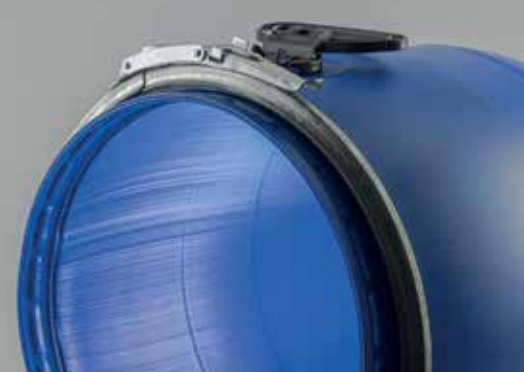




2016
SOCIAL,
ETHICS AND
TRANSFORMATION
COMMITTEE
REPORT



Social, ethics and transformation committee report

Introduction

The social, ethics and transformation committee presents its report for the financial year ended 30 September 2016. The committee has discharged all its responsibilities and carried out all the functions assigned to it in terms of regulation 43 made under the Companies Act, No 71 of 2008, and as contained in the committee's charter.

Membership

The current members are as follows:

Members

PM Madi (chairman)
IN Mkhari
PM Surgey

Composition and meeting procedures

During the year under review the committee was chaired by an independent non-executive director of the company and, in addition, comprised two independent non-executive directors. Key senior executives, including the CEO and the group human resources director, attend the meetings of the committee, which met twice in the year.

Role, purpose and principal functions

The committee operates within written terms of reference which are reviewed from time to time. The committee's responsibilities include the following:

Transformation responsibilities

- Recommending transformation commitments and targets for approval by the board;
- Ongoing revision of the group's strategy, charter and targets in respect of broad-based black economic empowerment;
- Ongoing revision of the group corporate social investment strategy; and
- Ensuring that appropriate programmes, resources and internal committees are in place to drive transformation.

Social and ethics responsibilities

- Monitoring the company's activities relating to social and economic development, including the company's standing in terms of the goals and purposes of:
 - the 10 principles set out in the United Nations Global Compact Principles;
 - the OECD recommendations regarding corruption;
 - the Employment Equity Act; and
 - the Broad-Based Black Economic Empowerment Act.
- Monitoring the company's activities relating to good corporate citizenship, including the company's:
 - promotion of equality, prevention of unfair discrimination and the elimination of corruption;
 - contribution to development of the communities in which the company's activities are predominantly marketed or within which its products are predominantly manufactured and marketed;
 - record of sponsorship, donations and charitable giving;
 - consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws; and

- labour and unemployment including the company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions.
- To assist the board in building and sustaining an ethical corporate culture in the company. In this regard, the committee allocated significant time to evaluation of the reports from the Tip-Offs Anonymous ethics line, in order to monitor trends, and any disciplinary action that had been implemented as a result thereof.

The group human resources director, in his capacity of ethics officer for the group, did not report any issues to the board in the year under review.

Report on key responsibilities Transformation

Transformation is a strategic imperative of the company and receives ongoing attention from the committee. The committee monitors the company's performance against its broad-based black economic empowerment targets in each category on the scorecard and was pleased with the steady improvement and overall target achievement. The Empowerdex audit of our B-BBEE score was not finalised by year-end and thus the Level 3 contributor status achieved during 2015 reflects the latest position. It is anticipated that this status level will drop as a direct result of the introduction of the new codes. We continue to develop and implement strategies to improve this position.

We are pleased to report that Nampak received the prestigious Black Management Forum's "Most Progressive Company of the Year" award in 2016 for "promoting and championing black leadership development".

The lock-in period of The Nampak Black Management Trust (the Trust) which was established in October 2005 as part of Nampak's B-BBEE transaction expired on 31 December 2015. Nampak originally provided a founding grant to the Trust which purchased 27 369 195 Nampak shares at a price of R15.13 per share. The shares were allocated to 679 black managers in the employ of Nampak (the beneficiaries) and the Trust required these shares to be released to the beneficiaries on expiry of the 10-year lock-in period at 31 December 2015. On expiry of the lock-in period, the Trust was required to sell sufficient shares to pay Nampak an amount equal to the founding grant plus a notional return equal to 85% of the prime overdraft rate, less any dividends received by the Trust on the shares that it owned (the hurdle rate).

