Notice of annual general meeting 2018

KAP INDUSTRIAL HOLDINGS LIMITED
(Registration number: 1978/000181/06)
JSE share code: KAP
ISIN: ZAE000171963
('KAP' or 'the company')

Notice is hereby given that the 40th annual general meeting of shareholders of KAP will be held at the Spier Hotel in Stellenbosch at 14:00 on Tuesday, 13 November 2018, for the purpose of dealing with the below-mentioned business and, if deemed fit, of passing, with or without modification, the resolutions set out below ('the annual general meeting').

Purpose and general information

The purpose of the annual general meeting is to transact the business set out in the agenda below and to discuss other matters raised by shareholders at the meeting, provided that, in the sole discretion of the chairman of the meeting, such matters directly concern the business of the company and may lawfully be dealt with at an annual general meeting.

Voting

As a general rule and to enhance governance, all voting at the annual general meeting will be by way of a poll and, in this regard, each shareholder entitled to vote shall have one vote in respect of each ordinary share which that shareholder holds.

In order for the proposed ordinary resolutions to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof by shareholders present or represented and entitled to vote at the annual general meeting. For ordinary resolution numbers 4 and 6 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof by shareholders present or represented and entitled to vote at the annual general meeting.

In order for the proposed special resolutions to be adopted, each special resolution must be supported by at least 75% of the voting rights exercised on the resolution by shareholders present or represented and entitled to vote at the annual general meeting.

AGENDA

Ordinary business

1. Presentation of annual financial statements (non-voting agenda point)

The presentation of the audited consolidated annual financial statements of the company and its subsidiaries ('the Group') for the year ended 30 June 2018, which includes the independent auditor's report, the directors' report and the report of the audit and risk committee.

The company's integrated report, which contains the consolidated annual financial statements of the Group, together with the human resources and remuneration committee report and the social and ethics committee report, accompanies the notice of annual general meeting and forms an integral part thereof.

The audited annual financial statements of the company, the integrated report and the social and ethics committee report is available on the company's website at www.kap.co.za.

2. Ordinary Resolution Number 1 – Re-appointment of audit firm and individual auditor

The Companies Act, No. 71 of 2008, as amended ('the Companies Act'), the Listings Requirements of the JSE Limited ('JSE Listings Requirements') and the company's memorandum of incorporation stipulate that the company must each year at its annual general meeting appoint or re-appoint an eligible auditor.

Following interrogation, the audit and risk committee confirmed its satisfaction with the independence of Deloitte & Touche and also its suitability to serve as the company's external auditor, given that Deloitte & Touche meets the requirements of section 90(2) of the Companies Act and section 22 of the JSE Listings Requirements, and accordingly recommended the re-appointment of the firm Deloitte & Touche and Dr Dirk Steyn, the individual who will undertake the audit for the financial year ending 30 June 2019. On appointment, this will be Dr Steyn's third year of performing the external audit of the company and the 15th year that Deloitte will serve as the external auditor of the company. The board has endorsed the recommendation and, accordingly, it is proposed that shareholders pass the following resolution:

"Resolved to and hereby re-appoint the firm Deloitte & Touche, an eligible registered auditor ('the Firm'), as the independent auditor of the company for the ensuing financial year, and Dr Dirk Steyn, a registered auditor and member of the Firm, as the individual who will undertake the audit."

3. **Special Resolution Number 1 – Approval of fees payable to non-executive directors**

The reason for special resolution number 1 is that shareholders are required, in terms of section 66(9) of the Companies Act, to authorise, in advance, the basis of compensation and the remuneration to be paid to non-executive directors for their services as directors, by way of passing a special resolution.

The effect of this special resolution, once approved, will be that the company will have been authorised, for the period until the next annual general meeting, to pay the below-mentioned remuneration to its non-executive directors for the services they render to the company as directors, without requiring further shareholder approval. No fees are payable to the executive directors in respect of their services as directors.

Following a market analysis by an independent external remuneration expert, the company's human resources and remuneration committee has recommended, and the board has endorsed, the below-mentioned remuneration for presentation to shareholders for their approval, by passing the following special resolution:

"Resolved that the remuneration, as set out in paragraphs 3.1 to 3.15 below, be paid to the non-executive directors in respect of their services as directors of the company during the period commencing from the date of the approval of this special resolution until the date of the next annual general meeting, be and is hereby authorised by way of individual stand-alone resolutions:

Non-executive directors' fees	Increase %	2019 R	2018 R
Board membership fees			
3.1 Independent non-executive chairman	6%	**864 000[2]**	815 000[1]
3.2 Non-executive deputy chairman	6%	**546 000[2]**	515 000[1]
3.3 Non-executive deputy chairman – additional services		**360 000[3]**	–
3.4 Member	6%	**344 500[4]**	325 000[4]
3.5 Ad hoc meeting fees (fee per formal meeting)	6%	**74 200[5]**	70 000[5]
Audit and risk committee fees			
3.6 Chairman	25%	**400 000[6]**	320 000
3.7 Member	25%	**200 000[6]**	160 000
Human resources and remuneration committee fees			
3.8 Chairman	6%	**164 300**	155 000
3.9 Member	6%	**79 500**	75 000
Nomination committee fees			
3.10 Chairman	6%	**6 900**	6 500
3.11 Member	6%	**6 900**	6 500
Social and ethics committee fees			
3.12 Chairman	6%	**31 800**	30 000
3.13 Member	6%	**15 900**	15 000
Investment committee fees			
3.14 Chairman (fee per formal meeting)		**30 000[7]**	–
3.15 Member (fee per formal meeting)		**25 000[7]**	–

[1] All-inclusive annual fee.

[2] This fee is no longer an all-inclusive annual fee. From time to time the board may be required to meet formally in addition to the scheduled annual commitments. In the event of formal ad hoc meetings, the independent non-executive chairman and non-executive deputy chairman will qualify for the ad hoc meeting fee upon attendance.

[3] The non-executive deputy chairman facilitates the meetings of the divisional management boards on a quarterly basis as an independent facilitator. Remuneration in relation to these additional services is based on a rate of R15 000 per meeting.

[4] This comprises an annual retainer of R47 700 (2018: R45 000) and a per meeting fee of R74 200 (2018: R70 000), based on four scheduled formal board meetings per annum.

[5] From time to time the board may be required to meet formally in addition to the scheduled annual commitments. In the event of formal ad hoc meetings, all directors will qualify for the ad hoc meeting fee upon attendance. Two formal board meetings were held in addition to the four scheduled board meetings during the 2018 year. Members in attendance at these additional formal board meetings were remunerated at R70 000 per meeting during August 2018.

[6] The above-inflation increase (25%) for the audit and risk committee members is to bring their fees in line with fees paid by comparable organisations, and takes into account the additional responsibilities assumed by the committee as a result of the expansion of the group.

[7] An investment committee was constituted on 14 August 2018 as a subcommittee of the board in order to evaluate corporate actions in relation to the group from time to time and to make recommendations to the board in this regard.

The above non-executive directors' remuneration is exclusive of VAT.

All reasonable travelling and accommodation expenses to attend board and committee meetings are paid by the company."

4. **Ordinary Resolution Number 2 – Election of directors who retire by rotation**

The company's memorandum of incorporation and Schedule 10 of the JSE Listings Requirements stipulate that at least one-third of the non-executive directors of the company must retire by rotation at each annual general meeting. Eligible directors may offer themselves for re-election.

The directors who must retire by rotation in terms of the company's rotation cycle and who are eligible for re-election, are Messrs SH Müller, PK Quarmby, CJH van Niekerk (all independent non-executive directors) and Mr DM van der Merwe (non-executive director).

Mr DM van der Merwe has not made himself available for re-election to the board as a result of his various other responsibilities.

The company's memorandum of incorporation requires that after attaining the age of seventy-one, board members will be required to retire by rotation on an annual basis. At seventy-one years of age, Mr CJH van Niekerk has decided to retire and, as a result, has not made himself available for re-election to the board.

The nomination committee recommended that these vacancies not be filled at present. Consequently, upon recommendation by the company's nomination committee, it is proposed that shareholders pass the following ordinary resolutions:

"Resolved, by way of individual stand-alone resolutions, to and hereby elect the following directors for re-appointment to the board, following their retirement by rotation and who, being eligible, offer themselves for re-election:

4.1 Mr SH Müller (Independent non-executive director);

4.2 Mr PK Quarmby (Independent non-executive director);

4.3 that the vacancies left by Mr DM van der Merwe and Mr CJH van Niekerk not be filled, resulting in a reduction in the number of board members."

A summary of the curricula vitae of each of Mr SH Müller and Mr PK Quarmby is contained in Annexure A to this notice of the annual general meeting.

The board made no appointments during the period that require confirmation by shareholders at this annual general meeting.

5. **Ordinary Resolution Number 3 – Re-election of audit and risk committee members**

The Companies Act and the JSE Listings Requirements stipulate that each public listed company must, each year at its annual general meeting, appoint an audit committee, comprising at least three non-executive directors who are independent and, as a collective body, are suitably qualified, skilled and experienced.

The nomination committee and the board are satisfied that the below-mentioned proposed members are suitably skilled and experienced independent non-executive directors and that they collectively meet the criteria required to fulfil their duties, and accordingly have recommended that shareholders pass the following ordinary resolutions:

"Resolved to and herewith re-elect, by way of individual stand-alone resolutions, the following independent non-executive directors as members of the audit and risk committee of the company until the next annual general meeting:*

5.1 Mr SH Müller;

5.2 Mr SH Nomvete; and

5.3 Mr PK Quarmby."

A summary of the curricula vitae of each of these directors is contained in Annexure A to this notice of the annual general meeting.

