as training and development initiatives, was considered > Sponsorships, CSI and B-BBEE initiatives were evaluated > Working conditions applying to Kaap Agri employees and regarding applicable laws and regulations were evaluated > SHEQ reports referring to legal compliance, policies and procedures are considered continuously > CSI projects were monitored > Sustainability and environment initiatives were considered > The impact of COVID-19 on the company, and guidelines on safe work and practices were reviewed > Transformation and ethics will remain core focus areas in future

¹ A majority of the committee members are independent non-executive directors.

Committee	Members ¹	Meetings attended
Finance committee ("the committee")	<ul style="list-style-type: none"> > Chairman: JH le Roux 	2
Total meetings: 2	<ul style="list-style-type: none"> > GW Sim > HM Smit > NC Loubser² > HS Louw² > WG Treurnicht² 	2
	Invitees	–
	<ul style="list-style-type: none"> > DW Beukes – Group Manager: financing services > S Walsh – Executive Director (CEO) > Other members of financing services department as and when needed 	2

Mandate

The committee ensures the financing activities of the Group are managed efficiently.

The committee is responsible for approving and refining the credit policy and exercises final authority on certain high-value applications where the amount exceeds the authority of the officials.

The committee also established a decision-making framework for the financing services department. In terms of the credit policy, the financing services department has the authority to obtain underlying securities from individuals who apply for credit. Accordingly, it is the task of the committee to conduct credit screenings, evaluate credit risks and register underlying securities in line with the credit policy.



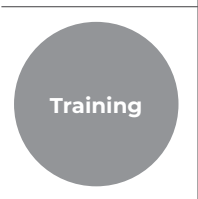
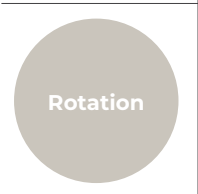
¹ Two committee members are non-executive directors, one of whom is independent.

² NC Loubser, HS Louw and WG Treurnicht are not Board directors but co-opted members of the committee

All the Group's committees are satisfied they have fulfilled their responsibilities according to their respective mandates.

BOARD EFFICIENCY

Ethical and effective leadership rests on the appropriate recruitment, evaluation, training and rotation of Board members. Although the Group only listed on the JSE in 2017, governance structures have been embedded in the business for many years and significant strides have been made to formalise and document practices that have been effective in governing Kaap Agri until now. This is the essence of our journey towards full compliance with King IV.

	<ul style="list-style-type: none"> > The Nomination committee provides clear policies on recruitment and criteria for selection of appropriate candidates in line with the provisions of the Memorandum of Incorporation ("MOI"). Directors are nominated by the Board and elected at the AGM for three years. One-third of the directors must rotate annually.
	<ul style="list-style-type: none"> > The Chairman evaluates individual Board members based on their experience and expectations. The Group is satisfied that the performance evaluations have been fair and the results and actions implemented have been appropriate, developing individual capabilities and performance in the process. The evaluations also include performance and behavioural criteria aligned to the code of ethics and the Board's commitment to governance standards.
	<ul style="list-style-type: none"> > Training for skills development and applicable legislation is carried out intermittently with voluntary attendance for Board members. > Board members have access to the Company Secretary to provide any training deemed necessary and are free to approach external service providers for training. Training is provided on a continuous basis.
	<ul style="list-style-type: none"> > Directors must rotate every three years, but are eligible for re-election in terms of the provisions of the Memorandum of Incorporation. > The Nomination committee is responsible for reviewing the composition of the Board in terms of skills, race and gender diversity. > The Nomination committee approved an induction policy.

COMPANY SECRETARY

The Company Secretary co-ordinates the functioning of the Board and its committees. This includes advising the Board on matters of legal and regulatory compliance. The Group is satisfied that these arrangements are effective, and that the Company Secretary has unencumbered access to the Board. Kaap Agri believes that an appropriate arm's length relationship exists between the Group's Company Secretary and the Board.

RH Köstens retired as Company Secretary at the end of November 2020, and a juristic person, KAL Corporate Services (Pty) Ltd, has been appointed to hold the office of Company Secretary. The Board ensured the provisions of section 87(1)(a) and 87(1)(b) were adhered to when appointing the juristic person. The Board considered and satisfied itself on the competence, qualifications and experience of the Company Secretary.