At 31 December 2015, 189 beneficiaries were still in the employ of Nampak, while 490 of the beneficiaries had left Nampak.

The share price at 31 December 2015 was above the hurdle rate, and all the beneficiaries that were no longer active employees of Nampak either sold all their shares or sold sufficient shares to pay the income tax that was due with the balance of the shares transferred into their own names.

Active employees were provided the same options as the beneficiaries that left Nampak but were also provided with an

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additional option that allowed them to extend their participation in the Trust to 15 February 2017. At that point, if the share price is below the hurdle rate at that date, their participation is automatically extended to 31 December 2017. The decision to provide extended participation to active employees was premised on the basis that, as managers still in the employ of Nampak, they could be able to contribute significantly to Nampak's performance and profitability during the period of the extension, thereby helping to improve the Nampak share price and potentially their own personal reward. Fifty-eight managers elected to extend their participation in the Trust. As at 30 September 2016, the hurdle rate was higher than the share price.

Corporate social investment

Nampak's corporate social investment approach has been in place for a number of years and we are pleased with the long-term relationships that have been formed with the seven carefully selected schools that we sponsor in areas near our operations. During the year, three of our bursars joined the Nampak graduate development programme. We are pleased to advise that for the third time in five years, Nampak achieved second place in the South African Top Graduate Employers of 2016 in the manufacturing category.

Enterprise development

We continue to seek opportunities to sustainably increase our participation in enterprise development activities. We continued our support for several enterprise development initiatives during 2016, including TinPac packaging, Last Drop Juice and Vukani MaNtuli. The disposal of the Nampak Sacks division was also concluded within the principles of supplier and enterprise development.

Social

The committee considered and is satisfied with the progress in monitoring the company's compliance with the company's code of conduct and business ethics and the United Nations Global Compact's 10 principles on human rights, labour, the environment and anti-corruption. The committee is pleased to report that there were no reportable offences during the year.

Integrity and ethics

A code of conduct and business ethics is enforced throughout the group. All directors and employees, irrespective of the country in which they are employed, are obligated under the same code to act with honesty and integrity and to maintain the highest ethical standards. The committee ensures that the code is enforced and by monitoring disciplinary action and sanctions, and can report that appropriate action has been taken.

Nampak operates Tip-Offs Anonymous, a hotline which allows callers to report confidentially on any violations of Nampak's policies and procedures. All disclosures received, resultant investigations and the outcome thereof are communicated and reported to the social, ethics and transformation committee as well as the audit committee. A total of 24 (22 in 2015) reports were received during the year under review, which resulted in six (six in 2015) disciplinary hearings and one (six in 2015) dismissal.

As a result of Tip Offs Anonymous reports, 33 (57 in 2015) forensic reviews were conducted during the year in addition to investigations. The reviews resulted in 12 (18 in 2015) disciplinary hearings, which led to three (12 in 2015) dismissals. The remaining reviews did not reveal substantiated evidence of misconduct or irregularities.

No human rights violations were reported during the year, nor were any material incidents of corruption detected or reported.

Health and safety

The committee recognises the importance of health and safety in the workplace and monitors performance against safety targets. We are pleased with the overall improvements in safety performance at our manufacturing operations and continue to support the linkage of safety performance to individual incentive bonus payments. OSHAS 18 000 certification or other safety standards is held at 16 sites.

Customer relationships

The committee reviewed performance against customer and consumer legislation and regulations and noted that there were no material breaches.

We were pleased to note that 38 out of 51 manufacturing sites held quality certification. In addition, the manufacturing operations receive certification for various food safety standards with 32 out of 51 operations holding the standards required by their customers. Our smaller operations are subject to peer audits on a regular basis where it is not appropriate to implement and audit the full standard requirements. The operations are also subject to regular audits by over 40 customers.

PM Madi

Chairman of the social, ethics and transformation committee

2 November 2016



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