

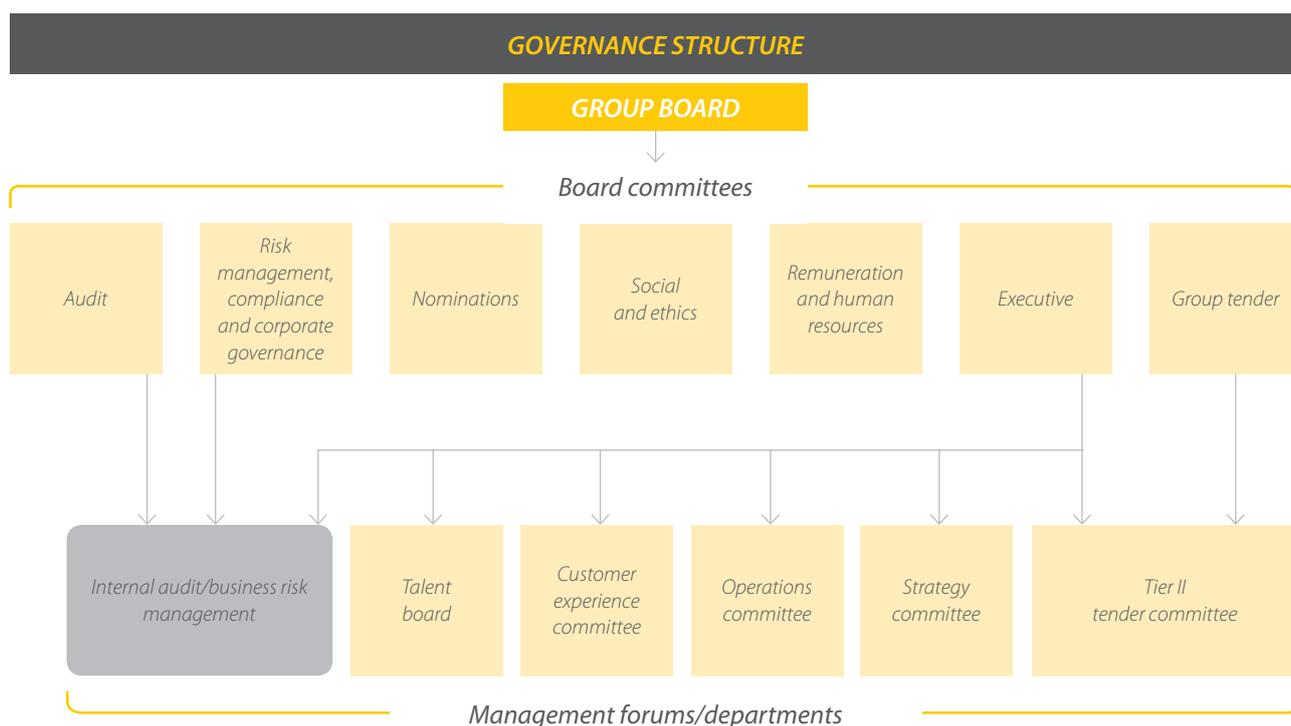


*Corporate governance report*

# Corporate governance report

The MTN board believes that strong corporate governance is essential for the achievement of sustainable value for all stakeholders. Accordingly, the Group is committed to entrenching the highest levels of corporate governance and continues to make significant progress in implementing structures, policies and procedures all aimed at strengthening governance within the organisation.

MTN aims to provide stakeholders with an accurate and transparent governance report which provides details of governance enhancements and achievements during the year under review.



**Audit committee:** AF van Biljon (chairman), NP Mageza, MJN Njeke, JHN Strydom (withdrawn 29 May 2012), J van Rooyen

**Risk management, compliance and corporate governance committee:** J van Rooyen (chairman), KP Kalyan, NP Mageza, MLD Marole, MJN Njeke, JHN Strydom

**Nominations committee:** MC Ramaphosa (chairman), A Harper, AT Mikati, JHN Strydom (nominated 5 March 2013), AF van Biljon,

**Social and ethics committee:** KP Kalyan (chairman), NP Mageza, MLD Marole, JHN Strydom (withdrawn 5 March 2013), J van Rooyen

**Remuneration and human resources committee:** A Harper (chairman), AT Mikati, MC Ramaphosa, JHN Strydom

**Executive committee:** RS Dabengwa (chairman), CM de Faria (withdrawn 31 January 2013), JA Desai, S Fakie, A Farroukh, B Goschen, PD Norman, NI Patel, KW Pienaar, J Ramadan (withdrawn 31 March 2012), I Sehoole (withdrawn 31 March 2012), KL Shuenyane

**Group tender committee:** WA Nairn (chairman), JA Desai, A Farroukh, NI Patel, KW Pienaar, J Ramadan (withdrawn 31 March 2012), I Sehoole

