



**NAMPAK LIMITED**

**AUDIT AND RISK COMMITTEE CHARTER**

## 1. PURPOSE

- 1.1 The Audit and Risk Committee (“the Committee”) is constituted as a statutory committee of Nampak Limited (“the Company”) in respect of its statutory duties in terms of section 94(7) of the Companies Act, 71 of 2008 (“the Companies Act”) (as set out in annexure 1), and as a committee of the board of directors of the Company (“the Board”) in respect of all other duties assigned to it by the Board.
- 1.2 The Committee acts independently as an audit committee of the Company and all direct and indirect subsidiaries of Nampak Limited (“the Group”) in respect of which the Company has the right, or power, to fulfil the functions as detailed in this charter. The Committee will specifically perform, on behalf of all South African subsidiaries of the Company that are required in terms of the Companies Act to have audit committees (collectively herein referred to as “the South African Subsidiaries”), the functions listed in section 94(7) of the Companies Act.
- 1.3 The duties and responsibilities of the members of the Committee are in addition to those as members of the Board.
- 1.4 This Charter is subject to the provisions of the Companies Act, the Company’s Memorandum of Incorporation (“MOI”), the Listings Requirements of the JSE Limited (“Listings Requirements”) and any other applicable law or regulatory provision.

## 2. COMPOSITION

- 2.1 The Committee shall consist of not less than three members, nominated by the Board and elected annually by shareholders, all of whom shall be independent non-executive directors.
- 2.2 The Board shall, taking into consideration the minimum number of directors required, determine the number of members who shall constitute this Committee.
- 2.3 The Board shall appoint a Chairman of the Committee. The Chairman of the Board shall not be eligible to serve as a member of the Committee.
- 2.4 The Board must fill any vacancy on the Committee within forty business days after the vacancy arises, but may not remove any member elected by shareholders from the Committee.
- 2.5 Each member of the Committee shall meet all applicable independence, financial literacy and other requirements of law and the Listings Requirements and the members of the Committee as a whole must have sufficient and relevant skills and experience to fulfil their duties.
- 2.6 The Company Secretary or its nominee shall act as the secretary of the Committee.

## 3. MEETINGS

- 3.1 Unless varied by this Charter, meetings and proceedings of the Committee will be governed by the Company’s MOI regulating the meetings and proceedings of directors and committees.

- 3.2 Meetings of the Committee will be held as frequently as the Committee considers appropriate, but the Committee will meet at least three times per year.
- 3.3 The Board, any director, the external auditors, or the Lead Internal Auditor may call a meeting of the Committee, through the Chairman, if deemed necessary.
- 3.4 The Committee must have an annual work plan to ensure that all relevant matters are discussed and obligations are discharged. Any other critical matters will need to be attended to as and when required.
- 3.5 An agenda, together with supporting documentation if applicable, must be circulated approximately five working days prior to the date of the meeting.
- 3.6 The Chairman of the Committee may meet with the Chief Executive Officer, the Chief Financial Officer, the Lead Internal Auditor, the external auditors and/or the Company Secretary prior to a Committee meeting to discuss important issues and agree on the agenda.
- 3.7 Committee members must attend all meetings of the Committee unless a prior apology, with reasons, has been submitted to the Chairman or the secretary of the Committee.
- 3.8 The meetings of the Committee may be held in person, by telephone, or other form of long-distance conference facility as circumstances may require (such person shall be deemed as being present at the meeting), provided that the required quorum is met.
- 3.9 If the Chairman of the Committee is not present at a meeting, the members present must elect one of the members present to act as Chairman.
- 3.10 The Chief Executive Officer, the Chief Financial Officer, senior audit partner in charge of the external audit and the Lead Internal Auditor shall be in attendance at meetings of the Committee and shall have unrestricted access to the Chairman or any other member of the Committee as is required in relation to any matter falling within the remit of the Committee.
- 3.11 The Committee shall periodically, but at least once per year have separate meetings with:-
  - 3.11.1 management, without the external auditors and the Lead Internal Auditor being present;
  - 3.11.2 the external auditors and Lead Internal Auditor, without any executive members of the Board or management being present.
- 3.12 The Chairman, in his/her discretion, may invite any other employees to attend and to be heard at meetings of the Committee. All directors shall be entitled to attend any meetings of the Committee but shall not be entitled to a fee in respect of meetings attended if they are not members.
- 3.13 No attendee shall have a vote at meetings of the Committee.
- 3.14 Minutes will be kept of all meetings of the Committee by the secretary of the Committee.

