

## **NAMPAK LIMITED**

### **Application of the King IV Report on Corporate Governance for South Africa 2016 (“King IV™”)**

Nampak Limited (“Nampak” or “the Company”) is a listed company on the Johannesburg Stock Exchange operated by the JSE Limited (“JSE”). Paragraph 3.84 of the JSE Listings Requirements stipulates that issuers must comply with certain specific requirements concerning corporate governance. Nampak certifies that it complies with all the requirements detailed in paragraph 3.84.

**Nampak** believes in ensuring:

- an ethical culture
- good performance
- effective control
- legitimacy

In its drive to ensure the achievement of these outcomes, Nampak has applied all the principles outlined in King IV™ adequately during 2018 and sets out hereunder a brief description of the principles and their application within the Nampak environment.

IH van Lochem  
COMPANY SECRETARY

14 December 2018

## PRINCIPLE 1

### The governing body should lead ethically and effectively

satisfactorily applied

*Integrity* – It is required that Nampak Limited’s directors always act ethically, in good faith and in the best interest of the Company. The Board’s deliberations, decisions and actions are based on ethical values of responsibility, accountability, fairness and transparency.

A code of conduct and business ethics is in force throughout the Group. All directors and employees, irrespective of the country in which they are employed, are obligated under the code to act with honesty and integrity and to maintain the highest ethical standards.

Declarations of interest are managed in line with the Companies Act 71 of 2008 (“the Companies Act”) and the Board will take the necessary steps concerning untenable conflicts. Directors’ independence is evaluated on an annual basis and directors are required to disclose their directorships annually. Nampak’s directors, executives and certain employees identified from time to time are prohibited from dealing in Nampak securities during certain prescribed periods.

*Competence* - Nampak’s directors have the necessary competence to discharge their responsibilities and to provide strategic direction and control of the Company. Directors are expected to act with due care, skill and diligence.

The development of industry knowledge is a continuous process and the Board is continually appraised of new developments and changes in Nampak’s business environment. Training is provided to individual directors on request. The Company has a formal induction programme, which includes the opportunity for new directors to visit key operations.

*Responsibility* - The Board sets the direction of the Company and is committed to driving Nampak’s strategy and operations to support a sustainable business, taking into account Nampak’s short-, and long-term impact on the economy, society, environment and its stakeholders. The Board, with the support of its committees, oversees and monitors the implementation and execution of strategy by management, ensuring accountability for the Company’s performance.

Directors are devoted to ensuring the sustainable success of the Company and therefore attend meetings as required and dedicate sufficient time and effort in preparation for such meetings.

Risk management is part of Nampak’s culture and is inherent in all decisions and activities. The Board, with the support of its committees, regularly considers the risks and opportunities prevalent in the environment the Group operates in, ensuring a balanced outcome between risk and reward, taking into consideration the best interests of the Company.

*Accountability* -The Board of directors remain accountable for the actions of the Company and will answer for the execution of their responsibilities, even if delegated.

*Fairness* - Nampak recognises that the sustainability of its business is totally dependent on successful and inclusive interaction with its stakeholders. A stakeholder engagement policy sets out the strategies and objectives behind the Group’s engagement with material stakeholders, with the primary objective that the Company be recognised as a responsible corporate citizen.

*Transparency* - The Board is transparent in the manner in which it exercises its role and responsibilities and ensures that appropriate disclosures are made as required.

## PRINCIPLE 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

satisfactorily applied

*Organisational ethics* – Taking into consideration human rights and essential requirements of good corporate citizenship, the Board determines the organisation's values and sets the tone for ethical business practices. Nampak is committed to conducting its business in compliance with all applicable laws and regulations and has the necessary processes in place to ensure that all directors, entities and employees in the Group adhere to essential Group requirements and appropriate corporate governance standards.

