

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 3 of this Circular apply *mutatis mutandis* throughout this Circular.

If you are in any doubt as to the action you should take, please consult your Broker, CSDP, attorney, accountant, banker or other professional adviser immediately.

1. If you have disposed of all of your Shares in Italtile, then this Circular, together with the attached Notice of General Meeting and form of proxy should be forwarded to the purchaser to whom, or the Broker, agent, CSDP or banker through whom, you disposed of your Shares.
2. The General Meeting convened in terms of this Circular will be conducted entirely by Electronic Communication and will be held at 10:00 on Wednesday, 24 June 2020.
3. **Certificated Shareholders and Dematerialised Shareholders with “own-name” registration, who** are unable to attend the General Meeting and wish to be represented thereat, must complete and return the attached form of proxy in accordance with the instructions contained therein.

Dematerialised Shareholders, other than Dematerialised Shareholders with “own-name” registration, who:

- are unable to attend the General Meeting and wish to be represented thereat, must provide their CSDP or Broker with their voting instructions, in terms of the Custody Agreement entered into between themselves and the CSDP or Broker concerned, in the manner and within the time stipulated therein;
 - wish to attend the General Meeting, must instruct their CSDP or Broker to issue them with the necessary letter of representation to attend, in the form of a letter of representation.
4. Italtile does not accept any responsibility and will not be held liable for any failure on the part of any CSDP or Broker of a Dematerialised Shareholder to notify such Shareholder of this Circular and/or the General Meeting or any business to be concluded thereat.



ITALTILE LIMITED

Incorporated in the Republic of South Africa
(Registration number 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Company")

CIRCULAR TO SHAREHOLDERS OF ITALTILE

Regarding

- the approval and adoption of the Italtile Retention Scheme;

and enclosing

- a notice convening the General Meeting; and
- a form of proxy for use by Certificated Shareholders of Italtile and “own-name” registered Dematerialised Shareholders only.

Sponsor



Legal adviser



Corporate and legal adviser



Date of issue: 22 May 2020

This Circular can be viewed and accessed on the Company's website at www.italtile.com from Friday, 22 May 2020 up to and including, Wednesday, 24 June 2020. This Circular is available in the English language only.

CORPORATE INFORMATION

Italtile Limited

Date of incorporation: 25 February 1955

Place of incorporation: South Africa

Company Secretary and registered address of Italtile

E J Willis

Italtile Limited

(Registration number 1955/000558/06)

The Italtile Building

Corner William Nicol Drive and Peter Place

Bryanston, 2021

(PO Box 1689, Randburg, 2125)

Corporate adviser and Sponsor

Merchantec Capital

(Registration number 2008/027362/07)

13th Floor, Illovo Point

68 Melville Road

Illovo, Sandton, 2196

(PO Box 41480, Craighall, 2024)

Legal adviser

Werksmans Incorporated

(Registration number 1990/007215/21)

The Central

96 Rivonia Road

Sandton 2196

(Private Bag 10015, Sandton, 2146)

Corporate and legal advisers

Rabin & Associates Proprietary Limited

(Registration number 2002/013811/07)

The Central

96 Rivonia Road

Sandton 2196,

(Private Bag 10015, Sandton, 2146)

Transfer Secretaries

Computershare Investor Services Proprietary Limited

(Registration number 2004/003647/07)

Rosebank Towers

15 Biermann Avenue

Rosebank, 2196

(Private Bag X9000, Saxonwold, 2132)

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IMPORTANT DATES AND TIMES

2020

Record date to determine which Shareholders are entitled to receive the Circular (Circular Record Date)	Friday, 15 May
Circular distributed to Shareholders and notice convening the General Meeting released on SENS on	Friday, 22 May
Last day to trade in Italtile Shares in order to be recorded in the Register to participate in and vote at the General Meeting	Monday, 15 June
Voting Record Date to participate in and vote at the General Meeting	Friday, 19 June
Last day to lodge forms of proxy for the General Meeting by 10:00 on	Wednesday, 24 June
General Meeting to be held at 10:00 on	Wednesday, 24 June
Results of General Meeting released on SENS on	Wednesday, 24 June
Results of General Meeting published in the press on	Thursday, 25 June

Notes:

1. *The above dates and times are subject to amendment. Any such amendment will be released on SENS.*
2. *This Circular may be viewed and accessed from Friday, 22 May 2020 up to and including, Wednesday, 24 June 2020 on the Company's website at www.italtile.com. This Circular is available in the English language only.*
3. *All times given in this Circular are local times in South Africa.*

DEFINITIONS AND INTERPRETATIONS

In this Circular and the annexures hereto, unless the context otherwise indicates, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa*, and the words in the first column hereunder have the meaning stated opposite them in the second column, as follows:

“Board” or “Directors”	the board of directors of Italtile at the Last Practicable Date, whose details are set out on page 5 of this Circular;
“Broker”	any person registered as a “broking member (equities)” in accordance with the provisions of the Financial Markets Act;
“Business Day”	any day other than a Saturday, Sunday or an official public holiday in South Africa;
“Certificated Shareholder”	an Italtile Shareholder who holds Certificated Shares;
“Certificated Share”	an Italtile Share which has not been Dematerialised, title to which is evidenced by a share certificate or other physical Document(s) of Title;
“Circular”	this bound document, dated Friday, 22 May 2020, including the annexures hereto and incorporating a Notice of General Meeting and a form of proxy;
“Companies Act”	the Companies Act, 2008 (Act 71 of 2008), as amended;
“Computershare Investor Services” or “Transfer Secretaries”	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company duly registered and incorporated in accordance with the laws of South Africa;
“CSDP”	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, appointed by an individual shareholder for the purposes of, and in regard to, Dematerialisation;
“Custody Agreement”	the agreement which regulates the relationship between the CSDP or Broker and each beneficial holder of Dematerialised Shares;
“Dematerialise” or “Dematerialised” or “Dematerialisation”	the process by which Certificated Shares are converted into electronic format as Dematerialised Shares and recorded in Italtile’s Uncertificated Securities Register;
“Dematerialised Shareholder”	an Italtile Shareholder who holds Dematerialised Shares;
“Dematerialised Share”	an Italtile Share that has been Dematerialised or has been issued in Dematerialised form, and recorded in Italtile’s Uncertificated Securities Register;
“Documents of Title”	share certificates, certified transfer deeds, balance receipts or any other form of documents of title acceptable to Italtile in respect of Italtile Shares;
“Electronic Communication”	has the meaning set out in section 1 of the Electronic Communications and Transactions Act, 2002 (Act 25 of 2002), as amended;
“Excluded Directors”	those executive directors, being Jan Naude Potgieter, Brandon George Wood and Tsundzukani Tintswalo, Alice-Chris Mhlanga, who have a personal financial interest (as such term is defined in section 1 of the Companies Act) in respect of the matter to be considered at the General Meeting, namely the approval and adoption of the Scheme;
“Excluded Shareholders”	those Shareholders who are ineligible to vote at the General Meeting pursuant to the provisions contained in the Listings Requirements and the Companies Act, namely any trust or share scheme of the Company or any subsidiary of the Company;
“Financial Markets Act”	Financial Markets Act, 2012 (Act 19 of 2012), as amended;

“General Meeting”	the general meeting of Shareholders to be conducted entirely by Electronic Communication and to be held at 10:00 on Wednesday, 24 June 2020, which meeting is convened in terms of the Notice of General Meeting attached to this Circular;
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board;
“Irrevocable Undertakings” or “Undertakings”	the irrevocable undertakings given by certain Italtile Shareholders to vote in favour of the resolutions, to be proposed at the General Meeting, to approve and adopt the Scheme, as more fully described in paragraph 4 of this Circular;
“Italtile” or “the Company”	Italtile Limited (Registration number 1955/000558/06), a public company duly registered and incorporated under the laws of South Africa and listed on the JSE;
“Italtile Group” or “Group”	Italtile and its subsidiaries;
“Italtile Shareholders” or “Shareholders”	holders of Italtile Shares;
“Italtile Shares” or “Shares”	ordinary shares of no par value in the stated capital of Italtile, which are listed on the JSE;
“JSE”	JSE Limited (Registration number 2005/022939/06), a public company duly registered and incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
“Last Practicable Date”	Friday, 15 May 2020, being the last practicable date prior to the finalisation of this Circular;
“Listings Requirements”	the listings requirements of the JSE, as amended from time to time;
“Merchantec Capital” or “Sponsor”	Merchantec Proprietary Limited (Registration number 2008/027362/07), a private company duly registered and incorporated under the laws of South Africa;
“MOI”	the memorandum of incorporation of Italtile;
“Register”	Italtile’s securities register, including the Uncertificated Securities Register;
“Remuneration Committee”	the remuneration committee of Italtile, being a sub-committee of the Board;
“Scheme”	the Italtile Retention Scheme, the rules, terms and conditions of which are embodied in the Scheme Deed, as approved by the JSE on 25 April 2020;
“Scheme Deed”	the deed of trust for the Italtile Retention Scheme Trust to be tabled at the General Meeting for approval by Italtile Shareholders and which is available for inspection as set out in paragraph 8 of this Circular;
“SENS”	the Stock Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“Uncertificated Securities Register”	the record of Dematerialised Shares administered and maintained by a CSDP and which forms part of the Register; and
“Voting Record Date”	the date on which Italtile Shareholders must be entered in the Register in order to be entitled to participate in and vote at the General Meeting, expected to be Friday, 19 June 2020.



