

NOTICE OF ANNUAL GENERAL MEETING 2017

Notice of annual general meeting //

for the year ended 30 June 2017

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 39th annual general meeting of shareholders of KAP will be held at 13:00 in the Cellar Hall at the Lanzerac Hotel at 1 Lanzerac Road, Stellenbosch, on Monday, 13 November 2017, 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 5(a) and 8 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)

Presentation of the consolidated audited annual financial statements of the company and its subsidiaries ("the Group") for the year ended

30 June 2017, together with the reports of the directors and the independent auditors thereon, and the audit and risk committee report.

A complete set of the audited financial statements accompanies this notice of annual general meeting and forms an integral part thereof. A report on the operations of the social and ethics committee is available on the company's website at www.kap.co.za.

2. Ordinary Resolution Number 1 – Re-appointment of 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.

Upon recommendation by the company's audit and risk committee, 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.

Having compared and benchmarked the directors' remuneration with the company's peers in the market, the company's human resources and remuneration committee has recommended, and

the board has endorsed such recommendation, that the below-mentioned remuneration for payment to the non-executive directors of the company for the ensuing year be presented to shareholders for their approval, by passing the following special resolution:

“Resolved that the remuneration, as set out in paragraphs 3.1 to 3.11 below, payable to 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:

	2017 R	2018 R
Non-executive directors' fees		
Board of directors		
3.1 Independent, non-executive chairman (all-inclusive fee)	762 000	815 000
3.2 Non-executive deputy chairman (all-inclusive fee) [#]	n/a	515 000
3.3 Member*	305 000	325 000
Committee fees		
Audit and risk committee		
3.4 Chairman	300 000	320 000
3.5 Member	150 000	160 000
Human resources and remuneration committee		
3.6 Chairman	142 000	155 000
3.7 Member	68 000	75 000
Nomination committee		
3.8 Chairman	6 000	6 500
3.9 Member	6 000	6 500
Social and ethics committee		
3.10 Chairman	27 000	30 000
3.11 Member	14 000	15 000

* This comprises an annual retainer of R45 000 for continuous informal commitments, as well as a “per meeting” fee of R70 000. There are four scheduled quarterly board meetings per annum.

[#] The non-executive deputy chairman retired from his executive position in the group with effect from 1 January 2017.

The abovementioned fees are exclusive of VAT.

4. Ordinary Resolution Number 2 – Re-election of directors who retire by rotation

The company’s memorandum of incorporation and 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.

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 who retire by rotation and who, being eligible, offer themselves for re-election:

- 4.1 J de V du Toit;
- 4.2 KJ Grové;
- 4.3 SH Nomvete; and
- 4.4 CJH van Niekerk.”

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

5. Ordinary Resolution Number 3 – Ratification of director appointments made by the company’s board

The company’s memorandum of incorporation and the Companies Act stipulate that all director appointments made by the board between annual general meetings must be ratified at the first subsequent annual general meeting following such appointment.

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 ratify and confirm the appointment of the following directors who were appointed as non-executive directors of the company with effect from 1 October 2017:

- 5.1 TLR de Klerk; and
- 5.2 LJ du Preez.”

Summaries of the curricula vitae of both individuals are contained in Annexure A to this notice of annual general meeting.

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6. Ordinary Resolution Number 4 – 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:*

- 6.1 SH Müller;
- 6.2 SH Nomvete; and
- 6.3 PK Quarmby.”

A summary of the curriculum vitae of each of these directors is contained in Annexure A to this notice of 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

7. Ordinary Resolution Number 5 – 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 are 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 (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:

a. 130 000 000 (one hundred and thirty million) of the company’s authorised but unissued ordinary shares of no par value, 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 the 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 shares may be issued to public shareholders only (as defined in the JSE Listings Requirements) and not to related parties;
- the number of shares that may be issued shall not exceed 130 000 000 ordinary shares of no par value (including securities that are convertible into the company’s ordinary shares of no par value);
- 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 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:

b. 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 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.”*

8. Ordinary Resolution Number 6 – Placing of shares under the control of the directors for share scheme purposes

The company has an ongoing responsibility to fulfil its obligations that may arise under the KAP Performance Share Rights Scheme (“the Share Scheme”). On 14 November 2012, shareholders approved that not more than 366 274 533 ordinary shares of no par value may be used at any time for purposes of the Share Scheme. To date, 95 445 043 share rights have been granted, of which 38 363 722 have vested and were converted into ordinary shares. This number of rights, taken together with the outstanding rights over 39 120 904 shares, is significantly below the afore-mentioned limit authorised by shareholders. It is anticipated that not more than 15 000 000 share rights may vest and be issued in December 2017, while 15 000 000 share rights may be granted to participants in the period up to the next annual general meeting. Consequently, it is proposed that shareholders pass the following resolution as an ordinary resolution:

“Resolved, subject to compliance with the provisions of the JSE Listings Requirements and the Companies Act, that not more than 30 000 000 (thirty million) of the company’s authorised but unissued ordinary shares of no par value be placed under the control of the directors for the continued implementation and fulfilment of any obligations that may arise under the KAP Performance Share Rights Scheme for the period up to the next annual general meeting.”

