

GOVERNANCE FRAMEWORK

KAP Limited 2025

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Definitions and abbreviations

AGM	Annual general meeting
B-BBEE	Broad-based black economic empowerment
Board	The board of directors of KAP Limited as defined in section 1 of the Companies Act, No. 71 of 2008
CEO	Chief executive officer of KAP Limited
CFO	Chief financial officer of KAP Limited
Combined assurance model	A combined assurance model incorporates and optimises all assurance services and functions so that, taken as a whole, these enable an effective control environment, support the integrity of information used for internal decision-making by management, the governing body and its committees, and support the integrity of the company's external reports
Companies Act	The Companies Act, No. 71 of 2008 ('the Companies Act'), as amended from time to time
Director	A member of the board, as contemplated in section 66 of the Companies Act, or an alternate director of the company, and includes any person occupying the position of a director or alternate director, by whatever name designated
EE	Employment Equity/Employment Equity Act
ESG	Environmental, social and governance
Exco	Executive committee
Group	KAP Limited and all of its subsidiaries
ILO	International Labour Organisation
IT	Information technology
JSE	The JSE Limited, licensed as an exchange under the Financials Markets Act
JSE LRs	The JSE Limited Listings Requirements with which a listed entity should comply
King IV™	King IV Report on Corporate Governance™ for South Africa, 2016
MOI	Memorandum of incorporation, as amended from time to time, of KAP Limited

KAP Limited

KAP Limited (Registration number 1978/000181/06), is a public company duly incorporated under the laws of South Africa and listed on the JSE, referred to in this document as 'KAP' or 'the company'. KAP is the ultimate holding company of various subsidiaries.

KAP is a registered public company and is, accordingly, subject to the provisions of the Companies Act and the Companies Regulations, 2011, as amended from time to time. KAP's shareholders have adopted an MOI in terms of which the company is governed. The relationship between KAP, its shareholders and directors, their rights and responsibilities are set out in the MOI.

KAP is required to comply with the continual corporate governance obligations set out in the JSE IRLs, which also require compliance with King IV™.

The group applies the principles set out in King IV™, and incorporates the recommended practices on a holistic, substance-over-form basis.

Corporate governance

In accordance with King IV™, corporate governance is defined by the governing body as the exercise of ethical and effective leadership to achieve the following governance outcomes:

- an ethical culture;
- good performance;
- effective control; and
- legitimacy.

Ethical leadership means leading with integrity, competence, responsibility, accountability, fairness, and transparency. Effective leadership is results driven, achieving strategic objectives, and creating positive outcomes.

What KAP aspires to achieve through corporate governance

'Our holistic approach to corporate governance, at both divisional and group level, remains focused on ensuring that the businesses and affairs of the group are managed in a responsible and ethical manner, to assist with the creation of value in the short, medium and long term, for the benefit of all stakeholders.'

 Gary Chaplin, CEO

The governance framework ('the framework') provides an overview of the corporate governance structures, principles, policies, and practices of the board which, together, enable the group to meet its statutory and regulatory requirements.

The group is committed to high standards of governance that are consistent with regulatory expectations and evolving best practices and are aligned with the company's strategy and risk appetite. Effective corporate governance is not just about overseeing the company's activities and practices, but also doing so in a way that is transparent, independent of management, and ethical.

Purpose

The main purpose of governance is to facilitate and enable the board to make the best decision for the company.

The purpose of this framework is to:

- provide the guiding principles that underpin effective corporate governance;
- understand the statutory and regulatory framework that underpins the principles of corporate governance;
- set out the governance structures (each with a charter) and role players; and
- understand the board's approvals framework through which authority is delegated to management.

