



Notice of annual
general meeting
for the year ended 30 June 2021

KAP 

INTEGRATED INTO EVERY DAY

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 JUNE 2021

KAP INDUSTRIAL HOLDINGS LIMITED

(Registration number: 1978/000181/06)

JSE share code: KAP

ISIN: ZAE000171963

('KAP' or 'the company')

Notice and purpose of annual general meeting

Notice is hereby given that the 43rd annual general meeting ('the AGM') of shareholders of KAP will be held on Thursday, 18 November 2021 at 14:00 at the Protea Hotel, Techno Avenue, Technopark in Stellenbosch.

The purpose of the AGM is to transact the business as set out in the agenda below and, if deemed fit, to pass with or without modification, the resolutions set out below, and to discuss other matters raised by shareholders at the meeting, provided that, at the sole discretion of the chairperson of the AGM, such matters directly concern the business of the company and may lawfully be dealt with at an annual general meeting.

Only shareholders who are registered in the register of members of the company on Friday, 12 November 2021, will be entitled to vote at the AGM.

Key definitions used in this Notice of AGM

The below-mentioned words and expressions have the following meanings:

'**AGM**' – means the company's AGM, convened for Thursday, 18 November 2021, to be held at 14:00 at the Protea Hotel, Techno Avenue, Technopark in Stellenbosch

'**B-BBEE**' – Broad-Based Black Economic Empowerment

'**board**' – means the KAP board of directors

'**company**' or '**KAP**' – means KAP Industrial Holdings Limited

'**Companies Act**' – means the Companies Act, No. 71 of 2008 (as amended) and includes the Companies Regulations, 2011

'**CSDP**' – Central Securities Depository Participants

'**ESG**' – environment, social and governance

'**group**' – means KAP and all its subsidiaries at the date of this Notice of AGM

'**IFRS**' – International Financial Reporting Standards

'**JSE LRs**' – means the Listings Requirements of the JSE Limited

'**King IV™**' – means the King IV Report on Corporate Governance™ for South Africa, 2016*

'**KPMG Inc.**' – KPMG Incorporated

'**MOI**' – means the memorandum of incorporation of KAP

'**Notice of AGM**' – means this notice of the AGM of KAP

'**SENS**' – means the Stock Exchange News Service of the JSE Limited through which key information is distributed to the market

'**TMS**' – means The Meeting Specialist Proprietary Limited, the entity facilitating the voting and related procedures prior to and at the AGM

Important dates

Record date for shareholders to receive the Notice of AGM – Friday, 15 October 2021

Posting date of this Notice of AGM – Wednesday, 20 October 2021

Last date to trade to be eligible to attend, participate in and vote at the AGM – Tuesday, 9 November 2021

Record date to be eligible to attend, participate in and vote at the AGM – Friday, 12 November 2021

Last date to lodge Forms of Proxy – Tuesday, 16 November 2021 by 14:00**

Date of the AGM – Thursday, 18 November 2021 at 14:00

General information

Stakeholder engagement

The AGM provides an opportunity for stakeholders to engage with management, and while only eligible shareholders may vote, all stakeholders are encouraged to attend the proceedings and participate in the debates. In regard to this invitation, KAP will comply fully with the Covid-19 lockdown regulations and restrictions in respect of gatherings relating to conferences and meetings as per the alert level applicable at the time.

Voting and resolutions

All voting at the AGM 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 on the record date of 12 November 2021.

For each of the ordinary resolutions to be adopted, more than 50% (fifty per cent) of the eligible voting rights exercised on the applicable ordinary resolution must be exercised in favour thereof.

For special resolutions numbers 1 to 3 to be adopted, the applicable resolution must be supported by at least 75% (seventy-five per cent) of the eligible voting rights exercised thereon.

KAP may provide for electronic participation at the AGM. Shareholders who wish to participate electronically must contact TMS in writing at least 5 (five) business days prior to the date of the AGM so that arrangements can be made for participation at each shareholder's own cost. However, please note that virtual remote voting is not possible. Shareholders are encouraged to submit votes by proxy in advance of the AGM.

The board unanimously supports the proposed resolutions set out in this Notice of AGM, which promote the best interests of the company and our stakeholders, and recommends that shareholders vote in favour of all the resolutions.

Annual financial statements and integrated report

The audited consolidated annual financial statements of the group for the financial year ended 30 June 2021 are available on the KAP website at www.kap.co.za.

A copy thereof may be requested or obtained in person, at no charge, from the registered office of the company during office hours.

KAP's 2021 integrated report and the corporate governance report will be available on the KAP website from Friday, 29 October 2021.

Annexures

This Notice of AGM incorporates the following annexures:

- Annexure A – Summarised consolidated annual financial information of the group for the year ended 30 June 2021
- Annexure B – Curricula vitae of the directors standing for election and re-election on the board and the KAP audit and risk committee
- Annexure C – The KAP remuneration policy
- Annexure D – The KAP remuneration policy implementation report
- Annexure E – Major shareholders of the company as at 30 June 2021
- Annexure F – Executive directors' personal financial interests

Form of Proxy – for use ONLY by shareholders who hold shares in certificated form and shareholders who have dematerialised their shares but hold them in 'own-name registration'.

^(†) Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

^(††) Suggested date to avert a potential administrative burden at the AGM. Forms of Proxy not received by this date must be handed to the chairperson at the AGM before the appointed proxy may exercise any shareholder rights at the AGM.

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 JUNE 2021 continued

Agenda

Ordinary business

Presentation of annual financial statements of the group and various reports (non-voting agenda point)

Refer to Annexure A, containing the summarised consolidated annual financial information of the group for the year ended 30 June 2021.

The audited consolidated annual financial statements of the group for the year ended 30 June 2021, which include the independent auditor's report, the directors' report and the report of the audit and risk committee, are herewith presented to shareholders. These statements were approved by the board on 19 August 2021 and published on 20 August 2021.

These documents, together with KAP's 2021 integrated report, will be tabled at the AGM and copies of the statutory required documents will be made available to attendees.

1. Ordinary resolution number 1 – Appointment of independent external audit firm and individual auditor

The Companies Act, the JSE LRs and the MOI stipulate that the company must each year at its annual general meeting appoint or re-appoint, as the case may be, an eligible and accredited auditor.

Shareholders are referred to a SENS that was released on 19 November 2020 regarding the early adoption by KAP of the mandatory audit firm rotation regime. Following the conclusion of a comprehensive and closely contested tender process, having confirmed the independence of KPMG Incorporated ('KPMG Inc.') pursuant to section 90 of the Companies Act and having assessed KPMG Inc.'s suitability for appointment in accordance with paragraph 3.84(g)(iii) of the JSE LRs, the KAP audit and risk committee recommended the appointment of KPMG Inc. as the external auditor of the company for the financial year ending 30 June 2022.

The board has endorsed the aforementioned recommendation and, accordingly, it is proposed that shareholders pass the following ordinary resolution:

'Resolved to and hereby appoint the firm KPMG Inc., a registered and accredited auditor ("the Firm"), as the independent auditor of the group and Mr Ivan Engels, a registered and accredited auditor and member of the Firm, as the individual who will lead the audit for the financial year ending 30 June 2022.'

The board records its appreciation for the professional manner in which Deloitte & Touche has conducted itself as the registered auditor of KAP for the last 18 years.

2. Ordinary resolution number 2 – Confirmation of director appointment made by the company's board

The MOI, the JSE LRs and the Companies Act stipulate that all director appointments made by the board (so-called 'casual vacancy appointments') must be confirmed at the next AGM following such appointment.

On recommendation by the KAP nomination committee, it is proposed that shareholders pass the following ordinary resolution:

'Resolved that Mrs TC Esau-Isaacs' appointment on 30 June 2021 as an independent non-executive director of the company, be and is hereby confirmed.'

A brief curriculum vitae for Mrs Esau-Isaacs is contained in Annexure B to this Notice of AGM.

3. Ordinary resolution number 3 – Re-election of directors who retire by rotation

The MOI, the JSE LRs and King IV™ recommend the staggered rotation of the non-executive directors at each AGM of the company. In addition, the MOI

stipulates that directors who have reached the age of 71 must retire on an annual basis.

In accordance with these prescripts, the KAP nomination committee recommended that Messrs KJ Grové and PK Quarmby, both of whom were eligible and made themselves available for re-election, retire in terms of the staggered rotation schedule at this AGM.

The directors proposed for re-election have maintained a satisfactory attendance record at all scheduled board and board committee meetings during the reporting period. The board is of the view that the re-appointment of these directors is imperative to maintaining an appropriate balance of qualifications, knowledge, experience, expertise, diversity and independence among the directors of the board and its committees to enable these forums to discharge their responsibilities effectively.

Accordingly, the board accepted the recommendation of the nomination committee and proposed that shareholders pass the following stand-alone ordinary resolutions numbers 3.1 and 3.2:

'Resolved, by way of individual, stand-alone ordinary resolutions, to and hereby elect the following independent non-executive directors for re-appointment to the board, following their retirement by rotation and who, being eligible, offered themselves for re-election:

3.1 *Mr KJ Grové, who has reached the age of 71 years and retires on an annual basis; and*

3.2 *Mr PK Quarmby, who, among the non-executive directors, has been in office longest since his last re-election.'*

A brief curriculum vitae for each of these directors is contained in Annexure B to this Notice of AGM.

In addition to the above, after having served for 17 years on the board, Mrs IN Mkhari has decided not to stand for re-election and to retire from the board on conclusion of the AGM.

The board wishes to express its sincere gratitude to Mrs Mkhari who has served with distinction and greatly contributed to the group's growth since her appointment in 2004.

4. Ordinary resolution number 4 – Election of a new executive director

In support of the recommendation by the KAP nomination committee, the board proposed that Mr SP Lunga, the company's human capital and stakeholder relations executive, be appointed as an executive director on the board. Mr Lunga has attended the company's board meetings as an invitee for the past year as part of a planned development and succession process and has proven himself to be competent to operate at this level.

It is accordingly proposed that shareholders pass the following ordinary resolution number 4:

'Resolved to herewith appoint Mr SP Lunga as an executive director of the company with immediate effect.'

A brief curriculum vitae for Mr Lunga is contained in Annexure B to this Notice of AGM.

Following the passing of this ordinary resolution, it is confirmed that no vacancy as contemplated in the MOI will exist on the board.

5. Non-voting matters

The board wishes to draw shareholders' attention to key portfolio restructurings, as part of the board's planned development and succession process, which will take effect at close of business on 18 November 2021.

- Mr J d V du Toit will step down as chairperson of both the board and the nomination committee but will remain serving on the board and on the nomination committee as an independent non-executive director.

- Mr PK Quarmby, the current lead independent non-executive director, will be appointed as chairperson of the board and of the nomination committee. Mr Quarmby will not be reappointed to the audit and risk committee.
- Mr KJ Grové, the independent non-executive deputy chairperson, will be appointed as the lead independent non-executive director. The deputy chairperson position on the board will not be filled and will fall away.
- Several other changes to committee membership will take place resulting from the above portfolio restructurings and Mrs Mkhari's retirement, which changes were disclosed in detail via SENS on 8 October 2021.

6. Ordinary resolution number 5 – Election of audit and risk committee members

The Companies Act and the JSE LRs stipulate that each public-listed company must each year at its AGM appoint or re-appoint, as the case may be, 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 KAP 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 on the KAP audit and risk committee. It is accordingly recommended that shareholders pass the following stand-alone ordinary resolutions numbers 5.1, 5.2, 5.3 and 5.4:

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

- 5.1 Mr KT Hopkins;
- 5.2 Ms Z Fuphe;
- 5.3 Mr SH Müller; and
- 5.4 Mrs TC Esau-Isaacs (subject to the approval of ordinary resolution number 2).'

A brief curriculum vitae for each of these directors is contained in Annexure B to this Notice of AGM.

Note:

Mr PK Quarmby did not make himself available as a member of the KAP audit and risk committee* given his new role as chairperson of the board.

⁽⁷⁾ For the avoidance of doubt, any reference to the 'KAP audit and risk committee' is a reference to the 'audit committee' as contemplated in section 94 of the Companies Act.

7. Ordinary resolution number 6 – Placing of preference shares under the control of the directors for commercial purposes

Since the board is of the view that it is in the best interests of KAP to have flexibility to issue shares (to the extent authorised) for purposes of, inter alia, taking advantage of commercial opportunities as and when they arise, it is proposed that shareholders pass the following ordinary resolution number 6:

'Resolved that the directors of the company are hereby authorised, by way of a general authority, to allot and issue up to a maximum of 126 000 000 (one hundred and twenty-six million) of KAP's cumulative non-redeemable, non-participating preference shares of no par value when suitable opportunities arise; or up to a maximum of 50 000 000 (fifty million) of KAP's perpetual preference shares of no par value (collectively the 'preference shares'), equating in each case to less than 5% (five per cent) of the company's ordinary shares in issue at the date of this Notice of AGM, and that such shares be and they are hereby placed under the control of the directors, and that the directors be authorised to allot and issue such preference shares for commercial purposes to such person(s) and on such terms and conditions as the directors may in their sole discretion determine, provided, inter alia, that:

- the board shall pass a resolution to issue such preference shares;
- this authority shall not extend beyond the next AGM of the company or for a period longer than 15 (fifteen) months from the date of the passing of this resolution, whichever period is shorter;
- more than 50% (fifty per cent) of the voting rights exercised on this resolution are exercised in favour thereof by shareholders present or represented and entitled to vote at this AGM; and
- all other relevant provisions regarding the issuing of preference shares as set out in the JSE LRs, the Companies Act and the MOI, are fulfilled.'

