

2022

KAAP AGRI

Governance Report



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Governance

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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. A range of mechanisms, policies, procedures, committee structures and values enables this. The most material of these 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?**

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WHO ARE OUR STAKEHOLDERS?

The Group identifies stakeholders according to the products our business segments provide. Stakeholders include those involved in creating and delivering 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. Our client base is predominantly determined by our geographic representation, emphasising 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: <table> <tr> <td>> Agri chemicals</td><td>> Hardware</td></tr> <tr> <td>> Agri infrastructure</td><td>> Homeware and appliances</td></tr> <tr> <td>> Animal feed</td><td>> Irrigation products</td></tr> <tr> <td>> Fertilisers</td><td>> Lighting and electrical products</td></tr> <tr> <td>> Horticulture</td><td>> Liquor</td></tr> <tr> <td>> Mechanisation services and products</td><td>> Outdoor products</td></tr> <tr> <td>> Packing material</td><td>> Paint</td></tr> <tr> <td>> Automotive and lubricants</td><td>> Pet and animal products</td></tr> <tr> <td>> Building materials</td><td>> Pool and gardening products</td></tr> <tr> <td>> Clothing and personal protective equipment</td><td>> Sanware and plumbing products</td></tr> <tr> <td>> Fast-moving consumer goods</td><td>> Tools</td></tr> <tr> <td>> Gas</td><td>> Fuel</td></tr> </table>	> Agri chemicals	> Hardware	> Agri infrastructure	> Homeware and appliances	> Animal feed	> Irrigation products	> Fertilisers	> Lighting and electrical products	> Horticulture	> Liquor	> Mechanisation services and products	> Outdoor products	> Packing material	> Paint	> Automotive and lubricants	> Pet and animal products	> Building materials	> Pool and gardening products	> Clothing and personal protective equipment	> Sanware and plumbing products	> Fast-moving consumer goods	> Tools	> Gas	> Fuel
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> Building materials	> Pool and gardening products																								
> Clothing and personal protective equipment	> Sanware and plumbing products																								
> Fast-moving consumer goods	> Tools																								
> Gas	> Fuel																								
A	Financiers: Our ability to provide financing solutions to our clients depends on our relationships with credit providers. Our financing solutions include services and loans we obtain from a South African bank.																								
A	Shareholders: The Group listed on the speciality retailer sector of the main board of the JSE Limited ("JSE") on 26 June 2017. During the financial year ("year"), there were 20 422 622 shares to the value of R816 504 221 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 clarify employee matters and ensure we apply all agreements fairly. These engagements support our business by prompting employee support offerings.																								
A	Primary																								
B	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 several 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") on page 130 of the 2022 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, continuously verify that actions are in line with policies and procedures 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 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.

IM

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

The compliance office is responsible for the compliance function in co-operation with the internal audit and 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's committees 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) and 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 2022 integrated report.

There are policies on the following subjects:

- > 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. Therefore, we recruit individuals with the right skills and attitude, who display values that align with our high-performance culture.

Value-generating performance starts with the Board. The Chairman ensures adequate capacity and expertise to support effective Board performance.

The executive committee's performance is assessed annually with remuneration incentives linked directly to performance and attainment of objectives derived from the Group's strategy. 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 and long-term incentive schemes. Refer to our remuneration report on page 34 of the 2022 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. Providing access to products at a fair price enables 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 ensure a reputation of quality. Our brand has always been about community. We are trusted and have longstanding relationships. Our people hold themselves accountable to our CARE values, and our CARE philosophy underpins engagement with our stakeholders. 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