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

Reason for and effect of special resolution

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 of 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;*
- *the 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);*

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- *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 securities traded for the 5 (five) business days immediately preceding the date on which the transaction is effected;*
- *the repurchase of securities is being implemented through the order book operated by the JSE trading system (open market) and done without any prior understanding or arrangement between the company and the counterparty;*
- *the company will, 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) 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 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 2017 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 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.

10. Ordinary Resolution Number 7 – 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 subject to the applicable provisions of the Companies Act, the JSE Listings Requirements and the company's memorandum of incorporation, with or without the right to receive shares as a capitalisation award. 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, with or without 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 interest 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 afore-mentioned, 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 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.

11. Ordinary Resolution Number 8 – 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

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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, 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 and absolute discretion; it being recorded further that any additional ordinary shares in the capital of the company that may arise from any adjustment to any conversion price of any existing convertible bonds, 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 8."

Note:

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.

12. Ordinary Resolution Number 9 – Non-binding endorsement of the company's remuneration policy and implementation report (non-binding advisory vote)

The King Report on Governance for South Africa 2016 ("King IV") recommends that shareholders, by way of separate non-binding advisory votes, consider the remuneration policy and remuneration implementation report of the company every year 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. The company's remuneration policy and implementation report are set out in Annexure C to this notice of annual general meeting.

Upon recommendation by the company's human resources and remuneration committee, 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:

12.1 Remuneration policy; and

12.2 Remuneration implementation report

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

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

Reason for and effect of special resolution

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 Black Economic Empowerment-related 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.

The reason for this special resolution number 3 is that the company needs to continue with the aforementioned business practices. To this end, shareholders will be requested to authorise the directors to provide financial assistance (as contemplated in sections 44 and 45 of the Companies Act) to a general category of recipients, namely the company's subsidiaries and other related and inter-related companies within the Group, but explicitly excluding the directors and prescribed officers of the Group from receiving financial assistance from the company.

The effect of this special resolution, once adopted, is that the directors of the company will be authorised to provide financial assistance to its subsidiaries and related and inter-related companies (as defined in the Companies Act) 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. Consequently, it is proposed that shareholders pass the following resolution as a special resolution:

"Resolved that the company may provide direct or indirect financial assistance to and in favour of any subsidiary and/or any related and inter-related company within the Group (being a general category of recipients as contemplated in sections 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act):

- generally for the purpose of funding or assisting with any capital or operational expenditure of such subsidiary or company;*
- in connection with funding and facility agreements and debt capital and domestic medium-term note programmes with financing, banking and investment institutions in respect of facilities and funding afforded to the Group;*
- by way of subordinating its claims held on shareholders' and/or intercompany loan account; and/or*

- *in connection with the subscription of any option, or any securities or convertible instruments, issued or to be issued by the company or by a related or inter-related company, or for the purchase of any securities or convertible instruments of the company or of a related or inter-related company, provided that:*
 - *the directors of the company shall in each instance 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 in respect of any subsidiary, related or inter-related company, 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;*
 - *no financial assistance shall be provided to directors and prescribed officers of the Group."*

14. 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



Steinhoff Secretarial Services Proprietary Limited
Company secretary
 13 October 2017

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, 6 October 2017.
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, 3 November 2017, with the last day to trade being Tuesday, 31 October 2017.
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 in advance contact the transfer secretaries for guidance.
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. 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 so as to reach them not later than on Friday, 10 November 2017, at 13:00, provided that any Form of Proxy not delivered to the Transfer Secretary by this time, may be handed to the chairman of the annual general meeting prior to the commencement of the annual general meeting, at any time before the appointed proxy exercises any shareholder rights at the annual general meeting.
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 Central Securities Depository Participant ("CSDP") or broker to issue him/her with the

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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 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 such shareholder shall not be able to vote electronically. 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 secretary's address
28, Sixth Street
Wynberg, Sandton
2090
(PO Box 1955, Bramley, 2018)
Telefax: +27 11 445 3094/
+27 21 808 0794