ITALTILE LIMITED

Incorporated in the Republic of South Africa
(Registration number 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Company")

Directors

Executive

J N Potgieter (*Chief Executive Officer*)
B G Wood (*Executive Director: Retail*)
T T A Mhlanga (*Executive Director: Finance*)

Non-executive

G A M Ravazzotti (*Non-executive Chairman*)
L R Langenhoven (*Non-executive Deputy Chairman*)
S M du Toit^
S G Pretorius^
N P Khoza^
I N Malevu^

^ *Independent*

CIRCULAR TO ITALTILE SHAREHOLDERS

1. INTRODUCTION

The purpose of this Circular is to provide Italtile Shareholders with the relevant information relating to the Scheme and to give notice of the General Meeting in order for Italtile Shareholders to consider and, if deemed fit, to pass, with or without modification, the resolutions necessary to approve and implement the Scheme in accordance with the Listings Requirements. A notice convening such General Meeting is attached to, and forms part of, this Circular.

2. PURPOSE OF THE SCHEME

In line with the Italtile Group's remuneration philosophy of partnership and in accordance with the Italtile Group's recognition of the importance of efficient and transparent succession planning within the Italtile Group, Italtile wishes to establish the Scheme in order to retain and incentivise selected high performing employees, identified by Italtile's Remuneration Committee from time to time, with a proven track record for their contribution to the growth and sustainability of the Italtile Group.

Italtile has previously recorded and communicated this intention to its Shareholders in the notice ("Notice") convening the 30th annual general meeting of Shareholders of Italtile which was held at the registered office of Italtile on 14 November 2019 ("2019 AGM"). After taking into account feedback received from various Shareholders in relation to the eligibility criteria for participating in the Scheme as well as the performance targets, prior to the commencement of the 2019 AGM, Ordinary Resolution Number 8 set out in the Notice relating to the adoption of the Scheme was withdrawn at the 2019 AGM.

3. SALIENT FEATURES OF THE SCHEME

The salient features of the Scheme are set out in Annexure 1 to this Circular. Such features encapsulate, *inter alia*, the feedback received from Shareholders.

4. IRREVOCABLE UNDERTAKINGS

To date, Irrevocable Undertakings to vote in favour of the approval and adoption of the Scheme have been received from certain Italtile Shareholders holding in aggregate 845 933 836 Italtile Shares, representing 68,7% of the voting rights at the General Meeting or any adjournment thereof. The following Italtile Shareholders have provided Irrevocable Undertakings to vote the stated number of Italtile Shares in favour of the Scheme:

Shareholder	Date of Irrevocable Undertaking	Italtile Shares subject to Undertaking	Percentage holding (%)	Percentage of voting rights (%)
Tommaso Altini Trust	20 May 2020	41 797 269	3,2	3,4
K2019313036 (South Africa) (Pty) Ltd	18 May 2020	26 400 000	2,0	2,1
Tommaso Altini	6 April 2020	10 100 000	0,8	0,8
Dzana Investments (Pty) Ltd	18 May 2020	4 321 522	0,3	0,4
AKA Capital Holdings (Pty) Ltd	18 May 2020	4 321 522	0,3	0,4
AKA Ceramic Holdings (Pty) Ltd	18 May 2020	3 278 050	0,2	0,3
Nick Booth	20 May 2020	1 129 963	0,1	0,1
Rallen (Pty) Ltd	20 May 2020	746 244 490	56,5	60,6
Jan Potgieter	18 May 2020	4 969 239	0,4	0,4
Brandon Wood	7 April 2020	1 318 791	0,1	0,1
Lance Foxcroft	19 May 2020	572 510	0,0	0,0
Tshepo Molefakgotla	19 May 2020	730 480	0,1	0,1
James Mason	7 April 2020	250 000	0,0	0,0
Tsundzukani Mhlanga	20 May 2020	500 000	0,0	0,0
		845 933 836	64,0	68,7

Note – effective voting rights calculated as the number of issued Italtile Shares, being 1 321 654 148 Italtile Shares less 91 082 110 Italtile Shares that are ineligible to vote as a result of being held by Excluded Shareholders.

5. OPINION AND RECOMMENDATION

The Directors, other than the Excluded Directors, are of the opinion that the adoption of the Scheme will be beneficial to Italtile and its Shareholders and, accordingly, recommend that Shareholders vote in favour of the resolutions, to be proposed at the General Meeting, to approve and adopt the Scheme. The Directors who are Shareholders of Italtile intend to vote in favour of such resolutions to be proposed at the General Meeting to approve and adopt the Scheme.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in the Circular and certify that, to the best of their knowledge and belief, that there are no facts that have been omitted which would make any statement contained in the Circular false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information required by law and the Listings Requirements.

7. EXPERTS' CONSENTS

The Sponsor, the legal advisers and the Transfer Secretaries have consented in writing to act in the capacities stated and to their names being stated in this Circular and have not, prior to the Last Practicable Date, withdrawn their consents prior to publication of this Circular.

8. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection, and can be viewed and accessed on the Company's website at www.italtile.com from Friday, 22 May 2020 up to and including Wednesday, 24 June 2020:

- a signed copy of the Scheme Deed;
- signed copies of the Irrevocable Undertakings referred to in paragraph 4 above; and
- a signed copy of this Circular.

The written consent letters referred to in paragraph 7 above will, from Friday, 22 May 2020 up to and including Wednesday, 24 June 2020, on written request therefor by a Shareholder and by prior arrangement with the Company Secretary, who can be contacted by email at lizwillis@ejaysecretarial.co.za, be made available for inspection by the Company Secretary to such Shareholder.

9. GENERAL MEETING

A General Meeting of Italtile Shareholders will be conducted entirely by Electronic Communication and will be held at 10:00 on Wednesday, 24 June 2020, in order to consider and approve, with or without modification, the resolutions set out in the Notice of General Meeting which is attached to and forms part of this Circular.

A notice convening the General Meeting and a form of proxy for use by Certificated Shareholders and Dematerialised Shareholders with “own-name” registration who are unable to attend the General Meeting, form part of this Circular.

Certificated Shareholders and Dematerialised Shareholders with “own-name” registration, who are unable to attend the General Meeting and wish to be represented thereat, must complete and return the attached form of proxy in accordance with the instructions contained therein.

Dematerialised Shareholders, other than Dematerialised Shareholders with “own-name” registration, who:

- are unable to attend the General Meeting and wish to be represented thereat, must provide their CSDP or Broker with their voting instructions, in terms of the Custody Agreement entered into between themselves and the CSDP or Broker concerned, in the manner and within the time stipulated therein;
- wish to attend the General Meeting, must instruct their CSDP or Broker to issue them with the necessary written letter of representation to attend.

SIGNED BY S M DU TOIT, ON HER OWN BEHALF AS DIRECTOR AND ON BEHALF OF ALL THE OTHER DIRECTORS OF ITALTILE LIMITED, BEING DULY AUTHORISED IN TERMS OF POWERS OF ATTORNEY GRANTED TO HER BY SUCH DIRECTORS

By order of the Board

S M du Toit

Lead Independent Non-Executive Director

22 May 2020

SALIENT FEATURES OF THE SCHEME

Capitalised terms referred to, and not defined, herein shall bear the meaning assigned to them in the Scheme Deed of the Italtile Retention Scheme Trust (“**Trust**”). A summary of the main terms of the Scheme Deed is set out below.

1. PURPOSE AND OBJECT OF THE TRUST

- 1.1 In line with Italtile Limited’s (“**Italtile**”) (and its subsidiaries from time to time (collectively referred to as the “**Italtile Group**” and “**Member of the Italtile Group**” means any one of them, as the context may require)) remuneration philosophy of partnership and in accordance with the Italtile Group’s recognition of the importance of efficient and transparent succession planning, the purpose of the Trust is to retain and incentivise selected high performing Eligible Persons (as defined in paragraph 3 below) (as measured against the key performance indicators per individual performance scorecards approved by the remuneration committee of Italtile (“**Remuneration Committee**”)), with a proven track record for their contribution to the growth and sustainability of the Italtile Group.
- 1.2 The sole object of the Trust shall be to acquire, hold and sell Trust Shares (as defined in paragraph 4.3.13 below) for the benefit of participants, to distribute income and dividends to participants and to administer the Trust in accordance with the provisions of the Deed of Trust (“**Trust Object**”).