# Corporate governance report *continued*

## Key governance enhancements and compliance

In 2011 the Group undertook to address some areas relating to King III and the Companies Act, No 71 of 2008, which required enhancement and implementation. The following are some of the key enhancements achieved in 2012:

<b>Board committees' terms of reference</b>	All the committees' terms of reference have been reviewed and adopted by the board in 2012.
<b>Board charter</b>	The board charter has been revised to align it with King III, the new MOI of the Company as well as the Companies Act. The revised board charter was adopted by the board in March 2013.
<b>Board strategy review</b>	In addition to the conventional annual Group strategy session and in an effort to increase the frequency of board and management engagement on strategy and to improve strategic dialogue, a mid-term board strategy review process was introduced to review strategic initiatives that had been previously sanctioned. The review also affords the board an opportunity to re-affirm the Group's strategic direction.
<b>Board appraisal</b>	The board, through an independent service provider, conducted an independent board performance appraisal. The appraisal report was presented to the nominations committee and the board. The status of the appraisal is set out on page 73 of the governance highlights.
<b>Director training and development</b>	In line with section 88(2)(a) of the Companies Act which states that the Company secretary must provide the directors with guidance as to their duties, responsibilities and powers, among others the board was formally advised by the sponsors on all JSE Listings Requirements' amendments, which occurred during the year under review.
<b>Independence review for directors who have served for an aggregate period in excess of nine years</b>	Where a director has served for an aggregate period in excess of nine years, the new MOI requires the board to consider whether that director continues to be independent. The board approved a policy, which states that a non-executive director who has served on the board for an aggregate period in excess of nine years, will be subject to an annual rigorous review of his/her independence and will thereafter be re-appointed annually. The board is satisfied with the independence of all the independent non-executive directors, including the independence of AF van Biljon and JHN Strydom who have served on the board for an aggregate period in excess of nine years. Based on the evaluation, there is no evidence of any circumstance and/or relationship that would impair their judgement and their independence is not affected by their length of service.
<b>Application of the King III principles</b>	The Group is compliant with the mandatory principles concerning governance in terms of the JSE Listings Requirements. A letter of dispensation has been obtained from the JSE and it affords the Group the opportunity of addressing any non-compliance with the non-mandatory "apply or explain" corporate governance requirements in the 2013 financial year. In assessing the Group's compliance and adherence to King III, an Institute of Directors' Governance Toolkit was used.
<b>Delegation of authority</b>	In line with King III, a revised delegation of authority was approved and implemented during the year under review.
<b>Review of governance policies</b>	Among others, the following policies were reviewed: The insider trading policy and share dealing policies were reviewed, pending finalisation of the Financial Markets Bill. The public information policy was revised and is in the process of being adopted. The Group directors and Group secretary appointment policy was adopted. The policy outlines a formal process for the appointment of all directors and the Group secretary. The gifts policy, among others, embraces the prevention of any corrupt activities and sets out a procedure to be followed when giving or accepting gifts. This policy was revised and adopted. The Group introduced the independence review policy which provides an outline of how the director's independence is reviewed. This policy was adopted. The code of ethics has been revised; however further work is still being done. In the interim, the Group has adopted a social and ethics statement which embodies the Group's values and practices with regard to ethical standards and behaviours.
<b>Prescribed officers</b>	The prescribed officers have been designated and the board is satisfied that they are adequately skilled for their responsibilities. All members of the executive committee are designated as prescribed officers. The category of persons designated as such will be reviewed on an ongoing basis. A prescribed officers' policy is in the process of being approved.
<b>Alignment of memorandum of incorporation with the Act</b>	The Group has concluded its new MOI, which is aligned with the Companies Act and JSE Listing Requirements. The MOI has been approved by the board and the JSE, and its salient features will be tabled for approval by shareholders at the annual general meeting.

## Corporate governance report *continued*

Our approach to governance is to have a set of targets each year and report on our progress against these targets. The targets for 2013 have been set and progress on these will be detailed in the 2013 integrated report.

Looking ahead, we aim to continue focusing on embedding the highest standards of ethics and good governance, monitor our regulatory compliance and respond to any emerging issues related to our environment.

### *Our key objectives for 2013*

Following the changes to governance codes and legislations which have occurred in the last few years, our key objectives for 2013 are focused around the enhancement of governance processes and the improvement of the overall application of governance practice throughout the Group.

One of main areas of focus will be to review the board appraisal conducted by Ratings Afrika and to establish the areas that were identified as areas that require improvement and ensure that proper processes and policies are implemented to address those areas.

We also aim to complete the King III Governance assessment on the Group's application of the 75 King III principles and further embed the King III principles within the Group.

### *Governance structure*

During the year under review, the board appointed Fani Titi as an independent non-executive director on the board and as a member of the remuneration and human resources committee. Fani has extensive experience in private equity, banking and general business.