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

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Curricula vitae

1. Refer to agenda point 4 – Ordinary resolution number 2

Directors who retire by rotation in terms of the memorandum of incorporation of the company and who offer themselves for re-election:

J de V (Jaap) du Toit (63)

BAcc, CA(SA), CTA, CFA

Independent non-executive chairman

Chairman of the nomination committee

Jaap was appointed as senior general manager at the Trust Building Society in 1984, as financial director at SMK Securities Proprietary Limited in 1988, and as their portfolio director in 1990. He was a founder member of PSG Group Limited in 1996 and has since then acted as a director on that board. He acted as chairman of PSG Konsult from its formation in 1998 until 2013, and is still a director on that board. In August 2012, Jaap was appointed as the lead independent non-executive director for PSG Financial Services Limited. Jaap has served, and currently serves, as chairman of various national committees and boards. He was appointed as chairman of KAP Industrial Holdings Limited in 2012, and in 2013 as chairman of the nomination committee.

KJ (Jo) Grové (68)

AMP Oxford

Non-executive deputy chairman

Jo has more than 40 years' experience in finance and banking. In 1976 he founded Medical Leasing Services, a company providing specialised financial services, to medical doctors. In 1987, the business was sold to the Absa Group, the name was changed to MLS Bank and Jo was appointed chief executive, a position he held until 1995. He established Imperial Bank and served on the main board of Imperial Holdings until joining Unitrans Limited as chief executive in September 1998. Jo was appointed as an executive director of Steinhoff International Holdings Limited, following the acquisition by Steinhoff of the majority shareholding in Unitrans Limited, subsequently becoming an alternative executive director on the Steinhoff International Holdings Limited board in December 2007. Jo was appointed as chief executive officer of KAP Industrial Holdings Limited in 2012. Jo stepped down as chief executive and was appointed executive deputy chairman in November 2014 and, on retirement from his executive position on 1 January 2017, was appointed as non-executive deputy chairman.

SH (Sandile) Nomvete (45)

EDP (Wits), Executive Dev Prog (UCT)

Independent non-executive director

Member of the audit and risk committee

Sandile co-founded Delta Property Fund in 2002, which was listed on the Johannesburg Stock Exchange in 2012. He has since led the company to be a predominantly sovereign underpinned fund that is represented in all nine of South Africa's provinces, growing the value of its asset base from R2.1 billion at the time of listing to its current value of R11.4 billion. Through his leadership, Sandile has managed to position Delta as one of the most prominent black-owned and black-managed property funds for government and state-owned enterprises across South Africa. He has more than a decade and a half of experience in executive and non-executive positions. He is a graduate of the Property Development Programme from the University of Cape Town's Graduate School of Business. He also holds an Executive Development Programme and Finance for Non-financial Managers Diploma from the University of Witwatersrand's Graduate School of Business. Sandile was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2004 and is a member of the audit and risk committee.

CJH (Chris) van Niekerk (70)

BA

Independent non-executive director

After a long career in the chemical industry with Sentrachem Group, where Chris managed several operations, he was appointed to the board of PG Bison in May 1998 as chief executive officer. Chris led the management buy-out of PGSI that transformed PG Bison, then listed on the JSE Limited. Steinhoff Africa Holdings Proprietary Limited acquired PG Bison in 2006, expanding the business into sawmilling and forestry before it was integrated into the KAP Industrial Holdings group in 2012. Chris also holds several other directorships, including Investec Equity Partners, Synchem and Phumelela Gaming and Leisure Limited. Chris was appointed to the board of KAP Industrial Holdings Limited in 2012.

Notice of annual general meeting // Annexure A for the year ended 30 June 2017 // continued

2. Refer to agenda point 5 – Ordinary resolution number 3

Ratification of appointments made to the board on 1 October 2017:

TLR (Theodore) de Klerk (47)

BCom (Hons), CTA, HDip (Tax), CFM
Non-executive director

After completing his articles with Ernst & Young, Theodore worked for four years as a corporate tax consultant. He joined Murray & Roberts as financial director of its marine construction operation. He spent five years with Gensec Investment Bank as part of its corporate finance advisory unit, focusing on mergers and acquisitions, capital raisings and related structuring functions. During 2003 he joined Steinhoff as a senior executive with responsibility for mergers and acquisitions, corporate advisory services and investor relations. He was appointed as chief executive officer of the SteinBuild group in 2008. In 2015, Theodore returned to Steinhoff International as director: group services international, serving as a director to several of Steinhoff's operating companies and managing strategic projects on behalf of Steinhoff. Theodore also serves as an alternate director of IEP Group Proprietary Limited. Theodore was appointed as a non-executive director of KAP Industrial Holdings Limited on 1 October 2017.