The Board's mandate allows for professional corporate governance training to be accessed independently or through the Company Secretary.

EXECUTIVE COMMITTEE

Kaap Agri's Executive committee meets bi-monthly and assists the CEO in implementing the Group's strategy. The CEO is further responsible for operational planning, control and implementation. The CEO is appointed by the Board on the recommendation of the Nomination committee. The notice period for the CEO is three months and termination conditions are in line with market norms.

Our succession planning and development activities facilitated a steady development of Executive committee members and expertise over the last five years:

Growth in skills and capacity

Years	Number of members	People added
2012	3	S Walsh, JJ Matthee, SJ Liebenberg
2013	3	
2014	3	
2015	4	GW Sim, HJ Smit JJ Matthee retired
2016	6	AJ Griesel, DC Gempies
2017	8	T Sulaiman-Bray, J Abrams
2018	7	SJ Liebenberg retired
2019	7	Unchanged
2020	7	Unchanged
2021	7	Unchanged

EVOLVING OUR STAKEHOLDER ENGAGEMENT

The place where people still count

The Group has a stakeholder relations document outlining its philosophy towards stakeholder relationships. Executive management reports to the Social and Ethics committee on stakeholder relationships, which function according to regulation 43 of the Companies Regulations, 2011.

STAKEHOLDER RELATIONS

We ensure our stakeholders are better off than they would have been if Kaap Agri did not exist.

For this reason Kaap Agri's relationship with its stakeholders is anchored and supported by its code of ethics. It is Kaap Agri's intention that a stakeholder-inclusive approach to corporate governance is followed.

We focus on effective communication with stakeholders using a variety of methods to better understand and respond to issues important to them. We ensure communication with stakeholders is unambiguous, balanced, trustworthy and transparent.

Kaap Agri has many economic impacts on its stakeholders, which are affected through the creation of wealth, employment, competitive remuneration of employees and socio-economic investments.

Key stakeholders are government departments and regulatory authorities, customers, employees, investors/shareholders, suppliers, communities and the media.

Stakeholder groups that have a definite impact on Kaap Agri's ability to create value are listed in the table below. It also outlines stakeholders' interests pertaining to Kaap Agri's business activities.

Relationships	Means of engagement	Interests
Government and regulators		
<ul style="list-style-type: none"> > Provide access through operating licences, etc., which is the basis of creating value > Regulatory measures are imposed with potential cost implications > Provide business opportunities through tenders, networking and stakeholder engagement 	<ul style="list-style-type: none"> > Consultation and participation in public forums > Active engagement and submissions on draft regulations, white papers and bills > Engagement with industry consultative bodies > Publication of policy engagement and discussion papers 	<ul style="list-style-type: none"> > Supporting valuable opportunities for job creation and socio-economic development, including transformation > Protecting consumer interests in cost effectiveness, quality, privacy of information and world-class service > Regulatory compliance on issues such as price and SHEQ > Diligent contribution to the tax fiscus
Customers		
<ul style="list-style-type: none"> > Purchase our products and services, forming the basis for growth in revenue 	<ul style="list-style-type: none"> > Online – Kaap Agri website > Social media – Facebook and Instagram > Retail outlets > Print media and advertising on various platforms 	<ul style="list-style-type: none"> > Improved value proposition in terms of offerings to the customer > Living the Kaap Agri culture and allowing the customer to experience it > Being agile in our processes to make interaction with Kaap Agri more efficient
Investors and shareholders		
<ul style="list-style-type: none"> > Provide the capital necessary for sustainability and growth 	<ul style="list-style-type: none"> > Annual and interim results presentations and publications > Investor relations information on Kaap Agri website > SENS announcements > AGM 	<ul style="list-style-type: none"> > Strategy to ensure a sustained financial performance and growth > Responsible investment to ensure growth, manage risks and explore opportunities in various markets > Transparent remuneration policy > Responsible allocation of capital for investment and future growth > Sound corporate governance practices > Stable and responsible dividend policy
Employees		
<ul style="list-style-type: none"> > Their skills, involvement, loyalty and culture of CARE help us satisfy stakeholders so we can become a leading role player in the retail sector 	<ul style="list-style-type: none"> > Internal website > Internal publications and electronic communication > Visual communication boards > CEO roundtable > Go for Gold recognition awards 	<ul style="list-style-type: none"> > Clear career paths and opportunities for career development > CARE programme > Mobilising, executing and transforming with agility > Competitive remuneration and recognition of talent > Profit-sharing scheme
Suppliers		
<ul style="list-style-type: none"> > Impact our ability to provide quality products at market-related prices 	<ul style="list-style-type: none"> > Technology solutions for vendor management > Regular visits to suppliers > Audits > Supplier information days and networking opportunities > Supplier awards 	<ul style="list-style-type: none"> > Timely payment and fair repayment terms > B-BBEE compliance in line with latest codes and measurements > Improving SHEQ standards