For the avoidance of doubt:

- in the event of a subdivision or consolidation of issued ordinary shares, this authorisation will be adjusted accordingly to represent the same allocation ratio;
- by their approval of this resolution, shareholders grant a waiver of any pre-emptive rights to which shareholders may be entitled in favour of the directors for the potential allotment and issue of preference shares for commercial purposes; and
- the total number of KAP ordinary shares in issue as at the date of this AGM is 2 531 201 473.

8. Ordinary resolution number 7 – General authority to distribute share capital and reserves

The board is seeking a general authority from shareholders to make distributions of any share capital and reserves of the company, including the authority to afford shareholders the right to receive a capitalisation award. Consequently, it is proposed that shareholders pass the following resolution as ordinary resolution number 7:

'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 LRs and the company's MOI.'

At the date of this Notice of AGM, 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 such a distribution, it will not do so unless all the prescribed statutory solvency, liquidity and capital adequacy requirements are capable of being fulfilled.

For purposes of this resolution, the directors carried out a solvency and liquidity test as contemplated in the Companies Act, and concluded, after having considered all reasonable foreseeable financial circumstances based on financial statements and accounting records as contemplated in section 4(2) of the Companies Act, that the company and the group will satisfy the solvency and liquidity test as contemplated in the Companies Act, were the company to enter immediately into a transaction to distribute any share capital and/or reserves totalling 10% (ten per cent) of the current issued share capital and reserves of the company, and it further appears that, for a period of 12 (twelve) months after the date of the AGM, and after the date of each distribution, that:

- 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 ('IFRS'), will be equal to or in excess of the liabilities of the company and the group, fairly valued; and
- the share capital and reserves, as well as the working capital of the company and the group, will be adequate for ordinary business purposes.

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 JUNE 2021 continued

Shareholders are referred to the 'information and statement relating to this special resolution' under special resolution number 1 below and to Annexure E, which information applies mutatis mutandis to this ordinary resolution number 7.

Non-binding advisory votes

9. Ordinary resolution number 8 – Endorsement of the KAP remuneration policy and implementation report on the remuneration policy

King IV™ recommends and the JSE LRs require that the remuneration policy of a company be tabled for non-binding advisory votes by the shareholders at each AGM of such company, together with a separate non-binding advisory vote on the implementation of the remuneration policy. This enables shareholders to inform themselves about how staff members and senior executives are remunerated, and to express their views as to whether they consider the entity's remuneration approach appropriate.

KAP's remuneration policy is regularly reviewed by the KAP human capital and remuneration committee with a specific focus on ensuring responsibility, relevance and appropriateness of the group's remuneration practices.

On recommendation by the KAP human capital and remuneration committee, and endorsement thereof by the board, it is proposed that shareholders pass the following ordinary resolutions numbers 8.1 and 8.2 as stand-alone, non-binding advisory votes:

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

- 8.1 Remuneration policy as set out in Annexure C to this Notice of AGM; and
- 8.2 Implementation report of the remuneration policy as set out in Annexure D to this Notice of AGM.'

Note:

While voting in respect of ordinary resolutions numbers 8.1 and 8.2 above is of an advisory nature only and does not have any legal consequences relating to existing remuneration agreements, the company will nevertheless take the outcome of the votes into consideration when reviewing the group's future remuneration policy and the implementation thereof. To this end, and if 25% (twenty-five per cent) or more of the voting rights are exercised against either resolution, or both, the company will invite those shareholders who have voted against the relevant resolution, to engage with the company.

10. Ordinary resolution number 9 – Ratification relating to personal financial interest arising from multiple intergroup directorships

Section 75 of the Companies Act prohibits a director from participating in decision-making or voting on any board resolution or entering into any agreements or signing documents relating to transactions if such a director has a 'personal financial interest' in the matter. Through the collective definitions of 'personal financial interest' and 'related persons', this provision of the law has a restricting effect on the decision-making powers of directors in a group. Since the executive directors of KAP serve on multiple subsidiary boards across the group, they would thus inevitably have a 'personal financial interest' in and be a 'related person' to many intergroup transactions. The board accordingly obtained formal legal advice on this matter to ensure that its procedures in respect of the application of the section 75 regime are sound, and that group decision-making by executive directors is in full compliance with the law.

While KAP's directors declare their personal financial interests with great care, the proposed resolution below is intended to ensure that decisions, agreements and signed documents remain legally binding, valid and in force in instances where an inadvertent oversight in conduct may have occurred due to multiple group directorships. This resolution does not limit any other

statutory or common-law duties that apply to directors, i.e. the resolution does not ratify any other actions of directors that are in contravention of the Companies Act or any other unlawful action by executive directors, such as wilful misconduct, gross negligence and the like.

Consequently, it is proposed that shareholders pass the following resolution as ordinary resolution number 9:

'Resolved that any decisions made and resolutions passed at a KAP group subsidiary board meeting, as well as agreements or documents signed, and actions taken by the executive directors at such a subsidiary company pursuant to the aforementioned, are hereby approved/ratified as contemplated in section 75(3) of the Companies Act, having taken note of the directors' personal financial interests (as set out in Annexure F). This approval/ratification is only to the extent that the executive directors were prevented from effective decision-making because of their 'personal financial interests' in, and them being deemed a 'related person' to, another entity in the KAP group; and further provided that the relevant decisions, resolutions, agreements, documents or actions had the effect of being in the best interest of the company in each case, and fell within the ambit of section 75 of the Companies Act.'

Special business

11. Special resolution number 1 – General authority to repurchase shares issued by the company and its subsidiaries

KAP or its subsidiaries may not acquire the company's shares unless the shareholders at a general meeting have, in advance, approved either a specific or general mandate for such a repurchase of shares.

Under the prior-year shareholders' mandate, 39 935 765 ordinary shares were repurchased during the past financial year (1.53% of shares in issue as at the date of the 2020 AGM). Under the current mandate, in August 2021, the board has approved the repurchase of 65 million shares being (2.49% of shares in issue as at the date of the 2020 AGM), which repurchase programme was still in progress at the date of this Notice of AGM.

The board believes it to be in the best interests of KAP to have flexibility to repurchase shares within the context of its investment and capital allocation philosophy, as and when appropriate circumstances arise. In addition, repurchases of shares may be considered for purposes of its ongoing obligations under the KAP Performance Share Rights Scheme and in order to reduce the dilutionary effect thereof. Consequently, it is proposed that shareholders pass the following resolution as special resolution number 1:

'Resolved that the repurchase by the company of shares issued by it, on such terms and conditions as may be determined by the 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 section 48 of the Companies Act and the JSE LRs, provided that:

- such repurchase is permitted by and is in accordance with the provisions of the Companies Act, the JSE LRs and the MOI of the company and of each relevant subsidiary (as the case may be);
- this general authority shall be valid until the next AGM of the company or for a period of 15 (fifteen) months from the date of passing this special resolution, whichever period is shorter;
- this authority is limited to a maximum of 10% (ten per cent) of the shares in issue in that class in one financial year, and provided further 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 volume weighted average price of the KAP shares traded on the JSE for the 5 (five) business days immediately preceding the date on which the transaction is effected. The JSE will be consulted for a ruling if the securities have not traded in such period;
- the repurchase of shares shall be implemented through the order book operated by the JSE trading system (in the open market) and without any prior understanding or arrangement between the company and the counterparties;
- the company shall not appoint more than one agent to effect any repurchase on the company's behalf;
- the company may not effect a repurchase during any prohibited period as defined in the JSE LRs, 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 of shares in issue' is cumulatively repurchased, and for each 3% (three per cent) in aggregate of the initial number acquired thereafter, an announcement shall be made on SENS in accordance with the JSE LRs, provided that if the repurchase of shares are for purposes of the company's share incentive scheme, then the additional disclosure provisions of paragraph 3.92 of the JSE LRs shall be complied with, to the extent applicable. For purposes of clarity, it is noted that the 'initial number of shares in issue' at the date when the general authority from shareholders is granted, amounts to 2 531 201 473 shares;
- the directors of the company shall have passed a resolution, authorising any repurchase and confirming that the group has satisfied the statutory solvency and liquidity test as required by the Companies Act, and that from the time when the test was performed, there have been no material changes to the financial position of the group; and
- by their approval of this resolution, shareholders acknowledge that they envisage, and accordingly approve, that the company may potentially later cancel some/all/none of the shares so repurchased under this general authority.'

Information and statement relating to this special resolution

In accordance with paragraph 11.26 of the JSE LRs, 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:
 - the major shareholders of the company; and
 - the number of authorised and issued shares in the company as at its financial year-end date;

details of which are reflected in Annexure E to this Notice of AGM.

Directors' responsibility statement

The directors, whose names are given in Annexure E to this Notice of AGM, collectively and individually accept full responsibility for the accuracy of the information given in this Notice of AGM 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;

- this Notice of AGM contains all information required by law and the JSE LRs;
- 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 2021, and the date of this Notice of AGM;
- having considered the effect of a maximum repurchase of shares, and having considered all reasonable foreseeable financial circumstances based on financial statements and accounting records as contemplated in section 4(2) of the Companies Act, the company and the group will satisfy the solvency and liquidity test as contemplated in the Companies Act, and it appears that, for a period of 12 (twelve) months after the date of the AGM and after the date of each share repurchase that:
 - 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 IFRS, will be equal to or in excess of the liabilities of the company and the group, fairly valued in accordance with IFRS; and
 - the share capital and reserves and the working capital of the company and the group will be adequate for ordinary business purposes.

12. Special resolution number 2 – Approval of fees payable to non-executive directors

Before payment of directors' fees may take place, shareholders are required, in terms of section 66(8) and (9) of the Companies Act, to authorise by way of a special resolution, the basis of compensation and the 'forward-looking' emoluments to be paid to the non-executive directors for their services to be rendered to the company as directors. (The executive directors are remunerated in terms of their respective contracts with the company and no fees are payable to them for services rendered as directors. The remuneration paid to executive directors is detailed in Annexure D.)

Non-executive director fees are reviewed annually, based on inflation, as well as market benchmarks following research into trends in non-executive director remuneration among companies of a similar size and complexity. Their remuneration is not linked to the company's share price, its share performance, or its results. Non-executive directors do not receive incentive payments and are not participants in the KAP Performance Share Rights Scheme and therefore do not hold share rights under this scheme.

In view of the escalating global focus on the environment, social and governance ('ESG') aspects, and the integration thereof into the company's strategy and in its daily operations, as well as the expanding oversight role and agenda of the company's social and ethics committee, the number of meetings of the latter committee has been increased to two per annum and the fee base for this committee has accordingly been increased in line with that of the company's human capital and remuneration committee fees.

Based on the above considerations, KAP's human capital and remuneration committee accordingly recommended, and the board has endorsed, the below-mentioned remuneration, after also having taken note that the non-executive directors did not receive an inflationary increase in the prior period. It is consequently proposed that shareholders approve the forward-looking fees for non-executive directors for the period from this AGM until the next AGM of the company, by passing special resolutions numbers 2.1 to 2.15 below as stand-alone special resolutions:

'Resolved that the remuneration, as set out in paragraphs 2.1 to 2.15 below, payable to the non-executive directors in respect of their services as directors of the company during the period commencing from the date of the passing of this special resolution until the date of the next AGM, be and is hereby authorised by way of individual, stand-alone special resolutions:

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 JUNE 2021 continued

	Increase %	2022 R	2021 R
Non-executive directors' fees (excluding VAT)			
Board membership fees			
2.1 Independent non-executive chairperson	6	971 000	916 000
2.2 Lead independent non-executive director	6	614 000	579 000
2.3 Member	6	387 000 ¹	365 200
2.4 Additional unscheduled formal meeting (fee per formal meeting)	6	83 300 ²	78 600
Audit and risk committee fees			
2.5 Chairperson	6	583 000	550 000
2.6 Member	6	292 000	275 000
Human capital and remuneration committee fees			
2.7 Chairperson	6	184 700	174 200
2.8 Member	6	89 400	84 300
Social and ethics committee fees			
2.9 Chairperson	>100	184 700 ³ (2 annual meetings)	33 700 (1 annual meeting)
2.10 Member	>100	89 400 ³ (2 annual meetings)	16 900 (1 annual meeting)
Nomination committee fees			
2.11 Chairperson (fee per formal meeting)	6	7 740	7 300
2.12 Member (fee per formal meeting)	6	7 740	7 300
Investment committee fees			
2.13 Chairperson (fee per formal meeting)	30	41 400 ⁴	31 800
2.14 Member (fee per formal meeting)	30	34 500 ⁴	26 500
Informal meeting fees			
2.15 Approved informal meetings	6	5 300 per hour ⁵	5 000 per hour

⁽¹⁾ This comprises an annual retainer of R53 800 (2020: R50 800) and a per meeting fee of R83 300 (2020: R78 600), based on four scheduled formal board meetings per annum.

⁽²⁾ The board may be required to meet formally from time to time in addition to the scheduled annual commitments. In such an event, all non-executive directors will qualify for the additional formal meeting fee upon attendance.

⁽³⁾ In view of the escalating global focus on ESG, the integration thereof into the company's strategy and daily operations and the expanding oversight role and agenda of the company's social and ethics committee, the fee base has been increased in alignment with the human capital and remuneration committee fees and the number of meetings has been increased to two per annum.

⁽⁴⁾ In view of the increased time requirements of committee members to comprehensively research and consider matters at the investment committee, fees have been adjusted.