#### **4. QUORUM**

- 4.1 The quorum of the Committee shall be a majority of members who are present at a meeting for decisions. A decision shall be deemed as passed if a majority vote on the matter for decision is passed by the members present at the Committee meeting.

- 4.2 Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

## **5. WRITTEN RESOLUTIONS**

- 5.1 A decision that could be voted on at a meeting of the Committee may instead be adopted by written consent of a quorum (as defined in the clause below), given in person, or by electronic means, provided that each member received notice of the matter to be decided. A decision made in such manner has the same effect as if it had been approved at a meeting.
- 5.2 Where decisions are required by way of written resolution, a quorum shall constitute a majority of independent non-executive directors, of whom one shall be the Chairman of the Committee.

## **6. AUTHORITY**

The Committee:-

- 6.1 has decision-making authority with regard to its statutory duties and is accountable in this regard to both the Board and the shareholders. On all responsibilities delegated to it by the Board outside of the statutory duties, the Committee makes recommendations to the Board or approves, to the extent that such duty has been delegated to the Committee by the Board;
- 6.2 has the right to investigate any matters within its mandate and the right to access any information it needs to fulfil its responsibilities;
- 6.3 has the right to seek independent advice and to consult with specialists or consultants, at the Company's expense;
- 6.4 has direct access to the Chairman of the Board, the executive directors, members of the Group Executive Committee, the Treasurer, Lead Internal Auditor and external auditors;
- 6.5 has the right to consult with, seek any information, and receive the full co-operation of the chairmen of other Board committees, any employee or assurance providers, where necessary, to fulfil its mandate; and
- 6.6 may form, and delegate authority to, sub-committees and may delegate authority to one or more designated members of the Committee as it deems appropriate, provided it is not precluded by legal or regulatory requirements from doing so.

## **7. RESPONSIBILITIES AND DUTIES**

- 7.1 The Committee was established primarily to assist the Board in overseeing:-
- 7.1.1 the quality and integrity of the Company's integrated reporting and public announcements in respect of the financial results;
- 7.1.2 the qualification and independence of the internal and external auditors;
- 7.1.3 the scope and effectiveness of the external audit function;

- 7.1.4 the effectiveness of the internal audit function;
  - 7.1.5 the adequacy and effectiveness of internal controls, risk management and governance; and
  - 7.1.6 risk management and ensuring its effectiveness.
- 7.2 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, the members of the Group Executive Committee and other members of senior management.
- 7.3 The Chairman must promptly report to the Chairman of the Board and the external auditor any matter implicating any director or any member of the Group Executive Committee of the Company of financial misconduct, fraud, corruption or gross negligence.

#### **7.4 Integrated reporting**

The Committee oversees integrated reporting (which includes annual financial statements), and in particular, the Committee must:-

- 7.4.1 have regard to all factors and risks that may impact on the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgments and reporting decisions made, monitoring or enforcement action by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
- 7.4.2 review the annual financial statements of the Company and consolidated Group financial statements and reports to shareholders, the preliminary and interim reports, and any announcements regarding the Company's results or other financial information to be made public, focusing particularly on:-
  - a) the basis on which the Company has been determined a going concern;
  - b) significant adjustments and the appropriateness of such adjustments;
  - c) changes in accounting policies and practices;
  - d) compliance with applicable legal and regulatory requirements, accounting standards, financial conditions of loan covenants; and
  - e) tax and litigation matters with an impact on financial results.
- 7.4.3 consider whether the external auditor should provide assurance on the interim results and engage the external auditors to provide assurance on the summarised financial information for the final results;
- 7.4.4 review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- 7.4.5 ensure that assurance is provided on material sustainability issues and approve the scope and engagement of external assurance providers, as appropriate; and
- 7.4.6 recommend the annual financial statements and integrated report to the Board for approval.

## 7.5 Other financial information

The Committee will review all documents that contain material financial information or other information, which could impact materially on the financial results or performance of the Company, such as:

- 7.5.1 circulars and prospectuses;
- 7.5.2 trading statements and publications on earnings; and
- 7.5.3 the validity of assumptions underlying the annual budget.