2. ADMINISTRATION OF THE TRUST

- 2.1 Subject to the provisions of the Deed of Trust, the Trustees shall be entitled to establish rules, procedures and guidelines which the Trustees will follow in exercising the powers contained in the Deed of Trust or in respect of any other matter which the Trustees deem appropriate; provided that such rules do not conflict with the Deed of Trust or with any laws in existence in South Africa from time to time.
- 2.2 The Trust shall be administered by the Trustees in the manner and upon the terms set out in the Deed of Trust.
- 2.3 There shall at all times be at least 3 (three) Trustees in office who shall be appointed by the board of directors of Italtile (“**Board**”). A person shall be disqualified from acting as a Trustee where, *inter alia*, such person is an executive director or employee of any Member of the Italtile Group or a participant of the Trust.
- 2.4 Italtile may appoint a compliance officer who shall be accountable to the Board to perform the functions in terms of, and to comply with the duties as set out in, section 97 of the Companies Act in respect of the Trust.

3. ELIGIBILITY

Any person (“**Eligible Person**”) holding full-time salaried employment or office, namely any executive (including any executive director), senior manager and/or key employee of any Member of the Italtile Group, as may be identified and selected by the Remuneration Committee but specifically excluding any person whom, on the date that he is identified by the Remuneration Committee as eligible for participation in the Trust is (i) a non-executive director of Italtile; (ii) a Trustee; or (iii) a member of the Remuneration Committee.

4. ALLOCATION OF UNITS

- 4.1 The Remuneration Committee shall be entitled from time to time to identify Eligible Persons (“**Offerees**”) with a proven track record for their contribution to the growth and sustainability of the Italtile Group, to be made an offer by the Trustees to acquire and be allocated such number of Units as is equal to the number of Trust Shares to be acquired by the Trust, if the offer is accepted by the Offeree (the “**Offer**”).
- 4.2 Upon identification of Eligible Persons, the Remuneration Committee shall deliver a written notice to the Trustees advising them, in respect of each Offeree:
 - 4.2.1 the identity of the Offeree to be made an Offer;
 - 4.2.2 the Retention Award provided to the Trust to acquire the Trust Shares forming the subject matter of the Offer;
 - 4.2.3 the number of Units forming the subject matter of the Offer;
 - 4.2.4 the HEPS Performance Target;
 - 4.2.5 the ROIC Performance Target;
 - 4.2.6 the Individual Performance Target;
 - 4.2.7 the weighting of each of the Performance Targets;

4.2.8 the fact that the Units forming the subject matter of the Offer will be allocated to the Offeree for no consideration; and

4.2.9 the number of Trust Shares to be linked to the Units forming the subject matter of the Offer.

4.3 For purposes hereof:

4.3.1 “**BEE IFRS 2 Expenses**” means all expenses incurred by the Italtile Group, from time to time, recognised as a “Share-based Payment” in respect of all ownership transactions between any Member of the Italtile Group and Black People in terms of, and pursuant to, the International Financial Reporting Standard 2, issued from time to time by the International Accounting Standards Board or its successor body;

4.3.2 “**Black People**” shall bear the meaning ascribed to it in the Broad-Based Black Economic Empowerment Act, No. 46 of 2013;

4.3.3 “**HEPS**” means the average annual headline earnings per Italtile Share as determined by the following formula:

$$A = \left(\frac{B+C}{D} \right) \div E$$

where:

A = the average annual headline earnings per Italtile Share;

B = the sum of the Italtile Group’s headline earnings for the period commencing from the Acquisition Date (as defined in paragraph 6.3 below) until the Financial Year end immediately preceding the expiration of the Retention Period (as such term is contemplated paragraph 8.2 below), as reflected in, or ascertainable from, each audited annual financial statement of Italtile (“**Annual Financial Statement**”) available between the Acquisition Date until the Financial Year end immediately preceding the expiration of the Retention Period;

C = the sum of all BEE IFRS 2 Expenses incurred by the Italtile Group commencing from the Acquisition Date until the Financial Year end immediately preceding the expiration of the Retention Period, as reflected in, or ascertainable from, each audited Annual Financial Statement available between the Acquisition Date until the expiration of the Retention Period;

D = the weighted average number of Italtile Shares in issue net of treasury shares calculated from the Acquisition Date until the Financial Year end immediately preceding the expiration of the Retention Period, as reflected in, or ascertainable from, each audited Annual Financial Statement available between the Acquisition Date until the expiration of the Retention Period; and

E = 5 (five), provided that in the circumstances of a Good Leaver Trigger Event (as such term is contemplated paragraph 10.2 below), “E” shall be the number of completed months of service of the relevant Participant as a full time salaried employee of any Member of the Italtile Group, for the period commencing on the Acquisition Date and terminating on the day immediately preceding the occurrence of a Good Leaver Trigger Event, divided by 12;

4.3.4 “**HEPS Performance Target**” means, with respect to the Redemption of a Unit linked to HEPS, the performance target applicable to HEPS, as determined by the Remuneration Committee, in its sole and absolute discretion. It being recorded that depending on the relevant Participant’s role within the Italtile Group, the HEPS Performance Target may differ from Participant to Participant, as may be determined by the Remuneration Committee, as set out in the Offer Notice (as defined in paragraph 4.4 below) delivered to the applicable Offeree;

4.3.5 “**Individual Performance Target**” means, with respect to the Redemption of a Unit linked to the percentage of growth in net profit before tax of the business unit of the Italtile Group, or any Member of the Italtile Group, as the case may be, in which the Participant concerned is responsible for (the “**Business Unit**”), during the period commencing on the Acquisition Date and ending on the expiration of the Retention Period, excluding any extraordinary or abnormal profits and any extraordinary or abnormal losses of such Business Unit, as reflected in, or ascertainable from, the most recent Management Accounts available prior to the expiration of the Retention Period, the performance target applicable to the Participant concerned, as determined by the Remuneration Committee, in its sole and absolute discretion. It being recorded that depending on the relevant Participant’s role within the Group, an Individual Performance Target may differ from Participant to Participant, as may be determined by the Remuneration Committee, as set out in the Offer Notice delivered to the applicable Offeree;

- 4.3.6 “**Management Accounts**” means the internally prepared monthly management accounts of Italtile, which shall include an income statement of Italtile;
- 4.3.7 “**Performance Target**” means, the HEPS Performance Target, the ROIC Performance Target, and the Individual Performance Target or any of them, or a combination of them, as the context may indicate;
- 4.3.8 “**Retention Award**” means the cash amount to be contributed by the relevant Member of the Italtile Group, on a non-refundable basis, to the Trust which cash amount shall be utilised by the Trustees to acquire the Trust Shares forming the subject matter of the Offer;
- 4.3.9 “**Return on Invested Capital**” or “**ROIC**” means the return on invested capital of the Italtile Group, as determined by the following formula:

$$A = \left(\frac{B}{C + D} \right) \div E$$

where:

A = return on Invested Capital, expressed as a percentage;

B = the total profit attributable to equity holders of Italtile, for the period commencing from the Acquisition Date until the Financial Year end immediately preceding the expiration of the Retention Period, as reflected in, or ascertainable from, each audited Annual Financial Statement available between the Acquisition Date until the expiration of the Retention Period;

C = the average equity attributable to equity holders of Italtile, for the period commencing from the Acquisition Date until the Financial Year end immediately preceding the expiration of the Retention Period, as reflected in, or ascertainable from, each audited Annual Financial Statement available between the Acquisition Date until the expiration of the Retention Period;

D = Average Long Term Debt, for the period commencing from the Acquisition Date until the Financial Year end immediately preceding the expiration of the Retention Period, as reflected in, or ascertainable from, each audited Annual Financial Statement available between the Acquisition Date until the expiration of the Retention Period; and

E = 5 (five), provided that in the circumstances of a Good Leaver Trigger Event, “E” shall be the number of completed months of service of the relevant Participant as a full time salaried employee of any Member of the Italtile Group, for the period commencing on the Acquisition Date and terminating on the day immediately preceding the occurrence of a Good Leaver Trigger Event, divided by 12;

- 4.3.10 “**ROIC Performance Target**” means, with respect to the Redemption of the Unit linked to ROIC, the performance target applicable to ROIC, as determined by the Remuneration Committee, in its sole and absolute discretion. It being recorded that depending on the relevant Participant’s role within the Group, the ROIC Performance Target may differ from Participant to Participant, as may be determined by the Remuneration Committee, as set out in the Offer Notice delivered to the applicable Offeree;
- 4.3.11 a “**Unit**” is a notional unit used as a mechanism to establish the respective Trust Interest of an Offeree who has accepted an Offer by delivering an acceptance notice to the Trustees and to whom Units have been allocated (“**Participant**”). There will always be at least as many Trust Shares as there are allocated Units, i.e. each Unit allocated to a Participant will be linked to a Trust Share;
- 4.3.12 “**Trust Interest**” means any rights of a Participant to participate in the income and capital of the Trust, expressed as a percentage (determined by dividing the number of Units allocated to a Participant by the total number of issued Units); and
- 4.3.13 “**Trust Shares**” means ordinary no par value shares in Italtile (“**Italtile Shares**”) acquired by the Trustees from time to time in accordance with the provisions of this Deed of Trust, held by, and registered in the name of, the Trust from time to time.

