

# MATERIAL MATTERS



“Our nine material ways of giving back, support our purpose, *Creating a Future, Enhancing Life*. By considering these matters, we ensure that NBL is increasing value for stakeholders today, and into the future. ”

# MATERIAL MATTERS

We create and share value through our operations and relationships. We do this by giving back to stakeholders from the returns gained as a market leader with a diversified portfolio, quality commitment, a unique culture and long-term growth opportunities.

Namibia Breweries Limited is a highly stakeholder-oriented business. Our emphasis is often not on the product we sell, but on how the entire business contributes to the well-being of the system in which we operate. By framing our material matters as the ways in which we are 'giving back', we contemplate the scope, spread and nature of how we allocate capital and resources. These material matters are essential for NBL to be able to give back sustainably and in support of our purpose, **Creating a Future, Enhancing Life**.

Our material matters sustain our support of and active participation in the lives of our stakeholders. We remain sensitive to not creating dependency in any form but to use commercial opportunities to leverage our brands responsibly.

## HOW DO WE DETERMINE WHAT IS MATERIAL?

We used a formal materiality process in 2018 to identify the matters that enable us to give back to our stakeholders in the short (this year), medium (one to three years) and long term (the next decade).

### INPUTS INTO THE PROCESS

1

We considered a range of influences, risks, industry challenges and trends. We were guided by regulatory and legislative compliance requirements while also taking into account the concerns and expectations of our stakeholders.

### CONSIDER, DISCUSS AND RANK MATERIAL MATTERS

2

Having scanned our context, we identified issues and opportunities which we ranked according to likelihood and impact. We used an external stakeholder lens in our thinking when clustering and consolidating themes into nine material ways of giving back.

### OUTCOME OF THE PROCESS

3

Our nine material ways of giving back support our purpose. We quantify our contribution in terms of financial value (see the value-added statement on page 82). We use operational key performance indicators to track over time whether we are increasing value for stakeholders in other ways. This considers our impact, today and into the future, beyond our business boundaries. We recognise that our material matters are dynamic, and that our emphasis and resource allocation priorities will change over time. The principle of giving back will remain constant.

## Our material ways of giving back - at a glance



By offering **consumers** in all segments a choice of exceptional quality beverage brands that are relevant, widely available and aspirational, we meet their evolving needs.



By providing career development, training and transformation opportunities, in addition to remuneration and rewards, we can support our **employees** in bringing their individual and our collective purpose to life.



We decrease our reliance on **natural resources** in terms of water and packaging through efficiency gains and waste management, to ensure the sustainability of our business for the benefit of all our stakeholders.



We empower **communities** through CSI initiatives, while also providing society with the benefits of regional sponsorships and events.



Through localisation efforts, we grow and support our **supplier** base beyond just offering contracts and making payments for materials and services.



We drive collaboration with our **customers** and strategic partner, Heineken, who benefit from synergies, expertise, growth opportunities and relationships of trust.



By being a good corporate citizen that does business responsibly, ethically and with transparency, we give our local and central **governments** the comfort that they can also rely on us to pay taxes and duties.



Our clearly defined strategy and purpose drive resilience and growth to ensure constant dividends and reliable repayments to our **providers of financial capital**.



We ensure effective risk management, particularly in IT, which results in meeting legislative and compliance requirements, while mitigating risk on behalf of our **stakeholders**.

For this report, the reporting team reviewed the 2018 material matters for relevance, accuracy and completeness. Minor refinements were made, after which the senior leadership team approved the matters above as material for 2019.

1

**By offering consumers in all segments a choice of exceptional quality beverage brands that are relevant, widely available and aspirational, we meet their evolving needs**

**Key question: What are we doing to continue creating amazing experiences for our consumers?**

Our consumers are from all income levels across a range of geographic locations and feature diverse demographic profiles. As part of giving back to them, our brands aim to remain close to our consumers by involving them in **Amazing Experiences, Enduring Impact**. In this way we are connecting them to our purpose and offering them products that continue to anticipate and exceed their expectations.

Consumers are experiencing significant strain on disposable income. We therefore ensure that our brands create value by providing a range of quality offerings at different price points while delivering memorable experiences at connection moments.

To remain close to our consumers, we increased the frequency of surveys. The surveys provide us with quicker insights into changing consumer patterns, brand choices within their repertoire and attitudes towards our brands. More frequent surveys also

provide us with the agility to refine campaigns and innovate to meet emerging needs. With more frequent brand health studies we keep a finger on the pulse of consumer and market dynamics, and are able to maintain a deep understanding of these.

We are committed to delivering on a growing consumer need for brands that signify their status and individuality, and are aligned to their lifestyle choices by crafting quality products from premium ingredients.

Our consumer-oriented approach contributed to the success of recent innovations. These included the launch of **Tafel Radler**, new **McKane** flavours and new advertising initiatives, such as the **Windhoek** Perfect Time, Perfect Beer and the **Tafel Lager** Beat of Namibia campaigns. Our marketing campaigns bring brands closer to end consumers and foster relationships that make NBL brands more relevant in their lives.

**CELEBRATING THROUGH THE BEAT OF NAMIBIA**

**Tafel Lager** contributed to Namibia's 29th independence celebrations by calling on Namibians to record and contribute their beats, tunes and moves. In the biggest social media co-creation in Namibia, the Beat of Namibia campaign received over 6 000 entries. We gave back to consumers in the form of a free video featuring a selection of these clips, showcasing our Namibian spirit and diversity.