LJ (Louis) du Preez (48)

BCom, LLB
Non-executive director

Louis qualified as an attorney of the High Court of South Africa in 1997 after completing his articles. He joined Jan S de Villiers and was appointed a partner of the firm in 1998. With the merger of Werksmans Attorneys in 2009, he became a member of the national executive committee of the combined firm and served as such until early 2017. While practising as an attorney, he advised clients on a variety of corporate and commercial matters. He joined the Steinhoff group as General Counsel in mid-2017. Louis was appointed as a non-executive director of KAP Industrial Holdings Limited on 1 October 2017.

3. Refer to agenda point 6 – Ordinary resolution number 4

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

SH (Steve) Müller (56)

BAcc (Hons), CA(SA) Sanlam EDP
Independent non-executive director

Chairman of the human resources and remuneration committee
Member of the audit and risk committee, nomination Committee and social and ethics committee

Steve qualified as a chartered accountant in 1985. In 1993 he joined Rand Merchant Bank as a senior credit manager, and in 1995 he joined Genbel Investments. Over the next 13 years he fulfilled various capacities within that group, including chief operating officer: equities of Genbel Securities Limited, executive director of Gensec Bank Limited, serving 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 was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2012. He was appointed as an independent non-executive director and chairman of the audit committee of AIM on the London Stock Exchange. In 2014 Steve was appointed chairman of KAP's human resources and remuneration committee and serves as a member on the nomination committee, social and ethics committee and audit and risk committee.

SH (Sandile) Nomvete (45)

EDP (Wits), Executive Dev Prog (UCT)
Independent non-executive director
Member of the audit and risk committee

Sandile co-founded Delta Property Fund in 2002, which was listed on the Johannesburg Stock Exchange in 2012. He has since led the company to be a predominantly sovereign underpinned fund that is represented in all nine of South Africa's provinces, growing the value of its asset base from R2.1 billion at the time of listing to its current value of R11.4 billion. Through his leadership, Sandile has managed to position Delta as one of the most prominent black-owned and black-managed property funds for government and state-owned enterprises across South Africa. He has more than a decade and a half of experience in executive and non-executive positions. He is a graduate of the Property Development Programme from the University of Cape Town's Graduate School of Business. He also holds an Executive Development Programme and Finance for Non-financial

Managers Diploma from the University of Witwatersrand's Graduate School of Business. Sandile was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2004 and is a member of the audit and risk committee.

PK (Patrick) Quarmby (63)

CA(SA) (Hons)

Independent non-executive director

Chairman of the audit and risk committee

Patrick was a partner at Ernst & Young until moving 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 of Unitrans 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.

Notice of annual general meeting // Annexure B

for the year ended 30 June 2017

Major shareholders of the company as at 30 June 2017

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 Limited*	1 144 206 661	42.98%
Allan Gray Asset Management	320 171 984	12.03%
Public Investment Corporation (Government Employee Pension Fund)	200 327 431	7.52%

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

Shares of the company as at 30 June 2017

ORDINARY STATED SHARE CAPITAL

	2017 Number of shares	2016 Number of shares
Authorised		
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	2 440 936 305	2 422 812 158
Ordinary shares issued during the year	221 263 064	18 124 147
Ordinary shares in issue at end of the year	2 662 199 369	2 440 936 305

On 10 October 2016 the number of issued ordinary shares increased to 2 444 591 373 following the allotment and issue of 3 655 068 ordinary shares as part payment for the acquisition of the Lucerne Transport Proprietary Limited business.

On 23 November 2016 the number of issued ordinary shares increased to 2 641 959 794 following the granting and listing on the JSE Limited of 197 368 421 ordinary shares as part of the renounceable letters of allotment issued under the claw-back offer for the Safripol Holdings Proprietary Limited acquisition.

On 1 December 2016 the number of issued ordinary shares increased to 2 662 199 369 following the allotment and issue of 20 239 575 ordinary shares in settlement of the company's obligations to participants under the KAP Performance Share Rights Scheme.