Although the Group director and Group secretary appointment policy was not adopted at the time of his appointment, his appointment process was formal and transparent. The Group president and CEO disclosed the previous business association between Fani and himself. Pursuant to that disclosure Fani was subjected to an independence review. The outcome of the review showed that Fani was independent from the MTN Group business. The board was satisfied that the business association between the Group president and CEO and Fani would not have an impact on the performance of their duties and responsibilities.

The board's governance structure was reviewed and it was concluded that the Group tender committee should be independent from the board. Thus the board resolved that this committee will cease to be a standing committee of the board.

The board is satisfied that its committees are structured in such a way that there is sufficient competence to deal with current and emerging issues of the business and is able to enhance the performance of the Company.

The elements of the Group structure are replicated in major subsidiaries to maintain good governance throughout the Group. The governance structures of subsidiaries across the Group have been reviewed and are aligned with the operating model, which was implemented in March 2012.

The MTN Group has a unitary board structure with a majority of independent non-executive directors. The board considers nine out of the eleven non-executive directors to be independent.

The roles and duties of the non-executive chairman and the Group president and CEO are separated and clearly defined. This division of responsibilities ensures a balance of authority and power, with no individual having unrestricted decision-making powers.

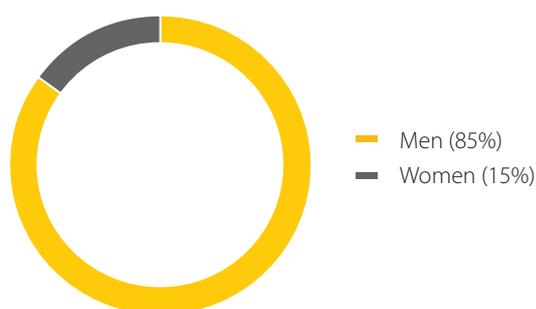
Directors play a critical role as board representatives on the various board committees and ensure that the Company's interests are served by impartial, objective and independent views that are separate from those of management and shareholders.

The MTN Group board retains full and effective control over the Group and is responsible, *inter alia*, for the adoption of strategic plans, the monitoring of operational performance and management, and the development of appropriate and effective risk management policies and processes. The full extent of the board's responsibilities is contained in an approved board charter. The directors are of the opinion that they have adhered to the terms of reference as detailed in the board charter for the financial year under review.

# Corporate governance report *continued*

## Diversity on our board

### ➤ Representation by gender on the board



The board will address this matter as part of the succession planning programme in 2013.

### Chairman

The board is chaired by MC Ramaphosa. Responsibility for managing the board and executive responsibility for the conduct of the business are differentiated. The chairman is responsible for leadership of the board, ensuring effectiveness in all aspects of its activities and setting its agenda. The chairman is responsible for making sure that the directors receive accurate, timely and clear information. The chairman also:

- ensures effective communication with shareholders;
- facilitates the effective contribution of non-executive directors in particular; and
- safeguards constructive relationships between executive and non-executive directors.

No individual board member has unfettered powers in respect of decision making.

The board, on the advice and recommendation of the executive committee, is responsible for setting the strategic direction of the Company. Annually, the board considers, debates and adopts with or without amendments, a strategic plan presented by the executive committee. This plan is further reviewed in the first quarter of each year.

### Group president and chief executive officer

RS Dabengwa is the Group president and CEO and is responsible for the day-to-day management of the Group, supported by the executive committee which he chairs. He provides leadership to the executive team in running the business, co-ordinates proposals developed by the executive committee for consideration by the board, and also develops the Company's strategy for consideration and approval by the board.

### Delegation of authority and risk management

The ultimate responsibility for the Group's operations rests with the board. The board retains effective control through a well-developed governance structure of board committees that specialise in specific areas of the business. Necessary authorities have been delegated to the Group president and CEO to manage the day-to-day business affairs of the Company. The executive committee assists the Group president and CEO in discharging his duties and the duties of the board when it is not in session. However, in terms of statute and the Company's constitution, certain matters are reserved for board and/or shareholder approval. The delegation of authority is reviewed periodically to ensure it remains aligned and relevant in relation to the rapid growth of the Company.

### Lead independent director (LID)

Although our chairman is considered independent, the LID has been appointed to further embed the culture of independence of the board. The LID's primary role is to provide leadership and advice to the board without detracting from the authority of the chairman when a conflict of interest arises.

### Group secretary

The Group secretary plays a pivotal role in the continuing effectiveness of the board, ensuring that all directors have full and timely access to information and training that equips them to perform their duties and obligations properly and enables the board to function effectively.

The Group secretary's key duties with regards to the directors include, but are not limited to the following:

- Providing counsel and guidance to the board on their individual and collective powers and duties;

## Corporate governance report *continued*

- Providing ongoing support and resources enabling directors to extend and refresh their skills, knowledge and understanding of the Group;
- Providing regular updates on effective and proposed changes to laws and regulations affecting the Group and/or its businesses.