The campaign delivered high engagement rates scoring an average CTR (click-through rate) of 0.80% to 1% throughout a variety of channels. Overall indicating a steady consolidation of internet usage in Namibia.

The success of the Beat of Namibia campaign proves that Africa is in the middle of a surge in digital adoption. This surge is allowing Africans to tell their own stories in collaboration with top brands, like Tafel Lager, that have the vision to take advantage of this new digital movement.

**CONSUMER-INSPIRED INNOVATION**

- NBL's craft beer brand, **Camelthorn**, launched a new India Pale Ale in April 2019.
- NBL's **McKane** mixer range introduced new flavours: Cranberry, Grapefruit and Ginger Ale. These have been added to the existing range of soda water, tonic water and lemonade.
- The new **Tafel Radler** introduced a fusion of **Tafel Lager** and lemon juice.

**MAKING DIGITAL CONNECTIONS**

We are investing significantly in digital marketing capabilities, taking the form of new platforms, methodologies and processes. This includes more targeted digital consumer surveys that speed up turnaround times, which means we can action and apply insights quickly.

**13.8%**

increase in sales volumes  
(2018: 5.6% decrease in sales volumes)

Contributing to our strategic outcome:

 Amazing Experiences, Enduring Impact

## Great Place to Work® survey indicators and insights

# 82%

of NBL employees completed the survey

# 82%

of employees say 'this is a great place to work'

Employees' perception of NBL's corporate social responsibility is higher than the Africa benchmark

Our Trust Index increased to

# 70%

# 85%

of employees want to work at NBL for a long time

# 84%

of employees indicated that they feel proud of being part of NBL

# 84%

of employees believe that the Senior Leadership Team has a clear view of where NBL is going and how

# 35%

of employees believe that communication between departments and among teams can improve

2

By providing career development, training and transformation opportunities, in addition to remuneration and rewards, we can support our employees in bringing their individual and our collective purpose to life

**Key question: What are we doing to encourage our employees to live their purpose?**

Our employees are our most valuable asset. Our purpose, **Creating a Future, Enhancing Life**, is closely linked to the experiences of our 801 employees who are spread across the country – from the head office and manufacturing plant in Windhoek to six depots.

We continue rolling out and embedding our breakthrough architecture to achieve the strategic outcome: **Everyone Purposefully Producing Breakthrough Everywhere**. This has become a practical aspect of every decision and project. When we combine a breakthrough approach with diverse internal skills and competencies, we can deliver the results that build a sustainable business while employees find meaning in their roles.

To track our progress against our vision metric for employees, NBL participated in the 2019 Great Place to Work Employee Engagement Survey and was accredited as a Great Place to Work® in Africa. NBL was ranked overall 5th place in the large corporate organisations as best place to work for.

### What did the survey tell us about employee engagement?

The four top statements for NBL employees are:

- I understand my role and contribution to the O&L Group vision.
- The senior leadership team has a clear view of where NBL is going.
- Management is competent at running the business.
- I feel good about the ways we contribute to the community.

## By providing career development, training and transformation opportunities, in addition to remuneration and rewards, we can support our employees in bringing their individual and our collective purpose to life (continued)

### GENDER BALANCE INITIATIVES

We are committed to increasing the diversity of our employee demographics, supporting the Government's efforts to drive transformation in the workplace.

To create a gender-fair workplace, we set annual targets as part of our three-year affirmative action plan. This addresses fair and equitable recruitment that balances gender across the divisions. For example, we made three female appointments in traditional male roles, namely a heavy-duty truck driver and distribution centre controllers.

Further gender-fair initiatives include a recently approved fully paid maternity leave benefit. This ensures that we can attract and retain female talent by providing a more financially secure environment for our female employees who become mothers. We also created a private space to assist nursing mothers to continue their breastfeeding journey when they return to work.

### PERFORMANCE MANAGEMENT FOR PURPOSE

We are progressing towards an environment where we can improve the employment experience and decision-making through access to quality people data. This will also free up time for human resource support to focus on adding more value throughout the employment journey: from preboarding, onboarding and cross-boarding to off-boarding. Our current specialist focus will shift towards engaging with employees at all levels to unlock their potential.

Support platforms will include new performance management and grading systems. Although the implementation of the REMeasure project was delayed, we remain committed to creating this as a platform to manage remuneration in a fair and consistent manner.

### WELLNESS OF OUR EMPLOYEES

Employee turnover remains well below 4% and absenteeism is tracked every month. Our on-site clinic in Windhoek offers occupational and primary healthcare services. Health, safety and wellness programmes make for a healthy workforce and increased productivity. Employee induction and continued training programmes emphasise the risks of working in an environment that is characterised by moving machinery, the handling of chemicals, forklift and truck operations, as well as ventilation and lighting demands.

No major incidents were recorded this year. Our focus was on a new round of first-aid training and certification. The occupational health and safety function, which was previously centralised in the Group, will be reallocated as an internal function in the new year.