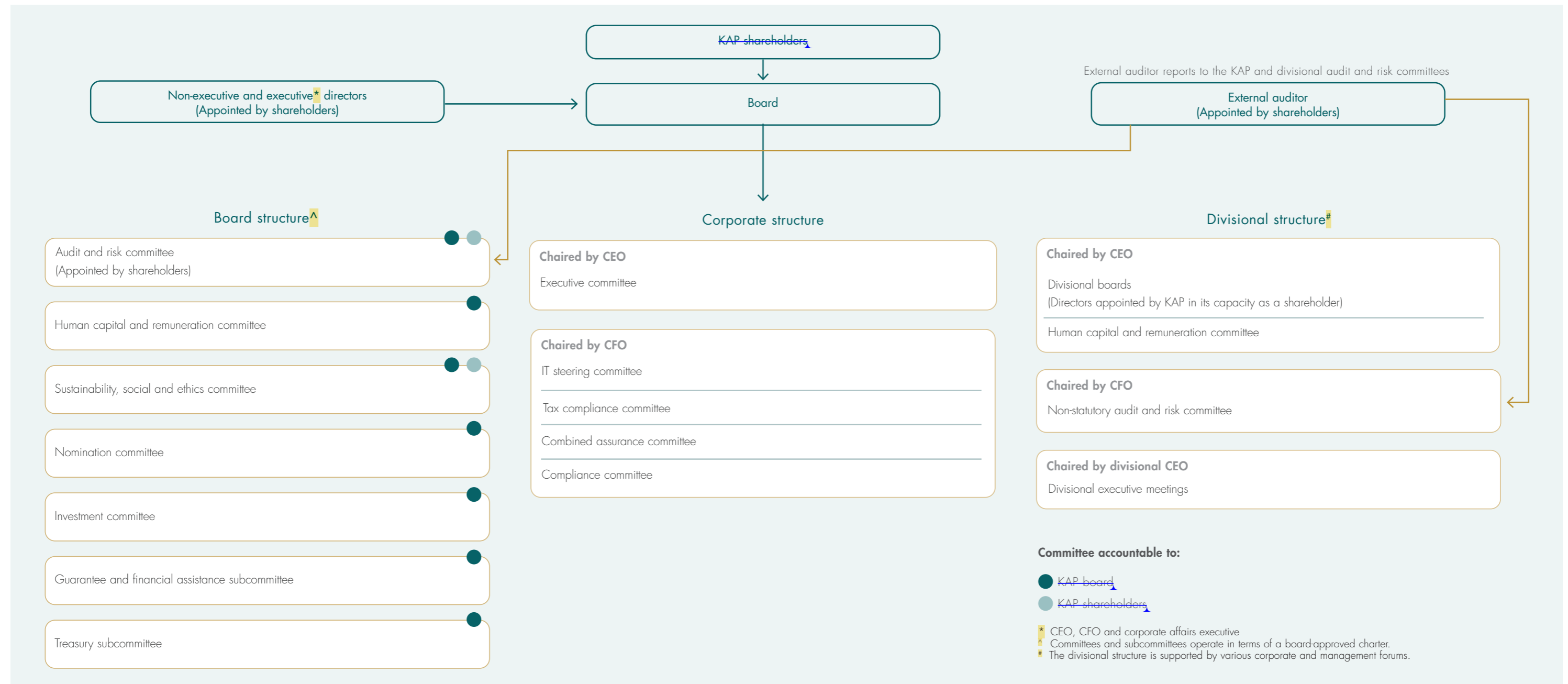
This framework defines reporting lines between the board and its committees to ensure that the approach to strategy and corporate governance remains consistent with the company's policies. While the divisional boards retain their statutory powers of decision-making subject to the approvals framework, decisions on group strategy and other material matters are reserved for the board, as set out in more detail in the board charter.

Scope

This framework affects and is applicable to the group, including all directors, employees, and contractors.

The ultimate responsibility to ensure full and effective control of the group's businesses rests with the board. With guidance from the board, the day-to-day responsibility for ensuring that the group's businesses are managed appropriately rests with the CEO, and is subject to the matters reserved for the board and its committees.

The diagram below illustrates the group's **governance structure**:



Governance principles

Application of governance principles is set out in detail in the annual **corporate governance report**, and should be read with this framework for a complete overview of the group's corporate governance. The principles are fully aligned with the recommendations of King IV™.

Divisional structures support the board, its committees and the corporate structure. The corporate structure is supported by various forums and workshops on a divisional level, chaired by the responsible executive.

Role players

Shareholders

The MOI and, in some instances, shareholders agreements (as the case may be) prescribe which matters require prior approval of shareholders by way of an ordinary or special resolution. This is aligned with the JSE LRs. As a basic rule of thumb, shareholder approval is required in cases where the structure and function of the company are fundamentally changed. This includes, among others:

- any changes to the MOI;
- the increase, alteration or reduction of the issued and/or authorised share capital of the company, including the allotment and issue of shares in the company and the authorisation to issue new securities certificates of the company;
- changes to the classes of shares or voting rights attached to specific shares;
- the granting of financial assistance to related parties;
- financial assistance to related parties for subscription of shares;
- material corporate actions, such as divestments or investments; and
- implementation of share schemes for employees.

Board

The ultimate responsibility for ensuring full and effective control of the group's businesses rests with the board.