In May 2012, the JSE Listings Requirements were amended to provide that with effect from 1 December 2012, company boards must consider and satisfy themselves annually regarding the competence, qualifications and experience of the Group secretary, and also whether she maintains an arm's-length relationship. The performance of the Group secretary, as well as her relationship with the board, are assessed on an annual basis. The Group secretary is not a director of the Company.

The board, with the assistance of the nominations committee and external assurers, have evaluated the Group secretary and is satisfied that she is suitably qualified to fulfil the role.

The Board applied its mind to the following questions in reaching their conclusion:

• Is the Group secretary competent and suitably qualified to be appointed as Group secretary?	✓
• Does the Group secretary have the requisite skills, knowledge and experience to provide guidance to the board on good governance?	✓
• Does the Group secretary have an arm's-length relationship with the board?	✓
• Is the Group secretary an eligible person to hold the office of a company secretary?	✓
• Is the Group secretary not a director of the Company?	✓

Details of the qualifications and competencies of the Group secretary are set out below.

<b>Name</b>	Bongi Mtshali
<b>Date appointed</b>	August 2005
<b>Qualifications</b>	FCIS and Higher Diploma in Company Law
<b>Previous work experience</b>	Bongi has over 25 years of company secretarial experience. Prior to joining MTN, she worked for Uthingo Management (Pty) Ltd, Telkom Limited, Anglovaal Limited and Anglo American Limited (Gold Division).

### The board charter

#### The board charter regulates and details the following key matters:

- Board leadership and defines the separate responsibilities of the chairman and the chief executive as well as the role of the lead independent director;
- Board composition, procedures, pre-requisites and competencies for membership, size and composition of the board;
- Balance of powers;
- The role and responsibilities of the board;
- Board committees' governance;
- Appraisal and performance of the board and its committees; and
- Relationship with stakeholders.

The board charter stipulates that the operation of the board and the executive responsibility for the running of the company's business should be two key and separate tasks and there should be a clear division of responsibilities at the head of the Company to ensure a balance of power and authority, ensuring that no individual or block of individuals has unfettered powers of decision-making or can dominate the board's decisions.

### Memorandum of incorporation

The general powers of the directors are set out in the Company's MOI. They have further unspecified powers and authorities in respect of matters that may be exercised and dealt with by the Company and that are not expressly reserved for the members of the Company in general meetings.

### Matters reserved for the board

There are certain matters that are dealt with exclusively by the board. These include, but are not limited to, approval of financial statements; the Group's business strategy; the annual capital expenditure plan; major changes to the Group's management and control structure; material investments or disposals; risk management strategy; sustainability and environmental policies; and treasury policies.

### Board induction and ongoing development

The Group secretary is tasked with assisting the board with the induction of new directors. All directors undergo a formal induction programme, which outlines their fiduciary and statutory duties and provides an in-depth understanding of the Group and its operations. Re-elected directors are also subject to ongoing director training which includes regular updates and information consultations on legislative and regulatory changes.

# Corporate governance report *continued*

## Board rotation

Directors are subject to retirement by rotation at least once every three years and may avail themselves for re-election, in accordance with the Company's memorandum of incorporation.

## Independence of directors

Determination of independence is guided by King III, the JSE Listings Requirements and common corporate practice.

The chairman of the Group is subject to re-appointment by the board and evaluation of his independence on an annual basis.

## Board appraisal

An independent appraisal was conducted by the governance agency Ratings Afrika on all the members of the board and the Group secretary. The appraisal included a peer review as well as a consolidated board appraisal. This process has recently been completed and the board is in the process of reviewing the report to identify areas of improvement.

## Board and committee attendance

The MTN Group board recognises that it is ultimately accountable and responsible for the performance and affairs of the Group and that the issue of delegated authorities to board committees and management in no way absolves the board collectively from the obligation to carry out their fiduciary duties and responsibilities. All board committees operate under written terms of reference approved by the board. All committee chairpersons also provide the board with a report on recent committee activities.

Board committees are permitted to take independent outside professional advice as and when deemed necessary. The office of the Group secretary provides support and secretarial services to each of the board committees. Membership of board committees comprises independent and non-executive directors only, with the exception of the executive committee and the Tier II tender committee, which are primarily committees of an operational nature and so comprised of senior management. There is full disclosure and transparency from these committees to the board. The membership and attendance of the committees are set out below. Each committee's authority and the discharge of its responsibilities are directed by a charter.