⁽⁵⁾ Should non-executive directors be required to meet for purposes required by the company from time to time, independent of formal board and committee meetings and relevant preparation therefor, the participating non-executive directors will qualify for a fee for such meetings and time commitment. Any such meetings and time commitments will require pre-approval of the board chairperson.

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

13. Special resolution number 3 – General authority to provide financial assistance

On an ongoing basis, KAP provides direct or indirect financial assistance to its subsidiaries and to related and interrelated companies for commercial purposes, as well as for purposes of Broad-Based Black Economic Empowerment ('B-BBEE'). Financial assistance includes, inter alia, the granting of loans, providing security, guaranteeing of debt and for subscription of securities of any nature. In order to achieve its strategic goals, it is essential for the company to continue with this practice.

Financial assistance will not be given to prescribed officers and directors of the company, or of subsidiaries of the company or of any related or interrelated entity within the group, unless it is essential for concluding a B-BBEE transaction in the best interest of the group.

To this end, it is proposed that shareholders authorise the board to provide financial assistance as contemplated in sections 44 and 45 of the Companies Act, which mandate shall empower the directors to provide financial

assistance to a general category of recipients that includes persons, the company's subsidiaries, as well as related and interrelated entities within the group, for the purpose of, inter alia, acquiring any option, or right or security, or any convertible instrument (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 the persons and entities on the conditions as afore-mentioned.

Consequently, it is proposed that shareholders pass the following resolution as special resolution number 3:

'Resolved 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 (twenty-four) months from the date of this resolution, to provide direct or indirect financial assistance in favour of any person, or any holding company, or any subsidiary or any related or interrelated company, including joint venture companies, related trusts, associated companies and any other entity within the group ('the entities'), being a category of recipients as contemplated in sections

44(3)(a)(ii) and 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 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, right, security or convertible instrument issued or to be issued by the company or by any of the entities;
- for any other purpose that would require financial assistance as contemplated in the Companies Act;

provided that in each instance:

- the directors of the company shall adopt a resolution, approving the provision of financial assistance and, to the extent required, adopt a resolution approving a distribution, and further shall confirm that the company has satisfied the statutory solvency and liquidity test as contemplated in the Companies Act and, where necessary, shall conduct such further tests as may be required;
- 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 and restrictions in respect of the granting of financial assistance as set out in its MOI; and
- financial assistance may be given to prescribed officers and directors of the company, and of subsidiaries of the company and of any entity only if it is essential for concluding a B-BBEE transaction in the best interest of the group.'

General business

To transact such other business as may be transacted at an AGM or raised by shareholders with or without advance notice to the company, provided that no voting may take place on such matters.

Authority

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

By order of the board



JMWR Pieterse

for **KAP Secretarial Services Proprietary Limited**

Company secretary

20 October 2021

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 JUNE 2021 continued

Record dates and other important notices

1. The date of the AGM is Thursday, 18 November 2021.
2. 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 of AGM is Friday, 15 October 2021.
3. The date on which shareholders must be recorded in the share register for purposes of being entitled to attend, participate in and vote at this AGM is Friday, 12 November 2021, with the last day to trade being Tuesday, 9 November 2021.
4. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairperson of the AGM and must, accordingly, present their driver's licence, identity document or passport in order to participate at the AGM. If in any doubt as to whether any document will be accepted as satisfactory proof of identity, participants should contact the transfer secretaries ('Computershare') or TMS in advance for guidance.
5. A shareholder entitled to attend and vote at the AGM 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.
6. A Form of Proxy, with 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 AGM. Completion of a Form of Proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.
7. Central Securities Depository Participants ('CSDP'), brokers or their nominees, as the case may be, who hold dematerialised shares on behalf of an investor/beneficial owner, should, when authorised in terms of their custody agreement mandate from the shareholder, 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 AGM or by completing the attached Form of Proxy in accordance with the instructions thereon.
8. 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 TMS to the address stated below. In the interest of efficient administration, Forms of Proxy must reach TMS by 14:00 on Tuesday, 16 November 2021. Forms of Proxy will, however, be accepted by the chairperson of the AGM until voting on each agenda item commences at the AGM.
9. A shareholder who has dematerialised his/her shares (other than those with 'own-name registration'), who wishes to attend the AGM, should instruct his/her CSDP/broker to issue him/her with the necessary written authority to attend the AGM in terms of the custody agreement between the shareholder and his/her CSDP/broker.
10. A shareholder who has dematerialised his/her shares (other than those with 'own-name registration'), who is unable to attend the AGM, but wishes to be represented at the AGM, must provide his/her CSDP/broker with his/her voting instructions in terms of the relevant custody agreement between him/her and the CSDP/broker.
11. 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 KAP share held. However, please note that it is the intent, from a corporate governance perspective, that all voting at the AGM would take place by way of a poll.
12. Shareholders of the company wishing to participate in the AGM by means of electronic participation must make application in writing to the company secretary, with a copy to TMS (at the respective addresses stated below), at least 5 (five) business days prior to the date of the AGM so that arrangements can be made for their potential participation in the AGM. Shareholders will have to provide details as to how they or their representatives envisage participating electronically and must further 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. 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 remote voting. The company reserves the right not to provide for electronic participation at the AGM in the event that it may be impractical to do so, and the company cannot guarantee that there will not be a break in communication. Shareholders making use of electronic communication acknowledge that the telecommunication lines are provided by a third party and indemnify the company and its directors, employees, company secretary, transfer secretaries, service providers and advisors against any loss, injury, damage, penalty or claim arising in any way from the use of the electronic communication, whether or not the problem is caused by any act or omission on the part of the shareholder or anyone else. In particular, but not exclusively, the shareholder acknowledges that he/she will have no claim against the company and its directors, employees, company secretary, transfer secretaries, service providers and advisors, whether for consequential damages or otherwise, arising from the use of the electronic communication or any defect in or from any failure in respect of the electronic communication, including any lines, connections or other electronic components providing a telecommunication link to the AGM.

Company's registered address

3rd Floor, Building 2, The Views, Founders Hill Office Park
18 Centenary Street, Modderfontein, Johannesburg 1645
PO Box 2766
Edenvale 1610
Tel: +27 10 005 3000
info@kap.co.za

Transfer secretaries' physical address

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

Transfer secretaries' postal address

Private Bag X9000
Saxonwold
2132
Tel: +27 11 370 5000 or 086 11 00 933

TMS physical address

JSE Building
One Exchange Square
Gwen Lane
Sandown
2196
South Africa

TMS postal address

PO Box 62043
Marshalltown
2107
South Africa

Forms of Proxy must be e-mailed to proxy@tmsmeetings.co.za to be received by TMS by no later than at 14:00 on Tuesday, 16 November 2021. However, Forms of Proxy may also be handed to the chairperson of the AGM before the appointed proxy may exercise any shareholder rights at the AGM.

Annexure A

Summarised consolidated annual financial information of the group for the year ended 30 June 2021

Refer to agenda point 1

Summarised consolidated income statement and statement of other comprehensive income

	Notes	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ^(*) Rm	% change
Revenue	1	23 956	21 591	11
Operating profit before capital items		2 102	1 419	48
Capital items	2	32	(3 103)	
Operating profit/(loss)		2 134	(1 684)	227
Finance costs		(486)	(681)	
Income from investments		20	27	
Share of profit of associate and joint venture companies		28	21	
Profit/(loss) before taxation		1 696	(2 317)	173
Taxation		(506)	395	
Profit/(loss) for the year from continuing operations		1 190	(1 922)	162
Loss for the year from discontinued operations	3	(132)	(223)	
Profit/(loss) for the year		1 058	(2 145)	149
Profit/(loss) attributable to:				
Owners of the parent		991	(2 190)	145
Non-controlling interests		67	45	
Profit/(loss) for the year		1 058	(2 145)	149
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		(233)	119	
Total other comprehensive (loss)/income for the year		(233)	119	
Total comprehensive income/(loss) for the year (net of taxation)		825	(2 026)	141
Total comprehensive income/(loss) attributable to:				
Owners of the parent		765	(2 074)	
Non-controlling interests		60	48	
Profit for the year		67	45	
Foreign currency translation reserve transferred to non-controlling interests		(7)	3	
Total comprehensive income/(loss) for the year		825	(2 026)	141
Earnings/(loss) per share attributable to owners of the parent		Cents	Cents	% change
Basic earnings/(loss)		38.8	(83.3)	147
Diluted earnings/(loss)		38.3	(83.2)	146
Basic earnings/(loss) from continuing operations		44.0	(74.8)	159
Diluted earnings/(loss) from continuing operations		43.4	(74.7)	158

^(*) Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

Summarised consolidated statement of financial position

	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm
Assets		
Non-current assets		
Goodwill	641	641
Intangible assets	2 028	2 046
Property, plant and equipment	12 957	12 623
Investment property	–	7
Right-of-use assets	358	438
Consumable biological assets	1 565	1 754
Investments in associate and joint venture companies	78	77
Investments and loans receivable	1	1
Deferred taxation assets	33	49
Inventories	–	35
	17 661	17 671
Current assets		
Inventories	2 593	2 262
Trade and other receivables	4 180	3 367
Loans receivable	8	2
Taxation receivable	42	58
Cash and cash equivalents	751	1 001
	7 574	6 690
Assets held for sale	159	–
	7 733	6 690
Total assets	25 394	24 361
Equity and liabilities		
Capital and reserves		
Stated share capital	8 206	8 364
Reserves	2 044	1 202
Total equity attributable to owners of the parent	10 250	9 566
Non-controlling interests	199	204
Total equity	10 449	9 770
Non-current liabilities		
Loans and borrowings	5 360	5 309
Lease liabilities	311	363
Employee benefits	24	30
Provisions	2	2
Deferred taxation liabilities	2 637	2 715
	8 334	8 419
Current liabilities		
Loans and borrowings	1 526	2 295
Lease liabilities	86	103
Employee benefits	456	175
Provisions	77	70
Trade and other payables	4 289	3 476
Taxation payable	132	36
Bank overdrafts and short-term facilities	45	17
	6 611	6 172
Total equity and liabilities	25 394	24 361

Summarised consolidated statement of cash flows

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ⁽¹⁾ Rm
Operating profit before capital items	2 102	1 419
Depreciation and amortisation	1 317	1 284
Operating loss before depreciation, amortisation and capital items from discontinued operations	(143)	(24)
Net fair value adjustments of consumable biological assets ⁽¹⁾	190	149
Other non-cash adjustments	62	(11)
Cash generated before working capital changes	3 528	2 817
(Increase)/decrease in inventories	(305)	170
(Increase)/decrease in trade and other receivables	(865)	649
Increase/(decrease) in trade and other payables	1 127	(1 560)
Changes in working capital	(43)	(741)
Cash generated from operations	3 485	2 076
Dividends received	9	16
Income from investments	16	25
Finance costs paid	(498)	(710)
Dividends paid	(27)	(674)
Taxation paid	(395)	(259)
Net cash inflow from operating activities	2 590	474
Additions to property, plant and equipment and investment property ⁽²⁾	(1 817)	(1 912)
Additions to intangible assets	(6)	(14)
Additions to consumable biological assets	(1)	(3)
Net cash outflow on acquisition/disposal of subsidiaries and businesses	–	(13)
Other investing activities	17	3
Net cash outflow from investing activities	(1 807)	(1 939)
Net cash inflow/(outflow) from operating and investing activities	783	(1 465)
Shares repurchased	(158)	(544)
Transactions with non-controlling interests	(22)	–
(Decrease)/increase in loans and borrowings	(720)	1 284
Decrease in lease liabilities	(109)	(101)
Increase in bank overdrafts and short-term facilities	28	17
Net cash (outflow)/inflow from financing activities	(981)	656
Net decrease in cash and cash equivalents	(198)	(809)
Cash and cash equivalents at beginning of the year	1 001	1 785
Effects of exchange rate translations on cash and cash equivalents	(52)	25
Cash and cash equivalents at end of the year	751	1 001

⁽¹⁾ Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

⁽¹⁾ Includes decrease due to harvesting and sale of livestock.

⁽²⁾ Net of proceeds on disposal of property, plant and equipment and investment property, insurance proceeds and government grants received.