Relationships	Means of engagement	Interests
Media		
<ul style="list-style-type: none"> > Crucial role in keeping stakeholders informed of developments within our business, including our products and services 	<ul style="list-style-type: none"> > Face to face, telephonic and electronic engagement > Interviews with CEO and key executives > Media releases and product-related publicity 	<ul style="list-style-type: none"> > Transparency > Keeping stakeholders informed of key activities and offerings
Communities		
<ul style="list-style-type: none"> > Ensure the long-term viability of our business by nurturing and strengthening the socio-economic context within which we operate 	<ul style="list-style-type: none"> > Holistic CSI programmes aligned to our core business > Bursary programme > Kaap Agri Academy > Virtual classroom programme 	<ul style="list-style-type: none"> > Access to education and training > Youth development and upliftment > Supporting growth in the sector through farmer development and training

B-BBEE TRANSFORMATION REPORT

Leveraging transformation remains a key strategic imperative and differentiator for the Group.

Kaap Agri measures its B-BBEE status against the Agri-BEE sector codes determined by the Department of Trade, Industry and Competition.

During the year, Kaap Agri's objective was to maintain a level 3 B-BBEE status with a procurement recognition of 110%.

Kaap Agri's B-BBEE goals

Kaap Agri has maintained a level 3 contributor status in terms of the sector codes. An overview of the Group's progress is outlined below:

Ownership

Kaap Agri has achieved 25,14% for black ownership and 10,59% for black women ownership.

The Kaap Agri Bedryf Employee and Farm Worker BEE Trust

Five percent of Kaap Agri's shares were issued to the Kaap Agri Bedryf Employee and Farm Worker BEE Trust ("Trust"). The income beneficiaries are Kaap Agri employees, farm workers, their families and local communities. Five trustees are appointed to manage the Trust, three of whom are independent. Of the income received from dividends, 50% was used to repay Trust debt. The 50% balance of the dividend is available for distribution among beneficiaries.

The Trust makes funds available to qualifying employees of the designated group through a revolving home loan fund. During 2021, 55 employees benefited from this fund. Of these employees, 41% were female. The Trust also supported four children of qualifying employees with funding for tertiary education, of whom 3 were female learners.

Management control (including employment equity)

The Board is structured to ensure the collective skills and experience of directors are suitable to carry out their responsibilities and to achieve the company's objectives. At Board level, three of the 11 members are black, one of whom is a black female member.

Employment equity is a significant focus area for transformation. We have implemented several employment equity plans, and submit annual progress reports to the Department of Employment and Labour.

Some of these plans include recruitment strategies which attract previously disadvantaged individuals. Career and skills development are aligned with the Group's employment equity plans. Recruiting and developing previously disadvantaged individuals improved at senior management level, however, the low rate of employee turnover prevents accelerated achievement of targets in the short term.

Skills development

The Group is an active participant in the Agricultural Sector Education and Training Authority ("AgriSETA"). Accreditation with AgriSETA is a priority for service providers providing skills development training across the Group.

We comply with the Skills Development Act, 97 of 1998. Several learnerships are conducted on an ongoing basis under AgriSETA. In 2021, 120 learnerships were completed. Seven of the 18 unemployed learners who completed their learnerships in 2019 were absorbed into the business.

Approximately 82% of the total training budget was spent on employees from the designated group for the year. In terms of payroll, training levies are paid to the South African Revenue Service.

Preferential procurement

Kaap Agri is a retail services group which supplies a variety of products and services mainly to the agricultural sector. Through our growth and diversification efforts, we also serve the general public. In 2021, the Group increased its products purchased from B-BBEE accredited suppliers to more than 81%. The future aim is to expand this percentage by increasing procurement from exempt micro and qualifying small enterprises.