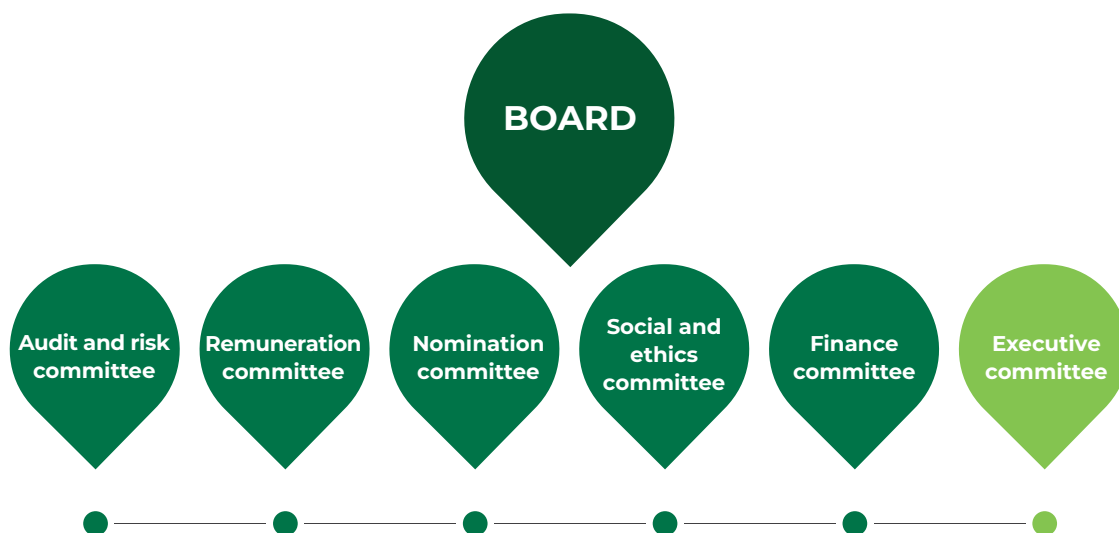
The Group explains its application of appropriate King IV principles in the disclosure map on the Kaap Agri website and is transparent in areas of non-compliance. The disclosure map provides a high-level overview of responses to the 16 applicable King IV principles, with an indication of the level of 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 2022 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.

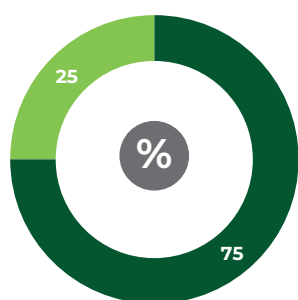
The Board is chaired by an independent non-executive director and has 12 members. The Board is supported by five committees, each with clear terms of reference that aid the execution of their duties and determine the due governance required in each business area.

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

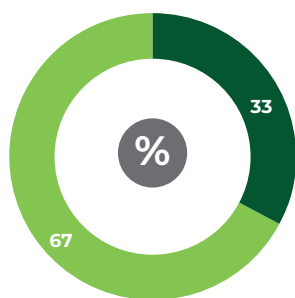
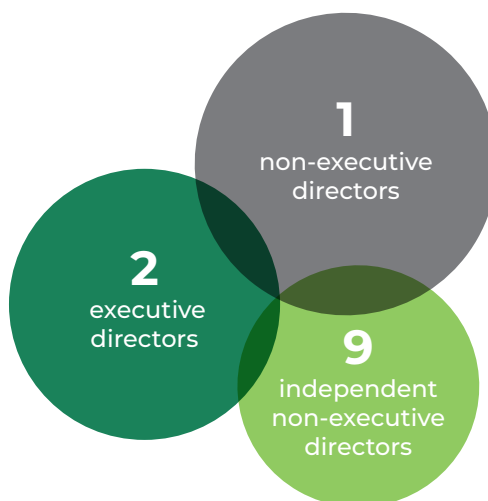


BOARD STRUCTURE

COMPOSITION AND EXPERTISE



■ Male
■ Female¹



■ 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	7
Agriculture	9
General business	12
Mergers and acquisitions	7
Retail operations	5
Marketing	7
Logistics/supply chain	6
Transformation	11
Risk management	11
Legal	9
Human resources	9
Sustainability	12
Governance	12

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	3/4
BS du Toit	4/4
D du Toit	4/4
JH le Roux	3/4
B Mathews*	0/4
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

* Appointed on 22 September 2022 subject to shareholder approval at the AGM to be held on 9 February 2023.