## Attendance register

Directors	Scheduled board meetings attended	Special board meetings attended	Risk, compliance and corporate governance	Meetings attended	Remuneration and human resources	Meetings attended	Nominations	Meetings attended
MC Ramaphosa	4/4	5/5			Member	3/3	Chairman	2/2
KP Kalyan	4/4	5/5	Member	5/5				
F Titi <sup>#</sup>	2/4	3/5						
MJN Njeke	3/4	5/5	Member	3/5				
AF van Biljon	4/4	5/5	Invitee				Member	1/2
J van Rooyen	4/4	5/5	Chairman	4/5				
A Harper	4/4	5/5			Chairman	3/3	Member	2/2
MLD Marole	4/4	5/5	Member	5/5				
NP Mageza	4/4	5/5	Member	5/5				
AT Mikati	4/4	5/5			Member	3/3	Member	2/2
JHN Strydom	4/4	5/5	Member	4/5	Member	3/3		
RS Dabengwa	4/4	5/5	Invitee		Invitee		Invitee	
NI Patel	4/4	5/5	Invitee		Invitee			

<sup>#</sup> Appointed with effect from 1 July 2012

# Corporate governance report *continued*

## **In-camera meetings**

During the period under review, most of the board and committee meetings were preceded by an in-camera meeting of non-executive directors.

## **Special *ad hoc* board committees**

In certain instances, the board constituted special board committees, which are granted the necessary authority to deal with the salient matters under special projects and to allow for a more detailed consideration of issues. Special committees may consist of different directors depending on the expertise required to deliberate on any special matters under review by the committee.

## **Standing board committees**

The committees are as follows:

- audit committee (details are set out on page 108)
- risk management, compliance and corporate governance committee
- nominations committee
- remuneration and human resources committee
- social and ethics committee (details are set out on page 96)
- executive committee

The board is satisfied that the board committees as set out in detail below have effectively discharged their responsibilities as contained in their respective terms of reference during the year under review:

## **Group risk management, compliance and corporate governance committee**

The risk management, compliance and corporate governance committee was established to improve the efficiency of the board and assist it in discharging its duties which include the following:

- identifying, considering and monitoring risks impacting the Company; and
- responsible for the sustainability framework and sustainability reporting for the Group.

A close working relationship exists between the risk management, compliance and corporate governance committee and the audit committee. Three non-executive directors serving on the audit committee also serve on the risk, compliance and corporate governance committee. This ensures that overlapping responsibilities are dealt with in an efficient manner. The committee is also responsible for performing the following functions:

Compliance and corporate governance

- To periodically review issues relevant to the board's oversight responsibilities, including compliance with and adherence to the relevant laws and governance standards;
- Review compliance with all local and foreign legislation and regulatory body requirements applicable to the Company including but not limited to the following:
  - Companies Act
  - JSE Listings Requirements
  - Governance frameworks
  - Health and safety legislation
  - Employment equity
  - Security Services Act
  - Taxation legislation

During the year under review, the JSE had made a few amendments to its listings requirements; the committee assessed the Company's compliance with these requirements and all other statutory and governance codes and was satisfied that it had complied with the requirements. The committee is constituted of independent and non-executive directors only and details of attendance and membership of the committee are contained in the integrated report.

## **The remuneration and human resources committee**

The committee is constituted as a committee of the board of directors in respect of all duties assigned to it by the board.

The committee oversees the formulation of a remuneration philosophy (policy) and human resources strategy to ensure that the Company employs and retains the best human capital possible relevant to its business needs and maximises the potential of its employees.

## **Nominations committee**

The committee is constituted as a committee of the board in respect of all duties assigned to it by the board.

The committee has been constituted to improve the efficiency of the board in discharging its duties relating to the nomination of board members and senior management. It makes recommendations to the board on the composition of the board and board committees and to oversee the development of directors. In line with the JSE's requirement, the committee is chaired by the chairman of the board.

# Corporate governance report *continued*

## **Executive committee**

This committee is constituted as a committee of the board but comprises only executive management and is chaired by the Group president and CEO. The committee facilitates the effective control of the Group's operational activities in terms of its delegated authority approved by the board. It is responsible for recommendations to the board on the Group's policies and strategies and for monitoring their implementation in line with the board's mandate. The committee meets at least monthly and additionally as required. The profiles of the executive committee and subcommittee details are contained in the integrated report.

## **Audit committee**

### **Social and ethics committee**

Details of the audit committee and social and ethics committee are contained in their respective committee reports contained in the integrated report.

## **External advisers**

During the year under review, the board and its committees engaged numerous external advisers who frequently advise the board on a variety of matters that require board consideration and approval.

## **Regulatory compliance**

The MTN Group encompasses operations in 22 countries in Africa, Europe and the Middle East and holding companies in three other jurisdictions. In keeping with its vision and strategy, the Group subscribes to and applies the principles contained in the Code of Corporate Practices and Conduct recommended by King III.

In other jurisdictions where the Company operates, governance developments are monitored on an ongoing basis to ensure that local regulatory requirements are complied with. The board monitors compliance by means of committee reports, which include information on any significant interaction with key stakeholders, including regulators, and through the activities of locally based audit and risk management committees.