Supplier development

Our supply chain is the backbone of our operations. We dedicated time and resources to ensure the identified supplier development programme is value adding and aligned to our needs. The initiative centres around developing a supplier portal and database as well as growing a micro-enterprise to provide interest-free loans to the value of R3 685 622 to acquire a fleet of vehicles to service the fuel and retail parts of our business. This initiative was approved and implemented during the year.

Enterprise development

Enterprise development entails monetary and non-monetary contributions to the development and sustainability of the financial and operational independence of black-owned enterprises.

The Fruit Workers Development Trust ("Trust") and ETI are Kaap Agri's enterprise development beneficiaries. In support of the work the Trust does, the initial repayment date for the loan afforded by Kaap Agri to the Trust was extended for five years. The value of the loan is R2 million.

We also focus on developing small and micro-enterprises. Through the TFC subsidiary, we supported a local transport company through the provision of an interest-free loan, which enabled the company to purchase a vehicle to start a delivery service. This transport company has been onboarded and contracted as a first-time supplier in Kaap Agri's supply chain, providing transport and logistical services for the delivery of dry stock to various Expressmark branches.

Socio-economic development

Kaap Agri's main focus areas for socio-economic development programmes are education and community development. The CSI policy and guidelines were reviewed to reflect these focuses.

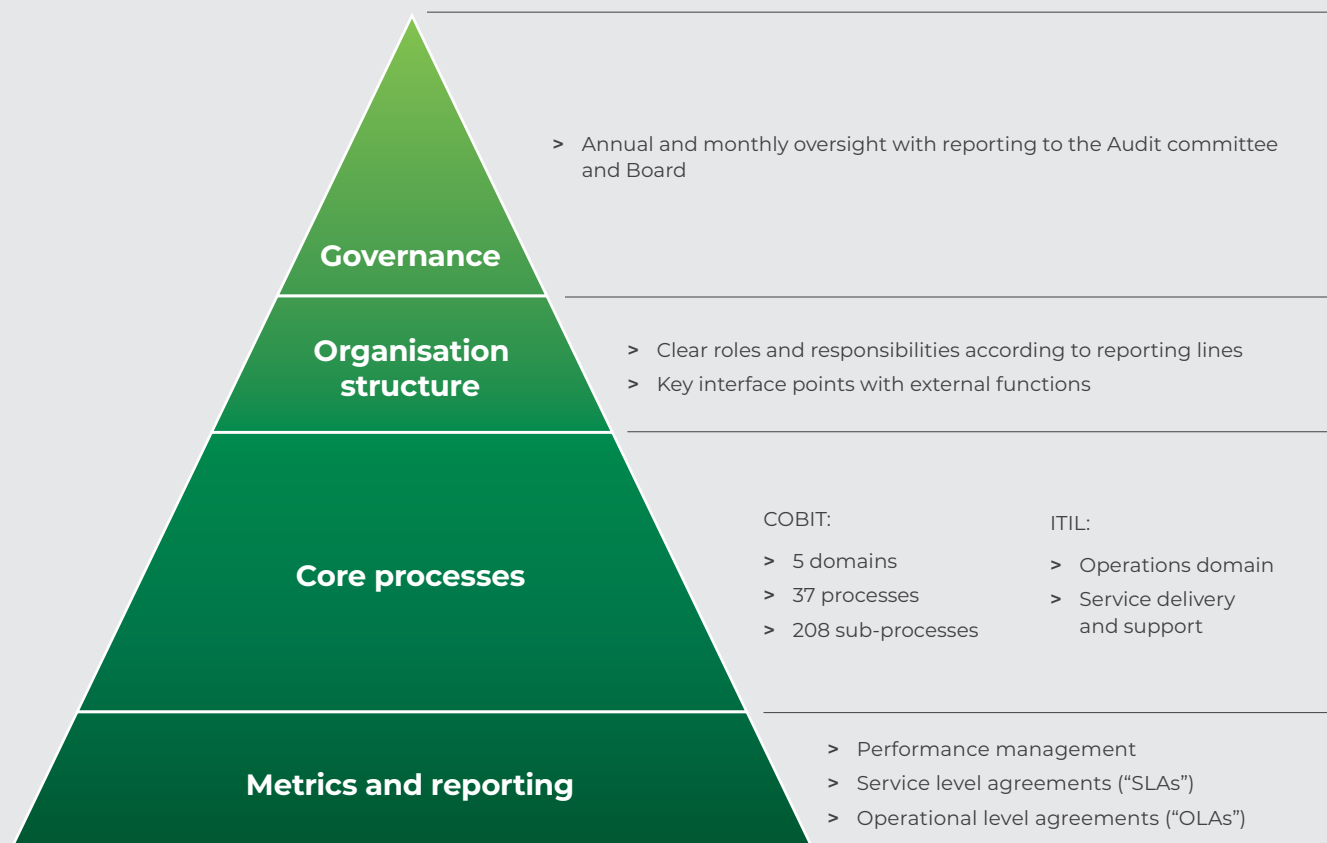
Kaap Agri employees are encouraged to participate in upliftment programmes and thereby make a contribution in their communities. This upholds our reason for existence: to ensure stakeholders are better off than they otherwise would have been.