** Executive.

BOARD PROFILES AS AT 30 SEPTEMBER 2022

I Chalumbira (51)		Non-executive director
Appointment date:	September 2018	
Qualifications:	BSc (Industrial Psychology) MBA (Strategy)	
Committee membership:	N/A	
Other board memberships:	<div> <div> AIH Properties (Pty) Ltd Amber Cascades Trading 202 (Pty) Ltd Arlozone (Pty) Ltd Car Prop Holdings (Pty) Ltd Grovest (Pty) Ltd Grovest Venture Capital Company Ltd Growtenty (Pty) Ltd Inenergi (Pty) Ltd Joburg City Tourism Association NPC Kebraware (Pty) Ltd Lionsecurity (Pty) Ltd Lionshare Auto Group (LAG) Limitada Lionshare Automotive (Pty) Ltd Lionshare Developments (Pty) Ltd Lionshare Energy (Pty) Ltd Lionshare Empowered Partners (Pty) Ltd Lionshare Financial Services (Pty) Ltd Lionshare GP (Pty) Ltd Lionshare Holdings (Pty) Ltd Lionshare Logistics (Pty) Ltd Lionshare Management Services (Pty) Ltd </div> <div> Lionshare Private Equity (Pty) Ltd Lionshare Properties (Pty) Ltd Lionshare Property Management (Pty) Ltd Lionshare Trading (Pty) Ltd Matoppi Investments RF (Pty) Ltd Mbodla Investments (Pty) Ltd Mezibase (Pty) Ltd Musina Beightbridge Business Chamber NPC Musina Intermodal Terminal (Pty) Ltd Nabuphase (Pty) Ltd Proc Corp 27 CC Spiricorp (Pty) Ltd TFC Operations (Pty) Ltd TFC Properties (Pty) Ltd Thovela Welkom Hospitality (Pty) Ltd Trade Holdings (Pty) Ltd Tungsten Bay (Pty) Ltd Vaxisync Investments (Pty) Ltd YPO Johannesburg NPO YPO Johannesburg Golden Chapter NPO </div> </div>	
BS du Toit (65)		Independent non-executive director
Appointment date:	November 2011	
Qualification:	BAgric (Management)	
Committee membership:	Audit and risk	
Other board memberships:	<div> <div> Langrivier Beleggings (Pty) Ltd Langrivier Boerdery (Pty) Ltd </div> <div> Wydekloof (Pty) Ltd 32 Degrees South Fruit (Pty) Ltd </div> </div>	
D du Toit (46)		Independent non-executive director
Appointment date:	March 2017	
Qualification:	BComm (Hons)	
Committee membership:	Audit and risk Remuneration	
Other board memberships:	<div> <div> 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 </div> <div> De Keur Verpakking (Pty) Ltd Tipmar (Pty) Ltd Witzenberg Pals (Partners in Agri Land Solutions) PBO Hortgro POME </div> </div>	
JH le Roux (47)		Independent non-executive director
Appointment date:	April 2014	
Qualifications:	CA(SA), HDip (Tax)	
Committee membership:	Finance (chairman)	
Other board memberships:	<div> <div> Bakenskraal Investments (Pty) Ltd Capespan Group Ltd Zaad Holdings Ltd Zeder Africa (Pty) Ltd </div> <div> Zeder Corporate Services (Pty) Ltd Zeder Financial Services (Pty) Ltd Zeder Investments Ltd Zeder Management Services (Pty) Ltd </div> </div>	