Directors of the company as at 30 June 2017

Executive directors

- Gary Noel Chaplin (Chief executive officer)
- Frans Hendrik Olivier (Chief financial officer)

Non-executive directors

- Karel Johan Grové (Non-executive deputy chairman)
- Markus Johannes Jooste*
- Daniël Maree van der Merwe
- Andries Benjamin la Grange*

Independent non-executive directors

- Jacob de Vos du Toit (Chairman of the board)
- Christiaan Johannes Hattingh van Niekerk
- Ipeleng Nonkululeko Mkhari
- Sandile Hopeson Nomvete
- Patrick Keith Quarmby
- Stephanus Hilgard Müller

*On 1 October 2017, Messrs Jooste and La Grange resigned from the board and were replaced by Messrs De Klerk and Du Preez, subject to shareholders' ratification at the annual general meeting.

Notice of annual general meeting // Annexure C

for the year ended 30 June 2017

Refer to agenda points 12.1 and 12.2 – Ordinary resolution 9 (non-binding advisory vote).

Remuneration policy

The human resources and remuneration committee (“the committee”), consisting of two independent non-executive directors and one non-executive director, has implemented a remuneration policy, which has been approved by the board and shareholders. This policy is designed to assist in the achievement of the group’s strategy and objectives and to attract, motivate, reward and retain employees in an ethical and responsible manner. The company’s remuneration policy, which is reviewed on an annual basis, is applied group-wide and commits the group to the achievement of fair, responsible and transparent remuneration, adhering to the following principles:

- Remuneration practices throughout the group and at all levels are aligned with the applicable business strategy and objectives.
- Remuneration is set at levels that are competitive and appropriate within the specific markets and industries in which the group operates.
- Incentive-based remuneration, where applicable, is determined with reference to demanding performance targets with due regard for the sustainable well-being of the relevant division and/or group over the short (1 year), medium (3 years) and longer term.
- Executive remuneration must be fair and responsible in the context of overall remuneration in the group.

The committee has established divisional remuneration committees to ensure the execution of group directives and to cater for industry specific remuneration and incentive drivers, including divisional incentive-based remuneration applicable to other staff levels.

Elements of remuneration

The remuneration policy covers the following elements:

- Total cost to company guaranteed salary for supervisory and management staff.
- Annual incentive bonuses applicable to the relevant level and groupings of employees.
- Longer-term incentives applicable to all employees (ESOPS) and performance-based schemes for senior management who are

excluded from the ESOPS and who are involved in determining and successfully executing the strategy of the group or divisions.

The committee seeks to ensure an appropriate emphasis on the achievement of the performance-related elements of managerial remuneration, in line with the expected sustainable stakeholder value creation. The committee is responsible for ensuring that the remuneration of executive management is fair and responsible.

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 in order to ensure retention and attraction.

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 each level of employee. The salary is subject to annual review. It is intended to be competitive with reference to the median of market remuneration practices in companies comparable in size, market sector, business complexity, geographic location as well as equally graded positions. General inflation, company performance, individual performance and changes in responsibilities are also taken into consideration when reviewing salaries.

Benefits offered as part of the group’s employee value proposition provide security for employees and typically include, among others, membership of a retirement fund with savings and risk benefits as well as medical cover. Employees have the flexibility in both offerings to decide on the level of their participation, based on personal circumstances.

Payments on termination of employment or office, sign-on, retention, restraint or separation payments, commissions and allowances are limited to the contractual and legal obligations of the company and any deviations must be approved by the committee.

Remuneration and other benefits for bargaining council and related levels of employees are set through a process of collective bargaining with the representative labour unions and employee representative bodies active within the various industries and countries within which the group operates.

Notice of annual general meeting // Annexure C

for the year ended 30 June 2017 // continued

Annual incentive bonus (“AIB”)

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

The AIB is based on the achievement of group or divisional financial targets, as well as strategic and personal performance objectives as determined by the committee, the board and the executive committee of KAP. Financial targets are set, 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 return on equity over time.

These objectives are set after taking into account that management is obliged to maintain the group’s assets on a sustainable basis.

Bonuses are determined and recorded in the financial year following that to which the performance relates. For members of the group’s executive team, the performance measures for the annual bonus plan include:

Objective

Metric

1. Achievement of operational and financial growth objectives

Performance against profit target

Headline earnings before tax

Performance against cash flow target

Conversion of EBIT into cash generated from operations

Return on equity

Both of the above objectives need to be achieved in order to qualify for the annual bonus.

Performance against return on investment criteria

This objective is managed over time, 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

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

At the discretion of the committee and the board of the company

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, succession planning, etc.