Summarised consolidated statement of changes in equity

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited Rm
Balance at beginning of the year	9 770	13 042
Changes in stated share capital		
Ordinary shares repurchased	(158)	(544)
Changes in reserves		
Total comprehensive income/(loss) for the year attributable to owners of the parent	765	(2 074)
Dividends paid	–	(619)
Share-based payments	61	(27)
Other reserve movements	16	5
Changes in non-controlling interests		
Total comprehensive income for the year attributable to non-controlling interests	60	48
Dividends paid	(27)	(55)
Shares purchased from non-controlling interests	(38)	(9)
Other non-controlling interests movements	–	3
Balance at end of the year	10 449	9 770
Comprising:		
Stated share capital	8 206	8 364
Distributable reserves	5 498	4 493
Share-based payment reserve	518	457
Reverse acquisition reserve	(3 952)	(3 952)
Other reserves	(20)	204
Non-controlling interests	199	204
	10 449	9 770

Segmental analysis

	Notes	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ^(*) Rm	% change
Continuing operations				
Revenue				
Diversified industrial		7 927	6 205	28
Integrated Timber		4 197	3 208	31
Automotive Components		2 033	1 725	18
Integrated Bedding		1 731	1 286	35
Interdivisional eliminations		(34)	(14)	
Diversified chemical		7 509	7 301	3
Polymers		7 509	7 301	3
Diversified logistics		8 828	8 392	5
Contractual Logistics – South Africa		5 207	4 954	5
Contractual Logistics – Africa		2 010	1 865	8
Passenger Transport		1 647	1 604	3
Interdivisional eliminations		(36)	(31)	
		24 264	21 898	11
Intersegmental eliminations		(308)	(307)	
	1	23 956	21 591	11
Operating profit before depreciation, amortisation and capital items				
Diversified industrial		1 344	894	50
Integrated Timber		786	488	61
Automotive Components		251	184	36
Integrated Bedding		307	222	38
Diversified chemical		584	344	70
Polymers		584	344	70
Diversified logistics		1 485	1 460	2
Contractual Logistics – South Africa		701	651	8
Contractual Logistics – Africa		468	444	5
Passenger Transport		316	365	(13)
Corporate, consolidation and eliminations		6	5	
		3 419	2 703	26
Operating profit before capital items				
Diversified industrial		1 025	582	76
Integrated Timber		615	323	90
Automotive Components		156	88	77
Integrated Bedding		254	171	49
Diversified chemical		428	160	168
Polymers		428	160	168
Diversified logistics		649	677	(4)
Contractual Logistics – South Africa		249	222	12
Contractual Logistics – Africa		211	214	(1)
Passenger Transport		189	241	(22)
		2 102	1 419	48

^(*) Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

	Notes	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm	% change
Operating assets				
Diversified industrial		9 886	9 176	8
Integrated Timber		6 705	6 382	5
Automotive Components		1 561	1 304	20
Integrated Bedding		1 623	1 491	9
Interdivisional eliminations		(3)	(1)	
Diversified chemical		6 313	5 935	6
Polymers		6 313	5 935	6
Diversified logistics		8 166	8 153	–
Contractual Logistics – South Africa		4 530	4 452	2
Contractual Logistics – Africa		2 489	2 413	3
Passenger Transport		1 153	1 320	(13)
Interdivisional eliminations		(6)	(32)	
Corporate, consolidation and eliminations		(43)	(91)	
	6	24 322	23 173	5
Operating liabilities				
Diversified industrial		1 399	1 039	35
Integrated Timber		713	561	27
Automotive Components		406	293	39
Integrated Bedding		283	186	52
Interdivisional eliminations		(3)	(1)	
Diversified chemical		1 945	1 474	32
Polymers		1 945	1 474	32
Diversified logistics		1 324	1 121	18
Contractual Logistics – South Africa		775	678	14
Contractual Logistics – Africa		312	249	25
Passenger Transport		243	226	8
Interdivisional eliminations		(6)	(32)	
Corporate, consolidation and eliminations		180	119	
	7	4 848	3 753	29

Segmental analysis continued

	Notes	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm	% change
Net operating assets/(liabilities)⁽¹⁾				
Diversified industrial		8 487	8 137	4
Integrated Timber		5 992	5 821	3
Automotive Components		1 155	1 011	14
Integrated Bedding		1 340	1 305	3
Diversified chemical		4 368	4 461	(2)
Polymers		4 368	4 461	(2)
Diversified logistics		6 842	7 032	(3)
Contractual Logistics – South Africa		3 755	3 774	(1)
Contractual Logistics – Africa		2 177	2 164	1
Passenger Transport		910	1 094	(17)
Corporate, consolidation and eliminations		(223)	(210)	
		19 474	19 420	–
<i>⁽¹⁾ Net operating assets/(liabilities) comprise of operating assets less operating liabilities.</i>				
Net working capital				
Diversified industrial		1 166	1 113	5
Integrated Timber		933	843	11
Automotive Components		141	140	1
Integrated Bedding		93	130	(28)
Interdivisional eliminations		(1)	–	
Diversified chemical		604	625	(3)
Polymers		604	625	(3)
Diversified logistics		389	408	(5)
Contractual Logistics – South Africa		104	161	(35)
Contractual Logistics – Africa		148	142	4
Passenger Transport		137	104	32
Interdivisional eliminations		–	1	
Corporate, consolidation and eliminations		(234)	(235)	
	8	1 925	1 911	1

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited Rm
Replacement capital expenditure⁽²⁾		
Diversified industrial	336	202
Integrated Timber	313	109
Automotive Components	17	77
Integrated Bedding	6	16
Diversified chemical	78	28
Polymers	78	28
Diversified logistics	511	1 011
Contractual Logistics – South Africa	223	564
Contractual Logistics – Africa	190	286
Passenger Transport	98	161
Corporate, consolidation and eliminations	(7)	–
	918	1 241
⁽²⁾ Net of proceeds on disposal of property, plant and equipment and investment property, insurance proceeds and government grants received.		
Expansion capital expenditure⁽³⁾		
Diversified industrial	413	237
Integrated Timber	86	200
Automotive Components	217	5
Integrated Bedding	110	32
Diversified chemical	–	47
Polymers	–	47
Diversified logistics	486	387
Contractual Logistics – South Africa	255	192
Contractual Logistics – Africa	218	173
Passenger Transport	13	22
	899	671
⁽³⁾ Net of government grants received.		
Total capital expenditure⁽⁴⁾		
Diversified industrial	749	439
Integrated Timber	399	309
Automotive Components	234	82
Integrated Bedding	116	48
Diversified chemical	78	75
Polymers	78	75
Diversified logistics	997	1 398
Contractual Logistics – South Africa	478	756
Contractual Logistics – Africa	408	459
Passenger Transport	111	183
Corporate, consolidation and eliminations	(7)	–
	1 817	1 912
⁽⁴⁾ Net of proceeds on disposal of property, plant and equipment and investment property, insurance proceeds and government grants received.		

Selected explanatory notes

	Goods Rm	Services Rm	Total Rm
Note 1: Revenue			
30 Jun 2021			
Audited			
Integrated Timber	4 724	–	4 724
Automotive Components	2 034	–	2 034
Integrated Bedding	1 907	–	1 907
Polymers	7 571	–	7 571
Contractual Logistics – South Africa	333	4 874	5 207
Contractual Logistics – Africa	–	2 010	2 010
Passenger Transport	–	1 647	1 647
Gross revenue	16 569	8 531	25 100
Variable consideration	(766)	–	(766)
Intergroup eliminations	(49)	(329)	(378)
	15 754	8 202	23 956

30 Jun 2020

Audited (*)

Integrated Timber	3 617	–	3 617
Automotive Components	1 725	–	1 725
Integrated Bedding	1 446	–	1 446
Polymers	7 381	–	7 381
Contractual Logistics – South Africa	98	4 856	4 954
Contractual Logistics – Africa	–	1 865	1 865
Passenger Transport	–	1 604	1 604
Gross revenue	14 267	8 325	22 592
Variable consideration	(649)	–	(649)
Intergroup eliminations	(30)	(322)	(352)
	13 588	8 003	21 591

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ^(*) Rm
Geographical distribution		
South Africa	20 693	18 015
Rest of Africa	2 970	2 838
Americas	225	509
Europe	32	126
Middle East	22	94
Other	14	9
	23 956	21 591

^(*) Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ⁽¹⁾ Rm
Note 2: Capital items		
Continuing operations		
Loss on disposal of property, plant and equipment and investment property	(16)	(32)
Reversal of impairments/(impairments) ⁽¹⁾	4	(3 076)
Insurance income	44	5
	32	(3 103)
Discontinued operations		
Loss on disposal of property, plant and equipment and investment property	(1)	–
Impairments ⁽¹⁾	(1)	(174)
Other	–	1
	(2)	(173)
	30	(3 276)

⁽¹⁾ Reversal of impairments /(impairments) of goodwill, intangible assets, property, plant and equipment, investment property and right-of-use assets.

	Notes	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ⁽¹⁾ Rm
Note 3: Loss for the year from discontinued operations			
Revenue		179	635
Operating loss before capital items		(170)	(105)
Capital items	2	(2)	(173)
Operating loss		(172)	(278)
Finance costs		(12)	(26)
Income from investments		–	2
Loss before taxation		(184)	(302)
Taxation		52	79
Loss for the year from discontinued operations		(132)	(223)

⁽¹⁾ Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

Selected explanatory notes continued

Notes	Year ended 30 Jun 2021 Audited Cents	Year ended 30 Jun 2020 Audited ⁽¹⁾ Cents
Note 4: Earnings/(loss)		
Basic earnings/(loss) per share	38.8	(83.3)
Continuing operations	44.0	(74.8)
Discontinued operations	(5.2)	(8.5)
Diluted earnings/(loss) per share	38.3	(83.2)
Continuing operations	43.4	(74.7)
Discontinued operations	(5.1)	(8.5)
Headline earnings/(loss) per share	37.9	13.7
Continuing operations	43.0	17.5
Discontinued operations	(5.1)	(3.8)
Diluted headline earnings/(loss) per share	37.4	13.7
Continuing operations	42.4	17.5
Discontinued operations	(5.0)	(3.8)
Net asset value per share	405	372

Headline earnings attributable to owners of the parent

	Rm	Rm
Continuing operations		
Earnings/(loss) attributable to owners of the parent	1 123	(1 967)
Adjusted for:		
Capital items	2	3 103
Taxation effects of capital items	8	(675)
Non-controlling interests' portion of capital items (net of taxation)	-	(1)
	1 099	460
Discontinued operations		
Loss attributable to owners of the parent	(132)	(223)
Adjusted for:		
Capital items	2	173
Taxation effects of capital items	-	(49)
	(130)	(99)
	969	361

⁽¹⁾ Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

	Million	Million
Weighted average number of shares		
Issued ordinary shares at beginning of the year	2 571	2 704
Effect of shares repurchased and cancelled	(16)	(47)
Effect of shares repurchased and held as treasury shares	-	(27)
Weighted average number of ordinary shares	2 555	2 630
Potential dilutive effect of share rights granted	34	2
Diluted weighted average number of ordinary shares in issue	2 589	2 632
Number of ordinary shares in issue	2 531	2 571

	Fair value hierarchy	Fair value as at 30 Jun 2021 Audited Rm	Fair value as at 30 Jun 2020 Audited Rm
Note 5: Fair values of financial instruments			
Derivative financial assets	Level 2	10	32
Derivative financial liabilities	Level 2	(24)	(23)

Level 2 financial instruments consist of foreign exchange contracts that are valued using techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. These inputs include foreign exchange rates.

	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm
Note 6: Operating assets		
Goodwill	641	641
Intangible assets	2 028	2 046
Property, plant and equipment	12 957	12 623
Investment property	–	7
Right-of-use assets	358	438
Consumable biological assets	1 565	1 754
Inventories	2 593	2 297
Trade and other receivables	4 180	3 367
	24 322	23 173
Note 7: Operating liabilities		
Employee benefits	480	205
Provisions	79	72
Trade and other payables	4 289	3 476
	4 848	3 753
Note 8: Net working capital		
Inventories	2 593	2 297
Trade and other receivables	4 180	3 367
Employee benefits	(480)	(205)
Provisions	(79)	(72)
Trade and other payables	(4 289)	(3 476)
	1 925	1 911

Selected explanatory notes continued

Note 9: Trading profit

The company considers trading profit to be a key benchmark to measure performance and to allow for meaningful year-on-year comparison, as it excludes the effect of the non-cash fair value adjustments of consumable biological assets.

The adjustments below regarding trading profit are not an IFRS measure and are shown for illustrative purposes only. It does not impact the financial position, changes in equity, results of operations or cash flows.

The financial information is the responsibility of the directors and has not been reviewed or reported on by the company's external auditors.

	Year ended 30 Jun 2021 Unaudited Rm	Year ended 30 Jun 2020 Unaudited ⁽¹⁾ Rm
Continuing operations		
Trading profit		
Operating profit before capital items	2 102	1 419
Non-cash fair value adjustments of biological assets	190	149
	2 292	1 568
Non-cash fair value adjustments of biological assets		
Non-cash fair value adjustments of timber plantations	204	148
Fair value loss	12	2
Decrease due to harvesting	192	146
Non-cash fair value adjustments of livestock	(14)	1
Fair value gain	(19)	(8)
Decrease due to sale	5	9
	190	149

⁽¹⁾ Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

Statement of compliance

The summarised consolidated financial information has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the financial pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, as a minimum the information as required by IAS 34 – *Interim Financial Reporting* and the requirements of the South African Companies Act, No. 71 of 2008. The summarised consolidated financial information has been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the consolidated financial statements for the year ended 30 June 2020.

Basis of preparation

The abridged summarised consolidated financial statements are prepared in millions of South African rand (Rm) on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost, and derivative financial instruments and consumable biological assets, which are stated at their fair values. The preparation of the consolidated financial statements and summarised consolidated financial statements for the year ended 30 June 2021 was supervised by Frans Olivier CA(SA), the group's chief financial officer.

Changes to comparative results

The prior year's income statement has been re-presented to reflect the Intercity and Tourism operations, which form part of the Passenger Transport division, as discontinued operations.

Accounting policies

The accounting policies and methods of computation of the group have been consistently applied to periods presented in the summarised consolidated financial statements.

During the current year, the group has adopted all the new and revised standards issued by the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2020. The adoption thereof did not have a material impact on the consolidated financial statements.

Financial statements

The consolidated financial statements for the year, which have been audited by Deloitte & Touche, and their accompanying unmodified audit report, which includes their key audit matters, are available on the company's website at www.kap.co.za. Information included under the headings 'Outlook' and 'Operational review' and any reference to future financial information included in the summarised financial information, has not been audited or reviewed. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information which is available on the company's website at www.kap.co.za. The results were approved by the board of directors on 19 August 2021.

The annual general meeting ('AGM') of KAP shareholders has been scheduled to take place on Thursday, 18 November 2021 at 14:00 in Stellenbosch.