The board is committed to being a responsible corporate citizen and continuing to align the business with international best practice in all aspects of governance and ethics. The board executes this responsibility by overseeing management actions and aiming to enhance long-term shareholder value. Directors are elected by the shareholders to supervise management of the business and affairs of the company with the goal of enhancing long-term shareholder value.

The board's role consists of two fundamental elements: decision-making and oversight. The decision-making function is exercised through the formulation (with management) of fundamental policies and strategic goals and the approval of certain significant actions. The oversight function concerns the review of management decisions, the adequacy of systems and controls, and the implementation of policies. The board makes major policy decisions, participates in strategic planning, delegates authority to management and responsibility for day-to-day affairs, and reviews management's performance and effectiveness.

The board retains the right to make certain decisions and delegate others to the board committees. However, delegation does not constitute an abdication, as the execution of all delegated rights are reported to the board.

Board committees

The board delegates specific matters to the board committees to enable more robust, in-depth, focused attention on and interrogation of matters that are material to the board and/or the business.

Committees enable the board to deal with a larger number of issues with greater efficiency by utilising focused expertise on specific areas on behalf of the board. If approached appropriately, the involvement of a committee should ideally also enhance the objectivity of the board's judgement.

The MOI allows the board to delegate matters to any number of committees and/or individuals to assist them in the execution of their mandate. These board committees are constituted in accordance with the recommendations of King IV™, the JSE LRs and the requirements of the Companies Act.

Each committee has a detailed charter dealing with the composition of the committees, the meeting procedures and their roles and responsibilities. All the charters are aligned with the requirements of the Companies Act, King IV™ and other relevant legislation.

In the instance of delegation to individuals, the delegation includes a clear mandate from the committee.

Role players continued

<p>CEO</p>	<p>The day-to-day responsibility for ensuring that the group's businesses are managed appropriately rests with the CEO, in accordance with his role description, as determined by the board from time to time, and subject to the matters reserved for the board and its committees. The CEO may delegate day-to-day duties to divisional management in accordance with the approvals framework and the systems and governance policies set by the board.</p> <p>The role of the CEO includes, but is not limited to, the list below:</p> <ul style="list-style-type: none"> • Manages the operations of the group and is responsible for implementing and executing the approved strategy, policy and operational business plans • Acts as originator of the group's future strategy with the chairperson • Responsible for achieving the group's financial and operational targets and for the ongoing sustainable growth of the group • Accountable to the board for the performance of the group and acting as the chief link between management and the board • Leads in an ethical manner • Ensures ESG compliance • Ensures proper succession planning is in place for executive and senior management • Chairs the Exco and leads and motivates the management team
<p>Exco</p>	<p>The Exco is a management oversight committee. It does not have any decision-making authority, but provides collective oversight of the execution of strategy, operational performance, and governance. The main purpose of the Exco is to assist the CEO in performing his duties, and dealing with the day-to-day activities and business of the group.</p>
<p>CFO</p>	<p>The CFO leads and oversees all aspects of the company's financial strategy in support of the KAP value proposition. He oversees the budgeting and planning process of the group, and plays a critical role in capital allocation to support the strategic direction. Furthermore, he oversees the risk and control processes, including enterprise risk management, compliance, combined assurance, tax and IT, and ensures that an effective system of governance and controls exist across the group.</p>
<p>Company secretary</p>	<p>The company secretary is appointed by the board. The company secretary has a multifaceted role, comprising a statutory role, an advisory role, a compliance role, a governance role, a supportive administrative role, an assurance role, as well as a communication, liaison and intermediary role. Some of these roles are carried out in a cooperative and oversight capacity to:</p> <ul style="list-style-type: none"> • monitor the conduct of each individual director and the board, as a collective, to serve the best interests of the group: acting in good faith, for a proper purpose, with an appropriate degree of care, skill and diligence that may reasonably be expected of a director, who has similar knowledge, skills and experience; • ensure that directors comply with statutory requirements, to provide guidance and advice to directors on their duties, powers, and responsibilities; • function as gatekeeper of the key records and to ensure that statutory records are kept up to date; and • provide governance assurance to the board. <p>The board has appointed KAP Secretarial Services Proprietary Limited, a juristic person, as the company secretary of the company, including its subsidiaries, joint ventures and trusts. In addition, KAP Secretarial Services has been concurrently appointed as the secretary to the board's standing committees.</p>
<p>Chairperson</p>	<p>The independent chairperson provides leadership to the board in respect of the proper and effective functioning of the board as a collective.</p> <p>The chairperson is responsible to:</p> <ul style="list-style-type: none"> • lead the board and guide board debates; • facilitate a constructive relationship between the executive and non-executive directors; • lead the board succession planning in cooperation with the CEO; and • facilitate individual directors' performance assessments.