* *For the avoidance of doubt, any reference to the 'audit and risk committee of the company' is a reference to the 'audit committee' as contemplated in section 94 of the Companies Act.*

Special business

6. **Ordinary Resolution Number 4 – Placing of shares under the control of the directors for commercial purposes**

In terms of section 38 of the Companies Act and the company's memorandum of incorporation, the directors have the power to issue the unissued and authorised shares of the company at any time as consideration for a bona fide acquisition or amalgamation or merger, or for purposes of a vendor consideration placing, or as capitalisation shares or for purposes of a rights offer. However, the power of the directors is restricted by the company's memorandum of incorporation and the JSE Listings Requirements, which do not permit the directors to issue and allot any unissued shares for cash unless the shareholders at an annual general meeting have approved either a specific or general mandate for such an issue. Since the directors are of the view that it is in the best interests of the company to have flexibility to issue shares for cash (to the extent authorised) for purposes of, inter alia, capital-raising, maintaining a healthy capital adequacy ratio, or for taking advantage of other commercial opportunities as and when they arise, it is proposed that shareholders pass the following resolution as an ordinary resolution:

"Resolved that:

6.1. 134 400 000 (one hundred and thirty four million four hundred thousand) of the company's authorised but unissued ordinary shares of no par value (excluding any treasury shares), equating to approximately 5% (five per cent) of the company's ordinary shares in issue at the date of this annual general meeting, be and they are hereby placed under the control of the directors and that the directors herewith be given a general authority to allot and issue such shares for cash at their discretion, provided that:

- *the board of directors of the company pass a resolution to issue such shares;*
- *this authority shall be valid only until the company's next annual general meeting or for 15 months from the date of the passing of this resolution, whichever period is shorter;*
- *the shares to be issued shall be of a class already in issue (or securities convertible to such a class);*
- *the number of shares that may be issued shall not exceed 134 400 000 ordinary shares of no par value (including securities that are issued under the KAP Performance Share Rights Scheme, but excluding any treasury shares and convertible instruments issued under the authority granted under Ordinary Resolution number 6 below), but in the event of a sub-division or consolidation of issued ordinary shares, this authority will be adjusted accordingly to represent the same allocation ratio;*
- *the maximum discount at which such shares may be issued, is 10% of the weighted average traded price of such shares measured over the 30 business days prior to the date of pricing between the company and the party subscribing for the shares;*
- *for this ordinary resolution in respect of ordinary shares to be adopted, at least 75% of the voting rights exercised on this resolution must be exercised in favour thereof by shareholders present or represented and entitled to vote at this annual general meeting;*
- *all other relevant provisions regarding the issuing of shares as set out in the JSE Listings Requirements, the Companies Act and the company's memorandum of incorporation are fulfilled;*

and further resolved that:

6.2. 1 000 000 000 (one billion) cumulative non-redeemable, non-participating preference shares and 50 000 000 (fifty million) perpetual preference shares (collectively 'the Preference Shares'), be and they are hereby placed under the control of the directors until the next annual general meeting of the company and that the directors be authorised to allot and issue such shares to such person(s) and on such terms and conditions as the directors may in their sole discretion determine, provided that:

- *for this ordinary resolution in respect of Preference Shares to be adopted, more than 50% of the voting rights exercised on this resolution must be exercised in favour thereof by shareholders present or represented and entitled to vote at this annual general meeting;*
- *all other relevant provisions regarding the issuing of the Preference Shares as set out in the JSE Listings Requirements, the Companies Act and the company's memorandum of incorporation, are fulfilled."*

7. Special Resolution 2 – General authority to repurchase shares issued by the company

The reason for this special resolution number 2 is that the company may not acquire its own shares unless the shareholders at a general meeting have in advance approved either a specific or general mandate for such a repurchase of shares.

The effect of this special resolution, once approved, is that the directors will have authority to implement a general repurchase of shares in accordance with the provisions of the Companies Act, the company's memorandum of incorporation and the JSE Listings Requirements.

A repurchase of shares is not contemplated at the date of this notice of annual general meeting; however, the board believes it to be in the best interests of the company to have flexibility to repurchase shares as and when appropriate opportunities arise. Accordingly, the board may avail itself of this authority for purposes of fulfilling its obligations under the KAP Performance Share Rights Scheme or for other reasons. Should the company decide to repurchase shares, it will not do so unless, in the opinion of the directors, all the prescribed statutory solvency, liquidity and capital adequacy requirements are capable of being fulfilled.

Consequently, it is proposed that shareholders pass the following resolution as a special resolution:

"Resolved that the repurchase by the company of shares issued by it, on such terms and conditions as may be determined by the board of directors of the company, and the acquisition by any subsidiary of shares issued by the company, on such terms and conditions as may be determined by the board of directors of any such subsidiary company, be and is hereby authorised as a general approval in terms of the JSE Listings Requirements, provided that:

- *such repurchase is permitted by and is in accordance with the provisions of the Companies Act, the JSE Listings Requirements and the company's memorandum of incorporation or the memorandum of incorporation of each relevant subsidiary (as the case may be);*
- *this general authority shall be valid until the next annual general meeting of the company or for a period of 15 (fifteen) months from the date of passing of this special resolution (whichever period is shorter);*
- *this authority be limited to a maximum of 20% (twenty per cent) of the shares issued in that class in one financial year, provided that subsidiaries of the company may not, collectively, at any time hold more than 10% (ten per cent) in the aggregate of the number of issued shares in the company;*
- *repurchases shall not be made at a price more than 10% (ten per cent) above the weighted average of the market value of the KAP shares traded on the JSE stock exchange for the 5 (five) business days immediately preceding the date on which the transaction is effected;*
- *the repurchase of shares is being implemented through the order book operated by the JSE stock exchange trading system (open market) and done without any prior understanding or arrangement between the company and the counterparty;*
- *the company shall, at any point in time, appoint only one agent to effect the repurchase(s) on the company's behalf;*
- *the company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements, unless implemented in accordance with a repurchase programme which was in place prior to the prohibited period and which programme has been submitted to the JSE in writing and the terms of such repurchase programme have been determined prior to the commencement of the prohibited period, and the repurchase programme will be executed by an independent third party appointed by the company prior to the commencement of the prohibited period;*
- *when 3% (three per cent) of the initial number, i.e. the number of shares in issue at the time that the general authority from shareholders is granted, is cumulatively repurchased and for each 3% (three per cent) in aggregate of the initial number acquired thereafter, an announcement shall be made in accordance with the JSE Listings Requirements; and*
- *the directors shall have passed a resolution, authorising any repurchase and confirming that the company and its subsidiaries, if applicable ('the Group'), has satisfied the solvency and liquidity test as required by the Companies Act and that, since the test was performed, there have been no material changes to the financial position of the Group."*

Information and statement relating to this special resolution

In accordance with paragraph 11.26 of the JSE Listings Requirements, the attention of shareholders is drawn to:

- the importance of this resolution – should shareholders be in any doubt as to which action to take, they are advised to consult appropriate independent advisors; and
- the following information, details of which are reflected in Annexure B to this notice of the annual general meeting regarding the:

- major shareholders of the company; and
- number of authorised and issued shares in the company.

Directors' statement

The directors, whose names are given in Annexure B to this notice of annual general meeting, collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that, to the best of their knowledge and belief:

- there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made;
- confirm that there have been no material changes in the financial or trading position of the Group since the publication of the financial results for the year ended 30 June 2018 and the date of this notice; and
- that, after having considered the effect of a maximum repurchase of shares, for a period of 12 (twelve) months after the date of this notice of the annual general meeting, in their opinion:
  - the company shall satisfy the solvency and liquidity test as contemplated in the Companies Act;
  - the company and the Group will be able to pay its debts as they become due in the ordinary course of business;
  - the assets of the company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be equal to or in excess of the liabilities of the company and the Group;
  - the share capital and reserves of the company and the Group will be adequate for ordinary business purposes; and
  - the working capital of the company and the Group will be adequate for ordinary business purposes.

8. Ordinary Resolution Number 5 – General authority to distribute share capital and reserves

The directors of the company are seeking a general authority from shareholders to make distributions of any share capital, share premium and reserves of the company, with the authority to afford shareholders the right to receive a capitalisation award, subject to the applicable provisions of the Companies Act, the JSE Listings Requirements and the company's memorandum of incorporation. Consequently, it is proposed that shareholders pass the following resolution as an ordinary resolution:

"Resolved that the directors of the company be and are hereby authorised, by way of a general authority, to distribute to shareholders of the company any share capital and reserves of the company or to make any distribution of any nature to shareholders of the company, including the authority to afford shareholders the right to receive shares as a capitalisation award, subject to the provisions of the Companies Act, the JSE Listings Requirements and the company's memorandum of incorporation, provided that:

- *this general authority shall be valid only until the next annual general meeting of the company or for a period of 15 (fifteen) months from the passing of this ordinary resolution, whichever period is shorter;*
- *any general payment by the company shall not exceed 20% (twenty per cent) of the company's issued share capital and reserves, excluding minority interests and any revaluation of assets and intangible assets that has not been supported by an independent professional acceptable to the JSE;*
- *the directors are authorised to afford shareholders the right to receive capitalisation awards or elect instead to receive a cash distribution, as contemplated in this resolution;*
- *any general payment and/or capitalisation award is made pro rata to all shareholders;*
- *a resolution of the board of directors has been passed, authorising the distribution and confirming that the company has satisfied the solvency and liquidity test as contemplated in the Companies Act and that, since the test was performed, there have been no material changes to the financial position of the company and the Group; and*

- *in the case of a general distribution, an announcement shall be published in accordance with the provisions of the JSE Listings Requirements."*

At the date of this notice of annual general meeting, the board does not contemplate using such authority; however, it wishes to retain flexibility to avail itself of this authority if circumstances, including the tax dispensation and a change in market conditions, warrant such a step. In the instance that the company decides to make a distribution as aforementioned, it will not do so unless, in the opinion of the directors, all of the prescribed statutory solvency, liquidity and capital adequacy requirements are capable of being fulfilled.