We also support financial wellness by promoting a savings culture at work. Through an engagement with NamPost we have established a savings scheme whereby employees can save monthly and earn interest. The proceeds from this will be paid out (with the option to continue saving) in January each year to ensure that our employees have sufficient funds to cater for expenses such as school fees, school clothes or any other related expenditure. We started the scheme in May 2019 and to date 155 employees joined, contributing N\$76 480 per month.

### WAGE NEGOTIATIONS SET FOR 2020

Our relationship with the Namibia Food and Allied Workers Union (NAFAU) remains strong and cooperative, with no strikes in 20 years. In 2019, 56% (2018: 53%) of employees formed part of the bargaining unit, 73% (2018: 64%) of whom were members of NAFAU. Altogether 5.1% of the bargaining-unit employees are members of the Namibia Wholesale and Retail Workers Union (NWRWU), which is lower than the required level for a formalised relationship.

In 2018 we concluded a two-year substantive agreement that includes a 7.5% wage increase for 1 July 2018 to 30 June 2019 and a 7% increase for the period 1 July 2019 to 30 June 2020. The agreement also includes a housing allowance and incentive bonus based on the Company's performance. Negotiations entailed a lengthy process focused on improving the living standards of employees while maintaining the sustainability of NBL's business. The next round of negotiations will start in March 2020.



Read more about remuneration in the report from page 74.

### INCREASING AND ENHANCING SKILLS

The availability and sustainable supply of experienced, scarce and specialised skills remain a risk. Although there is a steady supply of tertiary graduates, industry experience is a gap. This is mitigated by long-term talent development through graduate intake and development programmes such as our Talent Attraction, the Apprentice Artisan and the Apprentice Brewer programmes. These annual programmes develop skills while providing exposure and are building industry experience over a two- to five-year period. Despite successes, retention remains a challenge. Younger employees prefer more agile career paths and promotions. We are addressing this trend by re-engineering organisational structures to cater for career growth and promotion within our ranks in a viable and sustainable manner.

As Namibia's only brewery with international scale, we have to manage, maintain and transfer the internal skills and knowledge that we have. Specialists within the business often lack sufficient time to offer coaching and on-the-job training. We mitigate this risk by changing job profiles and the responsibilities of specialists, especially those approaching retirement. These shifts alleviate operational pressure and free up time for skills transfer.

We are also working with the Namibian Training Authority (NTA) to subsidise apprenticeships and provide technical training through the Apprenticeship Pilot Programme. Three mechanical and two electrical students participated and successfully completed year one of the apprenticeship programme.

In the longer term, we plan to refurbish and upgrade our workshop to provide fully fledged technical training as a way to ensure a supply of quality skills.

We are building digital competencies through training and study loans to create in-house expertise.

NBL invested N\$3 025 000 (2018: N\$3 367 681) in training and development this year.

Despite the difficulty in sourcing experienced specialised skills, non-Namibian citizens comprise only 1.6% of the total permanent workforce. Of those, 0.4% require a work permit and 1.2% have permanent residence or domicile in Namibia.

**By providing career development, training and transformation opportunities, in addition to remuneration and rewards, we can support our employees in bringing their individual and our collective purpose to life** (continued)

#### GIVING BACK TO OUR EMPLOYEES

We give back to our employees through rewards initiatives such as our Value Star recognition programme. Through this programme, we identify specific people who display behaviours associated with the Group's values. They then participate in an annual award ceremony and incentives. A monthly NBL Value Star is chosen with one overall winner selected from the 12 NBL employees. The annual winner joins the other subsidiary winners for an incentive trip.

<b>3.9%</b>	<b>801</b>
employee turnover (2018: 7.3%)	employees (2018: 792)
<b>13%</b>	<b>N\$3 025 000</b>
of revenue paid as salaries, wages and other employment cost (including medical aid and pension fund contributions) (2018: 13%)	invested in skills development and training (2018: N\$3 367 681)
<b>1.6%</b>	<b>0.5%</b>
of employees are non-Namibians (2018: 1.7%)	lost time injury frequency rate (2018: 0%)

Contributing to our strategic outcomes:



Everyone Purposefully Producing Breakthrough Everywhere



Amazing Experiences, Enduring Impact



Sustainable Execution in Everything

3

**We decrease our reliance on natural resources in terms of water and packaging through efficiency gains and waste management, to ensure the sustainability of our business for the benefit of all our stakeholders**

**Key question: What are we doing to produce more and use fewer resources?**

Our long-term ability to give back to our stakeholders is intrinsically linked to the availability of the natural resources used in our production processes. We have a responsibility to protect the environment in which we operate for the benefit of all who depend on it, now and in the future.

Our resource allocation decisions are guided by our commitment to **Creating a Future, Enhancing Life**, and take into account the environmental impact of each product's entire life cycle – from its development to the disposal of the product and its material components. To reduce our impact, we focus on reducing water and energy consumption and the amount of waste from production processes.

**MORE BEER, LESS WATER**

NBL is the biggest industrial consumer of water in Windhoek. Water is vital to our operations: it is the primary ingredient in our products and is used in almost all our manufacturing processes.