B Mathews (53)		Independent non-executive director
Appointment date:	September 2022	
Qualifications:	CA(SA), HDip (Tax)	
Committee membership:	Audit and risk Social and ethics	
Other board memberships:	Ca Vie Investments (Pty) Ltd Casamiento (Pty) Ltd	Metair Investments Ltd WAT Trust
EA Messina (64)		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:	Cape Town Radio (Pty) Ltd Du Toit Group (Pty) Ltd Groot Constantia Trust TFC Operations (Pty) Ltd	TFC Properties (Pty) Ltd (resigned at the end of July 2022) Zagrows Agri Investments (Pty) Ltd
WC Michaels (49)		Independent non-executive director
Appointment date:	August 2017	
Qualifications:	BSc (Hons), MSc, PhD (Polymer Chemistry)	
Committee membership:	N/A	
Other board memberships:	MThreeC (Pty) Ltd	
CA Otto (73)		Independent non-executive director
Appointment date:	November 2011	
Qualifications:	BComm, LLB	
Committee membership:	Audit and risk (chairman) Remuneration (chairman) Nomination	
Other board memberships:	Capitec Bank Ltd Capitec Bank Holdings Ltd Distell Group Holdings Ltd Kalander Kapitaal (Pty) Ltd	PSG Group Ltd Zeder Financial Services Ltd Zeder Investments Ltd
GW Sim (52)		Group financial director (executive)
Appointment date:	August 2015	
Qualifications:	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 Ltd KaaP Agri (Namibia) (Pty) Ltd Mirage Motors (Pty) Ltd	Tego Plastics (Pty) Ltd TFC Operations (Pty) Ltd TFC Properties (Pty) Ltd (resigned at the end of July 2022) PEG Retail Holdings (Pty) Ltd PEG Management Services (Pty) Ltd PEG Highway Operations (Pty) Ltd

HM Smit (59)		Independent non-executive director	
Appointment date:	November 2011		
Qualifications:	BEcon, MA (Town and Regional Planning)		
Committee memberships:	Finance Social and ethics		
Other board memberships:	B&B Farms (Pty) Ltd FG Farms (Pty) Ltd HM Smit Boerdery (Pty) Ltd		
GM Steyn (63)		Independent non-executive director (chairman)	
Appointment date:	May 2012		
Qualifications:	BA (Law), LLB		
Committee membership:	Remuneration Nomination		
Other board memberships:	Agristar Holdings (Pty) Ltd Du Toit Group (Pty) Ltd (chairman) Econo Foods Holdings (Pty) Ltd 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 Ltd Stellenkaroo (Pty) Ltd		
S Walsh (56)		CEO (executive)	
Appointment date:	November 2011		
Qualification:	BEcon (Hons)		
Committee membership:	N/A		
Other board memberships:	Agriplas (Pty) Ltd Kaap Agri Bedryf Ltd Kaap Agri (Namibia) (Pty) Ltd Newco Water (Pty) Ltd TFC Operations (Pty) Ltd Tego Plastics (Pty) Ltd PEG Retail Holdings (Pty) Ltd PEG Management Services (Pty) Ltd PEG Highway Operations (Pty) Ltd		
KAL Corporate Services (Pty) Ltd (Reg No. 2020/841850/07)		Company secretary	
Appointment date:	November 2020		
Directors:	T Sulaiman-Bray and GW Sim		

GOVERNANCE IN 2022

Key governance initiatives for the year

The Board undertook the following key activities:

October 2021 to September 2022	October 2021 to September 2022	October 2021 to September 2022
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 and the senior manager: Legal and Company Secretariat 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 the 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, no material legal arbitration or other proceedings are pending or in progress. Refer to the report of the audit and risk committee on page 66 of the 2022 integrated report.

Conflicts of interest

Board members must state any 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 poses an undue influence on the individual's relationship with the Board. The Group deems these relationships to be negligible. Details are available in the notes to the AFS in the 2022 integrated report.