The directors of the company are of the opinion that, were the company to immediately enter into a transaction to distribute any share capital and/or reserves totalling 20% (twenty per cent) of the current issued share capital and reserves of the company, then, for a period of 12 (twelve) months after the date of this notice of the annual general meeting:

- the company will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the Group will be equal to or in excess of the liabilities of the company and the Group, fairly valued;
- the share capital and reserves of the company and the Group will be adequate for ordinary business purposes; and
- the working capital of the company and the Group will be adequate for ordinary business purposes.

Shareholders are referred to the 'information and statement' under special resolution number 2 above and to Annexure B, which information applies mutatis mutandis to this resolution, save for the respective conditions relating to the solvency and liquidity test in each case.

9. Ordinary Resolution Number 6 – General authority to issue convertible instruments

The directors of the company are seeking a general authority from shareholders to create and issue convertible instruments subject to the applicable provisions of the Companies Act, the company's memorandum of incorporation and the JSE Listings Requirements. Consequently, it is proposed that shareholders pass the following resolution as an ordinary resolution:

"Resolved that the directors of the company be and are hereby authorised, for the period until the next annual general meeting of the company or for 15 (fifteen) months from the date of the passing of this resolution, whichever is the earlier, to issue convertible debentures, debenture stock or other convertible instruments in the capital of the company with a term of not less than 42 months and not more than 84 months, or to create and issue ordinary shares of no par value in the company in settlement of any convertible debentures, debenture stock, or other convertible instruments issued by a subsidiary of the company, up to a maximum of 200 000 000 (two hundred million) of the company's ordinary shares of no par value, equating to approximately 7.5% (seven point five per cent) of the company's ordinary shares in issue, subject to the applicable provisions of the company's memorandum of incorporation, the JSE Listings Requirements and section 41 of the Companies Act, and further subject to a conversion premium of not less than 20% (twenty per cent) above the volume-weighted average traded price of the shares in the company for the 3 (three) trading days prior to pricing, and to such other conversion and other terms and conditions as the directors may determine in their sole discretion; and further that any additional ordinary shares in the capital of the company that may arise from any adjustment to any conversion price of any convertible instrument, issued by the company or any subsidiary, convertible into the capital of the company, may be procured from the authority granted in terms of this ordinary resolution number 6."

Notes:

In the event of a sub-division or consolidation of issued ordinary shares, this authority will be adjusted accordingly to represent the same allocation ratio.

For this ordinary resolution to be adopted, it must be supported by at least 75% of the voting rights exercised on the resolution by shareholders present or represented and entitled to vote at the annual general meeting.

10. Ordinary Resolution Number 7 – Non-binding endorsement of the company's remuneration policy and implementation report (non-binding advisory vote)

The King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™') recommends, and the JSE Listings Requirements require, that the remuneration policy and remuneration implementation report of the company be tabled for separate non-binding advisory votes by the shareholders at each annual general meeting of the company. This enables shareholders to inform themselves how staff members and senior executives within KAP are remunerated, and to express their views as to whether they consider the company's remuneration approach appropriate.

During the year, the company's remuneration policy was reviewed by the human resources and remuneration committee. Material changes were made to the policy, with a specific focus on improving the efficiency of the group's various incentive schemes and for ensuring that incentives are appropriately structured and awarded to drive the group's performance and to attain its strategic goals in the short, medium and long term. The company's remuneration policy and implementation report are set out in Annexure C to this notice of the annual general meeting.

Upon recommendation by the company's human resources and remuneration committee, and endorsement thereof by the board, it is proposed that shareholders pass the following resolutions by way of stand-alone non-binding advisory votes:

"Resolved to and herewith endorse, by way of stand-alone non-binding advisory votes, the company's:

10.1 Remuneration policy; and

10.2 Remuneration implementation report

as set out in Annexure C to this notice of the annual general meeting."

If 25% (twenty-five per cent) or more of the voting rights exercised on this ordinary resolution number 7 is against such resolution, then the board will implement the measures set out in the remuneration implementation report, read with King IV™.

11. Special Resolution Number 3 – General authority to provide financial assistance

In order to achieve its strategic goals, the company has, at all relevant times in the past, provided direct or indirect financial assistance to its subsidiaries, and to related and inter-related companies, as well as for purposes of broad-based black economic empowerment ('B-BBEE') and other transactions for the benefit of the company, which financial assistance includes, inter alia, the granting of loans, providing security and guaranteeing of debt.

In order to achieve its strategic goals, it is essential for the company to continue with the aforementioned business practices.

To this end, shareholders are requested to authorise the directors to provide financial assistance as contemplated in sections 44 and 45 of the Companies Act, which shall empower the directors of the company to provide financial assistance to a general category of recipients that includes persons and the company's subsidiaries and related and inter-related entities within the KAP group, for the purpose of, inter alia, acquiring any option, or any securities, or any convertible instruments (as contemplated in section 44 of the Companies Act), and for granting loans, providing security, guaranteeing debt and subordinating its claims on shareholders' loan accounts (as contemplated in section 45 of the Companies Act), but excludes the provision of financial assistance to prescribed officers and directors of the company and of its subsidiaries and of any related or inter-related company, unless the provision of the financial assistance would be essential for concluding a B-BBEE transaction in the best interest of the KAP group.

Consequently, it is proposed that shareholders pass the following resolution as a special resolution:

"That the company be and is hereby authorised, by way of a general authority and to the extent required and for a period of 24 months from the date of this resolution, to provide direct or indirect financial assistance in favour of any person, or any holding company, or subsidiary or any related or inter-related company, including joint venture companies, related trusts, associated companies and any entity within the KAP group ('the Entities'), being a category of recipients as contemplated in section 44(3)(a)(ii) and section 45(3)(a)(ii) of the Companies Act, generally for the purpose of funding or assisting with any capital or operational expenditure of such Entity, by way of, among others:

- *subordinating the company's claims held on shareholders' and/or intercompany loan account;*
- *entering into funding and facility agreements and debt capital and domestic medium-term note programmes with financing, banking and investment institutions and other funders in respect of facilities and funding afforded to the KAP group, the company and/or any of the Entities;*
- *providing a loan, a guarantee, the provision of security or otherwise for the purpose of, or in connection with, the*

subscription, issue or purchase of any option or any securities or convertible instrument issued or to be issued by the company or by any of the Entities, or for any other purpose;

provided that in each instance:

- *the directors of the company shall adopt a relevant resolution approving the provision of financial assistance;*
- *immediately after having provided any financial assistance, the company shall satisfy the solvency and liquidity test as contemplated in the Companies Act and, where necessary, shall conduct such further tests as may be necessary;*
- *the terms under which the financial assistance is to be given to any Entity, shall be fair and reasonable to the company;*
- *the company shall fulfil all conditions or restrictions in respect of the granting of financial assistance as set out in the company's memorandum of incorporation;*
- *financial assistance may be given to prescribed officers and directors of the company and of its subsidiaries and of any related or inter-related company only if it is essential for concluding a B-BBEE transaction in the best interest of the KAP group."*

12. General

To transact such other business as may be transacted at an annual general meeting.

Authority

Any director or secretary of the company, for the time being, be and is hereby authorised to take all such steps, sign all such documents and to do all acts, matters and things on behalf of the company as may be necessary to give effect to the special and ordinary resolutions passed at this annual general meeting.

By order of the board

KAP SECRETARIAL SERVICES PROPRIETARY LIMITED
Company secretary

15 October 2018

Record dates and other important notices

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company ('the share register') for purposes of being entitled to receive this notice is Friday, 5 October 2018.
2. The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at this annual general meeting is Friday, 2 November 2018, with the last day to trade being Tuesday, 30 October 2018.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the annual general meeting and must accordingly bring a copy of their driver's licence, identity document or passport to the annual general meeting. If in any doubt as to whether any document will be accepted as satisfactory proof of identity, participants should contact the transfer secretaries for guidance in advance.
4. A shareholder entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company. A Form of Proxy, depicting the relevant instructions for its completion, is enclosed for use by a certificated or dematerialised shareholder with 'own-name registration' who wishes to be represented at the annual general meeting. Completion of a Form of Proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.
5. Central Securities Depository Participants ('CSDPs'), brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strate should, when authorised in terms of their mandate, or when instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached Form of Proxy in accordance with the instructions thereon and returning it to the company's transfer secretaries at least 24 hours before the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays). Forms of Proxy will, however, be accepted up until voting commences on the resolutions at the annual general meeting. Duly completed Forms of Proxy, together with the documents conferring the authority to the

signatory and under which it is signed (if any), must be forwarded to the company's transfer secretaries, Computershare Investor Services Proprietary Limited, to the address stated below.