Key objectives of the board

The detailed responsibilities of the board are set out in a formal board charter, which is reviewed annually. It defines the powers of the board and provides a clear division of responsibilities and the accountability of board members.

The charter is aligned with the recommendations of King IV™ and the provisions of the MOI, the Companies Act, the JSE LRs and other best practice prescripts. The charter is available on the [website](#).

Despite having delegated some of its powers to board committees, the board has retained material powers which include the following:

- approving the strategic direction of the group;
- approving the budgets necessary for the achievement of growth and the group's sustainability;
- approving financial results, the company's statutory annual financial statements and interim reports, and the suite of annual integrated reports, including the notice of AGM;
- making distributions to shareholders, if appropriate;
- allocating capital and resources to ensure an optimal return on shareholders' funds;
- authorising capital expenditure, property and corporate transactions, borrowings and investments, except where powers have been delegated with pre-approved materiality thresholds;
- serving as the focal point and custodian of corporate governance for the group and ensuring that an appropriate corporate governance framework exists and is consistently applied across the group;
- assuming responsibility for the governance of ethics, setting the tone for ethical leadership and ensuring that an appropriate code of ethics is applied across the group;
- ensuring that the company and the group are seen to be responsible corporate citizens by setting the direction for the conduct in this regard;
- ensuring compliance with applicable legislation and applicable best practices;
- ensuring that the business of the group is conducted in accordance with the principles of fairness, accountability, transparency, responsibility, competence and integrity;
- defining levels of materiality and powers of delegation;
- ensuring the adequacy and efficacy of the group's internal control systems and procedures and reporting thereon;
- governing risk and opportunities in a way that supports the company in setting and achieving our corporate goals;
- ensuring that an appropriate, objective and effective risk-based internal audit approach is applied;
- ensuring appropriate governance of our IT assets and monitoring major IT spend;
- ensuring that the group remunerates fairly, responsibly and transparently;
- communicating with internal and external stakeholders in a transparent and timely manner; and
- providing effective leadership and ensuring the overall sustainability of the group.

In carrying out responsibilities, the board strives to ensure that:

- there is a balance of power and authority at board level, and that no single director or group of directors has unfettered powers of decision-making, or that there is an over-reliance on a single director;
- an appropriate balance is maintained between strategy, risk, governance, performance and sustainability, and that they are considered as inseparable elements of the value-creation process;
- an adequate and effective process of corporate governance, including the process of risk and audit management, is established and maintained;
- the consequences of the group's activities do not adversely affect its status as a responsible corporate citizen in the workplace, society, the environment and the economies of the geographical areas in which we operate;
- reasonable procedures are adopted to ensure compliance by the group with all legislation and regulations that may be material to our businesses and affairs; and
- effective and sustainable succession plans are in place for the board members, the group's executive management and other key human resources.

Board committees

The MOI allows the board to delegate matters to any number of committees to assist the directors in the execution of their mandate. These formal board committees are constituted in accordance with the recommendations of King IV™, the JSE LRs and the requirements of the Companies Act. The board has established the following board committees, each with focused expertise to manage specific areas of the business on their behalf:

- the audit and risk committee;
- the sustainability, social and ethics committee;
- the human capital and remuneration committee; and
- the nomination committee.

While the board delegates certain functions to these committees (and to management), the board's own responsibilities are not abdicated. To this end, each of these committees has a formal mandate and charter, enhances balanced decision-making, increases the objectivity of the board's judgement, and serves as a governance measure. As a basic governance principle, the chairperson of each committee gives

the board detailed feedback of committee proceedings, with draft committee meeting minutes included in the board pack.

In addition to the formal committees, the board also appointed the below-mentioned key committees on a voluntary basis to assist in discharging the board's obligations effectively:

- an ad hoc investment committee to consider and provide recommendations to the board in respect of key potential corporate actions and major capital projects and their associated risks;
- ~~a guarantee and financial assistance subcommittee to consider the provision of intergroup guarantees and financial assistance; and~~
- ~~a treasury subcommittee to deal with general banking-related matters and transactions.~~



All the committees have the right to obtain independent, outside professional advice at the company's expense, subject to approval by the chairperson of the board.