A register of directors' interests in and outside the Group is regularly updated. 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, prescribed officers and the company secretary need to obtain permission to deal in securities. 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 through 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 members are disclosed on pages 55 to 58 of the 2022 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 Toit³ 	2
Total meetings: 2	<ul style="list-style-type: none"> > B Mathews⁴ 	2
	Invitees <ul style="list-style-type: none"> > GM Steyn – independent non-executive director > JH le Roux – 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 	

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 was monitored. This included ensuring the use of external auditors for non-audit services was kept to a minimum.
- > The 2022 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 external auditor's reports were reviewed, and appropriate action was 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 10 February 2022.

³ Re-appointed to the committee at the AGM held on 10 February 2022.

⁴ Appointed to the committee by the Board on 22 September 2022, subject to shareholder approval at the AGM to be held on 9 February 2023.

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 85 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. 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 ensures that actions align 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 	4
Total meetings: 4	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 Ltd) 	3

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 the Group's remuneration practices is available in the remuneration report on page 34 of the 2022 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 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	<ul style="list-style-type: none"> > B Mathews² 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 Ltd) 	2
		0

Mandate

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

The committee reported to shareholders on matters within its mandate and brought relevant matters to the Board's attention.

Read more about social and community investments in the social and ethics committee report on page 71 of the 2022 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 ten 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

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

² Appointed to the committee by the Board on 22 September 2022, subject to shareholder approval at the AGM to be held on 9 February 2023.

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 > The Agri-BEE codes and steps to improve the Group's B-BBEE score > B-BBEE recognition levels and appointments regarding employment equity > The integrated transformation report, containing the employment equity plan as well as training and development initiatives > Sponsorships, CSI and B-BBEE initiatives > Working conditions applying to Kaap Agri employees and regarding applicable laws and regulations > SHEQ reports referring to legal compliance, policies and procedures are considered continuously > CSI projects > Sustainability and environmental initiatives > 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

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 officials' authority.

The committee also established a decision-making framework for the financing services department. Regarding 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.



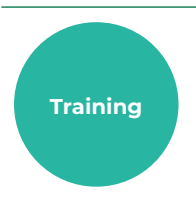
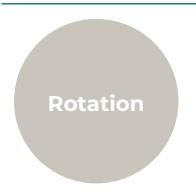
¹ Two committee members are independent non-directors.

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. The Group only listed on the JSE in 2017; however, governance structures have been embedded in the business for many years. 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 with 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 available with voluntary attendance for Board members. > Board members have access to the company secretary to provide any necessary training and are free to approach external service providers for training. Training is provided continuously.
	<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 diversity attributes such as race, gender, culture, age, field of knowledge, skills and experience. > 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.

In November 2020, KAL Corporate Services (Pty) Ltd was appointed to hold the office of company secretary. The Board ensured the provisions of sections 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 Board appoints the CEO 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	Unchanged
2014	3	Unchanged
2015	4	GW Sim, HJ Smit JJ Matthee retired
2016	6	AJ Griesel, DC Gempies
2017	8	T Sulaiman-Bray, LJ Abrams
2018	7	SJ Liebenberg retired
2019	7	Unchanged
2020	7	Unchanged
2021	7	Unchanged
2022	7	AC Abeln, AJ Griesel resigned

EVOLVING OUR STAKEHOLDER ENGAGEMENT

The place where people still count

The Group's stakeholder relations document outlines 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.

Therefore, Kaap Agri's relationship with its stakeholders is anchored by its values and code of ethics, and a stakeholder-inclusive approach to corporate governance is followed.

We focus on effective communication with stakeholders using various 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 effected 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 regarding 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 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 (META) accelerating performance principles > 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 the 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 with 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 of the Department of Trade, Industry and Competition.

Kaap Agri's objective this year was to obtain a level 4 B-BBEE status with procurement recognition of 100%.

Kaap Agri's B-BBEE goals

Kaap Agri has obtained a level 4 contributor status in terms of the sector codes. An overview of the Group's progress is outlined below:

Ownership

Kaap Agri has achieved 24,48% for black ownership and 9,32% for black women ownership.

The Kaap Agri Bedryf Employee and Farm Worker BEE Trust

5% 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 2022, 48 employees benefited from this fund. Of these employees, 42% were female.