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

AIB allocations to the group's senior management are weighted as follows:

Role	Percentage of AIB relating to group performance	Percentage of AIB relating to divisional performance	On-target bonus as percentage of guaranteed salary
Group chief executive officer	100%	–	50%
Group chief financial officer	100%	–	50%
Divisional chief executive officers	100%	–	50%
Group human resources officer	100%	–	50%
Group business development executive	100%	–	50%
Key divisional management		100%	15% – 50%

Key executive staff is further entitled to share in performance in excess of budgeted headline earnings before taxation applicable to their respective division or the group, varying between 12% and 20% as maximum of such applicable excess. 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 and business development 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 optimum 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 levels are approved at divisional human resources and remuneration committees and are aimed at enhancing and achieving production-related targets.

Longer-term incentives ("LTIs")

KAP competes for management skills and talent in the African employment marketplace, and its approach to remuneration takes account of the need to retain key management over the longer term. LTIs 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 longer term. The LTIs comprise a share rights scheme for executive staff and a cash-settled scheme for key senior management.

The allocation of incentives is at the discretion of the committee, and apply to individuals who are key to determining and implementing the long-term business strategy at group and/or divisional levels. Benchmark performance criteria are therefore aligned with the group's long-term strategic priorities. The allocation and quantum of LTIs are based on the responsibility levels and salary packages of relevant individuals.

Share rights vest only when the group has achieved its cumulative targets over the relevant three-year period, as detailed in the AIB above. In order to qualify for the LTI, participants of the cash-settled scheme are required to achieve their own division's cumulative targets, as detailed in the AIB above, over the same period.

As this is a rolling scheme over three-year cycles per allocation, the longer-term impact of performance measures is guaranteed.

Notice of annual general meeting // Annexure C

for the year ended 30 June 2017 // continued

The value of share scheme allocations to the group's executive staff is 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%
Key divisional management	33% – 100%

An additional condition of the vesting of each share rights grant is that the recipient has retained the previous year's vested shares, which effectively extends the scheme to a minimum four-year scheme and further encourages the retention of shares by recipients.

The value of long-term cash incentives to the group's senior management is as follows:

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

A condition of the vesting of each share rights grant is that the recipient has retained the previous year's vested shares, which effectively extends the scheme to a minimum four-year scheme and further encourages the retention of shares by recipients.

All schemes' rules, the application thereof and quantum of allocations are regularly reviewed by the committee to ensure equity and compliance with legislative and regulatory requirements.

Fees payable to non-executive directors

The chief executive officer of the group, in liaison with the chairman of the committee, shall recommend to the board the payment of fees payable to the non-executive directors of the company, having due regard to fees payable to non-executive directors of comparable groups and to any additional responsibilities and other board-appointed committee memberships. The board will submit such recommended fees to shareholders for approval at each annual general meeting.

Shareholder approval

In addition to the requirement to obtain shareholder approval for the payment of fees to the non-executive directors, the remuneration policy and implementation report will be tabled each year for separate non-binding advisory votes by shareholders at the annual general meeting. 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 annual general meeting, 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.

Implementation report

During the 2017 financial year the remuneration policy of the group was applied with no deviations.

1. 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, 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 executive management comprised the following elements:

Executive directors	Total guaranteed salary 2017 R	Total guaranteed salary 2016 R	Increase in guaranteed salary %
Gary Noel Chaplin ¹	5 250 000	4 000 000	31%
Karel Johan Grové ²	3 406 500	5 406 000	–
Frans Hendrik Olivier ³	3 355 000	2 335 237	44%
John Peter Haveman ³	–	2 500 000	–
Total	12 011 500	14 241 237	

¹ Gary Noel Chaplin's base salary was increased to account for the additional responsibilities assumed by him following the retirement of Karel Johan Grové from his executive responsibilities.

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.

³ John Peter Haveman resigned from the board on 15 April 2016 as CFO, with a consulting role for six months in order to ensure a smooth handover process to Frans Hendrik Olivier, who was appointed as CFO, with his base salary being increased in 2017 as a result of the new role and responsibilities. No termination benefits were paid to Mr Haveman on his resignation.

Other executive committee members	Total guaranteed salary 2017 R	Total guaranteed salary 2016 R	Increase in guaranteed salary %
Total⁴	21 147 000	19 522 000	8%

⁴ The increase in guaranteed salaries paid to other executive committee members is based on inflation and additional responsibilities resulting from acquisitions and market relativity.