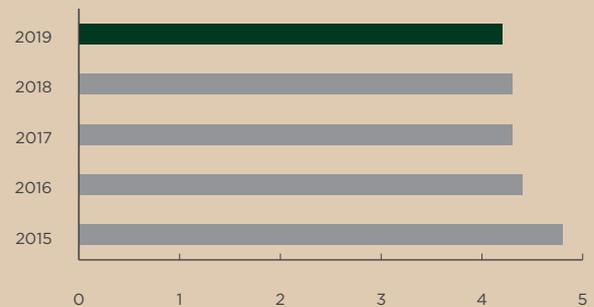
Following a sustained regional drought in 2016, NamWater, as the national bulk supplier of water to the City of Windhoek, announced a 40% requirement for water savings. At that time, NBL obtained licences from the Department of Water Affairs to drill two boreholes on our premises. We implemented further water-saving options, such as the migration of production to other areas, including the Sedibeng Brewery in Johannesburg, reclamation in the brewing and packaging plants, and water reduction measures in the production process.

With poor rainfall in the past season, the City of Windhoek announced a water-saving requirement of 15%, which came into effect as of 1 July 2019.

Water is vital to our operations as it is the primary ingredient in our products and is used for manufacturing processes. We have thus launched a water project to mitigate the risk of a water crisis and implemented further water-saving options, such as reclamation in the brewing and packaging plants, and water reduction measures in the production process.

The total litres of water used for production declined by 9.4% over the past eight years. The excess water used during production does not go to waste as the majority is reclaimed and transferred into the city's effluent system, where it gets recycled.

**Litres of water used per litre of beverage produced (hℓ per hℓ of product)**



**We decrease our reliance on natural resources in terms of water and packaging through efficiency gains and waste management, to ensure the sustainability of our business for the benefit of all our stakeholders (continued)**

**ALTERNATIVE ENERGY LOWERS OUR CARBON FOOTPRINT**

Our biomass boiler at the Windhoek brewery was a first for Namibia and is the biggest wood boiler in the country. It replaced the use of approximately 4.6 million litres of heavy fuel oil since it was taken into production in 2017. This equates to a CO<sub>2</sub> emissions reduction of 12 300 tons.

We are on track to generate 80% of our thermal energy with the biomass boiler by 2020.

The boiler uses wood chips sourced from pervasive invader bush, thereby clearing land for use and improving the carrying capacity of farms. From inception to date, invader bush thinning has been completed for approximately 3 000 hectares.

The rooftop solar plant met 7.3% (2018: 8.1%) of our electricity demand in the past year. Overall, the solar plant has provided us with approximately 8 958 574 kWh of green energy, thereby saving 8 958 tons of CO<sub>2</sub> emissions.

Thermal energy is mainly used in the brewing process and for cleaning and packaging processes. Our aim is to reduce thermal energy consumption as it directly affects our carbon footprint and the use of heavy fuel oils or wood chips.

Initiatives to reduce MJ/hl consumption:

- Insulation of open valves and piping to reduce heat losses
- Use of heat recovery systems
- Monitoring and controlling of water losses from the system
- Closing bypasses on the system network to reduce thermal losses
- Automatic monitoring with alarms to address operational issues quickly
- Using consumption data to optimise processes
- Reviewing consumption data to assess system performance

**Thermal energy consumption (MJ per hl of product)**

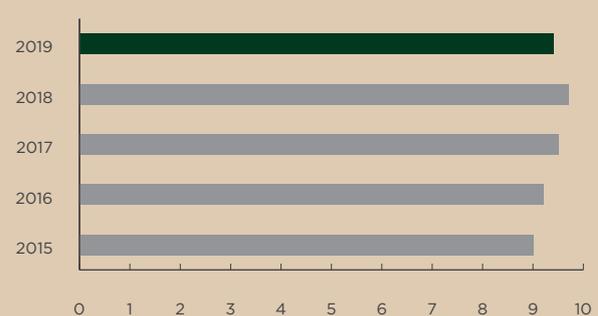


**OPTIMISING ELECTRICITY USE**

Electricity prices have increased by 60% since 2012. Previous efforts to manage our electricity use were constrained by manual readings and poor data quality, analysis and visibility. We have addressed these constraints by installing nearly 70 electrical energy meters at our Windhoek site to track electricity use by individual sections. We are now measuring kWh per production unit and per hectolitre. Targets have been set for each area using historic data.

Early successes in optimising our electricity use included the identification and replacement of old, inefficient equipment and process improvements at the water treatment, CO<sub>2</sub> recovery and cooling plants.

**Total electricity consumption (kWh per hl of product)**



**HIGHER VOLUME, LOWER EFFLUENT**

We launched an initiative to recover beer extract from surplus yeast. The aim is to reduce water consumption, effluent volume, organic load in effluent, and heat and cooling consumption. Currently the bulk of surplus yeast volumes is discarded through the City of Windhoek's waste-water treatment facility.

We continue to reclaim and pre-clean effluent, with the remaining waste volumes treated by the City of Windhoek according to a contractual agreement. The agreement prevents us from building our own waste-water plant, as the city works benefit from the bacteria in our effluent.

## We decrease our reliance on natural resources in terms of water and packaging through efficiency gains and waste management, to ensure the sustainability of our business for the benefit of all our stakeholders (continued)

### SUPPORTING A CLEANER ENVIRONMENT

NBL was the main sponsor of the annual Fish River Canyon and the Ondangwa clean-up campaigns. Volunteers collected approximately 127 kg of waste accumulated at the end of the hiking season in the canyon. All waste was recycled.