The notice of AGM will be published on SENS and dispatched to shareholders in due course, accompanied by a summary of the company's consolidated annual financial statements for the year ended 30 June 2021.

Post-balance sheet events

Subsequent to 30 June 2021, negotiations with a supplier were concluded, resulting in a retrospective price adjustment of R91 million which will be recognised as income in the 2022 financial year. The directors are not aware of any other significant events after the reporting date which will have a material effect on the group's results or financial position as presented in these annual financial statements.

Selected explanatory notes continued

Independent auditor's report on summarised financial statements

To the shareholders of KAP Industrial Holdings Limited

Opinion

The summarised consolidated financial statements of KAP Industrial Holdings Limited, which comprise the summarised consolidated statement of financial position as at 30 June 2021, the summarised consolidated income statement, the summarised consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of KAP Industrial Holdings Limited for the year ended 30 June 2021.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of KAP Industrial Holdings Limited, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the basis of preparation paragraph to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other matter

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of KAP Industrial Holdings Limited and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 19 August 2021. That report also includes the communication of key audit matters as reported in the auditor's report of the audited consolidated financial statements.

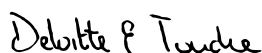
Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the basis of preparation paragraph to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.



Deloitte & Touche

Registered Auditor

Per: Dirk Steyn

Partner

19 August 2021

The Ridge Building

6 Marina Road

Portwood District

V&A Waterfront

Cape Town

8000

Changes to the board, board committees and reclassification of a director

KT Hopkins replaced PK Quarmby as chairperson of the audit and risk committee with effect from 1 September 2020.

PK Quarmby remained a member of the audit and risk committee and was appointed in the role of lead independent non-executive director, effective 18 November 2020.

SH Nomvete was not available for re-election as a director and member of the audit and risk committee at the company's annual general meeting on 18 November 2020. He was consequently not reappointed.

On 30 June 2021, TC Esau-Isaacs was appointed as independent non-executive director and as a member of both the social and ethics committee and the audit and risk committee.

Dividend timetable

The timetable in respect of the dividend is as follows:

Day	Event
Thursday, 19 August 2021	Distribution declared in the form of a dividend
Tuesday, 14 September 2021	Last day to trade
Wednesday, 15 September 2021	Shares trade ex dividend
Friday, 17 September 2021	Date to be recorded in the register to receive the dividend
Monday, 20 September 2021	Payment date

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 September 2021 and Friday, 17 September 2021, both days inclusive.

In terms of the taxation on dividends and the amendments to section 11.17 of the JSE Listings Requirements, the following additional information is disclosed:

- (1) Local dividend tax rate is 20%.
- (2) Dividends are to be paid from income reserves.
- (3) The withholding tax, if applicable at the rate of 20%, will result in a net cash dividend per share of 12 cents.
- (4) The issued ordinary share capital of KAP Industrial Holdings Limited is 2 531 201 473 shares at 19 August 2021.
- (5) KAP Industrial Holdings Limited's tax reference number is 9999/509/71/5.

Annexure B

Curricula vitae of the directors standing for election and re-election on the board and the KAP audit and risk committee

Refer to ordinary resolutions 2 to 5

TC (Tamara) Esau-Isaacs (45)

CA(SA)

Independent non-executive director

Tamara started her career at PricewaterhouseCoopers where she ascended to the position of audit partner and also served as the human capital partner for three years. She later joined KPMG and served as the partner in charge of management consulting at their Cape Town office and was a member of the KPMG Consumer Markets forum.

Tamara serves as an independent non-executive director on the board of PSG Konsult Limited, where she is also a member of the audit, social and ethics, and risk committees. She was recently appointed chairperson of the University of Cape Town's School of Accounting Advisory Board. Tamara has a strong social-upliftment background and is a long-standing trustee on the Mitchells Plain Bursary and Role Models Trust. Tamara is a fellow on the Africa Leadership Initiative.

Tamara was appointed as an independent non-executive director of KAP Industrial Holdings Limited on 30 June 2021.

Member of the social and ethics committee

Member of the audit and risk committee

KJ (Jo) Grové (72)

AMP (Oxford)

Independent non-executive deputy chairperson

Jo has more than 20 years' experience in the financial and banking industry, founding Medical Leasing Services in 1976 and selling it to the Absa Group in 1987. The company name was changed to MLS Bank at this point and Jo was appointed chief executive officer, a position he held until 1995. Jo then established Imperial Bank and served on the main board of Imperial Holdings until he joined Unitrans Limited as chief executive officer in September 1998. Following the acquisition of Unitrans Limited by Steinhoff International Holdings Limited ("Steinhoff"), he was appointed as a non-executive director of Steinhoff International Holdings Limited ("Steinhoff") and later became a non-executive alternative director, until he resigned from this position in December 2015. In 2012, Jo was appointed as chief executive officer of KAP Industrial Holdings Limited and then as executive deputy chairperson in November 2014. In January 2017 Jo officially retired and has since fulfilled the role of non-executive deputy chairperson. He was recategorised as an independent non-executive director in February 2020, following an appropriate cooling-off period.

Member of the human capital and remuneration committee

Member of the investment committee

PK (Patrick) Quarmby (67)

CA(SA) (Hons)

Lead independent non-executive director

Patrick was a partner at Ernst & Young until he relocated overseas in 1987 to take up a position in the Corporate Finance Department of Schroders in London. Patrick became one of the founding directors of Standard Bank in London and established Standard Bank's presence in Hong Kong. Patrick was appointed as a director of Dimension Data Holdings Limited in 1996, responsible for the global expansion of the group. He retired from this position in 2014. Patrick was the non-executive chairperson of Datacraft Asia, an IT services company listed in Singapore, until it delisted in 2008, and was an independent non-executive director of Unitrans Limited until Steinhoff acquired it in 2007.

Patrick was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2012 and as chairperson of the audit and risk committee. He was appointed as KAP's lead independent non-executive director on 18 November 2020.

Chairperson of the investment committee

Member of the audit and risk committee

Member of the nomination committee

SP (Penwell) Lunga (46)

BJuris, LLB, MBA, MSc (HR)

Human capital executive

Penwell joined the Steinhoff group in September 2005 in the position of group industrial relations manager, where he was responsible for the management of labour relations and labour law matters. He joined the KAP Industrial Holdings Limited group in April 2012. In June 2016, he was appointed as the group stakeholder relations executive and was appointed to the executive committee, focusing primarily on industrial relations matters and community interactions in the regions where the group operates. Penwell has extensive experience in industrial relations and has represented the group in various industry-based industrial relations structures.

KT (Ken) Hopkins (66)

BCom (Hons), CA(SA)

Independent non-executive director

Ken became a CA(SA) in 1978 and was an audit partner at Deloitte & Touche and KPMG for more than 30 years, where he specialised in auditing and advising financial institutions. As a retired audit partner and full-time professional director, Ken chairs the board of Elwandle Properties Proprietary Limited and serves in a non-executive capacity on the boards of Old Mutual Finance RF Proprietary Limited, and 27Four Holdings Limited, where he also chairs the audit and risk committees. Ken is also a member of the social and ethics and remuneration committees of some of these companies.

Ken was appointed as an independent non-executive director of KAP Industrial Holdings Limited on 6 December 2019.

Chairperson of the audit and risk committee

Z (Zellah) Fuphe (53)

BSocSci

Independent non-executive director

Zellah has a Bachelors' degree in Social Sciences, completed the GIBS Global Executive Development Programme in 2015 and is certified as a Chartered Director (SA) by the Institute of Directors in South Africa. She started her career with Engen Limited ('Engen'), followed by various executive positions, including as managing director of Plessey South Africa Proprietary Limited, managing director of Worldwide African Investment Holdings Proprietary Limited and as the chief executive officer of Afric Oil Proprietary Limited. She is currently the chief corporate governance officer of Dimension Data Middle East and Africa ('Dimension Data') and is a member of the Dimension Data board, representing the company on a number of its subsidiary boards across the region.

Zellah has previously served as a non-executive director on the boards of AECI Limited (chairperson of its social and ethics committee and member of its risk committee), Engen (chairperson of its social and ethics committee), Afric Oil (chairperson), Oceana Group Limited (chairperson of its transformation committee), 18th World Petroleum Council 2005 (chairperson), Worldwide Coal Carolina (chairperson) and the Unisa School of Business Leadership.

Zellah was appointed as an independent non-executive director of KAP Industrial Holdings Limited on 1 March 2020.

Member of the social and ethics committee
Member of the audit and risk committee

SH (Steve) Müller (60)

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 1995, Steve joined Genbel Investments where he rose to the positions of chief operating officer: Equities of Genbel Securities Limited, as well as executive director of Gensec Bank Limited. He also served as a non-executive director and member of the audit and remuneration committees of various investee companies within the Genbel Securities Group. In 2008, he retired from the group to pursue his own interests. Steve served as an independent non-executive director and chairperson of the audit committee of SACOIL Limited from 2013 to 2016. In January 2018, he was appointed as an independent non-executive director of the Phumelela Gaming and Leisure Limited board and as chairperson of the company's audit committee. In August 2017, Steve became an independent non-executive director of Pepkor Holdings Limited, serving as chairperson of the human resources and remuneration committee and as a member of the audit committee. Steve is a member of SAICA and the Institute of Directors South Africa.

Steve was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2012 and, in 2014, as chairperson of the KAP human capital and remuneration committee.

Chairperson of the human capital and remuneration committee
Member of the social and ethics committee
Member of the audit and risk committee
Member of the investment committee

TC (Tamara) Esau-Isaacs (45)

Please refer to CV on page 26.

Annexure C

Remuneration report

Refer to agenda point 9 – Ordinary resolution number 8.1 (non-binding advisory votes)

Background statement

The KAP board ('the board') is responsible for the group's remuneration policy, and is assisted by the KAP human capital and remuneration committee ('the committee'). The committee operates within defined terms of reference and with authority granted to it by the board. The board therefore oversees the implementation and execution of the remuneration policy through the committee, which comprises three independent non-executive directors, one of whom is appointed as chairperson. The group chief executive officer, the group human capital executive, and various other executives attend the meetings by invitation only for specific discussions and recuse themselves before any discussions take place or decisions are made which relate to them.

In terms of the recommendations of the King IV Report on Corporate Governance™ for South Africa (2016) ('King IV™'), board committees should have cross membership to ensure a balanced distribution of power and to enhance effective collaboration. In line with these recommendations, SH Müller, the chairperson of the committee, is also a member of the social and ethics committee, the audit and risk committee, and the investment committee. Of the two remaining members of the committee, IN Mkhari is the chairperson of the social and ethics committee and a member of the nomination committee, while KJ Grové is also a member of the investment committee.

The committee meets formally at least once a year and more often on an ad hoc basis as required. The committee chairperson provides feedback to the board after each committee meeting regarding key decisions and relevant discussions and attends the annual general meeting ('AGM') to address questions by shareholders on the committee's areas of responsibility.

Remuneration philosophy

Our strategic objective is for KAP to be an industry leader in our chosen markets, which requires us to invest consistently in industry-leading products, processes, systems, and equipment. This implies a requirement to attract and retain the best people in industry and to improve their skills consistently as markets and technologies evolve.

As KAP has grown into industry-leading positions, we have become increasingly exposed to and are benchmarked against global best practice. Although KAP is a South Africa-based company, we trade with businesses in different countries, earning approximately 14% of our revenue from outside South Africa and importing a significant proportion of our inputs from outside South Africa. A further significant proportion of our inputs are globally indexed in foreign currencies. We have international shareholders in certain divisions who actively participate in

those businesses, and we have several technology agreements with international companies. At a listed level, 18% of our shareholding is owned by foreigners.

As a result, we expect our 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. Accordingly, our remuneration philosophy is to attract and retain the best people in industry, and to improve their skills consistently as markets and technologies evolve. The sustainable success of our business is critically dependent on our people in order to maintain quality products and high standards of service to customers in very competitive sectors.

Stakeholder considerations

Remuneration decisions are taken to ensure KAP's long-term sustainability. The following factors formed part of the committee's considerations in August 2020 in relation to the 2021 financial year:

- The challenging macroeconomic and sociopolitical environment in South Africa, which is characterised by limited real economic growth, unreliable electricity supply, increasing levels of unemployment and poverty, and the risk of civil unrest.
- The impact of the Covid-19 pandemic on communities in the areas in which we operate, small businesses that are part of our enterprise development initiatives, our customers, and our suppliers, all of which had to endure an uncertain environment.
- The impact of the pandemic on general employment levels.
- The decision by the board not to declare a dividend to shareholders in order to maintain the liquidity of the company following various Covid-19 lockdown measures implemented by governments.
- The variability in the levels of restrictions implemented by governments and the significant disruptions in global supply chains throughout the year, which resulted in volatility in the demand for our products, in access to key raw materials, and in commodity prices.
- The need to reward our employees appropriately for their contribution to KAP's performance, taking into consideration the complex, uncertain, and competitive operating environment, to ensure a balanced outcome for all stakeholders over the long term.

Fair and responsible remuneration

The committee reviews remuneration differentials across job grades each year to ensure that there are no disproportionate income differentials. Where disproportionate income differentials are detected, immediate corrective measures are implemented. Disproportionate income differentials refer to unfair and irrational differences in pay that cannot be justified based on the nature of the work performed, seniority,

tenure, qualifications, ability, competence, or any other relevant non-discriminatory factors. The committee is satisfied that no disproportionate pay differentials exist and that all pay differentials are justifiable and not attributable to gender or race bias.