The code of conduct and business ethics, approved by the Board, sets the minimum standards expected of all directors, employees and suppliers. It is expected that all directors, employees and suppliers within the Group, act ethically with each other, with external stakeholders and society in general. Key ethical risks are considered and monitored by the Board with the support of Board committees. Alleged violations may be reported through "Tip-Offs Anonymous", which is independently administered from the Group and is accessible 24 hours a day, seven days a week. No human rights violations were reported during the year, nor were any material incidents of corruption detected or reported.

Management has been delegated the responsibility for the implementation and execution of the code of conduct and business ethics. The Board, with the assistance of the Social, Ethics and Transformation Committee, exercises ongoing oversight of the management and monitoring of ethics ensuring it is integrated in the operations of the Company.

The ethics programme, which includes the whistle-blowing policy, the provision of an independent reporting line to detect breaches of ethical standards, dedicated efforts to create awareness, the detection and resolution of ethical violations and the provision of training, which contribute to a strong ethical foundation. Nampak will continue to focus on ensuring equal opportunities and fair employment practices across its businesses and that human rights are protected and corrupt activities limited.

The code of ethics is published on the website and is incorporated by reference in supplier and employee contracts. A high-level overview of the governance and management of ethics is also disclosed in the integrated report.

## PRINCIPLE 3

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen

satisfactorily applied

*Being a responsible corporate citizen* - It is a Nampak imperative to be a values-driven organisation fulfilling both its legal and moral obligations.

The Board approves the strategy and priorities of the business, including Nampak's material issues as set out in its annual integrated report. Through stakeholder engagement and collaboration, Nampak is committed to understanding and being responsive to the interests and expectations of stakeholders and to collaborating with them in finding lasting solutions to sustainability challenges.

The Board, with the support of the Social, Ethics and Transformation Committee, the Risk and Sustainability Committee and its executive team, oversees and monitors how the operations and activities of the Company affect its status as a responsible corporate citizen and reports annually on the Group's sustainability activities.

#### PRINCIPLE 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

satisfactorily applied

*Strategy and performance* - The Board contributes to, and approves Nampak's long-term strategy and short to medium term strategic projects, which are aligned with the purpose of the Company, the value drivers of its business and the legitimate expectations of its stakeholders, whilst taking into account the key risks facing the Group as well as opportunities identified. The Board oversees and monitors, with the support of its committees, the implementation and execution by management of the policies and priorities and ensures that the Company accounts for its performance by, amongst others, reporting and disclosure. More details regarding the Company's performance against its strategic objectives is included in the integrated report.

#### PRINCIPLE 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects

satisfactorily applied

*Reporting* - The Board, through the Audit Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the annual reports and any other disclosures. The Company ensures that all disclosures are made in accordance with stipulated requirements.

The Audit Committee considers the bases for determining materiality for the purpose of deciding which information should be included in external reports, oversees the integrated reporting process and reviews the audited financial statements.

Nampak ensures that the annual integrated report, including the annual financial statements, and any other relevant information to stakeholders, are published on the Company's website, as well as through other media as is appropriate.

#### PRINCIPLE 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation

satisfactorily applied

*Our primary role* - The Board has an approved charter, which it reviews annually. The charter sets out its governance responsibilities, including its role, responsibilities, membership requirements and procedural conduct.

The Board as well as any director or committee may obtain independent, external professional advice at the Company's expense concerning matters within the scope of their duties and the directors may request documentation from and set up meetings with management as and when required.

Nampak has the necessary processes in place to ensure that all entities in the Group adhere to essential Group requirements and minimum corporate governance standards. As a direct or indirect shareholder, the Company exercises its rights and is involved in the decision-making of its subsidiaries on material matters.

Nampak's governance framework and corporate governance practices is disclosed in the integrated report.