**Windhoek Light** donated equipment to the Namibia Wildlife Resort and the Ministry of Environment and Tourism to keep the Fish River Canyon hiking activities going despite the drought. Kits were donated to set up water points and include water purification assistance. **Windhoek Light** also sponsors the Fish River Ultra Challenge to raise funds for the development of tourism and sustainability in the south of Namibia.

The clean-up of Ondangwa aimed to keep the town clean, to create awareness among residents of the importance of a healthy environment, and to promote the Reuse, Reduce and Recycle (3Rs) of waste materials. The whole community of Ondangwa participated, including formal and informal settlements, institutions, schools, businesses and churches.

NBL is the main sponsor of Project Shine, which comprises two environmental activities in the Erongo region: a clean-up and an awareness campaign. As a partnership project with the Swakopmund Municipal Council, Bannerman Resources, First National Bank and Plastic Packaging, Project Shine creates an understanding of waste management and the risk involved in illegal dumping of waste along the roads and in open spaces, and emphasises the importance of recycling waste generated in the municipal jurisdiction.

## 23.4%

of water requirements met by own sources  
(2018: 26.5%)

### INCREASING RECYCLING RATIOS

NBL is a founding member of the Recycle Namibia Forum (RNF). RNF recently launched Namibia's first online Green Directory, which lists NBL as an organisation that has a vested interest in promoting environmentally friendly practices.

NBL also sponsored the first prize for the schools recycling competition, with around 50 schools participating. In 2018 the competition achieved recycling of 275 kg per learner with a total of 133 tons.

We continue our wider initiatives to collect returnable bottles. Altogether 52% of NBL's production is packaged in returnable containers that are collected through an extensive network to minimise waste.

The return of empty 500 ml and 750 ml returnable bottles forms part of transport logistics. During 2019, NBL achieved a return ratio of 97%. This is, inter alia, made possible by an agreement with competitor AB InBev Namibia to exchange returnable bottles on a weekly basis.

### SAVE THE RHINO

We continue to support the fight against rhino poaching to bolster the sustainability of Namibia's tourism industry. Namibia is home to free-roaming rhino and the largest population of black rhino in Africa. **Windhoek Lager** partnered with Save the Rhino International in the UK, where a range of fundraising events and activities in outlets have been launched.

These events and activities are driving brand awareness and support customer accounts, while contributing to the struggle to conserve and protect rhinos. NBL has been a leading supporter of campaigns against rhino poaching, which included the Blow the Horn on Rhino Poaching campaign launched in 2016. NBL availed N\$1 million as a reward for reporting poaching activities. We also sponsored a two-seater aircraft for use in operations to curb poaching of Namibia's wildlife.

## 4.1 litres

of water used per litre of beverage produced (2018: 4.3)

## 52%

of production packaged in returnable bottles (2018: 58%)

Contributing to our strategic outcomes:



Everyone Purposefully Producing Breakthrough Everywhere



Sustainable Execution in Everything

## We empower communities through CSI initiatives, while also providing society with the benefits of regional sponsorships and events

### Key question: What are we doing to help our communities to prosper?

We give back to our communities in Namibia in many ways. Our approach is to invest for sustainability and to use our scale and impact as part of the O&L Group. We work closely with the corporate affairs team at O&L Group in co-ordinating projects. The Group's key focus areas are education and skills development, which we support in some of the key initiatives listed below.

We realise that we, as a Group, can play an expanded role in bringing stakeholders together, and can inspire other parties to support and drive similar initiatives. Being responsive to community interests is key to living our purpose.

#### OUR EMPLOYEES MAKE A DIFFERENCE

In pursuit of our purpose, **Creating a Future, Enhancing Life**, NBL employees found an innovative new application for recycled steel from packaging waste. Through the **Desks for Education** project, NBL employees and Group engineering company Kraatz repurposed steel into quality school desks that create a comfortable and positive learning environment for students. Sixty-five two-seater desks were donated this year. **Desks for Education** is a long-term project and more desks are in production.

A security supervisor employed by NBL for the past eight years donated computers, which he personally purchased, to two schools and a church in a marginalised community in the Omusati region. He claimed that NBL's commitment as an organisation to make a difference in society inspired his initiative in living his own purpose.

One of our Area Sales Managers launched a competition in which he truly created a future for the winner of the competition. The first prize was a container that can be converted into either a small shop to sell essential items or a minibar owned by the winner.

#### SPORT WITH A PURPOSE

Through brand sponsorship and events, we connect with and give back to our communities in ways that deliver amazing, memorable experiences. This covers a range of sporting events. NBL is committed to contributing to, and supporting the future of sports, including the development of local talent.

**Windhoek Draught** supported the Namibia National Sevens Rugby team that played in the annual Safari Sevens tournament in Kenya - one of the most anticipated sporting events on the African continent with more than 20 participating teams from Africa and abroad.

**Tafel Lager** continued its sponsorship of the national soccer team, the **Tafel Lager Brave Warriors**. The sponsorship provided additional funds for training camps that saw the team qualify for COSAFA 2019 and AFCON 2019. The Dr Hage Geingob Cup is an annual highlight on the soccer calendar where the **Tafel Lager Brave Warriors** compete against a FIFA-registered team. **Tafel Lager** is committed to bringing the game closer to fans and supported a number of regional soccer tournaments in 2018.