4.4 The Trustees shall, as soon as possible after being advised by the Remuneration Committee of the Offerees, deliver a written notice setting out the Offer (the “**Offer Notice**”) to each such Offeree.

4.5 The Offer contemplated in the Offer Notice shall be capable of acceptance, by the Offeree delivering a written notice of acceptance to the Trustees (the “**Acceptance Notice**”), for a period of 20 (twenty) Business Days (or such longer period as may be advised in writing by the Remuneration Committee to the Trustees) (the “**Offer Period**”) and failing acceptance, shall lapse and not be capable of being accepted thereafter.

- 4.6 If the Offer is accepted by the Offeree within the Offer Period, no consideration shall be payable by the Offeree to the Trust in respect of the acquisition and allotment of Units forming the subject matter of such Offer.
- 4.7 Following receipt of an Acceptance Notice, Italtile or any other Member of the Italtile Group, as the case may be, shall contribute to the Trustees an amount equal to the relevant Retention Award, subject to the provisions of the Deed of Trust, less the value of any Unallocated Shares (which are Trust Shares in respect of which the Units have been Forfeited and which are no longer linked to any Units allocated to Participants) to be used by the Trustees in fulfilling the Offer, for purposes of the Trustees procuring the acquisition of the Trust Shares forming the subject matter of the Offer in such manner as advised in writing by the Board to the Trustees.

5. RIGHTS AND LIMITATIONS IN RESPECT OF UNITS AND TRUST INTERESTS

- 5.1 Each Unit shall:
- 5.1.1 be non-transferable (but shall be capable of Forfeiture and Redemption in accordance with the provisions of the Deed of Trust);
 - 5.1.2 represent an indirect equity interest in the Trust Share linked to such Unit;
 - 5.1.3 afford the Participant a vested right to receive all and any distributions accrued in respect of the Trust Share linked to such Unit ("**Dividend Income**");
 - 5.1.4 entitle the Participant to instruct the Trustees how to vote the Trust Shares linked to the Units in respect of each Shareholders' meeting of Italtile;
 - 5.1.5 entitle the Participant thereof to cast one vote at any meeting of Participants, subject to the terms and conditions of the Deed of Trust; and
 - 5.1.6 to the extent that the Performance Targets have been attained, be automatically Redeemable upon expiry of the Retention Period applicable to such Unit in accordance with the provisions of the Deed of Trust.
- 5.2 Save as expressly provided for in the Deed of Trust, a Participant shall not be entitled to:
- 5.2.1 Encumber his Trust Interest or Units;
 - 5.2.2 Sell his Trust Interest or Units;
 - 5.2.3 enter into any agreement in respect of any votes attached to his Units or enter into any derivative transaction in respect of his Trust Interest or Units; or
 - 5.2.4 agree, whether or not subject to any suspensive or resolute condition, to do any of the foregoing.
- 5.3 Any purported assignment of a Trust Interest in contravention of the Deed of Trust shall be void.

6. ACQUISITION OF TRUST SHARES

- 6.1 For purposes of achieving the Trust Object, the Trust shall, from time to time, be required, in the first instance, to purchase Trust Shares as contemplated in an Offer from either a Member of the Italtile Group or from the Italtile Share Incentive Trust at a price equal to the Market Value thereof. If the Trustees are unable to procure the purchase of Trust Shares from either a Member of the Italtile Group or from the Italtile Share Incentive Trust for any reason whatsoever, then, in the second instance, and at the Trustees' discretion, the Trust shall either purchase Trust Shares through the market or subscribe for Trust Shares as contemplated in an Offer at a price equal to the Market Value thereof, provided that:
- 6.1.1 in fulfilling an Offer, the Trustees must first utilise any Unallocated Shares held by the Trust and the Trust may purchase or subscribe for Trust Shares only to the extent of any shortfall in the event that the Unallocated Shares held by the Trust are insufficient to fulfil an Offer; and
 - 6.1.2 Trust Shares may only be purchased or subscribed for by the Trustees once an Offeree has been formally identified by the Remuneration Committee and such Offeree has delivered an Acceptance Notice.
- 6.2 For purposes of paragraph 6.1, the Market Value is the market price per Trust Share equal to the volume weighted average price at which the Italtile Shares traded on the JSE for the 30 (thirty) Business Days immediately preceding the date of delivery of the Offer Notice.
- 6.3 With effect from the later of the date upon which the Trust acquires the Trust Shares forming the subject matter of such Offer and the date of receipt of the Acceptance Notice in respect of the Offer (the "**Acquisition Date**"), the relevant Offeree shall be allocated the Units forming the subject matter of his Offer and such Units shall afford the Participant a vested right to receive the Dividend Income accrued in respect of the Trust Share linked to such Unit.

7. TREATMENT OF DIVIDENDS

- 7.1 All Dividend Income and other receipts by the Trust of payments by Italtile in respect of the Trust Shares linked to Units allocated to Participants, will immediately vest in and, within 1 (one) Business Day after receipt thereof by the Trust, be distributed to the Participants in proportion to their respective Trust Interests.
- 7.2 The proportion of the Dividend Income in respect of Trust Shares linked to Units corresponding to allocated Units vesting in each Participant shall be determined by multiplying such Dividend Income by the Trust Interest (expressed as percentage) of that Participant.
- 7.3 If the Trustees receive any Dividend Income in respect of Trust Shares, the Trustees shall:
- 7.3.1 insofar as such Dividend Income is received in respect of Trust Shares linked to Units allocated to Participants, distribute such Dividend Income to the Participants in accordance with paragraph 7.1; and
- 7.3.2 insofar as such Dividend Income is received in respect of Unallocated Shares, such Dividend Income shall:
- 7.3.2.1 firstly, be applied to discharge, and/or to make adequate provision for, the normal day-to-day operating costs and requirements of the Trust; and
- 7.3.2.2 secondly, be applied to repay any loan obligation (if any) owing to Italtile; and
- 7.3.2.3 thirdly, if there is any remaining Dividend Income (irrespective of the nature of the consideration of the dividend), automatically vest in Italtile and the Trustees shall distribute such remaining Dividend Income to Italtile on an annual basis.
- 7.4 In the event that Dividend Income is received in specie and not in cash, the Trustees shall, unless otherwise directed by the Board in writing, realise such assets received in specie and distribute any proceeds received in respect thereof to the Participants in the manner detailed in 7.1 to 7.3 (both inclusive).

8. REDEMPTION

- 8.1 Subject to compliance with the JSE Listings Requirements, the Trustees shall, by no later than 10 (ten) Business Days after the expiry of a Retention Period applicable to a Participant, Redeem or Forfeit the Units which are no longer subject to a Retention Period as follows:
- 8.1.1 subject to the provisions of the Deed of Trust, the Trustees will procure the transfer of such number of Trust Shares linked to the Units to the Participant, as determined against the Performance Targets and thereby Redeem such number of Units linked to Trust Shares. No consideration will be payable by the Participant to the Trust for the transfer of such Trust Shares to him; and
- 8.1.2 the Units will be cancelled upon the implementation of paragraph 8.1.1 and the Participant will have no further rights whatsoever in respect of the Units; and
- 8.1.3 in the event that all or a portion of the Trust Shares linked to Units are not to be transferred to a particular Participant owing to a failure to achieve the Performance Targets applicable to such Units, such Trust Shares linked to Units shall be Forfeited in accordance with the provisions of the Deed of Trust.
- 8.2 The Retention Period is a period commencing on the Acquisition Date and enduring until the 5th (fifth) anniversary of the Acquisition Date, during which a Participant, in the case of an employee of a Member of the Italtile Group, remained in the employ of such Member of the Italtile Group, or in the case of an executive director of a Member of the Italtile Group, remained a director of such Member of the Italtile Group or Italtile, as the case may be, it being recorded that merely remaining in the full-time employ of the Italtile Group for the duration of the Retention Period does not automatically result in the Trust Shares linked to Units being Redeemed and Redemption is subject to the attainment of the Performance Targets.
- 8.3 Where the Participant concerned attains a Performance Target during the Retention Period which:
- 8.3.1 is greater than half of the Performance Target, then in such instance, such number of Units as is equal to the percentage of the Performance Target attained, up to a maximum of 100%, shall be Redeemed on the basis set out in 8.1.1; or
- 8.3.2 is equal to or less than half of the Performance Target, then in such instance none of the Units which were linked to the Performance Target shall be Redeemed at the expiration of the Retention Period and 100% of such Units shall be Forfeited in the manner set out in the Deed of Trust.
- 8.4 In all instances where a Redemption would otherwise result in a transfer of a fraction of a Trust Share, by the Trust, to the Participant concerned, then in such instance the Trustees shall procure the transfer of such number of Trust Shares linked to Units, which in the case of a fraction of a Trust Share resulting in a decimal of 5 (five) or more shall be rounded

up to the nearest whole number or resulting in a decimal of below 5 (five) shall be rounded down to the nearest whole number.