In addition, guaranteed executive package increases are set by reference to, among other things, the remuneration of the broader workforce. KAP divisions manage collective bargaining through industry bargaining councils and participate in centralised bargaining structures to establish sector-based conditions of employment wherever possible. There are also collective bargaining arrangements in the southern African countries in which Unitrans Africa operates. Careful measures are taken to ensure that wage increase settlements are appropriate within the context of local market and economic conditions. The committee is satisfied that the remuneration of bargaining unit employees is appropriate relative to the sectors in which KAP's businesses operate, and that measures are in place to eliminate and reduce any unjustified pay differentials. In addition, the committee is satisfied that the remuneration of executive management is fair and responsible within the context of overall employee remuneration.

During the year under review, the committee met formally on 13 August 2020 and all the members were present. The committee is satisfied that it has fulfilled its responsibilities during the year. Key focus areas included:

- a review of the group's approach to the Covid-19 pandemic and the various lockdown levels, and its impact on our employees in terms of remuneration, wellness, and restructuring;
- a review and approval of significant changes to the remuneration policy and incentive schemes, taking into account the recommendations of shareholders;
- a review of the strategic drivers of human capital and remuneration and the alignment thereof to the vision and strategy of the company;
- a review of succession plans and the succession strategy across the group;
- a review and approval of the remuneration packages of executives, including annual and long-term incentives schemes;
- a review of the group's initiatives and progress in relation to gender, race, diversity, employment equity, and income differentials;
- the fulfilment of delegated responsibilities in relation to the share-based incentive scheme;
- a review of the human capital management practices in place across the group to ensure fairness, responsibility, transparency, alignment with King IV™, and compliance with the specific requirements of the relevant labour legislation; and
- as recommended by King IV™, a 'reflection' by the committee on its prior year self-assessment outcomes, to determine whether the identified shortcomings from the assessments have been addressed appropriately.

Divisional human capital and remuneration committees

Due to the group's decentralised management structures, the committee has established divisional human capital and remuneration subcommittees ('the divisional subcommittees'). The divisional subcommittees are responsible for all human capital management and employee remuneration matters at divisional level, within the parameters set by the group's remuneration policy.

The divisional subcommittees are supported by established human capital practitioners at group, divisional, and business unit level and hold the responsibility for the implementation and management of human capital and remuneration strategies, policies, and practices in line with those set by the committee. The divisional subcommittees comprise the KAP chief executive officer ('CEO'), chief financial officer ('CFO'), and human capital executive, and the divisional CEO and human capital executive. The KAP CEO chairs these subcommittees.

Key considerations of the divisional subcommittees are made within the context of the KAP and divisional strategies and include a review of:

- talent management and succession planning;
- leadership development and training;
- performance management systems and processes;
- employment equity;
- employee relations management;
- pay structures and equitable base salary increases for all employees;
- performance incentive schemes; and
- long-term incentive schemes.

Due to the Covid-19 lockdown implemented by the South African Government on 27 March 2020, the divisional subcommittees did not meet formally as scheduled during May 2020 and only met during October and November 2020.

Non-binding advisory vote and shareholder engagement

As per the recommendations of King IV™, in addition to the statutory 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 AGM. In the event that shareholders vote against either the remuneration policy or the implementation report by 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 order to address legitimate and reasonable concerns.

Following the company's AGM on 19 November 2019 and subsequent engagement with shareholders, the committee conducted a peer comparison in relation to remuneration policies and incentive schemes. In line with these peer comparisons, and considering the recommendations of shareholders, the committee recommended significant changes to the company's incentive schemes, which were accepted by the board and implemented with effect from 1 July 2020. The committee is satisfied that it has successfully responded to shareholder concerns and expectations as evidenced by their positive feedback at the 2020 AGM.

As the non-binding advisory votes were passed by the requisite majorities, no further engagement with shareholders was required.

AGM held on 18 November 2020	Votes in favour %	Votes against %
Remuneration policy	88.25	11.75
Implementation report	90.28	9.72

The committee believes that the KAP remuneration philosophy and policy remain fit for purpose and achieve the high-level objectives of attraction, retention, and performance motivation of our executives, managers, and employees across all levels of the group. As a result, no changes were made to the remuneration policy presented to shareholders at the AGM held on 18 November 2020 during the reporting period.

Our strategic objective is for KAP to be an industry leader in our chosen markets, which requires us to invest consistently in industry-leading products, processes, systems, and equipment. This implies a requirement to attract and retain the best people in industry, and to improve their skills consistently as markets and technologies evolve.

Access to information and advisers

Members of the committee may access any information to inform their independent judgement on remuneration and related matters.

During the year under review, the committee received market positioning and benchmarking data from Willis Towers Watson Proprietary Limited ('WTW'). The committee is satisfied that WTW is independent and objective.

Areas of focus for the next year

The committee regularly assesses the remuneration market and governance frameworks to ensure the relevance of KAP's remuneration approach. The committee anticipates focusing on the following areas during the 2022 financial year:

- The development of a human capital strategy, informed by KAP's values, to ensure that KAP is an employer of choice with culture, policies, and procedures that set high expectations while simultaneously providing a stimulating and inclusive environment for our people.
- The implementation of workforce planning measures to build people leadership and technical capacity in order to support strategy implementation.
- The implementation of measures to further promote gender and race diversity.
- The monitoring of changes in executive remuneration in markets in which our businesses operate.
- A review and assessment of the job grading system.
- A review of peer group comparatives applicable to non-executive directors' fees.
- Fair and responsible pay.

The remuneration philosophy serves as an essential catalyst in enabling our employees to deliver on KAP's strategic goals while supporting fair and responsible value creation for all our stakeholders. In this regard, we believe that our remuneration decisions are fair and remain appropriately aligned with shareholder and stakeholder interests over the long term.

Remuneration policy

The KAP board of directors ('the board') carries ultimate responsibility for the remuneration policy. The human capital and remuneration committee ('the committee') operates in terms of a board-approved mandate. The committee therefore functions as a subcommittee of the board in terms of an agreed mandate and evaluates and monitors the company's remuneration philosophy and practices to ensure consistency with governance principles and corporate strategy.

The committee implements a remuneration policy, which is approved by the board, to assist in the achievement of the company's strategy and objectives. The remuneration policy is reviewed on an annual basis and is aligned with the recommendations of King IV™, based on the following principles:

- Remuneration practices throughout the company are aligned with the applicable business vision and strategy.
- Remuneration is set at levels that are competitive and appropriate within the specific markets, geographic areas, and industries in which the company operates.
- Incentive-based remuneration, which is applicable to management involved in determining and implementing the strategy of the company and/or divisions of the company, is determined with reference to financial performance targets, return targets, broad-based black economic empowerment targets, internal control and compliance measures, and individual key performance indicators ('KPIs').
- Executive remuneration is fair, responsible, and transparent within the context of the overall remuneration of the company.

Alignment between remuneration policy and remuneration philosophy

KAP's remuneration philosophy is to attract and retain the best people in industry, and to improve their skills consistently as markets and technologies evolve. The sustainable success of our business is critically dependent on our people's ability to deliver quality products and to maintain high standards of service to customers in very competitive sectors. The KAP remuneration policy should be fit for purpose and achieve the high-level objectives of attraction, retention, and performance motivation of our executives, managers, and employees across all levels of the group.

Elements of remuneration

Benchmarking of the remuneration of executive managers and executive directors is undertaken annually, using the services of independent experts, in order to ensure 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 committee aims to ensure an appropriate balance between the guaranteed and performance-related elements of managerial remuneration, and also between short-term 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 company and/or division, the management team, and the individual concerned.

The remuneration policy covers two elements of remuneration:

Guaranteed salary ('salary')

The salary element of remuneration incorporates all guaranteed cash benefits on a total cost-to-company ('CTC') basis and is intended to provide employees with a competitive level of remuneration. The salary is subject to annual review and is intended to be competitive in relation to market practice in companies comparable in size, market sector, business complexity, and geographic location, as well as to equally graded positions. The global grading system is applied across the group in order to ensure uniform employee grading. 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. Pay levels are based on individual and market factors, as follows:

- Job profiles are compiled for each approved position in the company, and these are graded using the global grading system.
- A competency profile is also determined for each approved position. Performance reviews of employees against these profiles may lead to an employee receiving merit increments from time to time, which may result in an individual earning remuneration above the market median, but within market norms.
- The remuneration levels of key management categories are benchmarked annually, using the market median of independent salary surveys as reference.
- Inflationary remuneration adjustments are considered annually, taking into account relevant consumer price inflation indices.

KAP's remuneration philosophy is to attract and retain the best people in industry, and to improve their skills consistently as markets and technologies evolve.

The remuneration of employees, other than those represented by unions and other bargaining structures, 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. The company does not provide post-retirement healthcare benefits for employees. Employees throughout the group are able to contribute to various independently administered defined-contribution retirement schemes.

The company encourages union membership and collective bargaining among its employees in order to provide for responsible and structured engagement. Wages and substantive conditions of employment in relation to employees represented by trade unions or similar bargaining structures and similarly graded positions 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 promoting stability and consistency in industrial relations. Access by these employees to suitable medical, retirement, and associated insured benefits is also facilitated by the company, where appropriate.

Variable performance-related incentives ('incentives')

The principle underlying this policy is to ensure that senior executives and managers are rewarded for performance that advances the company's business strategy and sustainable stakeholder value creation. Consequently, they are offered a combination of guaranteed and variable pay to incentivise performance on a sustainable long-term basis.

Variable pay is designed to incentivise and reward both individual and team effort and serves as a tool to attract, motivate, and retain staff of the calibre required to achieve the objectives of the business. This policy is also intended to ensure that top management is duly motivated to achieve organisational goals and strategic objectives to ensure the long-term sustainability of the company in a balanced and socially and environmentally responsible manner.

Annual incentive bonus ('AIB') scheme

The AIB is intended to incentivise short-term performance on an annual basis and is summarised as follows in terms of the measurement criteria, the weightings of these criteria, and the participation levels of executives and senior management.

The following criteria are applicable to KAP Corporate Services executives and senior management and are based on the performance of KAP:

Corporate

Measurement	Proportion		Participation levels
Core HEPS growth > GDP growth + CPI*	15%	Applied on a linear basis to participation levels	CEO and CFO at 200% CTC capped Executives at 75 – 100% CTC capped Management at 50% CTC capped Staff at 25% CTC capped
Core HEPS growth > GDP growth + CPI + 1%*	15%		
Core HEPS growth > GDP growth + CPI + 2%*	15%		
Core HEPS growth > GDP growth + CPI + 3%*	15%		
EBITDA cash flow conversion ≥ 90%	20%		
B-BBEE score against budget	10%		
Internal audit and compliance	10%		
	100%		

* A polymer index is included together with GDP growth and CPI requirements in relation to Polymers' proportion of HEPS.

The following criteria are applicable for divisional executives and are based on the performance of the divisions, independent from the performance of KAP:

Divisional

Measurement	Proportion		Participation levels
Core operating profit growth > GDP growth + CPI*	15%	Applied on a linear basis to participation levels	Divisional CEO at 150% CTC capped Divisional CFO/COO at 100% CTC capped Divisional Exco at 50 – 75% capped
Core operating profit growth > GDP growth + CPI + 1%*	15%		
Core operating profit growth > GDP growth + CPI + 2%*	15%		
Core operating profit growth > GDP growth + CPI + 3%*	15%		
EBITDA cash flow conversion ≥ 90% (Logistics ≥ 95%)	20%		
B-BBEE score against budget [#]	10%		
Internal audit and compliance	10%		
	100%		

* Polymers division includes a relevant polymer index together with GDP growth and CPI requirements.

[#] Unitrans Africa will replace B-BBEE measurement with the following: 'New revenue contracts secured > 8% of annual revenue'.

The inclusion of a polymer index in the measurement criteria is to protect shareholders from excessive management incentives during a polymer up-cycle and to protect management from forfeiting incentives in a polymer down-cycle, thereby rewarding management only for factors under their control. The polymer index eliminates the uncontrollable effect of movements in specific dollar-based raw material margins and exchange rates.

At operational level, each division has incentive schemes applicable to middle and junior management, which are aimed at achieving project, production, sales, and similar operational targets.

Incentives are determined and paid in the financial year following that to which the performance relates and are disclosed in the company's remuneration policy implementation report with the applicable performance targets.

The committee retains discretion in terms of the award of AIB incentives, which is only exercised in exceptional circumstances and, when exercised, is accordingly reported in the annual remuneration policy implementation report.

Annexure C continued

Remuneration report continued

Long-term incentive schemes

KAP competes for management skills and talent, and our approach to remuneration takes into account the need to retain key management over the long term. Long-term incentives are awarded with the primary aim of promoting the sustainable performance 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 are achieved through a shareholder-approved share rights scheme ('SRS'). Participation in the SRS is determined by the committee on an annual basis in terms of the rules of the scheme. It applies to individuals who are key to determining and implementing the long-term vision and strategy of the company and/or its divisions.

The measurement criteria, the weightings of these criteria, and the participation levels of executives and senior management in the SRS are summarised as follows in relation to KAP Corporate Services staff:

Corporate

Measurement	Proportion		Participation levels
Core HEPS growth > GDP growth + CPI*	37.5%	Applied on a linear basis to participation levels	CEO and CFO at 167% CTC Executives at 133% CTC Management at 33% – 67% CTC
ROE > KAP WACC	37.5%		
Achievement of individual KPIs	25.0%		
	100.0%		

* A polymer index is included together with GDP growth and CPI requirements in relation to Polymers' proportion of HEPS.