In South Africa, **Tafel Lager** supports Griquas Rugby with a skills- and capability-building programme. The Griquas are a South African rugby union team with their home ground in Kimberley, drawing players mostly from the Northern Cape province.

## We empower communities through CSI initiatives, while also providing society with the benefits of regional sponsorships and events (continued)

### CREATING A FUTURE THROUGH EDUCATION

Our relationship with the National Institute for Special Education (NISE) goes back more than 18 years. NBL supported the School for the Visually Impaired, the School for the Hearing Impaired, and the Mōreson School for the Mentally Impaired with **AquaSplash** water and **Fruitree** juice for a year.

NBL also sponsored one-day Character Transformation Training for principals, teachers and administrative staff, and will plant fruit trees at the Mōreson School in support of its Green Scheme and Aquaponics Project Plan.

### MORE SKILLS, MORE OPTIONS

**King Lager** partnered with a vocational training centre as a way to give back to consumers. An upskilling campaign called 'Man with a Plan' was launched to provide participants with tips and advice on various trades that will enable and inspire them to seek out means to make a living and take care of their families.

We selected relevant topics with the assistance of the Namibian Training Authority to be featured monthly on radio stations. Each topic was also covered in a workshop presented by experts in specific regions. Topics included carpentry and joinery, agronomy, animal farming, brick laying and plastering, electronics and renewable energy.

## N\$3.4 million

invested in social projects (this includes brands and events that benefited the community) and sponsorships (2018: N\$6.5 million)

Contributing to our strategic outcomes:



Amazing Experiences, Enduring Impact



Sustainable Execution in Everything

**Through localisation efforts, we grow and support our supplier base beyond just offering contracts and making payments for materials and services**

**Key question: What are we doing to increase our local procurement spend in Namibia?**

The limited scale of the Namibian economy makes it challenging to develop competitive local industries. This creates reliance on imported raw materials for the production and packaging of NBL's beverages. Despite this, there is an expectation from the Government and communities that local companies in Namibia, such as NBL, should stimulate job creation and support broader economic growth and stability.

We are actively exploring options to develop local suppliers, particularly in manufacturing, logistics services, marketing and advertising. This includes aiding small and medium-sized suppliers, where appropriate. For example, we offer preferential payment terms and provide technical and administrative support to improve business efficiencies.

In our supplier selection, we consider each supplier's sustainability and exposure to NBL. Although we want to be a prime customer, we are also sensitive to creating commercial dependency.

We have strategic, long-standing relationships with European suppliers from whom we import 100% of our malted barley and hops requirements for beers brewed according to the Reinheitsgebot. The procurement of a major portion of ingredients is based on long-term contracts - some running three to four years into the future - to ensure the required volumes and quality. Packaging material, which includes bottles, cans, cartons and shrink foil, is predominantly imported from South Africa.

We engage with critical suppliers through quarterly reviews. These reviews include an open discussion on quality issues, areas of poor communication, pricing trends and opportunities for innovation. This helps to establish a mature relationship based on trust and continuous improvement.

In our primary transport services contract with Imperial Managed Solutions Namibia (Proprietary) Limited (IMS), we create opportunities to give back by encouraging subcontracting to small local transport companies. More than 53% of all primary transport loads have owners who were previously disadvantaged.

**PROCURING LOCAL PAPER PRODUCTS**

We started supporting Soft Cloud Namibia, a local company manufacturing toilet paper, tissues, napkins, paper towels and A4 photocopy paper. The Gobabis-based company was founded by four Namibians in 2011 and employs 16 previously disadvantaged young Namibians.

**CREATIVE INPUT AND SHARING**

We continue appointing local advertising and promotional agencies with whom we share best practice competencies.

**SUPPORTING NAMIBIA PLASTICS**

NBL was the first company to place an order for shrink wrap at Namibia Plastics in 2011, as part of our commitment to develop local suppliers. In 2018, Namibia Plastics constructed a state-of-the-art manufacturing plant at Brakwater to reduce the estimated 50% of plastic currently imported from abroad.

This year, following an investment in a new flexible packaging printer, Namibia Plastics produced its first shrink wrap for **Windhoek Lager**. In the long term, Namibia Plastics aims to replace approximately 1 000 tons of imports, thereby creating more jobs in Namibia.

Contributing to our strategic outcomes:

-  Everyone Purposefully Producing Breakthrough Everywhere
-  Sustainable Execution in Everything

## We drive collaboration with our customers and strategic partner, Heineken, who benefit from synergies, expertise, growth opportunities and relationships of trust

### Key question: What are we doing to share even more value with our customers?

Our customers encompass formal and informal wholesale and retail trade outlets in the markets in which we operate. These include, for example, supermarkets, liquor stores, shebeens, pubs and other hospitality outlets.

We create value for our customers through our direct interaction with them, and via our strategic partnership with Heineken South Africa.

Our customers benefit from incentive programmes that share value through increased sales volumes and market share growth. In the informal market, for example, we support shebeen owners with point-of-sale material and advertising.