- 8.5 The Redemption of the Units is illustrated by means of the following examples where 90 (ninety) Units are allocated to a Participant in terms of a Participant's accepted Offer and such Offer provides for 30 (thirty) of the Units to be Redeemable against the Participant's attainment of the ROIC Performance Target, 30 (thirty) of the Units to be Redeemable against the Participant's attainment of the HEPS Performance Target and 30 (thirty) of the Units to be Redeemable against the Participant's attainment of the Individual Performance Target:

8.5.1 Scenario 1:

8.5.1.1 in this scenario 1, at the expiration of the Retention Period, the Participant concerned managed to attain each of the Performance Targets, namely the ROIC Performance Target, the HEPS Performance and the Individual Performance Target;

8.5.1.2 accordingly, each of the 90 Units will be Redeemed.

8.5.2 Scenario 2:

8.5.2.1 in this scenario 2, at the expiration of the Retention Period, the Participant concerned managed to attain the ROIC Performance Target, but only managed to attain 40% of the HEPS Performance Target and 63% of the Individual Performance Target;

8.5.2.2 accordingly, a total of 49 of the 90 Units will be Redeemed as:

8.5.2.2.1 the ROIC Performance Target has been attained, resulting in all of the 30 (thirty) Units linked to the ROIC Performance Target becoming Redeemable;

8.5.2.2.2 less than half of the HEPS Performance Target has been attained, resulting in none of the 30 (thirty) Units linked to the ROIC Performance Target becoming Redeemable; and

8.5.2.2.3 63% of the Individual Performance Target was attained, resulting in 63% of the Units linked to the Individual Performance Target (i.e 18.9 Units) becoming Redeemable. However, in applying the rounding principle contemplated in paragraph 8.4, 19 Units will become Redeemable in this instance.

9. LIMITS

- 9.1 The aggregate number of Trust Shares acquired by the Trust in accordance with the Deed of Trust, when added to the number of Italtile Shares issued under the SARS, the LTIP and the ISIT Scheme, may not exceed 154 999 923 Italtile Shares.
- 9.2 Trust Shares linked to Units which are subsequently Forfeited and cancelled in accordance with the Deed of Trust will become Unallocated Shares and shall not count towards the maximum number of Italtile Shares as set out in paragraph 9.1 above.
- 9.3 The number of Trust Shares linked to Units that may be acquired by any Participant in terms of this Deed of Trust, when added to the number of Italtile Shares which are issued and/or transferred to the same Participant under the SARS, LTIP and ISIT Scheme, may not exceed 20 666 656 Italtile Shares.
- 9.4 Trust Shares linked to Units allocated to Participants which are subsequently Forfeited and cancelled in accordance with the Deed of Trust will become Unallocated Shares and shall not count towards the maximum number of Italtile Shares as set out in paragraph 9.3 above.
- 9.5 Trust Shares acquired by the Trustees by way of purchases in the market will not be taken into account and shall not count towards the maximum number of Italtile Shares as set out in paragraph 9.1 above.

10. TERMINATION OF EMPLOYMENT AND FORFEITURE

- 10.1 If the employment of a salaried director or employee of any Member of the Italtile Group terminates prior to the expiry of the Retention Period as a result of the occurrence of any of the following:
- 10.1.1 resignation of a Participant, other than in the instance where a Participant has resigned as an employee of a Member of the Italtile Group, in circumstances where he is to be appointed as a non-executive director of Italtile;
- 10.1.2 death of a Participant by suicide;

10.1.3 lawful dismissal of a Participant at any time on grounds of his proven dishonest, fraudulent or grossly negligent conduct (whether such termination occurs as a result of notice given to or by him or otherwise); or

10.1.4 any circumstances, other than those circumstances contemplated above or contemplated in paragraph 10.2;

then all the Units held by such Participant will be Forfeited in accordance with the provisions of paragraph 10.5.

10.2 If the employment of a salaried director or employee of any Member of the Italtile Group terminates prior to the expiry of the Retention Period as a result of the occurrence of any of the following (“**Good Leaver Trigger Event**”):

10.2.1 death of a Participant (other than suicide);

10.2.2 retrenchment of a Participant;

10.2.3 the relevant Member of the Italtile Group being subject to any Amalgamation or Merger;

10.2.4 retirement of a Participant;

10.2.5 a Participant becoming a non-executive director of Italtile; or

10.2.6 ill health or disability of a Participant as certified by a qualified medical practitioner nominated by the Trustees or for any other reason considered and approved by the Board;

then the provisions of paragraphs 10.4 to 10.5 (both inclusive) shall apply.

10.3 In the circumstances contemplated in 10.2, then notwithstanding anything to the contrary, the Performance Targets applicable to the Units shall be deemed to be determined between the Acquisition Date and the day immediately preceding the occurrence of the Good Leaver Trigger Event, and shall be determinable from:

10.3.1 each audited Annual Financial Statement available from the Acquisition Date until the occurrence of a Good Leaver Trigger Event; and

10.3.2 the Management Accounts for the period commencing from the date immediately succeeding the date of the most recent audited Annual Financial Statements available prior to the occurrence of a Good Leaver Trigger Event, and ending on the last day of the calendar month immediately prior to the occurrence of a Good Leaver Trigger Event.

10.4 The Trustees shall, subject to the provisions of paragraph 10.5, by no later than 10 (ten) Business Days after the occurrence of any Good Leaver Trigger Event:

10.4.1 Redeem such number of Units as is determined by applying the following formula:

$$A = B \times \frac{C}{D}$$

where:

A = the number of Units allocated to a Participant which is required to be Redeemed pursuant to the occurrence of a Good Leaver Trigger Event;

B = the number of Units which are subject to Redemption, as determined against the Performance Targets applicable to them (on the same basis referred to in paragraphs 8.3 and 8.4), as at the date immediately preceding the occurrence of the Good Leaver Trigger Event;

C = the number of completed months of service of a Participant as a full time salaried employee of any Member of the Italtile Group, for the period commencing on the Acquisition Date and terminating on the day immediately preceding the occurrence of the Good Leaver Trigger Event; and

D = 60.

10.4.2 procure the transfer of such number of Trust Shares linked to the Units allocated to Participants as is equal to the number of Units being Redeemed in terms of paragraph 10.4, to the Participants; and

10.4.3 all remaining Units which have not been Redeemed in accordance with the provisions of paragraph 10.4 above shall be Forfeited in accordance with paragraph 10.5.

10.5 If any Units are Forfeited:

10.5.1 the Trustees will deliver a written notice to that effect to the relevant Participant;

10.5.2 the Participant will not be entitled to any compensation whatsoever in respect of the Forfeited Units; and

10.5.3 the Forfeited Units will be cancelled and the Trust Shares to which such Units were linked will become Unallocated Shares.

10.6 The Redemption of Units pursuant to a Good Leaver Trigger Event is illustrated by means of the following example where 80 (eighty) Units are allocated to a Participant in terms of a Participant's accepted Offer and such Offer provides for 20 (twenty) of the Units to be Redeemable against the Participant's attainment of the ROIC Performance Target, 20 (twenty) of the Units to be Redeemable against the Participant's attainment of the HEPS Performance Target and 40 (forty) of the Units to be Redeemable against the Participant's attainment of the Individual Performance Target. In this example, with reference to the applicable period prior to the Good Leaver Trigger Event, the Participant managed to attain the ROIC Performance Target, but only managed to attain 45% of the HEPS Performance Target and 80% of the Individual Performance Target, with the Good Leaver Trigger Event occurring 30 months after the Acquisition Date.

10.7 Accordingly, in applying the formula detailed in paragraph 10.4.1:

$B = 52 (20 + 0 + 32);$

$C = 30;$ and

$D = 60,$

thereby resulting in a total of 26 (twenty six) Units being subject to Redemption pursuant to the applicable Good Leaver Trigger Event.

11. TERMINATION OF THE TRUST

11.1 The Trust shall terminate if the Board so resolves, provided that if the Trust is terminated whilst Participants still hold Units, then:

11.1.1 all allocated Units (whether capable of Redemption or not) shall either be Redeemed or Forfeited on the basis that such event shall be deemed to be a Good Leaver Trigger Event, and the provisions of 10.4 and 10.5 shall *mutatis mutandis* apply, before the termination of the Trust; and

11.1.2 with respect to the Units to be Redeemed, the Trustees shall procure the transfer of the Trust Shares linked to those Units to the Participant. No consideration will be payable by the Participant to the Trust for the transfer of such Shares.

11.2 Upon termination of the Trust:

11.2.1 the remaining Unallocated Trust Shares, if any, held by the Trust shall, subject to compliance with the JSE Listings Requirements, the provisions of the Companies Act and all other applicable law at that time and subject to the prior approval of any regulatory authority, to the extent required, either be repurchased by Italtile, or purchased by any Member of the Italtile Group or the Italtile Share Incentive Trust, as may be determined by the Board in its discretion, at a price equal to the Market Value thereof:

11.2.2 the assets and liabilities of the Trust (if any) shall be liquidated by a liquidator appointed by the Board; and

11.2.3 the liquidator of the Trust shall award and distribute the net proceeds of the liquidation contemplated in paragraph 11.2.2 to Italtile.