6. A shareholder, who has dematerialised his/her shares (other than those with 'own-name registration'), who wishes to attend the annual general meeting, should instruct his/her CSDP or broker to issue him/her with the necessary written authority to attend the annual general meeting in terms of the custody agreement entered into between the shareholder and his/her CSDP or broker.
7. A shareholder, who has dematerialised his/her shares (other than those with 'own-name registration') who is unable to attend the annual general meeting and wishes to be represented at the annual general meeting, must provide his/her CSDP or broker with his/her voting instructions in terms of the relevant custody agreement entered into between him/her and the CSDP or broker.
8. A shareholder present in person, by proxy or by authorised representation shall, on a show of hands, have one vote, and on a poll, shall have one vote in respect of each share held. However, it is the intent, from a corporate governance perspective, that all voting at the annual general meeting would take place by way of a poll.
9. Shareholders of the company wishing to participate in the annual general meeting by means of electronic participation, must make application in writing to the company secretary, with a copy to the transfer secretaries (at the respective addresses stated below), at least 5 (five) business days prior to the date of the annual general meeting so that arrangements can be made for their participation in the meeting. Shareholders will have to provide details as to how they or their representatives may be contacted to participate electronically, and each shareholder (or its representative) must provide reasonably satisfactory identification for verification in terms of section 63(1) of the Companies Act. The costs of accessing any means of electronic participation will be borne by the shareholder so accessing the electronic participation, and shareholders participating via electronic communication, must still submit completed Forms of Proxy or voting instructions to their CSDP/broker in order for their votes to be counted, as the electronic participation facilities do not accommodate electronic voting. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it may be impractical to do so.

Company's registered address
3rd Floor, The Views
Founders Hill Office Park
18 Centenary Street, Modderfontein
Johannesburg 1645

PO Box 2766
Edenvale 1610
Tel: +27 10 005 3000

Transfer secretaries' address
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

PO Box 61051, Marshalltown 2107
Tel: +27 11 373 0033
Facsimile: +27 11 688 5238
Email: proxy@computershare.co.za

ANNEXURE A

Curricula vitae

Refer to agenda point 4 – Ordinary resolution number 2 – Election of directors who retire by rotation

and

agenda point 5 – Ordinary resolution number 3 – Re-election of audit and risk committee members

Directors who retire by rotation:

- **Steve Müller (57)**

  BAcc (Hons), CA(SA), Sanlam EDP

  Independent non-executive director

  Steve qualified as a chartered accountant and worked at KPMG from 1983 to 1992. In 1992, he joined Rand Merchant Bank as a senior credit manager, and in 1995, he joined Genbel Investments. Over the next 13 years, he functioned in various capacities within that group, including Chief Operating Officer: Equities of Genbel Securities Limited, executive director of Gensec Bank Limited, and served as a non-executive director and member of the audit and remuneration committees of various investee companies within the Genbel Securities Group. During 2008, he left the group to pursue his own interests. Steve served as an independent non-executive director and chairman of the audit committee of SACOIL from 2013 to 2016. In 2012, Steve was appointed as an independent non-executive director of KAP Industrial Holdings Limited and in 2014, he was appointed chairman of the KAP human resources and remuneration committee. He currently also serves on the audit and risk committee, the social and ethics committee and the investment committee. In January 2017, Steve was appointed as an independent non-executive director of the Phumulela Gaming and Leisure Limited board and as the chairman of the company's audit committee. During August 2017, he was appointed as an independent non-executive director of Pepkor Holdings Limited, where he serves as the chairman of the human resources and remuneration committee, and a member of the audit committee.

Chairman of the human resources and remuneration committee
Member of the audit and risk committee
Member of the social and ethics committee
Member of the nomination committee (resigned 14 August 2018)
Member of the investment committee (appointed 14 August 2018)

- **Patrick Quarmby (64)**

  CA(SA) (Hons)

  Independent non-executive director

  Patrick was a partner at Ernst & Young until he moved overseas in 1987. During his nine years overseas, he was employed in the Corporate Finance Department of Schroders in London. He was one of the founding directors of Standard Bank in London and established Standard Bank's presence in Hong Kong. Patrick returned to South Africa and was appointed a director of Dimension Data Holdings Limited in 1996, responsible for the global expansion of the group. Patrick retired from this position in 2014. He was the non-executive chairman of Datacraft Asia, an IT services company listed in Singapore, until it delisted in 2008, and an independent non-executive director of Unitrans Limited, until the acquisition by Steinhoff in 2007. Patrick was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2012, and serves as the chairman of the audit and risk committee. He is also a member of the nomination committee and the investment committee.

Chairman of the audit and risk committee
Chairman of the investment committee (appointed 14 August 2018)
Member of the nomination committee (appointed 14 August 2018)

- **Chris van Niekerk** *(independent non-executive director),* who retires by rotation and is eligible for re-election, did not make himself available for re-appointment. His position on the board will not be filled at this annual general meeting.

- **Danie van der Merwe** *(non-executive director),* who retires by rotation and is eligible for re-election, did not make himself available for re-appointment. His position on the board will not be filled at this annual general meeting.

Election of members of the audit and risk committee of the company:

- **Sandile Nomvete (46)**

  EDP (Wits), Prop Dev Prog (UCT)

  Independent non-executive director

  Sandile is a co-founder of Delta Property Fund and has nearly a decade and a half of experience in executive and non-executive positions. His entrepreneurial and forward-thinking persona has propelled him into becoming one of South Africa's leading business executives. Sandile was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2004, and he is a member of the audit and risk committee.

  Member of the audit and risk committee

- **Steve Müller** – refer to his *curriculum vitae* above.
- **Patrick Quarmby** – refer to his *curriculum vitae* above.

ANNEXURE B

Major shareholders of the company as at 30 June 2018

Breakdown of major and institutional shareholders beneficially holding 5% or more of the company's issued shares	Number of ordinary shares of no par value	Percentage of issued shares
Steinhoff International Holdings N.V.*	**694 206 661**	**25.92%**
Allan Gray	**353 183 098**	**13.19%**
Government Employees Pension Fund	**219 961 702**	**8.21%**
Old Mutual	**140 949 801**	**5.26%**

* *Shares held via Ainsley Holdings Proprietary Limited, a subsidiary of Steinhoff Africa Holdings Proprietary Limited*

Shares of the company as at 30 June 2018

Stated share capital

Authorised	2018 Number of shares	2017 Number of shares
Ordinary shares of no par value	**6 000 000 000**	6 000 000 000
Cumulative, non-redeemable, non-participating preference shares of no par value	**1 000 000 000**	1 000 000 000
Perpetual preference shares of no par value	**50 000 000**	50 000 000
Stated share capital		
Ordinary shares in issue at beginning of the year	**2 662 199 369**	2 440 936 305
Ordinary shares issued during the year	**15 674 971**	221 263 064
Ordinary shares in issue at end of the year	**2 677 874 340**	2 662 199 369

On 4 December 2017, 13 746 334 Ordinary Shares were allotted and issued in settlement of the company's obligation to participants under the KAP Performance Share Rights Scheme.

On 5 December 2017, 1 928 637 Ordinary Shares were allotted and issued in respect of the acquisition of Support-a-Paedic Proprietary Limited and RME Components Proprietary Limited.

Directors of the company as at 30 June 2018

Executive directors

1. Gary Noel Chaplin (Chief executive officer)
2. Frans Hendrik Olivier (Chief financial officer)

Non-executive directors

1. Karel Johan Grové (Non-executive deputy chairman)
2. Theodore Le Roux de Klerk
3. Louis Jacobus du Preez
4. Daniël Maree van der Merwe

Independent non-executive directors

1. Jacob de Vos du Toit (Chairman of the board)
2. Ipeleng Nonkululeko Mkhari
3. Stephanus Hilgard Müller
4. Sandile Hopeson Nomvete
5. Patrick Keith Quarmby
6. Christiaan Johannes Hattingh van Niekerk

ANNEXURE C

Refer to agenda points 10.1 and 10.2 – Ordinary resolution 7 (non-binding advisory vote).

Remuneration report

KAP's remuneration philosophy is to remunerate employees fairly and responsibly in a balanced approach, in order to attract, retain and motivate competent individuals who can contribute meaningfully to the sustainable growth of the company.

The King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™') is effective in respect of financial years that commenced on or after 1 April 2017. KAP endorses King IV™'s inclusive, interconnected approach to corporate governance and its recognition of the importance of ensuring sustainability over the longer term. Fair, responsible and balanced remuneration is viewed as a key factor in ensuring the sustainability of the company.

Human resources and remuneration committee

The board's human resources and remuneration committee ('the committee') operates within defined terms of reference and authority granted to it by the board. The board oversees the implementation and execution of the remuneration policy.

The committee comprises two independent non-executive directors, one of whom is appointed as chairman, as well as another non-executive director. The chief executive officer and certain executive managers attend parts of the meetings by invitation. This committee meets at least once a year and, should this be required, additional ad hoc meetings are convened. During the review period the committee met on 14 August 2017 and all the members were present. The committee chairman is a member of the KAP social and ethics committee, which, inter alia, plays a contributory role in remuneration matters, with particular focus on the ethical and social aspects of remuneration and other benefits to employees.

With effect from 14 August 2018, Mr DM (Danie) van der Merwe resigned from this committee and Mr KJ (Jo) Grové was appointed in his stead by the nomination committee.