The board of directors endeavours to ensure that all operations comply with these corporate governance principles and the requirements of common practices. Likewise, the board places strong emphasis on implementing high standards of reporting, financial and risk management.

The Company's corporate governance systems are aligned with the guidelines of King III and are designed to exceed minimum compliance levels and continue to evolve to meet the expectations of all stakeholders.

## **Conflicts of interest**

A director or prescribed officer is prohibited from using his or her position with respect to the Company or confidential Company information obtained by him or her relating to the Company, in order to achieve a financial benefit for himself or herself or any related third party.

Furthermore, a director or prescribed officer is obliged to make certain disclosures regarding any conflict of interest he or she may have when such arises.

Directors and prescribed officers who have declared a conflict of interest in certain transactions, have voluntarily recused themselves from participating in any manner with regard to those transactions.

## **Code of business conduct**

The MTN Group is committed to promoting the highest standards of ethical behaviour among its directors, management and employees. In accordance with this objective and in the interests of good corporate governance, the code of business conduct is subject to review annually and is cascaded down to all operations.

In addition, the board has also endorsed a social and ethics statement which embodies the Group's values and ethical standards and behaviours.

## **Sponsor**

MTN fully understands the role and responsibilities of the sponsor as stipulated in the JSE Listings Requirements. MTN has a sound relationship with its sponsor (Deutsche Securities (SA) Proprietary Limited) and considers that they have discharged their responsibilities with due care.

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*For further details of the integrated report please visit our website at*

[www.mtn.com](http://www.mtn.com) 

# Corporate governance report *continued*

## Application of the King III principles: MTN Group Limited

King III principle	Status	Application of the principle by the Group
<b>1. Ethical leadership and corporate citizenship</b>		
1.1 The board should provide effective leadership based on an ethical foundation	Applied	The ethical tone of the Group is set by the board and is cascaded down to management who is tasked with embedding the ethical values and standards throughout the Group. In order to ensure that ethics are adequately addressed, an ethics task team has been constituted by the social and ethics committee to roll out the Group-wide ethics management intervention. The social and ethics committee reports to the board on progress of the intervention.
1.2 The board should ensure that the Company is and is seen to be a responsible corporate citizen	Applied	The Group, through the activities of the social and ethics committee, endeavours to act responsibly within every geographical area in which it operates. The Group aims to adhere to and comply with all laws and regulations within the societies where it operates. The Group is also actively involved in CSI initiatives which aim to uplift the surrounding communities.
1.3 The board should ensure that the Company's ethics are managed effectively	Applied	The board has delegated the social and ethics committee, in conjunction with management and the ethics task team, to ensure that the Group's ethics are managed effectively. The social and ethics committee reports to the board on all its activities and progress.
<b>2. Board and directors</b>		
2.1 The board should act as the focal point for and custodian of corporate governance	Applied	One of the board's core areas of focus is corporate governance; the board, through the Group secretary, receives guidance and regularly deliberates on governance matters through the risk, compliance and corporate governance committee.
2.2 The board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied	The board retains full and effective control over the Group and provides strategic direction and leadership. The board also deliberates on the sustainability challenges faced by the Group, the adoption of strategic plans, the monitoring of operational performance and the development of appropriate and effective risk management policies and processes. In order to perform this function, the board holds annual strategy sessions with management to deliberate on and approve key strategic plans, taking into account risk and sustainability.
2.3 The board should provide effective leadership based on an ethical foundation	Applied	See principle 1.1
2.4 The board should ensure that the Company is and is seen to be a responsible corporate citizen	Applied	See principle 1.2
2.5 The board should ensure that the Company's ethics are managed effectively	Applied	See principle 1.3

## Corporate governance report *continued*

King III principle	Status	Application of the principle by the Group
2. Board and directors <i>continued</i>		
2.6 The board should ensure that the Company has an effective and independent audit committee	Applied	See principle 3.1
2.7 The board should be responsible for the governance of risk	Applied	See principle 4.1
2.8 The board should be responsible for information technology (IT) governance	Applied	See principle 5.1
2.9 The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	See principle 6.1
2.10 The board should ensure that there is an effective risk-based internal audit	Applied	See principle 7.1
2.11 The board should appreciate that stakeholders' perceptions affect the Company's reputation	Applied	See principle 8.1
2.12 The board should ensure the integrity of the Company's integrated report	Applied	See principle 9.1
2.13 The board should report on the effectiveness of the Company's system of internal controls	Applied	See principle 7.3
2.14 The board and its directors should act in the best interests of the Company	Applied	The board is required to act in good faith in all instances. The board and its committees are evaluated annually to ensure that directors always act in the best interest of the Company and are well informed of their duty to exercise a degree of care, skill and diligence. Furthermore, all directors are requested to declare any conflicts of interest they may have in any particular transaction and/or decision.
2.15 The board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act	Applicable	This principle is accepted by the board and will be applied as envisaged should the eventuality ever arise.
2.16 The board should elect a chairman of the board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of chairman of the board	Applied	The roles and duties of the non-executive chairman and the Group president and CEO are separated and clearly defined in the board charter. This division of responsibilities ensures a balance of authority and power, with no individual having unrestricted decision-making powers. The Group has also appointed a lead independent director who provides leadership and advice to the board, without detracting from the authority of the chairman, when the chairman himself is conflicted.