11.3 For the purposes of paragraph 11.2.1, the "Market Value" means the market price per remaining Unallocated Share equal to the volume weighted average price at which the Italtile Shares trade on the JSE for the 30 (thirty) Business Days immediately preceding the date of termination of the Trust.

12. TAX LIABILITY

12.1 Any and all Taxes incurred or arising from:

12.1.1 any Forfeiture or Redemption of Units; or

12.1.2 any benefits otherwise accruing to the Participant in terms of or pursuant to the Deed of Trust,

shall be for the account of the relevant Participant/s to whom the resulting payment or transfer will be made or to whom the relevant Tax liability is attributable, regardless of whether the relevant Tax liability is legally imposed on any Member of the Italtile Group, the Trust or the relevant Participant/s. The Trustees shall procure that each Participant signs and executes an indemnity before any Units are allocated to such Participant.

12.2 The Trustees shall correctly apportion any Tax liability envisaged in paragraph 12.1 to the relevant Participants to whom payments or transfers will be made, or who will derive the relevant benefit, and the resulting payment or transfer shall be made to the Participant net of the *pro rata* amount of such Tax liability.

12.3 Pursuant to a Forfeiture or Redemption only, the Trustees will be entitled, without the prior written consent of, or notification to, any Participant, to Sell a portion of the Trust Shares linked to Units held by a Participant through the market or otherwise in order to pay any amount that the Trustees are obliged to account for, withhold or deduct in respect of any Taxes arising from:

12.3.1 the Deed of Trust; or

12.3.2 any benefits otherwise accruing to that Participant pursuant to the provisions of the Deed of Trust.

13. ADJUSTMENT

13.1 In the event of a sub-division or consolidation of Italtile Shares, the number of Italtile Shares acquired by the Trust shall be adjusted in direct proportion to the increase or reduction of Italtile Shares issued by Italtile.

13.2 Trust Shares linked to Units allocated to Participants shall rank *pari passu* with the Italtile Shares for participation in all rights offers of Italtile Shares or other securities by Italtile. In the event of a rights offer by Italtile, the Trustees shall immediately notify the Participants of such rights offer and each Participant shall be entitled, but not obliged, to request the Trustees to renounce (insofar as such rights are renounceable) such rights in favour of the Participant for purposes of the Participant, in his personal capacity and not in his capacity as a Participant, following the rights accruing to Trust Shares linked to his Units. Any Italtile Shares acquired by a Participant pursuant to a rights offer as contemplated in this paragraph 13.2 shall not be Trust Shares and shall not be subject to the provisions of the Deed of Trust.

13.3 Trust Shares linked to Units allocated to Participants shall in all respects rank *pari passu* with all issued Italtile Shares, including in respect of participation in capitalisation issues; provided that Italtile Shares allotted and issued by way of a capitalisation by Italtile in respect of Trust Shares linked to Units shall be deemed to be Trust Shares, shall be subject to the provisions of the Deed of Trust and the number of Units allocated to the Participants shall be adjusted accordingly.

13.4 If any Other Corporate Event in relation to Italtile occurs or is to occur prior to the expiration of any remaining Retention Period, which Other Corporate Event will affect or has the potential to adversely affect the rights of the Participants as contemplated in the Deed of Trust or the implementation of the provisions of the Deed of Trust, the Board will consider the interests of the Participants and, without limiting the Board's discretion, may:

13.4.1 make such adjustments to the Deed of Trust as it considers appropriate in the circumstances (which adjustments shall be binding on the Participants, the Trustees, Italtile and the Remuneration Committee, as applicable, without the need for any formal variation, but subject to the provisions of the Deed of Trust) in order to:

13.4.1.1 place the Participants in the same position to that which they were in prior to such Other Corporate Event having occurred; or

13.4.1.2 place the Participants in the same position to that of the Italtile's Shareholders under the Other Corporate Event; or

13.4.2 may resolve to terminate the Trust.

13.5 If a Takeover occurs or Italtile is affected by any Amalgamation or Merger prior to the expiration of any remaining Retention Period, the Board will consider the interests of the Participants and shall, acting fairly, reasonably and objectively and, without limiting the Board's discretion may make such adjustments to the Deed of Trust as it considers appropriate in the circumstances (which adjustments shall be binding on the Participants, the Trustees, Italtile and the Remuneration Committee, as applicable, without the need for any formal variation, but subject to the provisions of the Deed of Trust) in order to:

13.5.1 place the Participants in a proportionally comparable position to that which they were in prior to such Takeover, Amalgamation or Merger having occurred; or

13.5.2 place the Participants in a proportionally comparable position to that of the Italtile Shareholders pursuant to the occurrence of a Takeover, Amalgamation or Merger.



ITALTILE LIMITED

Incorporated in the Republic of South Africa
(Registration number 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Company")

NOTICE OF GENERAL MEETING

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your CSDP, Broker, banker, attorney, accountant or other professional adviser immediately.

All terms defined in the Circular to which this Notice of General Meeting is attached ("Circular") shall, unless the context otherwise requires or they are otherwise defined herein, bear the same meanings herein.

Notice is hereby given in terms of section 62(1) of the Companies Act that a General Meeting of Shareholders of the Company will be conducted entirely by Electronic Communication and will be held at 10:00 on Wednesday, 24 June 2020, to consider, and, if deemed fit, to pass, with or without modification, the ordinary resolutions set out below in the manner required by the Companies Act and the Listings Requirements.

The Board has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, the record date for the purposes of determining which Shareholders of the Company are entitled to receive notice of the General Meeting is Friday, 15 May 2020 and only Shareholders who are registered in the Register of the Company on Friday, 19 June 2020, will be entitled to participate in and vote at the General Meeting. Accordingly, the last day to trade in Italtile Shares in order to be recorded in the Register in order to be entitled to attend, participate in and vote at the General Meeting is Monday, 15 June 2020.

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the General Meeting, that person must present reasonably satisfactory identification and the person presiding at the General Meeting must be reasonably satisfied that the right of the person to participate in and vote at the General Meeting, either as an Italtile Shareholder, or as a proxy for an Italtile Shareholder, has been reasonably verified.

In terms of section 63(2) of the Companies Act, as read with clause 6.7(2) of the MOI, the General Meeting will be conducted entirely by Electronic Communication and Shareholders are referred to the Shareholders' Virtual Meeting Guide ("Guide"), attached as Annexure 1 to the Notice of General Meeting, which Guide sets out the necessary information to enable Shareholders or their proxies to access the available medium in order to participate in and vote at the General Meeting.

ORDINARY RESOLUTION NUMBER 1 – APPROVAL AND ADOPTION OF THE SCHEME

"RESOLVED THAT, the Scheme embodied in the Scheme Deed, which Scheme has been tabled at this General Meeting and the Scheme Deed initialled by the chairperson of the General Meeting for purposes of identification, be and is hereby approved and adopted.

Explanatory note

The Scheme Deed is available for inspection on the Company's website at www.italtile.com from the date of posting of this Notice of General Meeting to Shareholders, up to and including the date of the General Meeting.

The salient features of the Scheme are set out in Annexure 1 to the Circular.

The Scheme embodied in the Scheme Deed has been reviewed and approved by both the JSE and the Remuneration Committee, and the Directors, other than the Excluded Directors, are unanimously of the opinion that the adoption of such Scheme will be beneficial to Italtile and its Shareholders and, accordingly, recommend that Shareholders vote in favour of this Ordinary Resolution Number 1.

In terms of the Listings Requirements, a 75% (seventy-five percent) majority of the votes cast by Shareholders present or represented by proxy and entitled to vote at the General Meeting must be cast in favour of Ordinary Resolution Number 1 for it to be approved. Excluded Shareholders are precluded from voting on Ordinary Resolution Number 1.

It must be noted that Shares in the Company held by any trust or share scheme of the Company or by any subsidiary of the Company will not have their votes taken into account for the purposes of resolutions proposed in terms of the Listings Requirements. In addition, any subsidiary of the Company will be precluded, pursuant to the provisions of section 48(2)(b)(ii) of the Companies Act, from exercising any voting rights attached to the Shares held by such subsidiary.

The reason for and effect of Ordinary Resolution Number 1 is to obtain the approval of Shareholders to approve and adopt the Scheme.

ORDINARY RESOLUTION NUMBER 2 – AUTHORITY GRANTED TO DIRECTORS

“RESOLVED THAT each Director of Italtile be and is hereby individually authorised, on behalf of Italtile, to enter into, sign and/or despatch any and all such agreements, documents and notices, as may be necessary, expedient or desirable (in each case in the opinion of such Director) and do all such other things and procure the doing of all such things as may be necessary for or incidental to the implementation of the Scheme, and should any such agreements, documents or notices have been signed, or any such action have been taken, before the date of this Ordinary Resolution Number 2, such signature or action, to the extent legally permissible, be and is hereby ratified and approved.”