Due to the group's decentralised management structures, the committee has established divisional human resources and remuneration subcommittees ('the divisional subcommittees'). The divisional subcommittees are responsible for all human capital management and employee remuneration matters at business-unit level, within the parameters set by the committee. The divisional subcommittees are supported by established human resource practitioners at group, divisional and business-unit level, with responsibility for the implementation and management of human resource and remuneration strategies, policies and practices.

The committee is satisfied that it has fulfilled its responsibilities during the review period. Key areas of focus of the committee during the period under review included:

- a review of the strategic drivers of human resources and remuneration and the alignment thereof to the vision and strategy of the company;
- a review of the group's remuneration policy, which is presented annually for a non-binding advisory vote by shareholders;
- a review of the measurement criteria in relation to the company's cash-settled incentive schemes;
- a review and approval of the remuneration packages of all senior executives, including annual and long-term incentive schemes, in order to ensure that they remain appropriate and act as drivers to the achievement of the business strategy;
- the fulfilment of delegated responsibilities for KAP's share-based incentive schemes;
- a review of the human capital management practices in place across the group to ensure fairness, responsibility and transparency, alignment with King IV™ and compliance with the specific requirements of South African labour legislation; and
- a review of the recommendations of the divisional subcommittees and their assessment of compliance with the terms of reference prescribed by the committee, in order to establish whether the committee can rely on the work of the divisional subcommittees and to ensure that the divisional subcommittees remain aligned with the group's remuneration policy.

Key considerations for the divisional subcommittees include the review of divisional:

- pay structures and equitable base salary increases for all employees;
- performance management systems and processes;
- annual performance incentive schemes;
- long-term incentive schemes; and
- employee relations management, talent management and succession planning, taking due cognisance of employment equity.

Alignment with strategy

The success of KAP's business is critically dependent on its people in order to maintain high standards of quality products and service to customers over time, in very competitive sectors. KAP's remuneration structures are therefore aligned with the group's long-term strategic business priorities, namely:

- to sustain and improve its leading positions in high barrier to entry markets;
- to add value through specialisation in a diverse range of industries, markets and geographies;
- to grow sustainable long-term revenue;
- to increase its sustainable operating profit and cash flows; and
- to improve sustainable return on equity.

A strategic objective of KAP is to be an industry leader in its chosen markets. This implies a requirement to attract and retain the best people in industry and to consistently improve their skills. As KAP has grown into industry-leading positions, it has become increasingly exposed to and benchmarked against global best practice. Although KAP is a South African-based company, it earns approximately 9% of its revenue outside South Africa; it imports a material portion of its inputs from outside South Africa; a significant portion of its inputs are globally indexed in foreign currencies; and it has international shareholders at certain business units who actively participate in the relevant businesses and several technology agreements with international companies. As a result, KAP expects its executives to have knowledge and experience across international borders and to be internationally mobile. KAP therefore competes for management and specialist skills and succession talent in a challenging global marketplace and, as a result, its approach to remuneration needs to remain competitive and encourage retention.

Service contracts

Executives' contracts are subject to terms and conditions of employment as governed by the Labour Relations Act of South Africa. The contracts of the top executives or any other executive directors do not contain termination packages or excessive notice periods.

Directors are subject to regulations on appointment and/or rotation in terms of the company's memorandum of incorporation and the Companies Act, No. 71 of 2008 of South Africa.

Non-executive directors' remuneration

Independent surveys are obtained from expert consultants to assist the committee with its annual review of non-executive directors' fees.

The committee submitted its proposals to the board for the fees payable for the period from the date of the forthcoming AGM to the 2019 AGM, and the board has endorsed the committee's proposals. The proposals have taken into account the growth of the group and the increased responsibilities assumed by the directors. The non-executive directors' remuneration is not linked to the company's share price or share performance. Non-executive directors do not qualify for shares in terms of the KAP Performance Share Rights Scheme and do not hold share rights under this scheme, other than the rights held by the non-executive deputy chairman over 827 893 shares, granted during the period of his service in an executive capacity prior to 31 December 2016 and awaiting maturity.

Refer to the attached implementation report for details of the non-executive directors' fees to be proposed at the forthcoming AGM.

Shareholder approval

Following the introduction of King IV™, in addition to the requirement to obtain shareholder approval for the payment of fees to the non-executive directors as detailed below, the remuneration policy and implementation report will be tabled each year for a separate non-binding advisory vote by shareholders at the AGM. In the event that either the remuneration policy or the implementation report, or both, are voted against by shareholders exercising 25% or more of the total voting rights exercised at the AGM, the committee will issue an invitation to dissenting shareholders to engage with them in a mutually accepted manner and timing in order to address legitimate and reasonable concerns.

At the AGM on 13 November 2017, the shareholders endorsed the remuneration policy of the company by way of a non-binding advisory vote of 87.84% in favour of the policy. In determining appropriate levels of remuneration, the company routinely benchmarks against industry best practice with the use of independent experts.

Remuneration policy

The committee has implemented a remuneration policy, which has been approved by the board and shareholders, to assist in the achievement of the group's strategy and objectives.

The remuneration policy is reviewed on an annual basis and is aligned to the recommendations of King IV™, based on the following principles:

- Remuneration practices throughout the group are aligned with the applicable business vision and strategy.
- Remuneration is set at levels that are competitive and appropriate within the specific markets, geographical areas and industries in which the group operates.
- Incentive-based remuneration, applicable to management involved in determining and implementing the strategy of the group and/or divisions, is determined with reference to demanding performance targets with due regard for the sustainable well-being of the group over the short-, medium- and long-term.
- Executive remuneration is fair, responsible and transparent in the context of overall remuneration in the group.

The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of managerial remuneration and also between short-term financial performance and long-term sustainable stakeholder value creation.

The committee considers each element of remuneration relative to the market and, in determining its quantum, takes into account the performance of the group and/or division, the management team and the individual concerned.

Elements of remuneration

Benchmarking of the remuneration of executive managers and executive directors was undertaken during the financial year, utilising the services of independent experts. The committee is satisfied that remuneration in all forms accruing to employees at all levels is market-related and equitably awarded under the remuneration systems and practices in place.

The remuneration policy covers two elements of remuneration:

Total cost to company guaranteed salary ('salary')

The salary element of remuneration incorporates all guaranteed cash benefits. Its purpose is to provide a competitive level of remuneration for employees. The salary is subject to annual review and is intended to be competitive, with reference to market practice in companies comparable in size, market sector, business complexity and geographic location, as well as equally graded positions. A global grading system has been applied across the group and employee grading has been standardised. Company performance, individual performance, general inflation and changes in responsibilities are also taken into consideration when determining annual base salaries.

The amount of the salary package is determined, with effect from 1 July each year, based on parameters approved by the board, differentiating pay levels based on individual and market factors, as follows:

- Position profiles are compiled for each approved position in each division and department and these are graded using the company's uniform grading system.
- A competency profile and levels of proficiency are determined for each approved position. Annual performance reviews of the employee may lead to the employee receiving merit increments from year to year, which, over time, enable him or her to earn remuneration at a level above the market median for a position, but within market norms.
- The market positioning of the pay of key managers and professional staff is benchmarked and reassessed regularly, using the market median of independent salary surveys as reference points.
- Inflationary remuneration increases are approved from year to year, based on movements in consumer price inflation and gross domestic product indices in South Africa or the relevant country of operation. These may also be influenced by periodic market benchmarking, pay levels being compared for this purpose within the sector using an independent salary survey at least once every second financial year and by the test of general affordability.

The remuneration of employees, other than union and other bargaining structure represented employees, is contracted on a total cost to company package basis, which includes basic salary, allowances and contributions by the company to retirement savings, risk insurance and medical schemes.

In terms of this arrangement, a minimum level of healthcare cover is a condition of employment at certain levels and additional cover is available to employees according to their personal circumstances. The healthcare benefits are outsourced to service providers. The company does not provide post-retirement healthcare benefits for current employees.

The group has various independently administered defined benefit plans.

The company encourages union membership and collective bargaining among its employees in order to provide for responsible and structured engagement. In relation to employees represented by trade unions or similar bargaining structures and similarly graded positions, their wages and substantive conditions of employment are negotiated from time to time with the applicable bargaining structures, preferably via collective bargaining processes. Changes to remuneration and benefits are negotiated in one, two or three-year arrangements. Multi-year arrangements are favoured in terms of stability and consistency in industrial relations. Access by these employees to suitable medical, retirement and associated insured benefits is also facilitated by the company.

Advisory and administrative services are offered on an outsourced basis in relation to employment benefits.

Payments on termination of employment or office, sign-on, retention or restraint payments, commissions and allowances are limited to contractual, legal and/or negotiated obligations and any deviations from this policy in relation to senior executives would require appropriate motivation and the specific approval of the committee.

Variable performance-related incentives ('incentives')

A principle underlying this policy is that senior executives and managers of the company and each of its business units are required to assume more business risk in relation to corporate returns than their subordinates and to place more of their remuneration at risk in relation to the achievement of certain targets. Consequently, they are offered a combination of guaranteed and variable pay to incentivise performance on a short-term and long-term basis.

Variable pay is designed to incentivise and reward both team and individual effort and serves as a tool to attract, motivate and retain staff of the calibre required to achieve the objectives of the business. These policies are also used to ensure that top management are duly motivated to achieve organisational goals and strategic objectives to ensure the long-term sustainability of the company. Bonuses are determined and paid in the financial year following that to which the performance relates and are disclosed together with the applicable performance targets.