#### SHARING VALUE WITH HEINEKEN

In South Africa, eSwatini, Lesotho and Botswana, we service customers through Heineken South Africa, while NBL offers selected Heineken products in Namibia. The strategic partnership allows both parties to benchmark, transfer skills and collaborate on brand campaigns. In addition to leveraging one another's brand portfolios, Heineken and NBL have a volume migration agreement that provides joint access to the Sedibeng Brewery in Johannesburg and NBL's brewery in Windhoek. This creates production flexibility and efficiency options.

We have formal weekly, monthly and quarterly forums with Heineken, in addition to daily contact that results in smoother operations on both sides.

This year, we embarked on a sales and operational planning (S&OP) process with Heineken South Africa to co-ordinate and support shared production volumes at various sites in Namibia, Southern Africa and Mozambique. A dedicated expert has been seconded from Heineken Global to support and establish the S&OP process.

#### THE WALVIS BAY DEPOT IS OPEN

The decision to relocate our coastal depot from Swakopmund to Walvis Bay was driven by our commitment to creating amazing experiences with enduring impact for our customers in the region. Deteriorating conditions at Swakopmund resulted in safety risks for our employees, customers and consumers. This led us to identify a new location and the construction of a new facility from which to co-ordinate distribution. Read more in the Managing Director's report from page 27.

#### MAKING DISTRIBUTION MORE EFFICIENT IN NAMIBIA

Distribution effectiveness is key for NBL in order to get stock to customers at the right time, place and correct quantities. NBL has significantly increased the number of direct drops by 20% in 2019 to customers and this is in line with meeting growing customer needs. The remaining distribution network has been serviced by 12 NBL depots and Agents across Namibia with Call & Collect and Town deliveries services.

## N\$3 098 million

15.3% increase in sales revenue  
(2018: 0.8% decrease)

Contributing to our strategic outcomes:



Everyone Purposefully Producing  
Breakthrough Everywhere



Amazing Experiences, Enduring Impact



Sustainable Execution in Everything

**By being a good corporate citizen that does business responsibly, ethically and with transparency, we give our local and central governments the comfort that they can also rely on us to pay taxes and duties**

### Key question: What are we doing to support the Government through these hard times?

As a market leader in Namibia, we contribute to the stability and functioning of our country. We recognise our responsibility to do business in a way that contributes to inclusive and sustainable development for all stakeholders.

We support the Government's Growth at Home strategy, the Harambee National Prosperity Plan and, ultimately, Vision 2030. We also continue to engage with the Government on key issues – such as water security – to ensure alignment on the challenges facing Namibia.

As a good corporate citizen, we endeavour to reduce the harm and social cost associated with alcohol abuse. We market alcoholic beverages in a way that encourages responsible consumption and aims to reduce alcohol-related harm. We do this in collaboration with Government, the community and non-governmental institutions in Namibia. This includes

our leading involvement in the Self-Regulating Alcohol Industry Forum (SAIF), which comprises major alcohol producers and distributors in Namibia.

SAIF membership is based on voluntary compliance with a code of conduct that prescribes world-class standards in self-regulation to prevent the negative consequences of alcohol abuse. This year we adopted the principles of the new **aware.org** regulations recently agreed to by all the major alcohol companies in South Africa. While the new regulations are not a major deviation from the code of conduct previously in place, they do provide stricter parameters for the flighting times of advertising and other marketing activities.

An O&L Group Committee ensures that an independent evaluation against the code is done on all NBL marketing and sales campaigns, advertising and promotional material.

#### WE CELEBRATE INDEPENDENCE

We continued with our annual gesture since independence was declared in 1990. NBL donated **Windhoek Lager** to the Ministry of International Relations and Cooperation for distribution to all Namibian embassies across the globe, in celebration of Namibia's 29th independence celebrations. This is NBL's way of sharing in the excitement of a free Namibia, and the optimism of a prosperous future for our country.

#### RESPONSIBLE ALCOHOL TRAINING

Since inception in 2009, our DRINKiQ® training programme has reached over 6 401 Namibians, 429 of which were trained during this financial year. The DRINKiQ® programme empowers participants with knowledge on alcohol consumption, as well as the physical, emotional and psychological repercussions of excessive use. Participants walk away with a better understanding of the short- and long-term effects of alcohol abuse, which empowers them to make smart decisions about the use of alcohol.

The programme aims to instil a sense of accountability and responsibility among consumers for the broader reach of their actions, beyond alcohol-related harm. This included, for example, recent training at a mine to reduce the number of positive alcohol tests at the gate.

#### MAKING OUR ROADS SAFE

The Namibia Police identified breathalysers as the greatest need in their fight for road safety at present. NBL provided the Namibia Police with breathalysers and soft drinks as part of the national road safety campaign for the December holidays. This is a peak period for road accidents and fatalities on Namibian roads. NBL also sponsored the West Coast Safety Initiative and the Namibia Media Holdings 60 Day National Road Safety Campaign. We encourage road users to recognise thinking patterns that lead to irresponsible choices and decisions when under the influence of alcohol.

#### SAFER WITH LEFA

Last year, NBL supported the launch of a cab-hailing app, LEFA, which provides a solution and alternative to driving under the influence of alcohol. Namibia's first 'cab on request' app, it was conceptualised by a local entrepreneur who started with two vehicles and now has 27 safe and secure vehicles on the road. We have supported LEFA with marketing material and adopted the service for our events.