Board committees continued

The table below provides an overview of the statutory and charter requirements, purpose and key objectives per committee:

	Audit and risk committee	Human capital and remuneration committee	Nomination committee	Sustainability, social and ethics committee	Investment committee	Treasury subcommittee	Guarantee and financial assistance subcommittee
Composition (minimum requirement)	Three members comprising independent non-executive directors	Three members comprising non-executive directors, majority of whom should be independent	Three members comprising non-executive directors, majority of whom should be independent	Three members comprising non-executive directors, majority of whom should be independent, and one should be an executive director	Majority of non-executive directors with a minimum of two executive directors	Three members of whom the majority should be executive directors	Three members of whom the majority should be executive directors
Appointment	The shareholders appoint the members on an annual basis	Nomination committee to review the tenure and composition and make recommendations to the board as and when required	Board appoints the members	The shareholders appoint the members on an annual basis	Nomination committee to review the tenure and composition and make recommendations to the board as and when required	Board appoints the members	Board appoints the members
Chairperson	Board appoints the chairperson The chairperson should be an independent non-executive director.	Board appoints the chairperson The chairperson should be an independent non-executive director.	Board chairperson or an independent, non-executive director	Independent non-executive director	Nomination committee recommends a chairperson The chairperson should be an independent non-executive director.	n/a	n/a
Standing invitees	The external auditors, internal auditors, CEO, CFO, executives of finance, tax, enterprise risk, IT and treasury and legal.	CEO and corporate affairs executive	CEO	CFO and executives of corporate affairs, investor relations and sustainability, enterprise risk, treasury and legal., and human capital	n/a	n/a	n/a
Purpose and key objectives	<p>The main purpose of the audit and risk committee is to assist the board in fulfilling its audit and risk oversight responsibilities by:</p> <ul style="list-style-type: none"> Reviewing the principles, policies and practices adopted in the preparation of the annual financial statements of companies in the group and to ensure that the annual financial statements and any other formal announcements relating to the financial performance comply with all applicable statutory and regulatory requirements Ensuring that the interim condensed financial statements and the consolidated and company annual financial statements comply with all applicable statutory and regulatory requirements Ensuring that all financial information contained in any consolidated submissions to the board is accurate and complete Assessing annually the appointment of the external auditors and confirming their independence, recommend their appointment at the AGM and approve their fees Reviewing the work of the group's external and internal auditors to ensure the adequacy and effectiveness of the group's financial, operating, compliance and risk management controls Reviewing the management of risk and the monitoring of compliance effectiveness within the group Overseeing the appropriateness of the governance structures relating to IT, in its support of the business to execute the business strategy and day-to-day operations Ensuring that appropriate financial reporting controls and procedures exist and are effective for the company and its subsidiaries Ensuring that the directors have access to all the financial information of the group to allow them to approve the consolidated and company annual financial statements Performing duties that are attributed to it by its mandate from the board, the Companies Act, the JSE LRs, King IV™ and other applicable regulatory requirements 	<p>The main purpose of the human capital and remuneration committee is to assist the board in fulfilling its remuneration responsibilities by:</p> <ul style="list-style-type: none"> Determining the group's overall remuneration policy and approach, and its public disclosure Regulating the remuneration and labour procedures of employees with a focus on the remuneration of senior and executive management Recommending to the board and shareholders the group's remuneration framework, policy and approach, with a specific focus on director and senior executive remuneration Providing assurance to the board 	<p>The main purpose of the nomination committee is to assist the board in fulfilling its employment and succession planning responsibilities by:</p> <ul style="list-style-type: none"> Reviewing the composition of the board and board committees and recommending board succession Reviewing the independence of directors, and especially long-serving directors Categorising directors Recommending the implementation of practices for director development and induction Recommending the rotation of directors at each AGM Providing assurance to the board 	<p>The main purpose of the sustainability, social and ethics committee is to assist the board in fulfilling its sustainability, social and ethical responsibilities by:</p> <ul style="list-style-type: none"> Monitoring activities regarding sustainability matters including SED, ESG, good corporate citizenship, ethics, health and public safety, consumer relationships, and specific labour and employment matters Considering the labour and employment aspects related to EE and B-BBEE in cooperation with the human capital and remuneration committee, and compliance matters in cooperation with the audit and risk committee Providing assurance to the board 	<p>The main purpose of the investment committee is to assist the board in fulfilling its investment/disinvestment responsibilities by:</p> <ul style="list-style-type: none"> Making recommendations to the board in respect of corporate actions and capital allocations in line with the board-approved growth strategy Advising on the scope of due diligence investigations and appropriate funding and/or financing structures for investments Assessing any risks that may be associated with the above actions Reviewing concluded investments within specific time frames to determine whether the intended goals/key returns have been realised 	<p>Attends to day-to-day obligations relating to general banking matters and transactions, including facilities and loans, guarantees, suretyships and other security documents, and to operate KAP's domestic medium-term note programme</p>	<p>Attends to day-to-day obligations relating to the granting of financial assistance, including financial assistance to related or interrelated companies in compliance with sections 44 and 45 of the Companies Act</p>

