

Eveready East Africa Limited

Corporate Governance Statement

May 8, 2006

Introduction

Eveready East Africa Limited (EEAL) has practiced good corporate governance as a private entity since inception. The board of directors has always consisted of well-qualified professionals of good standing and diverse experience. The board enjoys a strong and mutually supportive relationship with the management team, and the record of strong financial results over the years is testimony to the strength of this rapport.

The board remains committed to observing the highest standards of modern governance as a publicly listed entity, and is very aware of the heightened responsibilities that listing on the Nairobi Stock Exchange will bring. Nevertheless, the company views its impending Initial Public Offering (IPO) as a milestone in a much longer process of governance enhancement. This statement provides a concise summary of the principles that will continue to guide governance at EEAL, and the role, composition, structure and key processes of the board of directors.

Principles of good governance

The EEAL board embraces the following principles of good governance:

1. **Representation:** the board recognises that its cardinal duty is to represent and act on behalf of the shareholders of the company. All directors recognise fully their duty of care to **all** shareholders of the company, current and future. The board will be broad-based in composition and outlook.
2. **Transparency:** directors are committed to conducting the affairs of the board in as open and transparent a manner as possible, and to providing all relevant information to shareholders. Conflicts of interest will continue to be identified and disclosed in an appropriate manner.
3. **Composition:** EEAL will maintain high standards of director quality on its board. As the highest decision-making organ, the board of directors will always consist of individuals of high standing and recognised skills who will add real value to board activities.
4. **Harmonious relationships:** the board recognises that true value comes from productive and effective relationships between directors and the management team, and between the board and a variety of external stakeholders. The upholding and nurturing of strong working relationships will be a key principle guiding the EEAL board.
5. **Good corporate citizenship:** EEAL will continue to be an exemplar of good business practice and involvement in society. It will always uphold its responsibility to society at large and the environment in which it operates. The board will ensure that this objective is an integral part of the strategy and operations of the company.

Role of the board

The board recognises that it has two fundamental roles: a *conformance* role that protects the interests of all shareholders and provides accountability and statutory compliance; and a *performance* role that adds value to the work of management by providing counselling, advice and breadth of experience.

The board has the following key responsibilities:

1. Oversight of management on behalf of all shareholders.
2. Ensuring the accuracy and integrity of all reported financial results.
3. Ensuring compliance with all statutory requirements placed on the company.
4. Monitoring and mitigating all major risks faced by the business, and ensuring business continuity.
5. Ensuring that a process of effective internal control over the operations of the company is in place.
6. Ensuring that a highly motivated and effective management team is in place at all times.
7. Participation in the development and validation of the company's strategy, and design of appropriate high-level policies to guide its operations.
8. Taking responsibility for the overall performance of the company and working closely with management officers to deliver sustained value to shareholders.
9. Protecting the reputation of the company and its place in society.

Composition of the board

The board will, at all times, be constituted of individuals who are recognised to maintain the highest standards of integrity. The company will adhere to very exacting standards of business practice and ethics, and this must be reflected in its board of directors.

Equally, EEAL will place great emphasis on the business knowledge, expertise and leadership qualities of its directors. It will match the skill sets needed on the board to the demands of the company's future strategy.

In short, EEAL believes that the interests of its shareholders will best be served by directors who demonstrate the highest personal and professional standards, and who offer commitment to the company in terms of time and intellectual resources.

Structure of the board

The board currently comprises 7 directors of diverse experience and skills. The articles of association of the company allow for a total of 9 directors (including the chairman). EEAL believes that this number is right for the size and nature of the company and allows the space to extend the range of talent on the board in light of possible future developments in the ownership and strategic landscape of the company. The immediate target is to have a full quotient of 9 directors in place soon after the completion of the company's IPO.

The chairman of the board is appointed by the board of directors. The CEO will always be a member of the board. In accordance with Capital Markets Authority (CMA) guidelines on corporate governance, the positions of chairman and CEO will be kept separate.

The board accepts that a degree of independence of directors (in terms of direct or indirect material interest) is beneficial to the interests of shareholders. The board is committed to meeting the recommendations of the CMA in this regard, and will endeavour to ensure that one-third of its directors are independent of the company as defined by the CMA guidelines for listed companies.