Notice of annual general meeting // Annexure C

for the year ended 30 June 2017 // continued

2. Annual incentive bonus

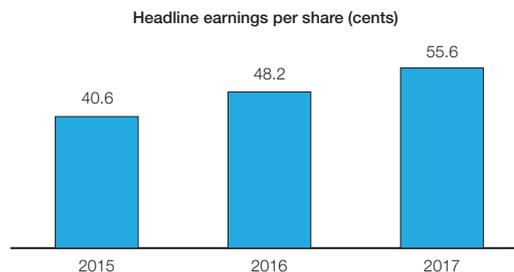
Bonuses are determined in line with the remuneration policy and were awarded based on the following criteria:

Objective	Metric	Performance
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1. Achievement of operational and financial growth objectives

- Performance against profit target

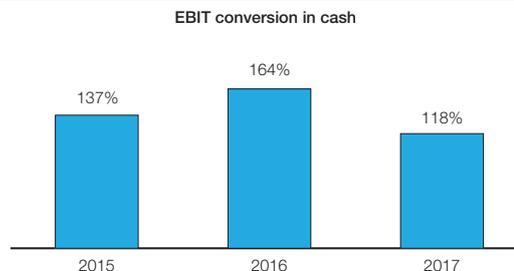
Growth in headline earnings per share



Growth of headline earnings per share from continuing operations in excess of budget.

- Performance against cash flow target

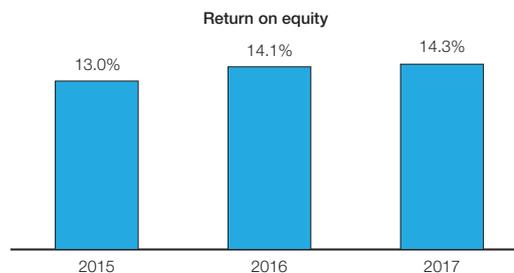
Conversion of EBIT into cash generated from operations



Conversion of EBIT into cash generated from operations, calculated as cash generated from operations divided by EBIT, has exceeded a minimum requirement of 80%.

- Performance against return on investment criteria

Growth in return on equity



Return on equity (calculated as profit from continuing operations attributable to owners of the parent divided by the average total equity attributable to equity holders of the parent) has exceeded budget.

Objective**Metric****Performance****2. Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP**

<ul style="list-style-type: none">• 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.	<p>At discretion of committee and the board</p>	<p>The group continued with strategic corporate activities to enhance the group’s 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:</p> <p>Claw-back offer</p> <p>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.</p> <p>The company therefore offered for subscription, by way of a renounceable claw-back offer, 197 368 421 ordinary shares (“the Claw-back Shares”), on terms and conditions detailed in the circular to shareholders dated 22 November 2016 (“the Claw-back Offer”). To underpin the Claw-back 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 Claw-back Shares pro rata to their existing shareholdings in the company.</p> <p>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 Claw-back Shares. The balance of 16 727 956 ordinary shares not subscribed for by shareholders, constituting 8.5% of the Claw-back Shares, were accordingly issued to the Subscribers on that date, pro rata to their existing shareholdings in the company.</p> <p>In the diversified industrial segment</p> <ul style="list-style-type: none">• 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.• On 18 April 2017, the group announced the intended closure or, as an alternative, the disposal of Glodina, a division of KAP Homeware Proprietary Limited, being a non-core asset. This is anticipated to be finalised in the following year.
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Notice of annual general meeting // Annexure C

for the year ended 30 June 2017 // continued

Objective	Metric	Performance
2. Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP continued		
		<p>In the diversified chemical segment</p> <ul style="list-style-type: none"> 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. <p>In the diversified logistics segment</p> <ul style="list-style-type: none"> 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.

Note: Bonuses are determined and recorded in the financial year following that to which the performance relates.

	Total bonuses 2017 R
Executive directors	
Gary Noel Chaplin	4 000 000
Karel Johan Grové ¹	5 750 000
Frans Hendrik Olivier	2 271 096
Total	12 021 096

¹ Relates to the period of service by Mr Grové as executive deputy chairman for the 12 months ended 30 June 2016.

**Total bonuses
2017
R**

Other executive committee members

Total	19 278 250
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3. Long-term incentives

Long-term incentives 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 2013 grant and approved the vesting thereof where target criteria were met.