The measurement criteria, the weightings of these criteria and the participation levels of executives and senior management in the SRS are summarised as follows in relation to divisional staff:

Divisional

Measurement	Proportion		Participation levels
Core operating profit growth > GDP growth + CPI*	37.5%	Applied on a linear basis to participation levels	Divisional CEO 133% CTC Divisional Exco at 67 – 100% CTC Divisional management at 33% – 67% CTC
ROCE > KAP WACC x 1.3	37.5%		
Achievement of individual KPIs	25.0%		
	100.0%		

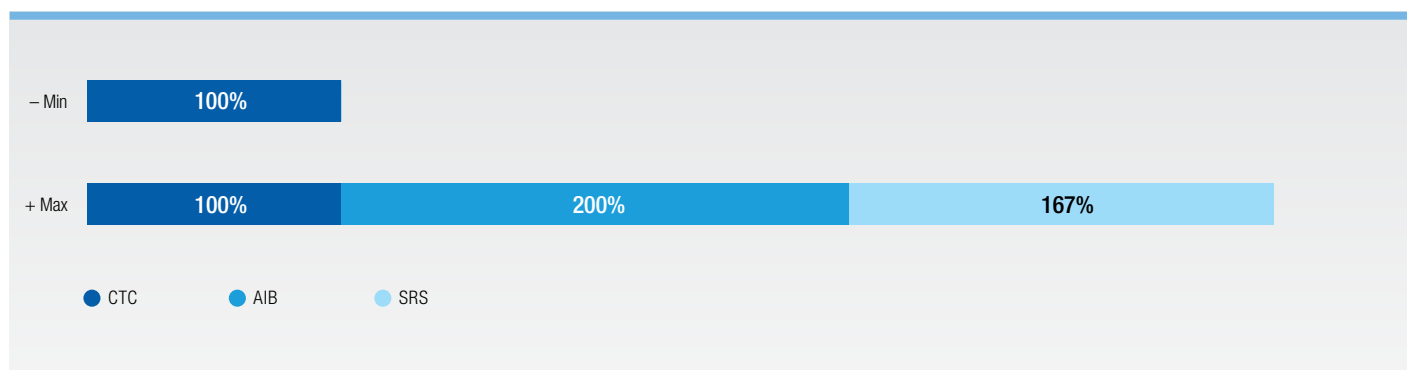
* Polymers division includes a relevant polymer index together with GDP growth and CPI requirements.

The inclusion of a polymer index in the measurement criteria is intended to protect shareholders from excessive management incentives during a polymer up-cycle and to protect management from forfeiting incentives in a polymer down-cycle, thereby rewarding management only for factors under their control. The polymer index eliminates the uncontrollable effect of movements in specific dollar-based raw material margins and exchange rates.

The performance criteria in relation to the SRS are measured over a three-year period, on a cumulative basis and are non-discretionary.

Single-figure remuneration relative to on-target remuneration mix

The table below illustrates the total potential remuneration for executive directors at different performance levels in terms of the policy:



Minimum shareholding requirements

In order to promote the long-term alignment of executives with the vision and strategy of the company and the interests of shareholders, executives who participate in the SRS will be required to maintain a minimum shareholding of KAP shares as a condition of participation in the scheme. Participants will be required to retain any shares that vest in terms of the KPI measurement criteria of the scheme until such time as the following minimum shareholdings are met:

- KAP CEO: three times annual CTC
- KAP CFO and divisional CEOs: twice annual CTC
- Other executives: annual CTC

Statement of fair and responsible remuneration

The committee must satisfy itself that the remuneration of executive directors and other senior executives takes appropriate account of the remuneration and employment conditions of other employees within the group. When salary increases are considered, the committee considers a report from management detailing pay practices across the group, including salary levels and trends, collective bargaining outcomes, and the approach management proposes to adopt for general staff increases. This information is considered in the committee's decisions regarding the remuneration of executive directors and other senior executives to ensure that the remuneration of executive management is fair and responsible within the context of overall employee remuneration.

Malus and clawback

To the extent that the measurement criteria of either the AIB or SRS are achieved as a result of intentional fraud, misstatement, misrepresentation, or non-compliance with relevant legislation by any participant of these schemes, the effect of this fraud, misstatement, misrepresentation, or non-compliance will be reversed in the consideration of whether the relevant qualifying criteria have been achieved. In addition, any participant directly involved in the fraud, misstatement, misrepresentation, or non-compliance will not qualify for an incentive.

The company will pursue legal action for the recovery of any incentives paid as a result of intentional fraud, misstatement, misrepresentation, or non-compliance with relevant legislation by any participant of these schemes. In addition, the company will pursue disciplinary action.

Service contracts

Executives' contracts are subject to terms and conditions of employment as governed by the Labour Relations Act of South Africa (No. 66 of 1995, as amended). The contracts of the top executives or any other executive directors do not contain termination packages or excessive notice periods. In view of the scarcity of executive skills in South Africa, and in order to make provision for an orderly handover to successors, the CEO and CFO's notice periods are six calendar months, while the rest of the executive committee's notice periods are three months.

Payments on termination of employment, 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 requires appropriate motivation and the specific approval of the committee.

Non-executive director fee policy

The non-executive directors receive fees for services rendered to the company. Non-executive directors' fees are reviewed annually, taking into account inflation and market benchmarks based on research into trends in non-executive director remuneration among companies of a similar size and complexity. The fee proposals endorsed by the board are presented at the AGM for shareholder approval, by special resolution, prior to payment for the following year. Fees are not linked to the company's share price, its share performance, or its results. Non-executive directors cannot participate in and therefore do not qualify for shares in terms of the KAP Performance Share Rights Scheme and do not hold share rights under this scheme.

Regulatory compliance

In line with the recommendations of King IV™, in addition to the statutory 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 AGM. In the event that shareholders vote against either the remuneration policy or the implementation report by 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 order to address legitimate and reasonable concerns.

Annexure D

Implementation and remuneration disclosure

Refer to agenda point 9 – Ordinary resolution number 8.2 (non-binding advisory vote)

The remuneration committee applied the remuneration policy taking into account the Covid-19 cost-containment measures that were necessary to sustain the business during the 2021 financial year.

Guaranteed salary ('salary')

In terms of the remuneration policy, the salaries of executive management are 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.

Due to the impact of the Covid-19 pandemic and the related lockdown on the company, together with stakeholder considerations reflected in the first part of this report, the committee and the board decided that no salary increases would be awarded to executives, managers, and all non-bargaining unit employees for FY21. This followed the implementation of a 20% salary reduction for all non-bargaining unit employees for a period of three months during FY20 as part of the Covid-19 cost containment measures to sustain the business. All non-bargaining unit employees, except for executive directors, were refunded their three-month 20% salary reduction in FY21.

Therefore, no salary increases were awarded to executive directors as reflected below:

	Total guaranteed salary FY21 R	Total guaranteed salary FY20 ⁽¹⁾ R	Increase in guaranteed salary %	Covid-19-adjusted guaranteed salary FY20 R
Executive directors				
GN Chaplin	7 844 000	7 844 000	–	7 451 799
FH Olivier	4 770 000	4 770 000	–	4 531 500
Total	12 614 000	12 614 000		11 983 299

⁽¹⁾ Guaranteed salaries exclude the effect of Covid-19, whereby a 20% reduction in salaries was applied for the three months April to June 2020.

In line with the board resolution referred to above, salaries paid to other executive committee ('Exco') members were not increased for FY21 except where necessary to align base remuneration to market salary benchmarks. Other executive committee members were refunded their three-month 20% salary reduction in FY21.

Guaranteed remuneration paid to other executive committee members is reflected below:

	Total guaranteed salary FY21 R	Total guaranteed salary FY20 ⁽¹⁾ R	Increase in guaranteed salary ⁽²⁾ %	Covid-19-adjusted guaranteed salary FY20 R
Other executive committee members	39 271 800	36 469 017	8	34 519 277

⁽¹⁾ Guaranteed salaries exclude the effect of Covid-19, whereby a 20% reduction in salaries was applied for the three months April to June 2020.

⁽²⁾ The executive committee membership changed on 1 January 2020, with two members leaving and four new members being appointed, which resulted in a 7% increase in the total guaranteed salary. In addition, certain members' base remuneration was aligned to market salary benchmarks, which increased the total guaranteed salary by 1%.

In addition to the FY21 guaranteed salary, other executive committee members were refunded for Covid-19 salary reductions amounting to R1 723 812.

Salary increases for bargaining unit employees were implemented for FY21 in line with the collective agreements of relevant bargaining unit structures, except where exemption was granted from such collective agreements.

Annual incentive bonus ('AIB')

The committee and the board accepted a recommendation by management that, as a result of the effects of the Covid-19 lockdown on the company, no AIBs would be paid to any employees during FY21 in relation to FY20, even in respect of non-financial measures which were achieved. Therefore, no AIBs were paid to executive directors and other executive managers.

	Total bonuses FY21 R	Total bonuses FY20 R
Executive directors		
GN Chaplin	–	925 000
FH Olivier	–	562 500
	–	1 487 500
Other executive committee members	–	8 106 143

Long-term incentives

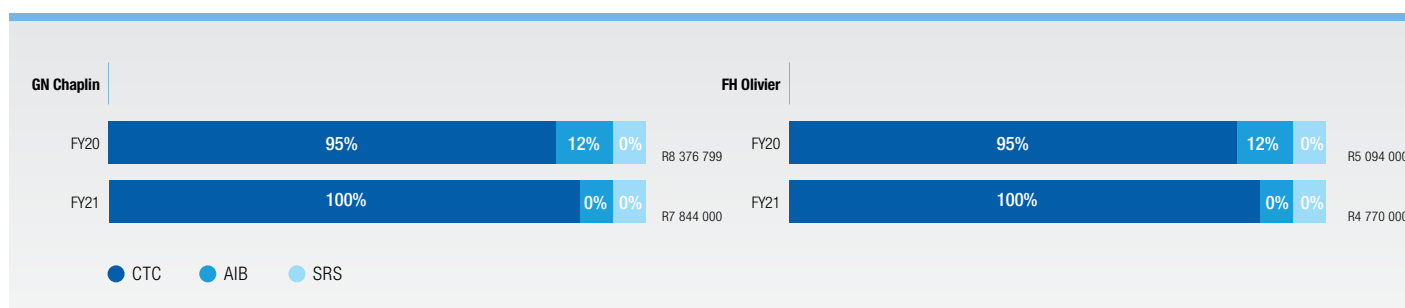
The committee and the board accepted a recommendation by management that, as a result of the effects of the Covid-19 lockdown on the company, no long-term incentives would be paid to any employees during FY21 in relation to FY20, even in relation to non-financial measures which were achieved. As such, the relevant provisions and reserves related thereto were released through the income statement.

Long-term incentives were awarded during the year in line with the remuneration policy and stipulated allocation levels. Outstanding share rights of the executive directors as at 30 June 2021 are reflected as follows:

Executive directors	Offer date	Vesting date	Number of rights as at 30 June 2020	Number of rights awarded during the year	Number of rights as at 30 June 2021	Market value of rights at grant date	Market value of rights on vesting	Market value of rights at 30 June 2020
GN Chaplin	November 2018	November 2021	789 144	–	789 144	6 352 609	–	3 259 165
	December 2019	December 2022	1 013 892	–	1 013 892	4 207 652	–	4 187 374
	December 2020	December 2023	–	5 137 051	5 137 051	15 154 300	–	21 216 021
			1 803 036	5 137 051	6 940 087	25 714 561	–	28 662 560
FH Olivier	November 2018	November 2021	479 885	–	479 885	3 863 074	–	1 981 925
	December 2019	December 2022	616 556	–	616 556	2 558 707	–	2 546 376
	December 2020	December 2023	–	3 123 882	3 123 882	9 215 452	–	12 901 633
			1 096 441	3 123 882	4 220 323	15 637 233	–	17 429 934
			2 899 477	8 260 933	11 160 410	41 351 794	–	46 092 494

Disclosure of single-figure remuneration relative to on-target remuneration mix

The KAP executive directors received the following single-figure remuneration during FY20 and FY21 respectively:



FY20 single-figure remuneration

A 20% salary reduction for a period of three months was implemented during FY20 and executive directors received incentives of 25% of their respective participation levels in terms of the rules of the FY19 AIB scheme.

FY21 single-figure remuneration

Following the board's approval of management's recommendation not to award AIB and SRS payments to any employees in the company in relation to FY20, executive directors were only paid their guaranteed salaries during FY21.

Statement of fair and responsible remuneration

The committee is satisfied that the remuneration of executive directors and other senior executives takes appropriate account of remuneration and employment conditions of other employees in the group and that the remuneration policy is fair and responsible in the context of overall employee remuneration.

The committee believes that the remuneration policy is fit for purpose and achieves the high-level objectives of attraction, retention, and performance motivation of our executives, managers, and employees across all levels of the group. The committee further believes that the remuneration matters relating to the impact of Covid-19 have been managed appropriately and responsibly.

Implementation and remuneration disclosure continued

Non-executive directors' fees paid for the period under review

Non-executive director fees are reviewed annually against market benchmarks through research into trends and independent publications on non-executive director remuneration among companies of a similar size and complexity.