To this end, the board will initiate a process for the recruitment of two new independent directors immediately after the completion of the company's IPO. These directors will meet the qualification requirements of the board (as outlined above) and will be selected on the basis of professional skill sets needed to strengthen the board. A rigorous and transparent selection process will be followed in the recruitment of these and all future directors.

Directors serve 3-year terms and one-third will come up for retirement at every annual general meeting. The board does not currently specify age or term limits for directors, as it does not wish to impose artificial time limits on the contribution of key individuals on the board.

Nevertheless, the board does conduct a vigorous process of examining its composition in line with the needs of the business, and expects regular change in the makeup of the board.

The board has constituted 3 standing committees to assist it in discharging its duties. The key mandate of these committees is outlined below.

The Audit Committee provides oversight of both the internal audit function and the work of the external auditor. It ensures that the system of management controls in place in the company is robust and effective. It also oversees the issuance of financial statements and ensures that these reflect fairly the financial situation and results of the company, in accordance with generally accepted accounting principles.

The Finance and Risk Committee assists the board in reviewing the financial plans, budgets and strategies of the company, and ensures that all major risks facing the business are identified and addressed in a systematic fashion. It works with management officers to examine and strengthen the quality of financial planning, and to maintain a comprehensive risk management framework.

The Remuneration and Nominations Committee addresses issues pertaining to remuneration levels and employee development and motivation on behalf of the board. It ensures that the correct incentives and reward mechanisms are in place at the highest levels of the company, whilst maintaining the principles of equity and appropriateness of compensation. The committee is also the custodian of a systematic and transparent process for bringing new directors on to the board.

All committees will work to a specific charter of duties and their performance will be assessed regularly. It is the intention of the board that independent directors should play a key role on all three committees.

Board processes

The board recognises that overall corporate governance at EEAL will be enhanced by having strong work processes at the level of the board of directors. A number of such processes have been identified for strengthening, as the board believes they will be an important part of the delivery of world-class governance standards. These priority processes include the following:

Board self-evaluation: the board believes in regular self-examination to assess its performance as an organ. To this end, the Remuneration and Nominations Committee will organise an annual evaluation process, to measure the performance of the board as a whole and of its committees. The results of such evaluations will provide the basis for rolling improvements in the structure and workings of the board.

Director nominations: the board recognises that its strength is ultimately determined by the quality of its members. As such, the board is committed to maintaining a rigorous process that widens the pool of potential future directors and ensures that the selection process is conducted objectively and systematically, possibly with the aid of independent external facilitators. This process will be run by the Remuneration and Nominations Committee.

Ethics framework: EEAL believes in the transmission and reinforcement of basic ethical values at all levels in the company. It already manages a framework that consists of a written statement of good business practice for all employees and requires key staff members to sign annual disclosure and compliance forms pertaining to the tenets of the code. This framework will shortly be extended to include members of the board of directors, who will adhere to a special code of practice relating to their duties.

Succession planning: the board is committed to maintaining sound succession planning and business continuity at EEAL. The company has been running a strategic human-resource planning process for a number of years, and will continue to develop a depth of management and leadership talent that ensures a future pipeline for key positions in the company, both on the board and at key officer level. It will also maintain a contingency plan to take effect in the event of an unexpected crisis.

Strategic planning: the board will work carefully with senior officers to develop and validate the strategy of the company on a rolling basis. The board recognises that the primary responsibility and capacity for generating and designing business strategy lies with the CEO and his team; nevertheless, the board has an important role to play in questioning and strengthening the strategy of the business, and will run a participatory process to add value in this critical area.

Board meetings: the board of directors will hold a minimum of four scheduled meetings of the full board every year, in addition to an annual general meeting of all shareholders. It will also hold an annual strategy retreat jointly with management. Committees will also be required to meet a minimum of four times a year. Additional meetings of the full board or individual committees will be held as necessary. All meetings will be organised so as to devote sufficient time to the key strategic issues facing the company, as well as to allow the board to discharge its fiduciary duties.

The board is empowered to seek independent expert advice at the company's expense to aid it in the course of its duties, as necessary.

Conclusion

The directors are committed to meeting the highest standards of good corporate governance practice at EEAL, and recognise that the subject of corporate governance is continually evolving. As such, the board will periodically review its practices and work processes to ensure that improvements are made as necessary and appropriate in the future.

May 8, 2006