## PRINCIPLE 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

satisfactorily applied

*Including notes on Nampak's compliance with the following JSE Listings Requirements: JSE3.84(e): Categorisation of directors. JSE3.84(a): Balance of power and authority on the Board. JSE3.84(b): Appointment of CEO and Chairman. JSE3.84(i) and (j): Policy on the promotion of gender and race diversity on the Board. JSE3.84 (d): CV of each director standing for election or re-election.*

*Composition* - The capacity of each director is categorised in accordance with the JSE listings requirements, also taking into consideration King IV™ and other factors included in the Board charter. The Board comprises a majority of independent non-executive directors. A review on the independence and performance of independent non-executive directors serving more than 9 years is undertaken by the Board with the support of the Nominations Committee. [JSE3.84(e)]

There are three executive directors on the Board namely the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the Executive Director: Human Resources. In terms of the Company's memorandum of incorporation ("MOI"), one-third of directors must retire at every annual general meeting ("AGM") and are eligible for re-election. When considering the appointment or re-election of directors, the Board, with the support of the Nominations Committee, gives consideration to the knowledge, skills and resources required of directors for conducting the business as well as size, diversity and demographics of the Board to ensure its effectiveness.

There is a clear distinction drawn between the roles of the CEO and the Chairman and these positions are occupied by separate individuals. [JSE3.84(b)] All non-executive directors have been determined by the Board to be independent. As recommended by King IV™, a lead independent director ("LID") was appointed to lead in the absence of the chairman and act as chairman in certain circumstances as appropriate. [JSE3.84(b)]. Upon the resignation of the Chairman of the Board, Mr TT Mboweni, Mr PM Surgey, the LID, was appointed as Chairman of the Board with effect from 10 October 2018. The Board will re-consider the appointment of a LID in 2019.

A policy on the promotion of gender and race diversity at Board level has been incorporated into the Board charter. The Board sets targets for race and gender representation in its membership and reports on how it has considered and applied these policies in the integrated report.[JSE3.84 (i) and (j)]

The process for the appointment and election of directors is set out in the Company's MOI. In line with the approved succession plan, the Nominations Committee assists with the process of identifying suitable candidates to be proposed for appointment to the Board and election by the shareholders, taking into consideration the review of the Board's effectiveness, which includes, amongst others, its composition. All facets of diversity including the Board's gender and race diversity policy are considered in determining the optimal composition of the Board, which should be balanced appropriately to enable the Board to discharge its duties and responsibilities effectively. [JSE3.84(a)]

A brief *curriculum vitae* for each director standing for election or re-election accompanies the notice of the AGM.

Newly appointed directors are inducted into the business of the Company, Board matters and their duties and responsibilities as directors under the guidance of the Company Secretary, in accordance with each director's specific needs. Directors are given the opportunity to visit key operations and receive briefings on new legal developments and changes in the risk and general business environment on an on-going basis.

## PRINCIPLE 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties

satisfactorily applied

*Including notes on Nampak's compliance with the following JSE Listings Requirements: JSE3.84(c): Audit Committee, Remuneration Committee and Social and Ethics Committee. JSE3.84(g): Expertise and experience of the financial director.*

*Board committees* - Committees have been established to assist the Board in discharging its responsibilities. The committees of the Board comprise the Audit, Nominations, Remuneration, Social, Ethics and Transformation, Risk and Sustainability and Investment Committees respectively.

The committees are appropriately constituted and members are appointed by the Board. The Nominations Committee reviews the composition of Board committees and makes recommendations to the Board with regard to their composition, including the appointment of the chairmen of each committee, taking into account factors such as diversity and skills and the need to create an even spread of power and authority.

External advisors, executive directors and members of management attend committee meetings by invitation. The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the Group. Formal charters outlining the role and responsibilities of each committee have been aligned to the requirements of King IV™ and approved by the Board. These charters are reviewed annually. The charters of the committees are available on Nampak's website. A delegation by the Board of its responsibilities to a committee will not in or of itself constitute a discharge of the Board's responsibilities or accountability. The Board applies its collective mind to the information, opinions, recommendations, reports and statements presented by the chairman of a committee.