## Corporate governance report *continued*

King III principle	Status	Application of the principle by the Group
2. Board and directors <i>continued</i>		
2.17 The board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied	The board has appointed a Group president and CEO and has established a delegation of authority framework that is periodically revised and approved by the board.
2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Applied	The board comprises thirteen directors, of which nine directors are independent non-executive directors, two are non-executive directors and two are executive directors. All the non-executive directors are subjected to an annual independence review.
2.19 Directors should be appointed through a formal process	Applied	A formal policy on the appointment of directors and the Group secretary has been adopted and is applied.
2.20 The induction and ongoing training and development of directors should be conducted through formal processes	Partially applied	Although a formal process has not been implemented, the Group secretary is responsible for the induction of directors and carries out this function through regular engagements with the directors, with the assistance of external advisers where necessary.
2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	The board has evaluated the performance of the Group secretary and has concluded that she has the skills, competencies and appropriate qualifications to fulfil her role.
2.22 The evaluation of the board, its committees and the individual directors should be performed every year	Applied	The board conducts an internal evaluation of itself and its committees annually and is subject to an external performance appraisal every two years.
2.23 The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied	<p>The board has constituted the following committees, which attend to the business of the board and report on how each committee has discharged its duties:</p> <ul style="list-style-type: none"> <li>• Risk management, compliance and corporate governance committee</li> <li>• Remuneration and human resources committee</li> <li>• Nominations committee</li> <li>• Audit committee</li> <li>• Social and ethics committee</li> </ul> <p>The Group's governance structure and composition is addressed in detail in the corporate governance highlights in this integrated report.</p>

## Corporate governance report *continued*

	<b>King III principle</b>	<b>Status</b>	<b>Application of the principle by the Group</b>
2.	<b>Boards and directors</b> <i>continued</i>		
2.24	A governance framework should be agreed upon between the group and its subsidiary boards	Applied	Most of the elements of the governance structure are replicated in major subsidiaries in order to maintain good governance throughout the Group. The subsidiaries receive assistance and guidance on matters relating to governance from Group company secretarial and the Group president and CEO.
2.25	Companies should remunerate directors and executives fairly and responsibly	Applied	Directors and executives are remunerated through a remuneration policy which is reviewed and endorsed by the shareholders at each annual general meeting. The remuneration policy applies common principles and practices for the remuneration of executives and directors. The remuneration is structured to be competitive and is benchmarked against global competitors. More details on the remuneration policy can be found in the remuneration report in this integrated report.
2.26	Companies should disclose the remuneration of each individual director and prescribed officers	Applied	The remuneration of each individual director and prescribed officers is disclosed in this integrated report.
2.27	Shareholders should approve the Company's remuneration policy	Applied	The remuneration policy is outlined in the remuneration report and is approved through a non-binding advisory note by shareholders at each annual general meeting.
3.	<b>Audit committees</b>		
3.1	The board should ensure that the Company has an effective and independent audit committee	Applied	The Group audit committee comprises of independent non-executive directors who are elected by shareholders at an annual general meeting. The committee meets at least once every quarter and derives its mandate from approved terms of reference which incorporate the statutory requirements.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	Applied	Audit committee members are appointed to the committee based on their skills, competencies and expertise and are regularly subjected to a performance and independence evaluation.
3.3	The audit committee should be chaired by an independent non-executive director	Partially applied	AF van Biljon, an independent non-executive director is the chairman of the Group audit committee. However, not all of the operations' audit committees are chaired by independent non-executive directors.
3.4	The audit committee should oversee integrated reporting	Applied	The audit committee reviews, contributes to and recommends the integrated report to the board for approval.