The committee submitted its proposals to the board for the forward-looking fees payable for the period from the date of the AGM in November 2020 to the 2021 AGM. The proposed fee structure included a principle amendment to provide for per-meeting fees of certain committees and hourly compensation to non-executive directors for input required on an *ad hoc* basis, beyond the scope of annual scheduled meetings. In view of the escalating regulatory obligations on listed companies, the audit and risk committee now schedules four meetings per annum, whereas previously it scheduled two meetings per annum, and the fees proposed for audit and risk committee members were increased accordingly. The position of lead independent non-executive director was filled with effect from the November 2020 AGM with appropriate fees proposed for this role.

As a result of the effects of the Covid-19 lockdown on the company, the committee recommended and the board endorsed the decision that the fees of the non-executive directors presented at the AGM in November 2020 should not be increased for inflation when compared to the fees paid to them in the prior period. This is in addition to a 20% reduction in fees paid to the non-executive directors for the months of April, May, and June 2020, incorporated in the comparative figures below. Accordingly, the following fees were paid to non-executive directors in line with the fee structure approved at the AGM held on 18 November 2020:

Non-executive directors' fees (excluding VAT)	FY21 R	FY20 R
J de V du Toit	1 171 900	936 581
TC Esau-Isaacs ⁽¹⁾	939	–
Z Fuphe	868 736	284 082
KJ Grové	967 100	956 679
KT Hopkins	1 076 660	576 476
V McMenamin	539 300	317 046
IN Mkhari	729 100	532 127
SH Müller	1 095 936	1 056 791
SH Nomvete ⁽²⁾	179 400	538 491
PK Quarmby	1 174 949	1 092 270
	7 804 020	6 290 543

⁽¹⁾ On 30 June 2021, TC Esau-Isaacs was appointed as independent non-executive director and as a member of both the social and ethics committee and the audit and risk committee.

⁽²⁾ SH Nomvete did not make himself available for re-election at the company's AGM on 18 November 2020. He was consequently not reappointed to the board.

The fee proposals endorsed by the board were proposed at the AGM for shareholder approval, by special resolution, prior to payment and were approved by a majority of 81% of the eligible votes cast. Forward-looking proposed non-executive directors' fees will be presented for shareholder approval at the AGM in November 2021.

Annexure E

Major shareholders of the company as at 30 June 2021

Refer to agenda points 8 and 11, relating to ordinary resolution number 7 and special resolution number 1.

Disclosure of beneficial interest of major shareholders

	2021 %	2020 %
Shareholders with a beneficial interest above 5%		
Allan Gray	17.71	19.01
Government Employees Pension Fund	14.56	11.42
Old Mutual Limited	6.46	6.60

	2021			
	Number of shareholders	%	Number of Shares	%
Shareholder spread				
1 – 1 000 shares	6 851	64.27	810 432	0.03
1 001 – 10 000 shares	2 001	18.77	8 480 143	0.34
10 001 – 100 000 shares	1 047	9.82	34 925 308	1.38
100 001 – 1 000 000 shares	495	4.64	176 357 960	6.97
1 000 001 – 10 000 000 shares	229	2.15	691 863 419	27.33
10 000 001 shares and over	37	0.35	1 618 764 211	63.95
	10 660	100.00	2 531 201 473	100.00

Resident/non-resident split

	2021 Number of shares	%	2020 Number of shares	%
Resident	10 432	97.86	2 063 576 768	81.53
Non-resident	228	2.14	467 624 705	18.47
	10 660	100.00	2 531 201 473	100.00

	2021		2020	
	Number of shares	%	Number of shares	%
Shares held by directors of the company				
GN Chaplin	3 063 010	0.121	3 063 010	0.119
FH Olivier ¹	–	0.000	1 050 000	0.041
J de V du Toit ²	1 040 368	0.041	540 368	0.021
KJ Grové	4 862 828	0.192	4 862 828	0.189
SH Müller	225 004	0.009	225 004	0.009
PK Quarmby ³	500 000	0.020	–	0.000
	9 691 210	0.383	9 741 210	0.379
Shares held by directors of group subsidiaries				
	57 292 315	2.264	58 442 069	2.274
Shares held by management of the company and its group subsidiaries				
	2 829 734	0.112	3 348 662	0.130
	69 813 259	2.759	71 531 941	2.783

Public/non-public shareholdings

	2021 Number of shares	%	2020 Number of shares	%
Allan Gray ⁴	448 391 830	17.71	488 806 200	19.01
Government Employees Pension Fund ⁴	368 421 642	14.56	293 594 307	11.42
Directors (and associates) of the company and its subsidiaries	66 983 525	2.65	68 183 279	2.65
Management of the company and its subsidiaries	2 829 734	0.11	3 348 662	0.13
Non-public shareholders ⁵	886 626 731	35.03	853 932 448	33.21
Public shareholders ⁶	1 644 574 742	64.97	1 717 204 790	66.79
	2 531 201 473	100.00	2 571 137 238	100.00

⁽¹⁾ An associate of FH Olivier disposed of 591 003 shares in September 2020 and 458 997 shares in February 2021 due to funding transactions that matured in September 2020 and February 2021.

⁽²⁾ An associate of J de V du Toit acquired 500 000 ordinary shares during August 2020.

⁽³⁾ An associate of PK Quarmby acquired 500 000 shares during September 2020.

⁽⁴⁾ Beneficial shareholder holding more than 10% of the shares of the company at year-end.

⁽⁵⁾ There were 31 (2020: 31) non-public shareholders at year-end.

⁽⁶⁾ There were 10 629 (2020: 10 078) public shareholders at year-end.

Annexure F

Executive directors' personal financial interests

Refer to agenda point 10 – ordinary resolution number 9

GN Chaplin (Chief executive officer)

Registration number	Name of company/venture	Nature of interest
1999/026990/07	fairtech products Proprietary Limited	Director
1957/001891/07	KAP Automotive Proprietary Limited	Director
1988/070308/07	Restonic Proprietary Limited	Director
1991/001164/07	KAP Corporate Services Proprietary Limited	Director
1978/000181/06	KAP Industrial Holdings Limited	Director
		Member of social and ethics committee and the investment committee
1965/003787/07	PG Bison Proprietary Limited	Director
2006/023706/07	Safripol Proprietary Limited	Director
1998/003879/07	Straalhoek Sawmill Proprietary Limited	Director
1958/002406/07	Unitrans Africa Proprietary Limited	Director
1994/007379/07	Unitrans Holdings Proprietary Limited	Director
1968/008699/07	Unitrans Passenger Proprietary Limited	Director
1999/016480/07	KAP South Africa Holdings Proprietary Limited	Director

FH Olivier (Chief financial officer)

Registration number	Name of company/venture	Nature of interest
2001/015828/07	D and H Game Ranching Investments Proprietary Limited	Director
1999/026990/07	fairtech products Proprietary Limited	Director
1957/001891/07	KAP Automotive Proprietary Limited	Director
1988/070308/07	Restonic Proprietary Limited	Director
1991/001164/07	KAP Corporate Services Proprietary Limited	Director
1978/000181/06	KAP Industrial Holdings Limited	Director
		Member of investment committee
2014/251311/07	Mashoweng Farming Proprietary Limited	Director
2013/128578/07	Mashoweng Investments Proprietary Limited	Director
1983/010111/07	Nokanyana Farm Proprietary Limited	Director
1965/003787/07	PG Bison Proprietary Limited	Director
1957/003823/07	Phaello Real Estate Holdings Proprietary Limited (in deregistration)	Director
2006/023706/07	Safripol Proprietary Limited	Director
1998/003879/07	Straalhoek Sawmill Proprietary Limited	Director
1958/002406/07	Unitrans Africa Proprietary Limited	Director
1994/007379/07	Unitrans Holdings Proprietary Limited	Director
1968/008699/07	Unitrans Passenger Proprietary Limited	Director
1999/016480/07	KAP South Africa Holdings Proprietary Limited	Director

Form of Proxy

KAP INDUSTRIAL HOLDINGS LIMITED

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

For use at the 43rd annual general meeting ('AGM') of KAP to be held at 14:00 on Thursday, 18 November 2021, at the Protea Hotel, Techno Avenue, Technopark in Stellenbosch, and at any adjournment thereof.

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 chairperson of the AGM, as my/our proxy, to vote for me/us and on my/our behalf at the AGM, and at each adjournment thereof, on all resolutions proposed below.

My/our proxy may vote in favour of 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/

shares held

		NUMBER OF VOTES (ONE VOTE PER SHARE)		
		In favour of	Against	Abstain
	Presentation of annual financial statements	Non-voting agenda point		
1.	Ordinary resolution number 1: Appointment of independent external audit firm and individual auditor			
2.	Ordinary resolution number 2: Confirmation of the appointment of Mrs TC Esau-Isaacs as a director with effect from 30 June 2021			
3.	Ordinary resolution number 3: Re-election of directors who retire by rotation and appointment of executive director:			
	3.1 Mr KJ Grové			
	3.2 Mr PK Quarmby			
4.	Ordinary resolution number 4: Election of Mr SP Lunga as a new executive director			
5.	Noting of key portfolio changes as part of the board's planned development and succession process	Non-voting agenda point		
6.	Ordinary resolution number 5: Election of audit and risk committee members:			
	5.1 Mr KT Hopkins			
	5.2 Ms Z Fuphe			
	5.3 Mr SH Müller			
	5.4 Mrs TC Esau-Isaacs			
7.	Ordinary resolution number 6: Placing of preference shares under the control of the directors for commercial purposes			
8.	Ordinary resolution number 7: General authority to distribute share capital and reserves			
9.	Ordinary resolution number 8: Non-binding advisory votes to endorse KAP's:	Non-binding advisory vote		
	8.1 Remuneration policy			
	8.2 Implementation report of the remuneration policy			
10.	Ordinary resolution number 9: Ratification of transactions relating to personal financial interest arising from the executive directors' multiple intergroup directorships			
11.	Special resolution number 1: General authority to repurchase shares issued by the company and its subsidiaries			
12.	Special resolution number 2: Approval of fees payable to non-executive directors:			
	2.1 Independent non-executive chairperson			
	2.2 Lead independent non-executive director			
	2.3 Board member			
	2.4 Additional unscheduled formal meetings (fee per formal meeting)			
	2.5 Audit and risk committee chairperson			
	2.6 Audit and risk committee member			
	2.7 Human capital and remuneration committee chairperson			
	2.8 Human capital and remuneration committee member			
	2.9 Social and ethics committee chairperson			
	2.10 Social and ethics committee member			
	2.11 Nomination committee chairperson (fee per formal meeting)			
	2.12 Nomination committee member (fee per formal meeting)			
	2.13 Investment committee chairperson (fee per formal meeting)			
	2.14 Investment committee member (fee per formal meeting)			
	2.15 Approved informal meetings			
13.	Special resolution number 3: General authority to provide financial assistance			
14.	General non-voting agenda point	Non-voting agenda point		

Shareholders must insert an 'X' in the appropriate block if they wish to vote all their 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 _____ 2021

Signature

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 TMS at the address stated overleaf to reach them by 14:00 on Tuesday, 16 November 2021, or may be handed to the chairperson of the AGM before the appointed proxy exercises any shareholder rights at the AGM.

Notes to Form of Proxy

1. This Form of Proxy should be used only by certificated shareholders or shareholders who have dematerialised their shares with 'own-name' registration.
2. All other shareholders who wish to attend the AGM must arrange with their CSDP or broker to provide them with the necessary written authorisation (letter of representation) to attend the AGM. If they elect not to attend the AGM, and wish their votes to be recorded, they 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. The person whose name appears first on the Form of Proxy and who is present at the AGM 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 may be exercised by the chairperson of the AGM.
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 chairperson of the AGM (if he is the authorised proxy), or any other appointed proxy, to vote all the shareholder's exercisable votes as he/she deems fit. In general, 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. The completion and lodging of this Form of Proxy shall not preclude the shareholder from attending, speaking and voting in person at the AGM to the exclusion of any proxy appointed in terms hereof.
6. Should this Form of Proxy not be completed and/or received in accordance with these directives, the chairperson of the AGM may accept or reject it, provided that, in the case of acceptance, the chairperson is satisfied as to the manner in which the shareholder's votes are to be recorded.
7. 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 TMS or by the transfer secretaries at an earlier stage.
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 TMS or the transfer secretaries, or waived by the chairperson of the AGM.
9. The chairperson of the AGM 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 with and registered by TMS or the transfer secretaries at the respective addresses stated below before the time fixed for commencement of the AGM.
10. Where shares are held jointly, all joint holders are required to sign the Form of Proxy.
11. Any alterations of or correction to this Form of Proxy must be initialled by the signatory(ies).
12. On a show of hands, every shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of KAP shares he/she holds or represents. On a poll, every shareholder present in person or represented by proxy shall have one vote for every KAP share held by such shareholder. It is the intent that all voting at the AGM will take place by way of a poll.
13. Shareholders may participate electronically in the AGM. However, Shareholders who wish to participate electronically must:
 - 13.1 make application in writing to be received by TMS at least 5 (five) business days prior to the date of the AGM so that arrangements can be made for their electronic participation in the AGM;
 - 13.2 provide reasonably satisfactory identification;
 - 13.3 make arrangements with their own service provider to be billed separately for their participation; and
 - 13.4 in advance of the meeting, submit their Forms of Proxy or voting instructions to their CSDP/broker in order for their votes to be counted, as electronic participation does not accommodate remote voting.
14. To avert a potential administrative burden at the AGM, completed Forms of Proxy must be e-mailed to proxy@tmsmeetings.co.za to be received by TMS by no later than 14:00 on Tuesday, 16 November 2021. In the alternative, Forms of Proxy may be handed to the chairperson at the AGM before the appointed proxy exercises any shareholder rights at the AGM.

Important addresses and contact particulars

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

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TMS

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