*Audit Committee* - The Board has an independent Audit Committee and its independence and effectiveness is reviewed on an annual basis. The Audit Committee is constituted as a statutory committee of Nampak Limited in respect of its statutory duties in terms of section 94(7) of the Companies Act and a committee of the Board in respect of all other duties assigned to it by the Board. [JSE3.84(c)] The Committee performs the functions as set out in the Companies Act. Adequate processes and structures have been implemented to assist the Committee in providing oversight and ensuring the integrity of financial reporting, internal controls and other governance matters relating to subsidiaries. The Committee provides independent oversight of, amongst others, the adequacy and effectiveness of the Company's internal, financial controls and its approach to combined assurance. The Committee gives annual consideration to, and satisfies itself of the appropriateness of the expertise and experience of the CFO and the finance function.[JSE3.84(g)]

The Audit Committee consists of 4 independent, non-executive members. The Chairman of the Board is not a member of the Committee. Members of the Committee are elected by shareholders at the AGM. All Committee members are financially literate and have the requisite experience to serve on the Audit Committee.

Refer to the Audit Committee report included in the annual financial statements for further details regarding the Committee.

*Nominations Committee* - The Board has delegated oversight of, amongst others, the following to the Nominations Committee (i) the process for nominating, electing and appointing members of the Board, (ii) succession planning of directors and (iii) evaluation of the performance of the Board and its committees.

All members of the Nominations Committee are non-executive independent directors and the Chairman of the Board is the chairman of this Committee.

*Remuneration Committee* - The Remuneration Committee is responsible for overseeing remuneration and comprises 3 non-executive independent directors. All members of the committee are independent, non-executive directors. The Chairman of the Board is a member of this Committee.

*Social and Ethics Committee* - The Social, Ethics and Transformation Committee is responsible for overseeing and reporting on ethics, responsible corporate citizenship, sustainable development and stakeholder relationships and comprises 3 non-executive independent directors, the CEO and the Executive Director: Human Resources. It is also responsible for executing on its statutory duties.

## PRINCIPLE 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness

satisfactorily applied

*Our performance evaluation* - The effectiveness of the performance of the Board, its committees, individual directors and the Chairman is assessed every second year.

During the 2017 financial year, the evaluation was externally facilitated. The Board reflected on its performance during 2018 and re-confirmed that it continues to function effectively and professionally. Priority focus recommendations for the year ahead are reported in the integrated report. The next formal assessment will be conducted in 2019.

Nampak is satisfied that the evaluation process improves the Board's performance and effectiveness.

Annually the Nominations Committee considers the commitments of all directors to determine whether directors are free from conflicts and have sufficient time to fulfill their responsibilities as directors effectively. Should the Committee be of the view that a director is over committed or has an unmanageable conflict, the Chairman will meet with that director to discuss the resolution of the matter to the satisfaction of the Committee.

The role of the Chairman is formalised and every second year an assessment of the Chairman's ability to add value and his performance against what is required of his role and function is conducted by the Board. The Board and the Nominations Committee are responsible for the succession planning for the position of the Chairman.

The performance of the Board, its committees and the directors is disclosed in the integrated report. The role and responsibilities of the Board, its committees, the Chairman and the directors are outlined in the Board Charter, available on the Nampak website.

## PRINCIPLE 10

The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities

satisfactorily applied

*Including notes on Nampak's compliance with the following JSE Listings Requirements: JSE-3.84(h): The Company Secretary.*

*CEO and Group Executive Committee ("GEC")* – Mr AM de Ruyter is the CEO. The role and function of the CEO is specified in the Board charter and the performance of the CEO is evaluated by the Board against the criteria specified. The Nominations Committee assists the Board in ensuring that succession plans are in place for the position of CEO. The CEO and the Board will agree on whether the CEO accepts additional professional responsibilities or positions, including membership of governing bodies outside Nampak. Time constraints and potential conflicts of interest will be considered and balanced against the opportunity for professional development. The CEO's performance is evaluated annually against agreed performance measures and targets.

The CEO is not a member of the Remuneration-, Audit- or Nominations Committees, but attends meetings, or parts thereof, by invitation, where he is required to contribute pertinent insights and information.