## 7.6 Combined assurance

The Committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee should:-

- 7.6.1 ensure that the combined assurance received is appropriate to address the significant risks facing the Company;
- 7.6.2 ensure the independence of the external service providers appointed to provide assurance;
- 7.6.3 monitor the relationship between the external assurance providers, the internal assurance providers and the Company;
- 7.6.4 review the co-operation and co-ordination between the internal and external audit functions and co-ordinate the internal audit plan with external auditors to avoid unnecessary duplication of work;
- 7.6.5 review the treatment of complaints received regarding accounting matters and internal accounting controls, internal audit and auditing matters, the content of the financial statements, or potential violations of law relating to matters within the mandate of the Committee; and
- 7.6.6 review any confidential tip-offs by employees of the Group and/or third parties relating to concerns regarding questionable accounting or auditing matters and potential violations of law relating to matters within the mandate of the Committee.

## 7.7 Internal audit

The Committee is responsible for overseeing and monitoring the effective functioning of the internal audit function, and in particular the Committee must:-

- 7.7.1 appoint, assess the performance and/or re-assign or dismiss the Lead Internal Auditor who shall, in the event that the internal audit function is outsourced, be such person nominated by the appointed service provider as its engagement lead partner;
- 7.7.2 review and approve the internal audit charter and review the internal audit function's compliance therewith;
- 7.7.3 review and approve the internal audit plan as well as the fee (in instances where the internal audit function has been outsourced);

- 7.7.4 assess reports from internal audit on the effectiveness of the Group's systems of internal control, review the findings, significant matters and conclusions reported by internal audit and consider the adequacy of any corrective action proposed and taken in response to significant internal audit findings;
- 7.7.5 review significant differences of opinion between management and the internal audit function; and
- 7.7.6 annually assess the independence and effectiveness of the internal audit function, including the adequacy of available internal audit resources and ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate, but at least every five years.

## 7.8 External audit

The Committee will, with regard to all Group companies:-

- 7.8.1 nominate the external auditor for appointment by the shareholders subject to applicable laws and regulations;
- 7.8.2 review and approve the auditor engagement letter, the terms, nature and scope of the audit function and the audit fee and where more than one auditor is involved, the maintenance of a professional relationship and co-ordination between them;
- 7.8.3 evaluate the independence and performance of the external auditor and consider whether any non-audit services rendered by such auditors substantively impair their independence;
- 7.8.4 consider any accounting treatments, significant unusual transactions or accounting judgements, that could be contentious and obtain assurance from the external auditor that adequate accounting records are being maintained;
- 7.8.5 approve a policy for non-audit services provided by the external auditor and pre-approve all permissible non-audit services in line with approved thresholds, to be provided by external audit, and where such services are to be rendered to the Company or one of its companies within the Group, the contracts for the provision of such services;
- 7.8.6 ensure that there is a process in place for the Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor;
- 7.8.7 review annually or more frequently as the Committee considers appropriate, the quality and effectiveness of the external audit process. A report must be provided by the external auditor describing the external auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review of the external auditor, or by any inquiry, review or investigation by governmental, professional or other regulatory authorities, within the preceding five years, in respect of independent audits carried out by the external auditor, and any steps taken to deal with these issues;
- 7.8.8 consider whether the audit firm and, where appropriate, the individual auditor that will be responsible for performing the functions of auditor, are accredited as such on the JSE list of auditors and their advisors as required by the Listings Requirements;

- 7.8.9 Considering terms of engagement letter with auditors, pre-approve the hiring of any senior employee or former senior employee of the external auditor who was a member of the audit team during the preceding financial year. In addition, the Committee shall pre-approve the hiring of any employee or former employee of the external auditors for top management positions within the Company, regardless of whether that person was a member of the Company's audit team or not; and
- 7.8.10 obtain assurance from management in respect of the functions specifically performed by the Committee for South African subsidiaries in terms of section 94(7) of the Act.

## 7.9 Risk management

The Committee is responsible for ensuring effective risk management aimed to enhance the Company's ability to achieve its strategic objectives, and will:

- 7.9.1 oversee the development and review of a risk policy and framework for risk management processes to recommend to the Board for approval;
- 7.9.2 oversee the development and annual review of the Group's risk profile to recommend to the Board for approval;
- 7.9.3 recommend to the Board the levels of risk tolerance and appetite and monitor that risks are managed within the levels of tolerance and appetite as approved by the Board;
- 7.9.4 approve a suitable risk management strategy and ensure the effective monitoring of risks by management and that potential opportunities are considered as appropriate;
- 7.9.5 ensure that the risk framework and methodologies are implemented to increase the possibility of anticipating unpredictable risks and consider the risk environment from time to time, as deemed appropriate and based on materiality and changes in the environment in which the Group operates;
- 7.9.6 ensure that management considers and implements appropriate risk responses and obtain assurance from management in respect of the adequacy and effectiveness of the internal controls;
- 7.9.7 oversee that the risk policy, framework and strategy is widely disseminated throughout the Group by management and integrated in the culture and day-to-day activities within the Group;
- 7.9.8 monitor material contingent liabilities, litigation and management of fraud risks and other illegal behaviour, and ensure that appropriate processes relating to fraud awareness, fraud detection and forensic auditing are implemented by management;
- 7.9.9 review and assess the appropriateness and adequacy of the Group's insurance cover;
- 7.9.10 assist the Board in carrying out its information and technology responsibilities by ensuring the ethical and responsible use of technology and information and compliance with relevant laws and to ensure an appropriate control environment and management of material information and technology risks; and
- 7.9.11 express the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management.