Annual incentive bonus ('AIB') for the year ended 30 June 2018

An AIB, payable in cash, is designed to incentivise applicable levels and groupings of management to achieve the divisional and the group's short-term goals.

Financial targets are set by taking into account various factors, including the prevailing economic environment, relevant market conditions in the sectors within which the group operates, the performance of market peers, as well as the group's objective of improving its financial performance over time. Objectives are set after taking into account that management is obliged to maintain the group's assets on a sustainable basis.

For members of the group's executive team, the performance measures for the AIB for the year ended 30 June 2018 include:

1. Achievement of operational and financial growth objectives	
Objective	Metric
Performance against profit target	Headline earnings before tax from continuing operations of R2 149 million
Performance against cash flow target	Cash from continuing operations less net finance cost of R2 498 million
Both of the above objectives need to be achieved in order to qualify for the annual bonus.	
Performance against return on investment criteria	Return on equity of 14%
This objective is managed over time in setting profit and cash flow targets, taking into consideration acquisitions, capital expansion and equity issuances.	

2. Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP

<table>
<tr><th>Objective</th><th>Metric</th></tr>
<tr><td>Securing an appropriate and flexible capital and debt structure in order to minimise the risk of stressed debt or equity issuance in volatile economic environments</td><td rowspan="5">At the discretion of the committee and the board:
▪ successful integration of the various acquisitions
▪ successful completion of various major expansion projects
▪ successful conclusion of the Unitrans Supply Chain Solutions B-BBEE transaction
▪ successful management of the impact of the collapse of a major shareholder
▪ successful increase on the company's bond programme and successful refinancing of maturing debt</td></tr>
<tr><td>Implementation of risk management policy and framework</td></tr>
<tr><td>Successful conclusion and implementation of strategic mergers, acquisitions and disposals</td></tr>
<tr><td>Implementation of growth initiatives, which do not benefit the year under review</td></tr>
<tr><td>Other initiatives, such as B-BBEE, internal audit ratings, health and safety, succession planning, etc</td></tr>
</table>

Should the first component (operational and financial growth objectives) not be met, no bonus will be payable in respect of the second component unless in extraordinary circumstances and with the approval of the committee. Progress against the relevant objectives is monitored on an ongoing basis to ensure that, where required, corrective action is implemented to enable the achievement of all objectives.

AIB allocations to the executive management are weighted as follows:

Role	Percentage of AIB relating to group performance	Percentage of AIB relating to divisional performance	On-target bonus as a percentage of guaranteed salary
Chief executive officer	100%	–	50%
Chief financial officer	100%	–	50%
Divisional chief executive officers	100%	–	50%
Human resources executive	100%	–	50%
Business development executive	100%	–	50%
Stakeholder relations executive	100%	–	50%
Key divisional management	–	100%	15% – 50%

Key executives are further entitled to participate in the value created by performance in excess of budgeted headline earnings before taxation applicable to their respective division or the group. This participation varies between 12% and 20% of such applicable headline earnings before tax excess over budget. Total annual bonuses are, however, limited to 100% of executives' respective annual salary. The group's executive committee (i.e. chief executive officer, chief financial officer, divisional CEOs, human resources executive, business development executive and stakeholder relations executive) participates in a single group AIB pool in order to support the alignment of the interests of executive management with those of the group's shareholders and to ensure the optimal allocation of capital across the group.

The performance objectives for individual divisions are assessed, taking into account their specific industry, identified peers and/or competitors and the maturity of the division. The committee performs an annual review to ensure that the performance measures and the targets set are appropriate within the economic context and the performance expectations for the division or group.

The committee retains the discretion to make adjustments to AIB payments, taking into account both group performance and the overall and specific contribution of the management teams towards meeting the group's objectives. Divisional bonus schemes applicable to middle and junior management are aimed at achieving project, production and sales-related targets.

Long-term incentives applicable to allocations before 30 June 2018

KAP competes for management skills and talent and its approach to remuneration takes account of the need to retain key management over the long term.

Long-term incentives are awarded with the primary aim of promoting the sustainability of the company through business cycles; aligning performance of key management with the interests of stakeholders; and retaining key management over the long term. The long-term incentives comprise a share rights scheme ('SRS') for executive staff and a cash-settled ('LTI') scheme for key senior management.

The allocation of SRS and LTI incentives is at the discretion of the committee and applies to individuals who are key to determining and implementing the long-term vision and strategy at group and/or divisional levels. Benchmark performance criteria are aligned with the group's long-term strategic priorities to ensure that there are no 'windfall' gains. The allocation and quantum of long-term incentives are based on the responsibility levels and salary packages of relevant individuals.

Share rights vest only when the group has achieved its cumulative financial targets over the relevant three-year period, as detailed in the AIB above.

Except as approved by the committee in exceptional circumstances, share rights and LTI allocations will lapse should any participant in the SRS or LTI scheme leave the employ of the group other than in the event of death, incapacity, disability or retirement, as detailed in the share scheme rules approved by shareholders.

The value of SRS allocations to the group's executive management during the year ended 30 June 2018 was as follows:

Role	Percentage of guaranteed salary allocated to share scheme
Group chief executive officer	167%
Group chief financial officer	133%
Divisional chief executive officers	133%
Group human resources executive	100%
Group business development executive	100%
Stakeholder relations executive	100%
Key divisional management	33% – 100%

In order to qualify for the LTI, participants are required to achieve their own division's cumulative targets, as detailed in the AIB above, over a cumulative three-year period.The value of LTI allocations to the group's senior management during the year ended 30 June 2018 were as follows:

Role	Percentage of guaranteed salary allocated to long-term cash incentive
Key divisional management	25% – 67%

All scheme rules, the application thereof and the quantum of allocations are regularly reviewed by the committee to ensure equity and compliance with legislative and regulatory requirements. There have been no changes to the rules of the SRS since its inception.

Implementation report

During the 2018 financial year, the remuneration policy of the group was applied with no deviations.

Total cost to company guaranteed salary

The base salaries of executive management were benchmarked by an external service provider, with reference to market practice by companies comparable in size, market sector, business complexity and geographic location, in order to ensure that they provide a competitive level of remuneration. Base salary increases were awarded based on inflation, except where there were changes in responsibilities and roles that warranted higher increases.

The base salaries of the executive committee comprised the following elements:

Executive directors	Total guaranteed salary 2018	Total guaranteed salary 2017	Increase in guaranteed salary
	R	R	%
Gary Noel Chaplin[1]	6 000 000	5 250 000	14%
Karel Johan Grové[2]	–	3 406 500	–
Frans Hendrik Olivier[3]	3 700 000	3 355 000	10%
Total	**9 700 000**	**12 011 500**	

[1] Gary Noel Chaplin's base salary was increased in the first of a two-phased approach aimed at aligning his remuneration with the market median for companies of similar size and complexity.

[2] Karel Johan Grové retired from his executive position with the company effective 1 January 2017, but continues to serve on the board of directors as the non-executive deputy chairman. No termination benefits were paid to Mr Grové on his retirement. The remuneration is for six months.

[3] Frans Hendrik Olivier's base salary was increased in the first of a two-phased approach aimed at aligning his remuneration with the market median for companies of similar size and complexity.

Other executive committee members	Total guaranteed salary 2018	Total guaranteed salary 2017	Increase in guaranteed salary
	R	R	%
Total[4]	**27 172 000**	**21 355 333**	**27%**

[4] The increase in guaranteed salaries paid to other executive committee members is based on inflation, additional responsibilities resulting from acquisitions, market benchmarks and an increase in the number of executive committee members. The year on year increase, excluding the impact of changes in the number of members, is 7%.

Annual incentive bonus

Bonuses paid in the 2018 financial year were determined in line with the remuneration policy and were awarded based on the following criteria in relation to the 2017 financial year:

1. Achievement of operational and financial growth objectives for the 2017 financial year

Objective	Metric
Performance against profit target	Headline earnings before tax of R1 751 million
Performance against cash flow target	Cash from operations less net finance cost of R1 972 million
Performance against return on investment criteria	Return on equity of 14.5%

2. Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP for the 2017 financial year

Objective	Metric	Performance
▪ Securing an appropriate and flexible capital and debt structure in order to minimise the risk of stressed debt or equity issuance in volatile economic environments ▪ Implementation of risk management policy and framework ▪ Successful conclusion and implementation of strategic mergers, acquisitions and disposals ▪ Implementation of growth initiatives that do not benefit the year under review ▪ Other initiatives, such as B-BBEE, internal audit ratings, health and safety, and succession planning, etc.	At discretion of the committee and the board	The group continued with strategic corporate activities to enhance its quality of earnings and its sustainability into the future. In line with its key investment criteria, the group entered into the following material transactions with a dedicated focus on strategic industrial assets: **Clawback offer** Additional capital was required to contribute to the financing of the major expansion projects within the group and to maintain a healthy capital structure to facilitate future growth of the group. The company therefore offered for subscription, by way of a renounceable clawback offer, 197 368 421 ordinary shares ('the clawback shares'), on terms and conditions detailed in the circular to shareholders dated 22 November 2016 ('the clawback offer'). To underpin the clawback offer, the company entered into a subscription agreement with Ainsley Holdings Proprietary Limited, Allan Gray Proprietary Limited (in its capacity as investment manager and agent for and on behalf of its clients) and Public Investment Corporation SOC Limited ('the subscribers'), for the subscription of the clawback shares pro rata to their existing shareholdings in the company. On 12 December 2016, a total of 180 640 465 ordinary shares were issued to shareholders, at a subscription price of R7.60 per ordinary share, constituting 91.5% of the clawback shares. The balance of 16 727 956 ordinary shares not subscribed for by shareholders, constituting 8.5% of the clawback shares, were accordingly issued to the subscribers on that date, pro rata to their existing shareholdings in the company. **In the diversified industrial segment** Effective 1 July 2016, the group acquired the entire issued ordinary share capital and claims of Ndlovu Forestry Corporation Proprietary Limited ('Ndlovu'). Ndlovu owns 4 821 hectares of land, of which 1 505 hectares are under established pine plantations. **In the diversified chemical segment** Effective 1 January 2017, the group acquired the entire issued ordinary share capital of Safripol Holdings Proprietary Limited ('Safripol'). Safripol is engaged in the manufacture of PP and HDPE, products that are used in the manufacture of a broad range of plastic injection and blow-moulded products. This business operates with a similar business model to that of the group's other chemical operations, Hosaf and Woodchem, and manufactures products which are complementary to those of Hosaf.

2. Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP for the 2017 financial year (continued)		
Objective	**Metric**	**Performance**
		In the diversified logistics segment Effective 1 July 2016, the group acquired an additional 23.09% of the issued ordinary share capital of Xinergistix Proprietary Limited ('Xinergistix'), thereby acquiring control of the company. Xinergistix provides road transport services and fully integrated supply chain management solutions to customers in southern Africa. Effective 1 September 2016, the group acquired the entire issued ordinary share capital and claims relating to the business operations of Lucerne Transport Proprietary Limited ('Lucerne'). Lucerne provides contractual logistics services and is a bulk liquid tanker transport company with a comprehensive fleet of trucks, incorporating a variety of specially configured tankers, structured to transport general chemicals, industrial oils, food products and acids to customers in southern Africa. The operations of Xinergistix and Lucerne are complementary to existing operations within the diversified logistics segment.

The committee reviewed the performance of individuals against the target criteria set out above and confirmed that these criteria were met. AIBs were awarded in line with the remuneration policy and stipulated allocation levels as follows:

Executive directors	Total bonuses 2018
	R
Gary Noel Chaplin	5 250 000
Frans Hendrik Olivier	3 355 000
Total	**8 605 000**

Other executive committee members	Total bonuses 2018
	R
Total	**21 174 000**

Long-term incentives

LTIs were awarded in line with the remuneration policy and stipulated allocation levels. The committee reviewed the performance of individuals against the target criteria (in line with the AIB criteria) for the December 2014 grant and approved the vesting thereof, where target criteria were met.

Executive directors	Offer date	Vesting date	Number of rights as at 30 June 2017	Number of rights (exercised)/ (expired)/ awarded during the year	Number of rights as at 30 June 2018	Market value of rights at grant date	Market value of rights upon vesting	Market value of rights at 30 June 2018
						R	R	R
Gary Noel Chaplin	Dec 2014	Dec 2017	1 543 470	(1 543 470)	–	7 161 701	13 536 232	–
	Dec 2015	Dec 2018	1 151 851		1 151 851	8 189 661		8 627 364
	Dec 2016	Dec 2019	1 401 589		1 401 589	10 638 061		10 497 902
	Dec 2017	Dec 2020	–	1 198 565	1 198 565	10 427 516		8 977 252
Total			**4 096 910**	**(344 905)**	**3 752 005**	**36 416 939**	**13 536 232**	**28 102 518**
Frans Hendrik Olivier	Dec 2014	Dec 2017	507 466	(507 466)	–	2 354 642	4 450 477	–
	Dec 2015	Dec 2018	486 191		486 191	3 456 818		3 641 571
	Dec 2016	Dec 2019	713 328		713 328	5 414 160		5 342 827
	Dec 2017	Dec 2020	–	588 636	588 636	5 121 133		4 408 884
Total			**1 706 985**	**81 170**	**1 788 155**	**16 346 753**	**4 450 477**	**13 393 282**
Total executive directors			**5 803 895**	**(263 735)**	**5 540 160**	**52 763 692**	**17 986 709**	**41 495 800**
Karel Johan Grové[1]	Dec 2014	Dec 2017	1 825 967	(1 825 967)	–	8 472 487	16 013 731	–
	Dec 2015	Dec 2018	827 893		827 893	5 886 319		6 200 919
Total			**2 653 860**	**(1 825 967)**	**827 893**	**14 358 806**	**16 013 731**	**6 200 919**
Total non-executive directors			**2 653 860**	**(1 825 967)**	**827 893**	**14 358 806**	**16 013 731**	**6 200 919**
Total directors			**8 457 755**	**(2 089 702)**	**6 368 053**	**67 122 498**	**34 000 440**	**47 696 719**

[1] *Share rights of Karel Johan Grové have been adjusted to reflect the pro rata entitlement as per the rules of the share scheme in terms of retirement.*

Non-executive directors' remuneration

Non-executive directors' remuneration is reflected as follows based on pre-planned and annually scheduled meetings. Additional meetings are held by the board and its subcommittees from time to time as required and are remunerated accordingly.

Non-executive directors' fees	Increase %	2019 R	2018 R
Board membership fees			
Independent non-executive chairman	6%	864 000[2]	815 000[1]
Non-executive deputy chairman	6%	546 000[2]	515 000[1]
Non-executive deputy chairman – additional services		360 000[3]	–
Member	6%	344 500[4]	325 000[4]
Ad hoc meeting fees (fee per formal meeting)	6%	74 200[5]	70 000[5]
Audit and risk committee fees			
Chairman	25%	400 000[6]	320 000
Member	25%	200 000[6]	160 000
Human resources and remuneration committee fees			
Chairman	6%	164 300	155 000
Member	6%	79 500	75 000
Nomination committee fees			
Chairman	6%	6 900	6 500
Member	6%	6 900	6 500
Social and ethics committee fees			
Chairman	6%	31 800	30 000
Member	6%	15 900	15 000
Investment committee fees			
Chairman (fee per formal meeting)		30 000[7]	–
Member (fee per formal meeting)		25 000[7]	–

[1] All-inclusive annual fee.

[2] This fee is no longer an all-inclusive annual fee. From time to time the board may be required to meet formally in addition to the scheduled annual commitments. In the event of formal ad hoc meetings, the independent non-executive chairman and non-executive deputy chairman will qualify for the ad hoc meeting fee upon attendance.

[3] The non-executive deputy chairman facilitates the meetings of the divisional management boards on a quarterly basis as an independent facilitator. Remuneration in relation to these additional services is based on a rate of R15 000 per meeting.

[4] This comprises an annual retainer of R47 700 (2018: R45 000) and a per meeting fee of R74 200 (2018: R70 000), based on four scheduled formal board meetings per annum.

[5] From time to time the board may be required to meet formally in addition to the scheduled annual commitments. In the event of formal ad hoc meetings, all directors will qualify for the ad hoc meeting fee upon attendance. Two formal board meetings were held in addition to the four scheduled board meetings during the 2018 year. Members in attendance at these additional formal board meetings were remunerated at R70 000 per meeting during August 2018.

[6] The above-inflation increase (25%) for the audit and risk committee members is to bring their fees in line with fees paid by comparable organisations, and takes into account the additional responsibilities assumed by the committee as a result of the expansion of the group.

[7] An investment committee was constituted on 14 August 2018 as a subcommittee of the board in order to evaluate corporate actions in relation to the group from time to time and to make recommendations to the board in this regard.

The above non-executive directors' remuneration is exclusive of VAT.

All reasonable travelling and accommodation expenses to attend board and committee meetings are paid by the company.

Areas of future focus

The committee will focus on its commitment to the application of King IV™ and, in adhering on a transparent basis to the King IV™ principle of fair, responsible and balanced remuneration, will consider all new developments and best practices in this field, in order to further the best interests of all stakeholders.

The company has targeted four key areas of focus in relation to its divisional human resources activities, namely:

- leadership development;
- succession planning;
- employment equity; and
- training and development.

The successful development of these areas will provide a sound platform for sustainable growth of the company and its employees.

The remuneration philosophy of the company was reconsidered during the year in order to encourage a more balanced and socially responsible approach to the running of the business and to ensure that growth is sustainable over the long term. In this regard, the inclusion of B-BBEE, long-term strategy execution, internal audit and compliance, ESG and retention was approved by the committee on 14 August 2018 as measurement criteria in the company's incentive schemes, in addition to the traditional financial targets.