The CEO appoints members of the GEC and ensures that succession plans are in place for the position of members of the GEC.

The Board exercises control through the governance framework of the Company, which includes detailed reporting to the Board, and its committees, Board reserved decision-making authority and a system of assurances on internal controls. The GEC is constituted to assist the CEO in managing the business of the Group, subject

to authority limits delegated to the CEO. The GEC assists the CEO in guiding and controlling the overall direction of the business of the Group and acts as a medium of communication and coordination between divisions, Group companies and the Board.

*The Company Secretary* – Nampak has appointed a Company Secretary in accordance with the Companies Act. The Company Secretary is not a director.[JSE3.84(b)]

Having considered the competence, qualifications and experience of the Company Secretary, the Board is satisfied that she is competent and has the appropriate qualifications and experience to serve as the Company Secretary.

The Company Secretary has a direct channel of communication to the Chairman, while maintaining an arm's-length relationship with the Board and the directors as far as reasonably possible. The role and responsibilities of the Company Secretary are described in the Board charter.

## PRINCIPLE 11

**The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives**

satisfactorily applied

*Risk governance* - Nampak's risk framework, risk guidelines and other Group policies and procedures inform its risk management culture. Understanding the risk environment informs the Group strategy and assists with decision making throughout the organisation. The Risk and Sustainability Committee considers the material outcomes of these processes and measures the level of risk exposure against the Group's predetermined risk appetite and tolerance levels. The risk appetite and tolerance framework is approved by the Board and risk appetite monitoring is governed by the Risk and Sustainability Committee. Not only do risk appetite statements address financial aspects, but also social, economic and environmental facets.

The risk assessment process is formally integrated into Nampak's annual business planning, capital expenditure and budgeting cycle. Risk registers are maintained by operations and reviewed and updated regularly. Management is formally required to address any intolerable residual risks, and the effectiveness of risk mitigations on a continual basis is evaluated in the context of Group and regional risk control standards, policies and procedures. Strategic risk responses are addressed by the GEC, and operational risk responses involve the divisional management teams. Management's risk responses are monitored by the Risk and Sustainability Committee.

Risk management is integrated into the business and risk related information is provided to the CFO for review before being presented to the Board's Risk and Sustainability Committee.

Risk trends are monitored and key risk indicators aligned to the current business plan. Identified risks are monitored at divisional and Group meetings, which are attended, by the CEO and/or CFO. Internal risk reporting is regimented and interaction on various risk issues occurs throughout the year. Historic risk data is retained so that risk mitigation performance can be tracked and trend-lines established.

A comprehensive programme of risk-based assurance is an established component of the Company's risk management plan. The assurance activities cover a wide spread of risk control disciplines, including operational and insurable risks, food and packaging safety, regulatory compliance, ethics management, climate change and sustainability, safety and health, internal financial controls and ISO standards. The risk management process itself is subject to internal audit reviews in an effort to continually enhance its effectiveness.

A number of initiatives are in place to ensure continuous improvement of the risk management programme.

For more information regarding the key risks in Nampak, refer to the integrated report.

## PRINCIPLE 12

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

satisfactorily applied

*Technology and Information management* - Information management (IM) is an important part of Nampak's business and is essential to support and for the sustainability of the Group. The Board is ultimately accountable for the governance of information and technology management; Nampak's Board has delegated the ongoing oversight of the management of technology to the IM Steering Committee, comprising the GEC and the Chief Information Officer ("CIO"). The IM Steering Committee is responsible for overseeing the direction of, and investments for Information Management, and ensuring alignment with business strategy and priorities.

Nampak has adopted COBIT5 (Control Objectives for Information and related Technology), as a framework for IM governance for establishing and maintaining effective internal controls, continuity and risk management.

In line with COBIT5, a framework of IM policies has been developed and adopted, taking into consideration stakeholder needs, the business imperatives, current legislation and IM trends.

Internal audit provides assurance to management; the Audit- and the Risk and Sustainability Committees monitor the effectiveness of IMS governance.