The Trust also supported 172 qualifying employees with funding for education, sport and culture, and housing grants. 45% of beneficiaries were male and 55% were female.

Housing grants were provided on an exceptional basis upon motivation from indigent employees who could not secure a home loan. These grants enabled employees to create a safe and more stable home environment for their families.

Financial support to beneficiaries is biased towards employees at lower salary levels, with 163 employee dependants benefitting from educational support, four from sport and culture and five from housing grants.

Management control

The Board is structured to ensure that the directors' collective skills and experience are suitable to carry out their responsibilities and achieve the company's objectives. At Board level, four of the 12 members are black, two of whom are black female members.

Skills development

The Group actively participates 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 2022, 151 learnerships were completed. Four of the 16 unemployed learners of 2021 were enrolled in a progressive learning programme in 2022. We also focused on skills development for people with disabilities and supported 13 learnerships.

Preferential procurement

Kaap Agri has grown into a diversified agri and fuel retail services group which supplies products and services not only to our bedrock agricultural customer, but also to the homeowner, pet lover, building contractor and DIY enthusiast. In 2022, the Group increased its products purchased from B-BBEE-accredited suppliers to more than 76%. 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. The Group applies due diligence processes to ensure that supplier development investments are value-adding, aligned to our business needs, and meaningful to our partners. Our online supplier portal and database, developed as a supplier development initiative, has become embedded in the business. The use of the portal has successfully been integrated into our day-to-day procurement activities. The portal allows buyers to access vetted suppliers to fulfil their supply chain management requirements while suppliers gain access to markets. This year we continued to expand our online supplier portal and database by onboarding new suppliers from the Forge business following the acquisition of Partridge Building Supplies. Supplier development also entails monetary and non-monetary contributions to the development and sustainability of black-owned enterprises' financial and operational independence. As part of the supplier development programme, a black-owned exempted micro-enterprise (a logistics business) was supported with interest-free loans to the value of R7 843 475 for a fleet of delivery vehicles to support the fuel and retail areas of our business. As a result of the support, the business has grown to 10 employees, providing employment opportunities for nine staff members over the two years of the programme.

Enterprise development

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

The Fruit Workers Development Trust ("Trust") and ETI are Kaap Agri's enterprise development beneficiaries. In support of the Trust's work, 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 focused on developing small and micro-enterprises. Through our TFC subsidiary, a logistics business was supported to purchase a delivery vehicle through an interest-free loan of R182 000.

TFC and Kaap Agri supported a citrus farmer in Paarl, enabling the farmer to expand his business. The citrus producer has been onboarded and contracted as a first-time supplier in Kaap Agri's supply chain, providing fresh vegetables and fruit to the community in Paarl and Pniel. The owner of the citrus farming project is a graduate of the Kaap Agri Academy. The R200 000 interest-free loan was used to purchase a tractor to help mechanise his farming activities. The tractor will ensure greater efficiencies on the farm, especially regarding the spray programme and harvesting processes.

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.