Explanatory note

The reason for this Ordinary Resolution Number 2 is to authorise any Director of the Company to sign all documents and do all such further acts and things as he may in his discretion consider appropriate to implement and give effect to all of the resolutions set out in this Notice of General Meeting.

The effect of Ordinary Resolution Number 2 is to authorise any Director to sign all documents and take all actions necessary as he may in his discretion consider appropriate to implement and give effect to all of the resolutions set out in this Notice of General Meeting.

In terms of the Companies Act and the MOI, the percentage of voting rights that is required for Ordinary Resolution Number 2 to be adopted is more than 50% (fifty percent) of the votes exercised on such ordinary resolution by Shareholders present or represented by proxy at the General Meeting.

VOTING AND PROXIES

Ordinary Resolution Number 1 requires the support of more than 75% of the voting rights exercised on such resolution, to be adopted at the General Meeting. Excluded Shareholders may not vote on Ordinary Resolution Number 1. Ordinary Resolution Number 2 requires the support of a simple majority, which is more than 50% of the voting rights exercised on such resolution, to be adopted at the General Meeting.

On a poll, every Italtile Shareholder, present in person or represented by proxy, shall have one vote for every Share held or represented.

A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote in its/his/her stead. A proxy need not be a Shareholder of the Company.

The attached form of proxy is only to be completed by those Shareholders who:

- hold Certificated Shares; or
- hold Dematerialised Shares and who have selected “own-name” registration.

Shareholders who hold Dematerialised Shares through a CSDP or Broker, but not with “own-name” registration and who wish to attend the General Meeting, must instruct their CSDP or Broker to provide them with the relevant letter of representation to attend the General Meeting in person or by proxy and vote.

If they do not wish to attend in person or by proxy, 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.

Shareholders who hold Dematerialised Shares which are registered in their name or if they are the registered holders of Certificated Shares may attend the General Meeting in person, alternatively, they may appoint a proxy or proxies, who need not be a Shareholder of the Company, to represent them at the General Meeting by completing the attached form of proxy in accordance with the instructions it contains. Forms of proxy should be electronically lodged with the Transfer Secretaries, Computershare Investor Services Proprietary Limited at proxy@computershare.co.za or, where possible, lodged with the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or mailed to the Transfer Secretaries at Private Bag X9000, Saxonwold, 2132, to be received by the Transfer Secretaries at any time before the time of commencement of the General Meeting.

Voting at the General Meeting will be conducted electronically and Shareholders are referred to the voting instructions set out in the Guide.

Electronic participation

The General Meeting will be conducted entirely by Electronic Communication and accordingly, Shareholders or their proxies will be entitled to participate in the General Meeting electronically. All necessary information as to how to access and utilise the online facility in order to participate electronically in the General Meeting is set out in the Guide.

Any costs incurred by Shareholders or their proxies in accessing and utilising the online facility in order to participate electronically in the General Meeting will be for the sole account of such Shareholders or their proxies.

Identification

Accordingly, in accordance with the provisions of section 63(1) of the Companies Act, all meeting participants, which include proxies, will be required to provide reasonably satisfactory identification in order to participate in and vote at the General Meeting. In this regard, Shareholders or their proxies are referred to the verification requirements set out in the Guide.

By order of the Board

E J Willis

Company Secretary

Johannesburg

Friday, 22 May 2020

Registered office

The Italtile Building

Corner William Nicol Drive and Peter Place

Bryanston, 2021

(PO Box 1689, Randburg, 2125)

Transfer Secretaries

Computershare Investor Services Proprietary Limited

Rosebank Towers

15 Biermann Avenue

Rosebank, 2196

(Private Bag X9000, Saxonwold, 2132)

SHAREHOLDERS' VIRTUAL MEETING GUIDE

Participating in the General Meeting electronically

The General Meeting will be conducted entirely by Electronic Communication and will be held at 10:00 on Wednesday, 24 June 2020. You will be able to participate online, using your smartphone, tablet or computer.

You will be able to listen to a live webcast of the General Meeting, ask the Board questions and submit your votes in real time. In order to participate online at the General Meeting and to vote electronically, you will need to either:

- (a) Download the Lumi AGM app from the Apple App or Google Play Stores by searching for Lumi AGM; or
- (b) Visit <https://web.lumiagm.com> on your smartphone, tablet or computer. You will need the latest versions of either Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure that your web browser is compatible.

Using the online facility:

Access

Once you have either downloaded the **Lumi AGM app** or entered **web.lumiagm.com** into your web browser, you will be prompted to enter the Meeting ID.

Meeting ID: 108-570-887

To login you must have your Username and password which you can request from **proxy@computershare.co.za**

Certificated Shareholders, Dematerialised Shareholders with "own-name" registration, Dematerialised Shareholders, other than Dematerialised Shareholders with "own-name" registration, who have requested a letter of representation from their CSDP or Broker in order to participate in and vote at the General Meeting, and CSDP's or Brokers representing those Dematerialised Shareholders, other than Dematerialised Shareholders with "own-name" registration, who do not wish to participate in the General Meeting but wish to be represented thereat and who have provided their CSDP or Broker with their voting instructions in terms of the Custody Agreement entered into between themselves and the CSDP or Broker concerned, all of whom who have provided the Transfer Secretaries with their email address or their mobile phone number, will be emailed or SMSed the link to access the virtual meeting platform together with the relevant meeting ID, username and password.

You will then be required to enter your:

- (a) Username; and
- (b) Password.

You will be able to log into the site from 10:00 on Monday, 22 June 2020.

To register as a Shareholder, select 'I have a login' and enter your username and password.

If you are a visitor, select '**I am a guest**'

As a guest, you will be prompted to complete all the relevant fields including; title, first name, last name and email address.

Please note, visitors will not be able to ask questions or vote at the General Meeting.

Identification

Before a Certificated Shareholder or Dematerialised Shareholder with "**own-name**" registration may participate in and vote at the General Meeting, such Shareholder will be required to provide the Transfer Secretaries, prior to the commencement of the General Meeting, with satisfactory identification. This may include a copy of the identity document, passport or driver's licence of such Shareholder.

Dematerialised Shareholders, other than Dematerialised Shareholders with "**own-name**" registration, who wish to participate in and vote at the General Meeting and who have requested a letter of representation from their CSDP or Broker, will need to be verified by their CSDP or Broker prior to being issued a letter of representation.

Navigation

When successfully authenticated, the info screen will be displayed. You can view Company information, ask questions and listen to the webcast.

If you would like to listen to the **webcast** press the broadcast icon at the bottom of the screen.

If viewing on a computer, the webcast will appear at the side automatically once the General Meeting has commenced.



Voting

The Chairperson of the General Meeting will open voting on all resolutions at the start of the General Meeting. Once the voting has opened, the polling icon will appear on the navigation bar at the bottom of the screen. From here, the resolutions and voting options will be displayed.

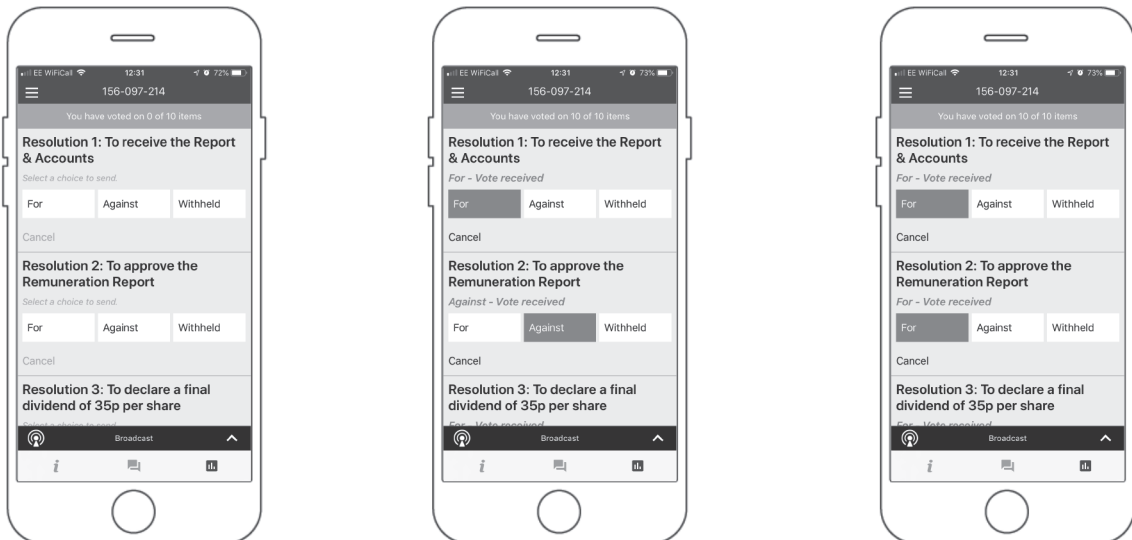
To vote, simply select your voting direction from the options shown on screen.

A confirmation message will appear to show your vote has been received.