The Group's IM focus remains to deliver value to Nampak through benefits realisation, resource optimisation and risk mitigation that is aligned with Nampak's strategy and goals.

## PRINCIPLE 13

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organization being ethical and a good corporate citizen

satisfactorily applied

*Compliance* - Nampak is committed to conducting its business in compliance with all applicable laws and regulations. In pursuit of that goal, Nampak maintains an effective compliance programme. The primary purpose of Nampak's compliance programme is to ensure that Nampak conducts its business strictly within the confines of the law. The programme provides for the detection of contraventions of laws, regulations and company policy, enabling the Company to address transgressions immediately.

Compliance is decentralized and relevant laws and regulations are made available to the businesses in the Group. Group Legal provides professional legal advice and guidance on all legal matters, including compliance, where required. Policies and procedures are in place to monitor compliance and to mitigate risks, to implement effective training programmes and to report to management and the Board on the effectiveness of the programme. Litigation in the businesses is referred to the Group Legal Adviser, who reports on material litigation to the Risk and Sustainability Committee and to the extent that legal and regulatory matters have an impact on the financial statements, to the Audit Committee.

Safety, health, environmental and competition laws are all identified as key legal compliance areas and therefore receive the necessary attention on an ongoing basis. During the year Nampak also focused on the Protection of Personal Information Act, No 4 of 2013, the provisions of which will be implemented during the year ahead.

During the year under review, there were no material violations of any laws or regulations, nor were any material penalties or fines imposed on the Company or its directors for contraventions of any laws or regulations.

## PRINCIPLE 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

satisfactorily applied

*Also considering: JSE LR 3.84(k): The remuneration policy and the implementation report.*

*Remuneration* - The Remuneration Committee is delegated by the Board to independently approve and oversee the overall remuneration structure for the Group. The Committee considers all the elements of remuneration in order to create a working climate that is fair, but also motivates and supports high levels of performance. Nampak has an embedded rewards strategy, which translates into competitive yet appropriate reward outcomes.

The remuneration policy and the implementation report are reported on in detail in the remuneration report contained in the integrated report.

The remuneration policy aims to enable the attraction and retention of skilled resources and results in rewards, which are aligned with shareholder interests. The policy is designed to:

- attract, motivate, reward and retain human capital.
- promote the achievement of strategic objectives in a manner, which is aligned with the Company's approach to risk management.
- promote positive outcomes aligned with short, medium and long-term objectives, an ethical culture and responsible corporate citizenship.

The Remuneration Committee will thoroughly consider shareholders' comments and contributions to the remuneration policy and incorporate them into the policy where these enhancements align with the Group's strategy.

Refer to the remuneration report for the voting results on the remuneration policy and the implementation report at the 2018 AGM. Remuneration of the non-executive and executive directors as well as prescribed officers is disclosed in the Company's integrated report.

In line with the recommended King IV™ practices in, both the remuneration policy and the implementation report will be tabled for separate non-binding advisory votes by the shareholders for the first time at the Company's AGM in February 2019.

The remuneration policy provides for the measures that Nampak commit to take in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised.

## PRINCIPLE 15

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the company's external reports

satisfactorily applied

*Assurance* - The Audit Committee is responsible for the quality and integrity of Nampak's integrated reporting. Nampak's current combined assurance model is representative of Nampak's approach to significant risks and material matters are being managed between six lines of defense. Nampak works continuously to refine the coordination, integration and alignment of assurance activities. The aim is to ensure that Nampak adopts a robust combined assurance framework to provide the board with a holistic view of risks and controls and whether the mitigations are effective. The Board, supported by the Audit Committee, ensures an effective control environment which supports the integrity of Nampak's information. Nampak's systems of internal control are designed to provide reasonable assurance against material misstatement.

The internal audit function was outsourced to Ernst & Young Advisory Services Proprietary Limited (EY) with effect from 1 November 2010. EY performed the internal audit of Nampak for the year ended 30 September 2018 in accordance with the agreement entered into on 12 May 2015 and the approved internal audit plan.