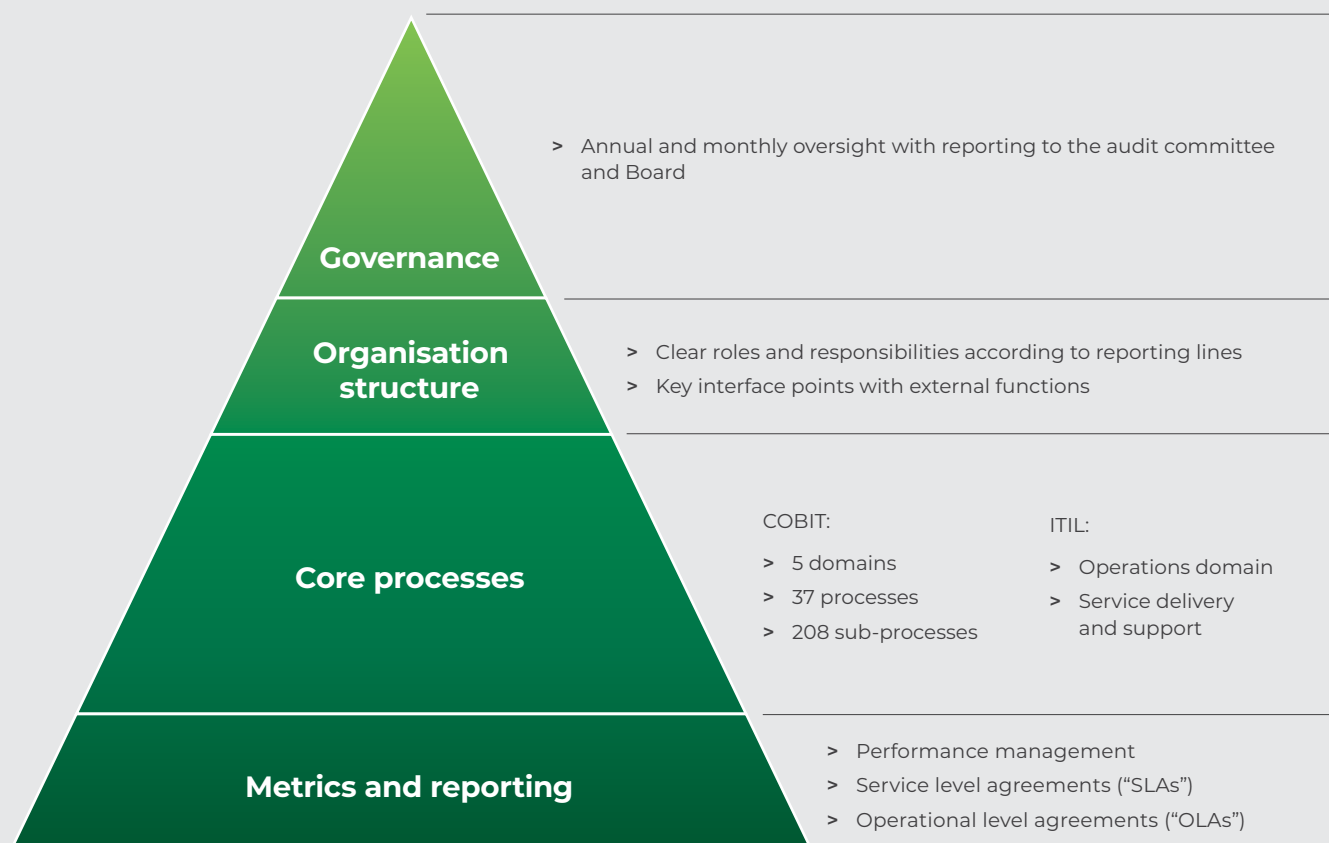
Kaap Agri employees are encouraged to participate in upliftment programmes and thereby contribute to their communities. This upholds our reason for existence: to ensure stakeholders are better off than they otherwise would have been.

Kaap Agri's initiatives are a top priority and make a difference in local communities where our stores are located. During 2022, we embarked on numerous programmes at corporate and branch levels. This year, we invested in donations, sponsorships and contributions of R5 888 128 in education, educational support programmes and various community upliftment programmes in our operating areas, an increase of approximately an additional R1 million relative to last year.

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.