Kaap Agri's CARE initiative makes a difference in local communities where we operate, and is a top priority. During 2021, we embarked on numerous projects at corporate and branch level. We invested donations, sponsorships and contributions of R4.6 million in education, educational support programmes and various community upliftment programmes.

IM

The Group seeks to govern technology and information in a way that supports our ability to achieve our strategic objectives. The purpose of the Group's information technology ("IT") division is to support business growth and the stability of operations by using cost-effective and proven technologies with the applicable functionality.

Kaap Agri's IM operating model describes how information management elements interact and relate in the delivery of the function.



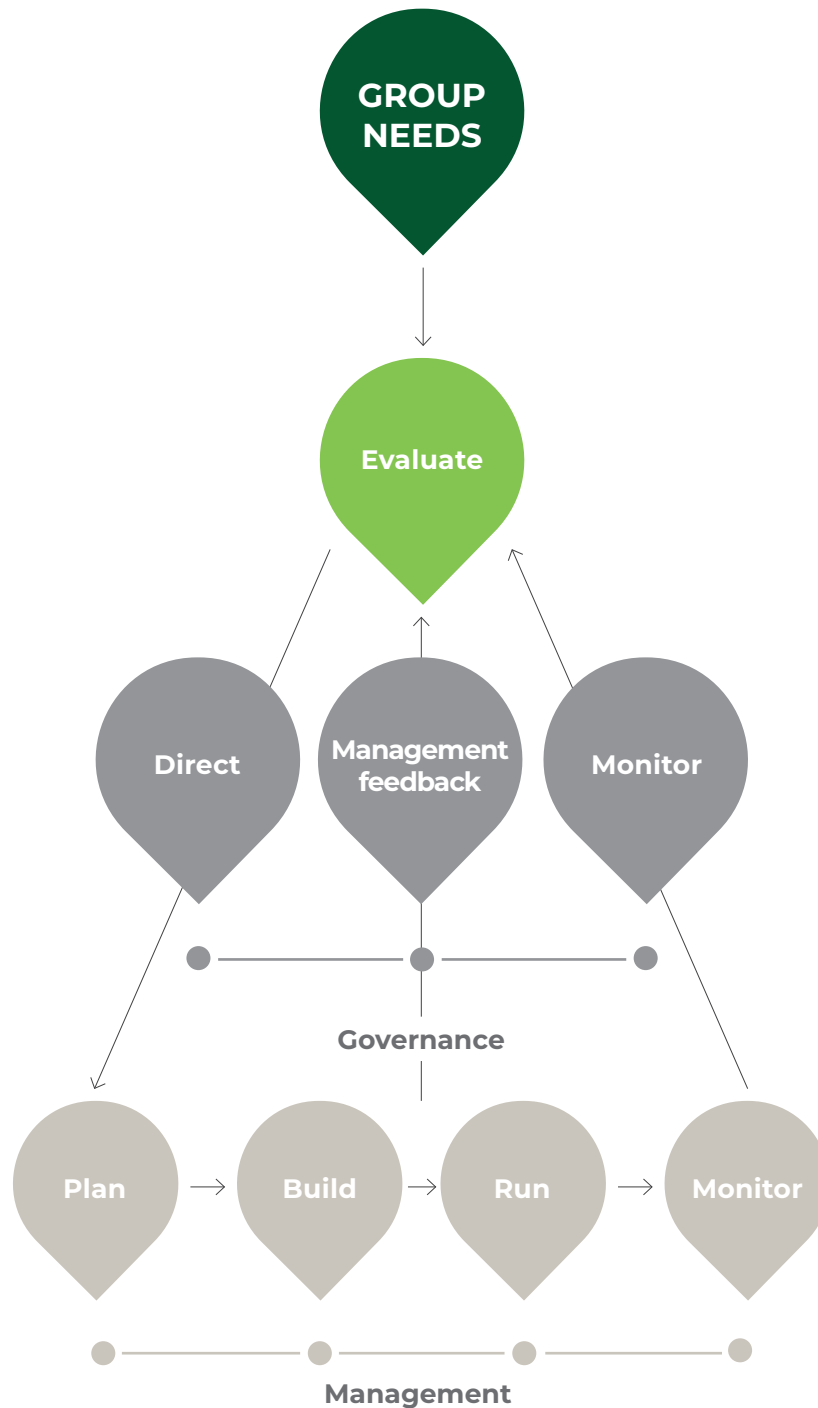
Kaap Agri's IM operating model describes how information management elements interact and relate in the delivery of the function.