Internal audit plans are designed to cover the system of internal controls over a number of years and cannot, therefore be relied upon in any particular year, to provide assurance that all the elements of the system of internal control were operating effectively throughout the year. Therefore, the internal audit written assessment relates solely to the work performed in accordance the approved internal audit plan for the year under review, and serves as one of several inputs that the Board will consider before concluding on the effectiveness and adequacy of the systems of internal control.

The Audit Committee, on behalf of the Board, assessed the adequacy and the effectiveness of controls as adequate through the confirmation of management and reports from the internal and external auditors. Based on the assessment of Nampak's systems of internal control and risk management, including the design, implementation and effectiveness of internal financial controls, and considering information and explanations provided by management and discussions with the external auditor on the results of the external audit, it is the Board's opinion that Nampak's systems of internal control and risk management are effective. The assurance activities of management, internal and external audit are coordinated with each other, with the relationship between the external assurers and management being monitored by the Audit Committee.

An internal audit charter is in place and outlines the responsibilities of the internal audit function. The Audit Committee has been delegated the responsibility for overseeing that internal audit services are executed in line with the charter.

The internal audit plan, approved by the Audit Committee and updated as appropriate to ensure it is responsive to change, is based on an assessment of risk areas identified by internal audit and management, as well as focus areas highlighted by the Audit Committee, GEC and management. It includes activities that support the achievement of an effective internal control environment, which supports the integrity of information.

The internal audit service provider was appointed, and may be removed, by the Audit Committee. The Lead Internal Auditor reports to the Chairman of the Audit Committee on the performance of duties and functions that relate to internal audit and the internal audit charter gives him direct access to the CEO, the CFO and the chairs of the other Board committees. The Lead Internal Auditor administratively reports to the CFO.

The Lead Internal Auditor functions independently from management and has the necessary authority, which includes unfettered access to meetings, minutes, documentation and risk registers of Nampak's businesses and functions. The performance of the Lead Internal Auditor is evaluated annually by the Audit Committee who ensures that she has the necessary competence and independence. The Committee also assesses regularly whether the necessary arrangements are in place to ensure that adequate skills and resources are in place and that internal audit function is supplemented as required by specialist, and as applicable, external services.

The internal audit function is required to undergo an independent quality review at least every five years.

## PRINCIPLE 16

**In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time**

**satisfactorily applied**

The Board is the ultimate custodian of stakeholder relationships in the Group and its decisions and interactions with stakeholders are based on ethical values of responsibility, accountability, fairness and transparency.

The Board, through the Social, Ethics and Transformation Committee, as part of its social and ethics mandate under the Companies Act, considers issues around stakeholder perceptions. The Committee has oversight of stakeholder engagement and management. Through regular reporting to the Social, Ethics and Transformation Committee, the Board is equipped with the necessary information to enable it to take the legitimate interests and expectations of stakeholders into account in its decision-making.

The Group recognises that the sustainability of the business is totally dependent on successful interaction with its stakeholders. A stakeholder engagement policy sets out the strategies and objectives behind the Group's engagement with material stakeholders, with an important objective that the Company be recognised as a responsible corporate citizen. It is a business imperative that Nampak understands and is responsive to the needs and interests of our key stakeholder Groups, which includes employees and their representatives; government and regulators; shareholders; the communities around our operations; suppliers and customers; and business partners. The individual stakeholders within these Groups are highly diverse, with sometimes competing interests. Nampak is therefore constantly seeking to improve the way in which we engage with our stakeholders to effectively respond to this complexity and diversity.

The Board has delegated to management to proactively deal with stakeholder groupings and to provide feedback where necessary. The Board considers the balance of engagement with each stakeholder grouping and endeavours to achieve a climate of respect with constructive debate. Interaction with our stakeholders happens during the normal course of business at multiple levels across the Group and we strive to resolve disputes with its stakeholders effectively and expeditiously.