Executive directors	Offer date	Vesting date	Number of rights as at 30 June 2016	Number of rights (exercised)/ (expired)/ awarded during the year	Number of rights as at 30 June 2017	Market value of rights at grant date R	Market value of rights upon vesting R	Market value of rights at 30 June 2017 R
Gary Noel Chaplin	December 2013	December 2016	1 334 188	(1 334 188)	–	4 602 949	10 126 487	
	December 2014	December 2017	1 543 470	–	1 543 470	7 161 701		12 548 411
	December 2015	December 2018	1 151 851		1 151 851	8 189 661		9 364 549
	December 2016	December 2019	–	1 401 589	1 401 589	10 638 061		11 394 919
Total			4 029 509	67 401	4 096 910	30 592 372	10 126 487	33 307 879
Karel Johan Grové ¹	December 2013	December 2016	2 818 191	(2 818 191)	–	9 722 759	21 390 070	
	December 2014	December 2017	2 191 160	(365 193)	1 825 967	8 472 487		14 845 112
	December 2015	December 2018	1 556 726	(728 833)	827 893	5 886 319		6 730 770
Total			6 566 077	(3 912 217)	2 653 860	24 081 565	21 390 070	21 575 882
Frans Hendrik Olivier	December 2013	December 2016	560 744	(560 744)	–	1 934 567	4 256 047	
	December 2014	December 2017	507 466	–	507 466	2 354 642		4 125 699
	December 2015	December 2018	486 191		486 191	3 456 818		3 952 733
	December 2016	December 2019	–	713 328	713 328	5 414 160		5 799 357
Total			1 554 401	152 584	1 706 985	13 160 187	4 256 047	13 877 789
Total executive directors			12 149 987	(3 692 232)	8 457 755	67 834 124	35 772 604	68 761 550

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

Refer to note 30 of the audited consolidated annual financial statements at www.kap.co.za for details on the remuneration earned by executive directors for the year ended 30 June 2017.

Notice of annual general meeting // Annexure C
for the year ended 30 June 2017 // continued

Non-executive directors' remuneration

Non-executive directors' remuneration	2018 R	2017 R
Board membership fees		
Independent non-executive chairman (all-inclusive fee)	815 000	762 000
Non-executive deputy chairman (all-inclusive fee) [#]	515 000	–
Member*	325 000	305 000
Committee fees		
Audit and risk committee		
Chairman	320 000	300 000
Member	160 000	150 000
Human resources and remuneration committee		
Chairman	155 000	142 000
Member	75 000	68 000
Nomination committee		
Chairman	6 500	6 000
Member	6 500	6 000
Social and ethics committee		
Chairman	30 000	27 000
Member	15 000	14 000

The proposed committee fees are based on the planned number of meetings and are exclusive of VAT.

[#] The non-executive deputy chairman retired from his executive position in the group with effect from 1 January 2017.

* This comprises an annual retainer of R45 000 for continuous informal commitments, as well as a 'per meeting' fee of R70 000. There are four scheduled quarterly board meetings per annum.



Steve Müller

Chairman: KAP group human resources and remuneration committee

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 39th annual general meeting of KAP to be held at 13:00 on Monday, 13 November 2017, in the Cellar Hall at the Lanzerac Hotel, at 1 Lanzerac Road, Stellenbosch, 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 auditor firm and individual auditor			
3.	Special resolution 1: Approval of fees payable to the non-executive directors:			
3.1	Independent non-executive chairman			
3.2	Non-executive deputy chairman			
3.3	Board members			
3.4	Audit and risk committee chairman			
3.5	Audit and risk committee members			
3.6	Human resources and remuneration committee chairman			
3.7	Human resources and remuneration committee members			
3.8	Nomination committee chairman			
3.9	Nomination committee members			
3.10	Social and ethics committee chairman			
3.11	Social and ethics committee member			
4.	Ordinary resolution 2: Re-election of directors retiring by rotation:			
4.1	J de V du Toit			
4.2	KJ Grové			
4.3	SH Nomvete			
4.4	CJH van Niekerk			
5.	Ordinary resolution 3: Ratification of appointment of:			
5.1	TLR de Klerk			
5.2	LJ du Preez			
6.	Ordinary resolution 4: Re-election of the audit and risk committee members:			
6.1	SH Müller			
6.2	SH Nomvete			
6.3	PK Quarmby			
7.	Ordinary resolution 5: Placing of shares under the control of the directors for commercial purposes			
8.	Ordinary resolution 6: Placing of shares under the control of the directors for share scheme purposes			
9.	Special resolution 2: General authority to repurchase shares issued by the company			
10.	Ordinary resolution 7: General authority to distribute share capital and reserves			
11.	Ordinary resolution 8: General authority to issue convertible instruments			
12.	Ordinary resolution 9: Endorsement of:	Non-binding advisory vote		
12.1	Remuneration policy			
12.2	Remuneration implementation report			
13.	Special resolution 3: General authority to provide financial assistance			
14.	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 _____ 2017

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 the 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

Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Postal address

PO Box 61051
Marshalltown
2107

Contact details

Telephone: +27 11 373 0033
Facsimile: +27 11 668 5238
Email: proxy@computershare.co.za

www.kap.co.za