- > Governance:
 - Annual and monthly oversight with reporting to the Audit committee and Board
 - Organisation structure:
 - Clear roles and responsibilities according to reporting lines
 - Key interface points with external functions
- > Core processes:
- > COBIT:
 - 5 domains
 - 37 processes
 - 208 sub-processes
- > ITIL:
 - Operations domain
 - Service delivery and support
- > Metrics and reporting:
 - Performance management
 - Service level agreements ("SLAs")
 - Operational level agreements ("OLAs")

Kaap Agri believes that an effective IM governance model must articulate an allocation of "decision rights" that is optimal for each operation. This means providing select individuals with clear accountability and decision-making authority concerning changes or priorities in the IM process. The Board is ultimately accountable for the governance and management of IT.

The Group uses the Information Technology Infrastructure Library ("ITIL") and Control Objectives for Information and Related Technologies ("COBIT") as guidance for effective IT governance and management at a process level. ITIL is a set of detailed practices for IT service management, and COBIT is a good practice framework created by the international professional association ISACA, for IT management and IT governance.

The Group uses three main perspectives to govern IM:



- > Direct
- > Evaluate
- > Monitor effectively

This process is performed through consideration of four analytical perspectives: financial, customer, internal, and learning and growth. They ensure a holistic view of the needs and opportunities related to IM.

GROUP STRUCTURE

The identification and approval of Group-wide IT capital investment needs, including maintenance and project development, form part of the annual budget.

Criteria for measuring IT performance monthly relate to, for example, connectivity, security and fingerprint scanning. Infrastructure availability has been maintained at an average of 99%. With regard to security, the Group has security coverage for 99% of our end-points. Email and firewall security are of a high standard. Suppliers are evaluated monthly with a performance scorecard.

IT risks are reviewed annually and, where necessary, escalated to the Board for further action via the Audit and Risk committee. Remedial actions for incidents are addressed through help desk processes. Key IT risks include:

Risk description	Mitigating actions
Business interruption due to system unavailability for an extended period	A business continuity plan, offline alternatives, identification of priority users, satellite technology, backups and training initiatives are examples of measures in place to reduce the impact of system unavailability.
Impact on competitiveness due to suboptimal business use of applications or processes	We mitigate this risk by using global best practice baselines and ensuring technical expertise and capacity while continuously training end-users on available functionality.
Reputation and business sustainability at risk due to IT misuse or abuse	Digital access control, security measures and discipline, combined with the identification of sensitive areas, assist in proactively managing this risk.

We developed an IM roadmap for 2017 to 2028 that aims to provide value to the business through cost-effective, applicable and proven technology. The roadmap directs specific activities related to growth, basic IM, people, customer focus and finance. The short to medium-term focus will be on roadmap implementation throughout the Group.

OUTLOOK

As a recently listed JSE group, Kaap Agri will continuously assess and mature its alignment to and disclosure of King IV principles.

Specific focus areas identified for the next year include:

- > Compliance with the provisions of King IV and the JSE regarding the remuneration policy, which will be voted on as required
- > Evaluation of the recognition and reward schemes

Beyond 2021, we will further address gender diversity, B-BBEE and transformation.

KAAP  AGRI



www.kaapagri.co.za