Variable performance-related incentives ('incentives')

This remuneration philosophy historically provided for a high weighting toward risk-based remuneration based on achievement of rigid financial targets, on an 'all or nothing' basis that had the potential to negatively influence the culture of the company and the behaviour of its executives over time. A more balanced approach to the measurement criteria within its incentive schemes was therefore considered and adopted by the committee on 14 August 2018, effective 1 July 2018, in order to promote a more balanced approach to the long-term growth and sustainability of the company. These changes are reflected as follows in relation to:

Annual incentive bonus

Measurement criteria before 30 June 2018		**Measurement criteria after 30 June 2018**	
Measurement criteria	Weighting	Measurement criteria	Weighting
Financial targets	100%	Financial targets	75%
Strategy execution-related incentives remain subject to achievement of financial targets.		B-BBEE targets	15%
		Internal audit and compliance targets	10%

Long-term incentives

Measurement criteria before 30 June 2018		**Measurement criteria after 30 June 2018**	
Measurement criteria	Weighting	Measurement criteria	Weighting
Cumulative three-year AIB financial targets	100%	Cumulative three-year AIB financial targets	35%
		Return on equity three-year targets	15%
		Strategy execution targets	15%
		ESG targets	10%
		Retention	25%

Annual incentive bonus for years after 30 June 2018

As already mentioned, the measurement criteria of the AIB scheme have been amended to take effect from 1 July 2018. The revised measurement criteria and the weighting thereof are detailed as follows:

Objective	Metric	Weighting
Performance against profit target	Core headline earnings per share (at group level) Core headline earnings before tax (at division level)	75%
Performance against cash flow target	Cash from operations, less net cash finance cost, less taxation, (less)/add any capex and investment (over)/underspend	
Performance against B-BBEE scorecard targets	B-BBEE scorecard defined in terms of the B-BBEE Codes of Good Practice	15%
Performance against internal audit and compliance targets	Management effectiveness in maintaining the integrity of the system of internal controls against predetermined criteria	10%

The following changes have also been approved by the committee with effect from 1 July 2018:

- Divisional CEO incentives will be split 50/50 in relation to group and divisional performance against relevant measurement criteria in order to balance divisional performance with group performance, without compromising the optimal allocation of capital across the group.
- A phasing provision has been introduced in order to eliminate the potential negative implications of an ‘all or nothing’ approach to financial targets.
- The cap on executive incentives of 100% of annual cost to company salary has been removed. However, any incentive that exceeds 100% of an executive’s cost to company in a year will be carried forward for payment in the following financial year if the relevant executive is still in the employ of the group and with a clean disciplinary record.

Long-term incentives applicable to allocations after 1 July 2018

As mentioned above, the SRS measurement criteria, which are determined by the committee in terms of the SRS rules, have been amended to take effect from 1 July 2018. The revised measurement criteria and the weighting thereof are detailed as follows:

Objective	Metric	Weighting
1. Achievement of financial targets		
▪ Performance against profit target	Cumulative three-year core headline earnings per share	35%
▪ Performance against cash flow target	Cumulative three-year cash from operations, less net cash finance cost, less taxation, (less)/add any capex and investment (over)/underspend	
▪ Performance against return on investment target	Return on equity over three years	15%
2. Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP		
▪ Securing an appropriate and flexible capital and debt structure in order to minimise the risk of stressed debt or equity issuance in volatile economic environments ▪ Implementation of risk management policy and framework ▪ Successful conclusion and implementation of strategic mergers, acquisitions and disposals ▪ Implementation of growth initiatives, which do not necessarily benefit the year under review ▪ Other initiatives, such as B-BBEE, internal audit ratings, health and safety, succession planning, etc.	Board-approved initiatives	15%
3. Achievement of ESG targets	FTSE4Good Index measurement criteria	10%
4. Retention	Continued employment through the measurement period with a clean disciplinary record on vesting date	25%

Form of Proxy

KAP INDUSTRIAL HOLDINGS LIMITED
(Registration number: 1978/000181/06) | JSE share code: KAP | ISIN: ZAE000171963 | ('KAP' or 'the company')

PROXY

To be completed by certificated shareholders and dematerialised shareholders with own-name registration only.

For use at the 40th annual general meeting of KAP to be held at 14:00 on Tuesday, 13 November 2018, in Stellenbosch at the Spier Hotel, and at any adjournment thereof.

If shareholders have dematerialised their shares with a Central Securities Depository Participant ('CSDP') or broker, other than with own-name registration, they must arrange with such CSDP or broker to provide them with the necessary written authorisation to attend the annual general meeting, or the shareholders concerned must instruct the CSDP or broker as to how they wish their votes to be recorded at the annual general meeting. This must be done in terms of the custody agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (Full name(s) in block letters) ____________________

of (address) ____________________

being the registered holder(s) of ____________________ ordinary shares, hereby appoint:

1 ____________________ of ____________________ or failing him/her

2 ____________________ of ____________________ or failing him/her

3 the chairman of the annual general meeting, as my/our proxy, to vote for me/us and on my/our behalf at the annual general meeting of KAP for purposes of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name(s) in accordance with the following instructions (see Notes on the reverse hereof):

Voting instructions in respect of all/ ____________________ number of shares held	NUMBER OF VOTES (ONE VOTE PER SHARE)		
	In favour of	**Against**	**Abstain**
1. Presentation of annual financial statements	Non-voting agenda point		
2. Ordinary resolution 1: Re-appointment of audit firm and individual auditor			
3. Special resolution 1: Approval of fees payable to non-executive directors:			
3.1 Independent non-executive chairman			
3.2 Non-executive deputy chairman			
3.3 Non-executive deputy chairman – additional services			
3.4 Member			
3.5 Ad hoc meeting fees (fee per formal meeting)			
3.6 Audit and risk committee chairman			
3.7 Audit and risk committee member			
3.8 Human resources and remuneration committee chairman			
3.9 Human resources and remuneration committee member			
3.10 Nomination committee chairman			
3.11 Nomination committee member			
3.12 Social and ethics committee chairman			
3.13 Social and ethics committee member			
3.14 Investment committee chairman			
3.15 Investment committee member			
4. Ordinary resolution 2: Election of directors who retire by rotation and reducing the number of board members:			
4.1 SH Müller			
4.2 PK Quarmby			
4.3 Reducing the number of directors on the board			
5. Ordinary resolution 3: Re-election of audit and risk committee members:			
5.1 SH Müller			
5.2 SH Nomvete			
5.3 PK Quarmby			
6. Ordinary resolution 4: Placing of shares under the control of the directors for commercial purposes:			
6.1 Ordinary Shares			
6.2 Preference Shares			
7. Special resolution 2: General authority to repurchase shares issued by the company			
8. Ordinary resolution 5: General authority to distribute share capital and reserves			
9. Ordinary resolution 6: General authority to issue convertible instruments			
10. Ordinary resolution 7: Non-binding endorsement of:	Non-binding advisory vote		
10.1 Remuneration policy			
10.2 Remuneration implementation report			
11. Special resolution 3: General authority to provide financial assistance			
12. General	Non-voting agenda point		

Shareholders must indicate as follows how their votes must be exercised: Insert an 'X' in the appropriate block if you wish to vote all your shares in the same manner. If not, insert the number of votes in the appropriate block. The total number of votes may not exceed the total to which the shareholder is entitled. Unless otherwise instructed, a shareholder's proxy may vote as he/she thinks fit.

Signed at ____________________ this ____________________ day of ____________________ 2018

Signature ____________________

Any power of attorney and any instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of the power of attorney, must be forwarded to the company's transfer secretaries, Computershare Investor Services Proprietary Limited, at the address stated overleaf, so as to reach them before the time fixed for commencement of the annual general meeting. (Refer to note 5 under 'Record dates and other important notices' in the Notice to this annual general meeting as a suggestion to avert a potential administrative burden at the annual general meeting.)

Notes to Form of Proxy

1. This Form of Proxy should only be used by certificated shareholders or shareholders who have dematerialised their shares with own-name registration.
2. All other shareholders who have dematerialised their shares through a Central Securities Depository Participant ('CSDP') or a broker, and wish to attend the annual general meeting, must arrange with such CSDP or broker to provide them with the necessary written authorisation to attend the annual general meeting or, should they not wish to attend, the shareholders must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder may insert the name(s) of one or more proxies, none of whom need to be a shareholder of the company, in the space provided, with or without deleting the phrase 'the chairman of the annual general meeting'. The person whose name appears first on the Form of Proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the annual general meeting.
4. A shareholder's instruction on the Form of Proxy must be indicated by the insertion of a number of shares in the appropriate space provided, or an 'X' if the shareholder wishes to vote all the shares. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable, but the total of the votes cast, together with any abstentions recorded, may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
5. In order to be effective, completed Forms of Proxy must reach the transfer secretaries at the address stated below and in accordance with the arrangements as set out in note 5 under 'Record dates and other important notices' in the Notice to the annual general meeting.
6. The completion and lodging of this Form of Proxy shall not preclude the shareholder from attending, speaking and voting in person at the annual general meeting to the exclusion of any proxy appointed in terms hereof.
7. Should this Form of Proxy not be completed and/or received in accordance with these notes, the chairman of the annual general meeting may accept or reject it, provided that in the case of acceptance, the chairman is satisfied as to the manner in which the shareholder's votes are to be recorded.
8. Documentary evidence establishing the authority of the person signing this Form of Proxy in a representative or other legal capacity must be attached to this Form of Proxy unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
9. The chairman shall be entitled to reject the authority of a person signing this Form of Proxy:

   9.1 under a power of attorney; or

   9.2 on behalf of a company or on behalf of another entity;

   unless that person's power of attorney or authority has been deposited and registered by the transfer secretaries at the address stated below before the time fixed for commencement of the annual general meeting.
10. Where shares are held jointly, all joint holders are required to sign the Form of Proxy.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
12. Any alterations of or correction to this Form of Proxy must be initialled by the signatory(ies).
13. On a show of hands, every shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of shares he/she holds or represents. However, it is the intent, from a corporate governance perspective, that all voting at the annual general meeting would take place by way of a poll.
14. On a poll, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.
15. Transfer secretaries' address:

    Computershare Investor Services Proprietary Limited

Physical address	**Postal address**	**Contact details**
Rosebank Towers	PO Box 61051	Telephone: +27 11 373 0033
15 Biermann Avenue	Marshalltown	Facsimile: +27 11 668 5238
Rosebank	2107	Email: proxy@computershare.co.za
2196		

www.kap.co.za