Board committees continued

	Audit and risk committee	Human capital and remuneration committee	Nomination committee	Sustainability, social and ethics committee	Investment committee	Treasury subcommittee	Guarantee and financial assistance subcommittee
Operational status	<p>Statutory committee in respect of duties assigned via section 94(7) of the Companies Act and regulation 42 of the Companies Regulations, 2011</p> <p>The audit and risk committee is accountable to both the board and shareholders</p> <p>The audit and risk committee has decision-making authority regarding its statutory duties</p>	<p>Board committee with an independent role, with accountability to both the board and shareholders</p> <p>Operates under a charter with duties assigned to it by the board, King IV™, the JSE LRs and various pieces of labour-related legislation</p> <p>The human capital and remuneration committee has decision-making authority regarding specific mandated remuneration-related matters</p>	<p>A board committee that operates under a charter and responsibilities assigned to it by the board, King IV™, the JSE LRs and the Companies Act</p> <p>The nomination committee has no decision-making authority and makes recommendations to the board regarding succession and other director affairs</p>	<p>Statutory committee in respect of duties assigned via section 72(4) of the Companies Act and regulation 43(5) of the Companies Regulations, 2011</p> <p>The sustainability, social and ethics committee is accountable to both the board and shareholders</p> <p>The sustainability, social and ethics committee has decision-making authority regarding its statutory duties</p>	<p>A board committee that operates under a charter, with responsibilities assigned to it by the board</p> <p>The investment committee makes recommendations to the board regarding above threshold capital expenditure and corporate actions</p> <p>The investment committee makes recommendations to the board regarding the scope of due diligence investigations, appropriate funding and/or financing structures and risks in respect of any investment/disinvestment</p>	<p>A board committee that operates under a mandate from the board</p>	<p>A board committee that operates under a mandate from the board</p>

Corporate committees

The corporate committees were established by the CFO in order to improve governance on various aspects to provide assurance to the board.

	Compliance committee	Tax compliance committee	IT steering committee	Combined assurance committee
Composition	<p>This committee comprises:</p> <ul style="list-style-type: none"> • CFO • Treasury and legal executive • Manager: Secretariat • Group compliance manager • Corporate affairs executive 	<p>This committee comprises:</p> <ul style="list-style-type: none"> • CFO • Tax executive • Finance executive 	<p>This committee comprises:</p> <ul style="list-style-type: none"> • CFO • IT executive • Treasury and legal executive • Enterprise risk executive 	<p>This committee comprises:</p> <ul style="list-style-type: none"> • CFO • Treasury and legal executive • IT executive • Finance executive • Manager: Secretariat • Corporate affairs executive • Enterprise risk executive • Tax executive
Chairperson	CFO	CFO	CFO	CFO
Key objectives	<p>Assesses material legislation applicable to the group</p> <p>Analyses legislative developments to manage possible risks related to new legislation and compliance with it</p> <p>Develops, maintains and executes the assurance plan</p>	<p>Monitors and reviews the implications of any tax matters that may have an impact on the profitability, reputation, and sustainability of the group</p> <p>Takes appropriate action and liaises with tax authorities to settle tax-related disputes</p> <p>Develops, maintains and executes the assurance plan</p>	<p>Oversees the work of the divisional IT steering committees</p> <p>Evaluates and directs IT strategy</p> <p>Monitors, assesses and manages compliance with applicable laws and regulations</p> <p>Implements a coherent IT risk management strategy</p> <p>Monitors, assesses and manages the security of information across the group</p> <p>Develops, maintains and executes the assurance plan</p>	<p>Maintains a combined assurance plan for significant risks</p> <p>Identifies relevant assurance providers for each risk and identifies potential assurance gaps</p> <p>Categorises the level of assurance obtained from assurance providers</p> <p>Determines the frequency cycle and the level of assurance required per risk</p>