## **7.10 Finance function and financial director**

- 7.10.1 The Committee shall annually review the expertise, resources, experience and effectiveness of the finance function and report the results of the review.
- 7.10.2 The Committee shall review and approve the materiality framework annually and shall review and approve the group materiality level bi-annually.
- 7.10.2 The Committee shall also consider and satisfy itself of the suitability of the expertise and experience of the CFO every year.

## **8. REPORTING AND ACCOUNTABILITY**

- 8.1 The Chairman of the Committee shall report to the Board on its activities and make recommendations to the Board on any matters arising from the work of the Committee as appropriate.
- 8.2 The Chairman (or, in his/her absence, another member) of the Committee shall attend the annual general meeting to report to shareholders on how it has fulfilled its statutory duties in terms of the Companies Act or any other applicable corporate governance requirement during the financial year.
- 8.3 The Committee shall annually insert in the financial statements of the Company and where required, those of its South African subsidiaries, a report:
  - 8.3.1 describing how the Committee carried out its duties;
  - 8.3.2 stating whether the Committee is satisfied that the external auditor is independent of the Company and subsidiaries and its views on the quality of the external audit;
  - 8.3.3 significant matters that the Committee has considered in relation to the annual financial statements and how these were addressed by the Committee;
  - 8.3.4 commenting in any way the Committee considers appropriate on the financial statements and the accounting practices; and
  - 8.3.5 stating whether the internal financial controls are effective or not, and in the latter case, how these were addressed by the Committee.
- 8.4 In addition, the Committee shall ensure sufficient disclosures are provided as required by the Companies Act and the Listings Requirements and as recommended and deemed appropriate in terms of the King Report on Corporate Governance for South Africa 2016 ("King IV").

## **9. REMUNERATION**

- 9.1 Having regard to the functions performed by the members of the Committee in addition to their functions as directors, and pursuant to the MOI of the Company, members of the Committee may be paid such remuneration in respect of their appointment as shall be recommended by the Board and approved by the shareholders.
- 9.2 Such remuneration shall be in addition to any fees payable to directors.

## **10. EVALUATION**

The performance of the Committee and the Committee members must be assessed at least every two years.

## **11. APPROVAL AND REVIEW OF THE CHARTER**

The Committee will annually review this Charter and make recommendations with respect to amendments, if any, to the Board for approval.

**Annexure 1****STATUTORY PRESCRIBED FUNCTIONS OF AN AUDIT COMMITTEE**

The statutory prescribed functions of an audit committee are listed in section 94(7) of the Companies Act, no. 71 of 2008 as follows:

- “(7) An audit committee of a company has the following duties:
- (a) To nominate, for appointment as auditor of the company under section 90, a registered auditor who, in the opinion of the audit committee, is independent of the company;
  - (b) to determine the fees to be paid to the auditor and the auditor’s terms of engagement;
  - (c) to ensure that the appointment of the auditor complies with the provisions of this Act and any other legislation relating to the appointment of auditors;
  - (d) to determine, subject to the provisions of this Chapter, the nature and extent of any non-audit services that the auditor may provide to the company, or that the auditor must not provide to the company, or a related company;
  - (e) to pre-approve any proposed agreement with the auditor for the provision of non-audit services to the company;
  - (f) to prepare a report, to be included in the annual financial statements for that financial year—
    - (i) describing how the audit committee carried out its functions;
    - (ii) stating whether the audit committee is satisfied that the auditor was independent of the company; and
    - (iii) commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company;
  - (g) to receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to—
    - (i) the accounting practices and internal audit of the company;
    - (ii) the content or auditing of the company’s financial statements;
    - (iii) the internal financial controls of the company; or
    - (iv) any related matter;
  - (h) to make submissions to the Board on any matter concerning the company’s accounting policies, financial control, records and reporting; and
  - (i) to perform such other oversight functions as may be determined by the Board.”