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**By being a good corporate citizen that does business responsibly, ethically and with transparency, we give our local and central governments the comfort that they can also rely on us to pay taxes and duties (continued)**

**COLLABORATING ON EMPLOYMENT AND RECRUITMENT**

In line with our value **We do the Right Things Right**, NBL was awarded a certificate of appreciation in October 2018 for being among the Top 10 designated employers complying with the Employment Services Act, 2011 (No. 8 of 2011). We fully support and use the Namibia Integrated Employment Information System (NIEIS) initiated by the Ministry of Labour as a way to register job seekers, vacancies in the public and private sector and assist job seekers in finding suitable employment.

<b>5.7%</b>	<b>0</b>
revenue paid as taxes and duties to the Government (2018: 6.4%)	No material penalties or fines paid for non-compliance (2018: 0)

Contributing to our strategic outcome:

 Sustainable Execution in Everything

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**Our clearly defined strategy and purpose drive resilience and growth to ensure constant dividends and reliable repayments to our providers of financial capital**

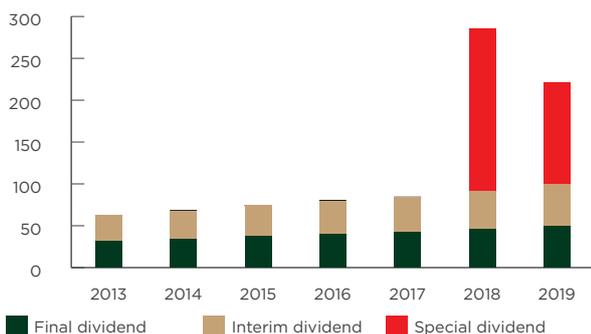
**Key questions: What are we doing to grow returns despite economic challenges?**

Our shareholders and funders require historical and forward-looking information to make an informed assessment about their capital allocation and acceptable levels of risk. To retain them as long-term partners who support the business, we communicate a balanced overview of our performance, strategy and progress with implementation. We give back to them by paying finance costs on borrowings and dividends. Total dividends to approximately 206.5 million shareholders have increased by an average of 8% per year.

We know that strained local and international operating environments can negatively impact our

ability to trade and grow. We are transparent about the key strategic risks facing the business and explain how these are effectively mitigated to ensure that NBL remains future fit and well positioned to capitalise on growth opportunities. Our position in the O&L Group, and the stability of having the Group as a strong, stable shareholder, contributes to our financial resilience.

**Giving back to shareholders through dividends (cents per share)**



<b>14.7%</b>
of revenue declared as dividends (2018: 22.0%)
<b>52%</b>
return on shareholders' investment (2018: 26.3%)
<b>15.7%</b>
of revenue reinvested in the business to ensure future growth (2018: 13.9%)

Contributing to our strategic outcome:

 Sustainable Execution in Everything

**We ensure effective risk management, particularly in IT, which results in meeting legislative and compliance requirements, while mitigating risk on behalf of our stakeholders**

**Key question: What are we doing to entrench a proactive risk culture?**

As a market leader, significant employer and a proudly Namibian brand owner, we manage a wide range of risks on behalf of our stakeholders, as they can be affected by even small disruptions or unexpected events at NBL. Our ability to mitigate these risks gives stakeholders peace of mind, which is a way in which we earn their trust and deliver on our promises.

Rapid social, economic and technological change is challenging business stability. In particular, information and technology (IT) are receiving a stronger focus in light of increasingly pervasive cybercrime and risks to data security. For NBL, loss of intellectual property as a result of cybercrime or uncontrolled sharing of sensitive information could provide a competitive advantage to other role players.

Our Senior Leadership Team is tasked with implementing our strategy, including ensuring that internal controls are in place and function effectively to mitigate risk to operations. We manage significant operational risks through sophisticated IT systems. The ERP system, for example, is used across all Windhoek-based operations. This system helps us to optimise planning, particularly as complexity intensifies with increasing numbers of new stock-keeping units.

When bringing in new technology or equipment, we follow an evaluation process that considers price, state-of-the-art applications and after-sales service. We arrange for site visits, where relevant, to evaluate

suppliers and expose employees to different environments, while ensuring that contracts include training and maintenance elements.

The majority of our depots have generators to mitigate the risk of unreliable power supply, enabling employees to maintain effective customer service and adhere to stock management principles at all times.

The Board is ultimately responsible for managing the Group’s risk and setting its risk appetite. We do a risk and opportunity assessment every year to identify the critical business, operational, financial and compliance exposures facing NBL, and to determine the adequacy and effectiveness of controls.

The Audit Committee, in conjunction with the Management Risk Committee, assists the Board in monitoring the effectiveness of the risk management process for risks like IT-related items, fraud and corruption, and compliance with the risk standards adopted by the O&L Group.

We use enterprise risk management software to ensure a unified and structured risk management approach across the O&L Group. Our risk approach is preventative, and our methodology is aligned to ISO 31000.

To support ethical business practices, we have a 24-hour Tip-offs Anonymous hotline and maintain a zero-tolerance stance on fraud. The hotline is operated by a confidential, independent supplier.

<b>N\$30 million</b>	<b>Contributing to our strategic outcomes:</b>	
<b>Total Information Systems and Information Technology related spend</b>		Everyone Purposefully Producing Breakthrough Everywhere
		Sustainable Execution in Everything