To change your vote, simply select another direction. If you wish to cancel your vote, please press Cancel.

Once the Chairperson of the General Meeting has opened voting, voting can be performed at any time during the General Meeting until such Chairperson closes the voting on the resolutions. At that point your last choice will be submitted.

You will still be able to send messages and listen to the webcast whilst the poll is open.



Questions

Any Shareholder or appointed proxy participating in the General Meeting is eligible to ask questions.

If you would like to ask a question, select the messaging icon.

Messages can be submitted at any time during the Q&A session up until the Chairperson of the General Meeting closes the session.

Type your message within the chat box at the bottom of the messaging screen.

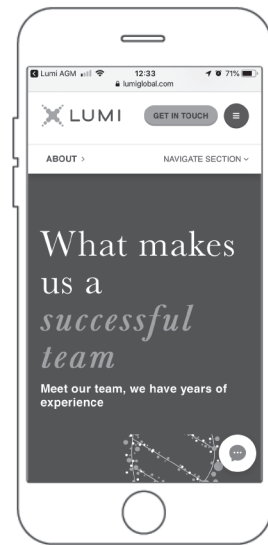
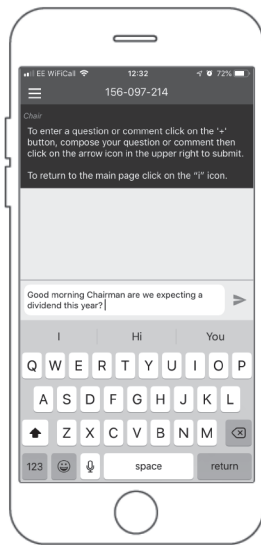
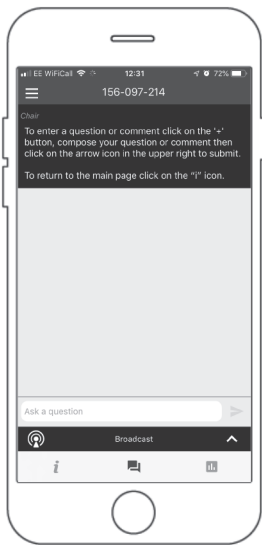
Once you are satisfied with your message click the send button.

Questions sent via the Lumi online platform will be moderated before being sent to the Chairperson of the General Meeting. This is to avoid repetition and remove any inappropriate language.

Downloads

Links are present on the info screen. When you click on a link, the selected document will open in your browser.

Data usage for streaming the General Meeting or downloading documents via the platform varies depending on individual use, the specific device being used for streaming or download (Android, iPhone, etc) and the network connection (3G, 4G, to the extent applicable, 5G or Wi-Fi).





ITALTILE LIMITED

Incorporated in the Republic of South Africa
(Registration number 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Company")

FORM OF PROXY

For use only by:

- holders of certificated ordinary shares in the Company; or
- holders of dematerialised ordinary shares in the Company ("Dematerialised Shareholders") held through a CSDP or Broker and who have selected "own-name" registration,

at the general meeting of Shareholders of the Company to be conducted entirely by Electronic Communication to be held at 10:00 on Wednesday, 24 June 2020 ("General Meeting").

All terms used in this form of proxy shall, unless the context otherwise requires or they are otherwise defined herein, have the meaning attributed to them in the Circular to which this form of proxy is attached.

Dematerialised Shareholders holding ordinary shares in the Company, other than with "own-name" registration, who wish to attend the General Meeting must inform their CSDP or Broker of their intention to attend the General Meeting and request their CSDP or Broker to issue them with the relevant letter of representation to attend the General Meeting in person or by proxy and vote. If they do not wish to attend the General Meeting in person or by proxy, they must provide their CSDP or Broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or Broker. **These Shareholders must not use this form of proxy.**

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the General Meeting.

I/We

(full name/s in block letters)

of (address)

Telephone work ()

Telephone home ()

Cellphone number

Email address

being the holder/custodian of

ordinary shares in the Company, hereby appoint (see note):

1. _____ or failing him/her,
2. _____ or failing him/her,
3. _____ the Chairperson of the General Meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the General Meeting convened for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against such resolutions, and/or to abstain from voting for and/or against such resolutions, in respect of the ordinary shares registered in my/our name in accordance with the following instructions:

	For	Against	Abstain
Ordinary Resolution Number 1 – Approval and Adoption of the Scheme			
Ordinary Resolution Number 2 – Authority granted to Directors			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If no directions are given, the holder of the proxy will be entitled to vote or abstain from voting as that proxy deems fit.

This proxy shall be valid only for the General Meeting to be held on Wednesday, 24 June 2020 and any adjournment or postponement thereof.

Signed at _____ on _____ 2020

Signature _____

Assisted by (where applicable) _____

Please read the notes on the reverse side hereof carefully, which sets out the rights of the Shareholders in terms of section 58 of the Companies Act with regard to the appointment of proxies.

NOTES TO THE FORM OF PROXY

1. Summary of rights contained in section 58 of the Companies Act

In terms of section 58 of the Companies Act:

- a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
 - a proxy appointment must be in writing, dated and signed by the shareholder;
 - except to the extent that the memorandum of incorporation of a company provides otherwise, a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to the different securities held by the shareholder;
 - except to the extent that the memorandum of incorporation of the company provides otherwise, a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
 - except to the extent that the memorandum of incorporation of the company provides otherwise, a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting;
 - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
 - irrespective of the form of instrument used to appoint a proxy, any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
 - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company;
 - the revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date (i) stated in a revocation instrument, if any; or (ii) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act;
 - if the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to the shareholder or the proxy or proxies, if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so;
 - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 6).
 - if a company issues an invitation to shareholders to one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
 - such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
 - the invitation or form of proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, contain adequate space to enable a shareholder to write in the name, and if so desired an alternative name, of a proxy chosen by the shareholder and provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
 - the company must not require that the proxy appointment be made irrevocable; and
 - the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.
2. The form of proxy must only be used by Shareholders who hold Shares in certificated form or who are recorded on the sub-register in electronic form in "own-name".
3. All other beneficial owners who hold Dematerialised Shares in the Company through a CSDP or Broker and wish to attend the General Meeting 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.
4. A Shareholder entitled to attend and vote at the General Meeting may insert the name of a proxy or the names of two alternate proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairperson of the General Meeting". The proxy need not be a Shareholder. If more than one name is inserted, the person whose name stands first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow. If the name of the proxy is not inserted, the Chairperson of the General Meeting will be appointed as proxy.
5. The proxy appointed in this form of proxy may delegate the authority given to him or her in this form of proxy by delivering to the Transfer Secretaries, in the manner required by these instructions, a further form of proxy which has been completed in a manner consistent with the authority given to the proxy in this form of proxy.
6. On a poll, a Shareholder is entitled to one vote in respect of each Share held. A Shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the Shares held by the Shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the General Meeting as he or she deems fit in respect of all the Shareholder's votes exercisable thereat. A Shareholder or the proxy is not obliged to use all the votes exercisable by the Shareholder or the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the Shareholder or the proxy.
7. A vote given in terms of an instrument of proxy shall be valid in relation to the General Meeting, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the Shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the Company's Transfer Secretaries, Computershare Investor Services Proprietary Limited ("**Transfer Secretaries**"), before the commencement of the General Meeting.
8. If a Shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the General Meeting be proposed, or any resolution listed in the form of proxy is modified or amended, such proxy shall be entitled to vote as he or she thinks fit.
9. A Shareholder's authorisation to the proxy including the Chairperson of the General Meeting, to vote on such Shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the General Meeting.
10. The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so. Accordingly, the appointment of a proxy in terms hereof is suspended at any time and to the extent that the Shareholder chooses to act directly and in person in the exercise of any rights as a Shareholder.
11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Transfer Secretaries or unless this requirement is waived by the Chairperson of the General Meeting.
12. A minor or any other person under legal incapacity must be assisted by his or her parent or guardian, as applicable, unless the relevant documents establishing his or her capacity are produced or have been registered by the Transfer Secretaries.
13. Where there are joint holders of Shares:
 - any one holder may sign the form of proxy;
 - the vote(s) of the senior Shareholders (for that purpose seniority will be determined by the order in which the names of Shareholders appear in the Register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint Shareholder(s).
14. Forms of proxy should be electronically lodged with or, where possible, lodged with or mailed to the Transfer Secretaries:
- | | | |
|---------------------------|--|---|
| Email: | Hand deliveries to: | Postal deliveries to: |
| proxy@computershare.co.za | Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196 | Computershare Investor Services Proprietary Limited
Private Bag X9000
Saxonwold
2132 |
- to be received by the Transfer Secretary before the commencement of the General Meeting (or prior to the resumption of the adjourned General Meeting which date, if necessary, will be notified on SENS).
15. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction to this form of proxy must be signed and not merely initialled.
16. The proxy appointment in terms of this form of proxy remains valid only for the General Meeting at which it is intended to be used and any adjournment or postponement thereof, subject to paragraph 1 above.