> 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

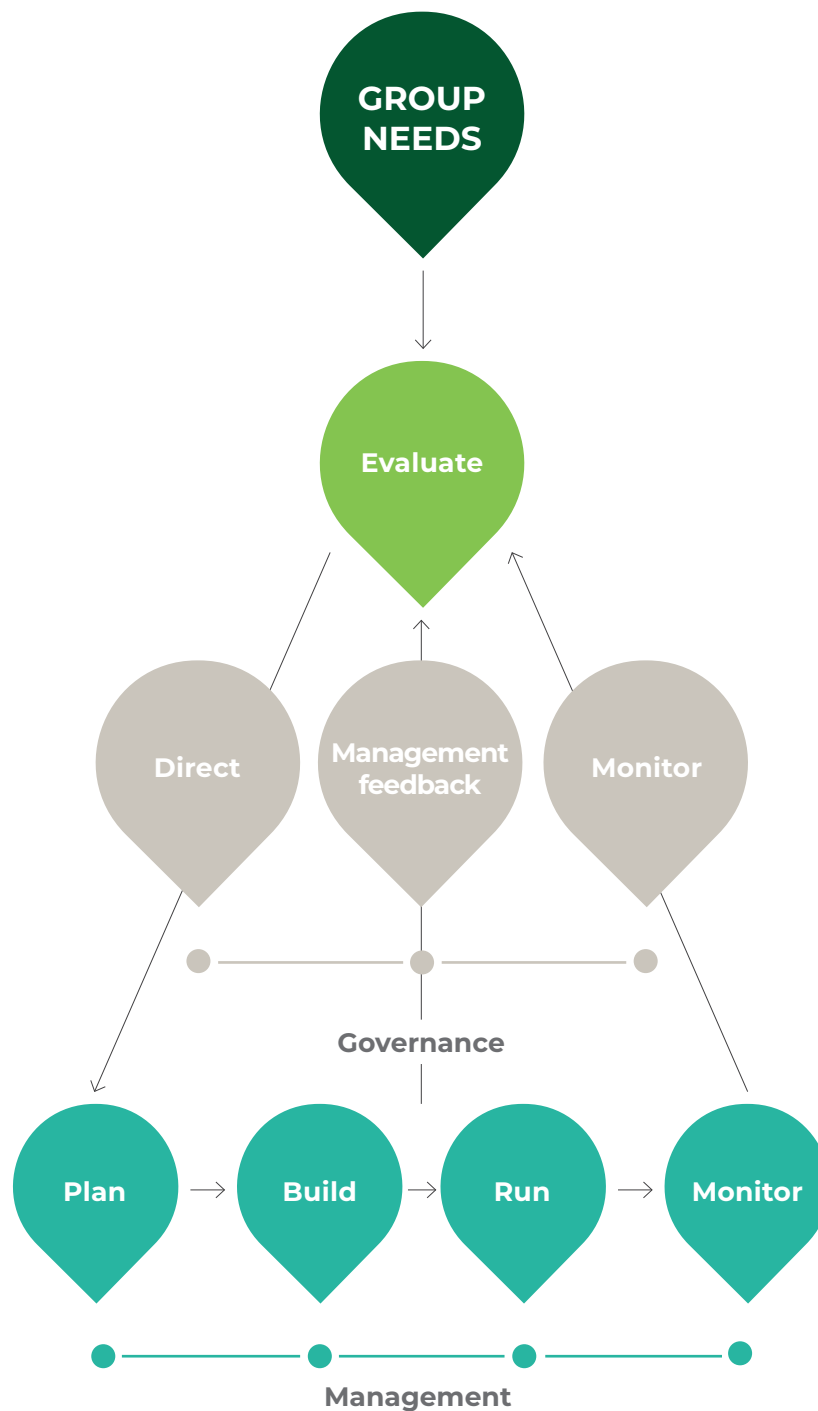
> Metrics and reporting:

- Performance management
- Service level agreements ("SLAs")
- Operational level agreements ("OLAs")

Kaap Agri believes that an effective IM governance model must articulate an optimal allocation of "decision rights" 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. COBIT is a good practice framework created by the international professional association Information Systems Audit and Control Association ("ISACA") for IT management and IT governance.

The Group uses three main perspectives to govern IM:



- > Direct
- > Evaluate
- > Monitor effectively

This process considers 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, among other things, connectivity and security. 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

Kaap Agri will continuously assess and maintain 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 2022, we will continue to address gender diversity, B-BBEE and transformation.

KAAP  **AGRI**



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