## Corporate governance report *continued*

King III principle	Status	Application of the principle by the Group
<b>3. Audit committees</b> <i>continued</i>		
3.5 The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	Applied	The audit committee and the risk management, compliance and corporate governance committee have approved the combined assurance methodology which has been implemented across the Group; the co-ordinated and integrated approach is at an advanced stage in the areas of risk management, forensics and internal audit. External auditors are consulted on the combined assurance plans in order to provide a co-ordinated approach.
3.6 The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function	Applied	The audit committee reviews the performance of the Group chief financial officer and the Group finance function annually, and is satisfied with the skills and expertise of the Group chief financial officer and the Group finance function.
3.7 The audit committee should be responsible for overseeing of internal audit	Applied	The audit committee oversees internal audit and receives regular reports on the status of the Group's internal audits.
3.8 The audit committee should be an integral component of the risk management process	Applied	The audit committee in conjunction with the risk management, compliance and corporate governance committee plays an integral part in the risk management process and receives regular reports on the status of risk management.
3.9 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	The audit committee reviews and deliberates on the performance of the external auditors and concludes with a recommendation that the external auditors be re-appointed by the shareholders at the annual general meeting.
3.10 The audit committee should report to the board and shareholders on how it has discharged its duties	Applied	The audit committee reports to the board and compiles a report annually on how it has discharged its duties. This report is contained in this integrated report.
<b>4. The governance of risk</b>		
4.1 The board should be responsible for the governance of risk	Applied	The board has delegated to business risk management the task of implementing a formal and integrated risk management process. Twenty-three principal risks have been identified by the board as key risks areas which will be prioritised. These risks are revised periodically as the risk universe and strategy changes. Business risk management reports to the board on its performance through the risk management, compliance and corporate governance committee.
4.2 The board should determine the levels of risk tolerance	Applied	The board determines the Group's risk appetite based on the type of risk, which allows for a more controlled approach to managing risk levels. A formal risk escalation structure was implemented based on the Group's risk bearing capacity and a set of risk thresholds at various levels in the Group. These risk thresholds are reviewed and updated regularly.

## Corporate governance report *continued*

King III principle	Status	Application of the principle by the Group
4. The governance of risk <i>continued</i>		
4.3 The risk committee or audit committee should assist the board in carrying out its risk responsibilities	Applied	The risk management, compliance and corporate governance committee and the audit committee carry out the risk responsibilities and both committees fulfil this mandate by scheduling regular meetings and an annual workshop to receive feedback from management on performance against the identified risks.
4.4 The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied	Business risk management has been mandated by the board to monitor and implement a risk management plan, which includes the development of appropriate and effective risk management policies and processes.
4.5 The board should ensure that risk assessments are performed on a continual basis	Applied	Twenty-three principal risks have been identified (among other risks) and are monitored continuously; reports on the controls and assessments are submitted to the audit committee and the risk management, compliance and corporate governance committee at each meeting.
4.6 The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	The board's objective has been to instil greater risk awareness throughout the organisation, and to standardise the approach and methodologies to risk management. Business risk management assists the board by identifying, assessing, mitigating and reporting risks which would include current risks and any emerging or unpredictable risks.
4.7 The board should ensure that management considers and implements appropriate risk responses	Applied	A formal risk escalation structure has been implemented based on the Group's risk bearing capacity and a set of risk thresholds at various levels throughout the Group. These risk thresholds are reviewed and updated regularly. The aggregation of total risk is conducted qualitatively and the Group risk management and compliance committee assesses the acceptability of the Group's consolidated risk profile.
4.8 The board should ensure continual risk monitoring by management	Applied	The Group has a dedicated risk management department which reports to the audit committee and the risk management, compliance and corporate governance committees on a quarterly basis.
4.9 The board should receive assurance regarding the effectiveness of the risk management process	Applied	The process of risk management and disclosure in the Group is guided by a risk framework which is based on best practice risk management procedures. External assurers provide an assessment on our risk processes.
4.10 The board should ensure that there are processes in place enabling complete, timely, accurate and accessible risk disclosure to stakeholders	Applied	A detailed risk report is contained in this integrated report.

## Corporate governance report *continued*

	<b>King III principle</b>	<b>Status</b>	<b>Application of the principle by the Group</b>
5.	<b>The governance of information technology</b>		
5.1	The board should be responsible for information technology (IT) governance	Applied	The board has delegated the management of IT governance to management. Management drives and promotes the efficient, effective, secure and acceptable use of the network, technology and information across the Group; and thereby also adopts and applies the requirements and recommendations provided by King III.
5.2	IT should be aligned with the performance and sustainability objectives of the Company	Applied	Management ensures that all IT and network-related projects are aligned to a defined project management methodology and oversees the integration of the IT and network strategies to the business strategy objectives and the IT sustainability plan.
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	Applied	Management, through its committees, oversees the development and implementation of an IT and network governance framework, incorporating both the strategic and operational aspects of these components.
5.4	The board should monitor and evaluate significant IT investments and expenditure	Applied	Management, through its committees, assists the board by monitoring IT and network investments and provides oversight on all activities relating to IT expenditure. A report on significant expenditure is presented at the executive committee meeting on a regular basis.
5.5	IT should form an integral part of the Company's risk management	Applied	IT has been identified as one of the twenty-three principal risks and is therefore a major part of the risk management process and is a regular item on the risk management, compliance and corporate governance committee agenda.
5.6	The board should ensure that information assets are managed effectively	Partially applied	Information security and management is an essential component of the Group's core business. Formal processes are being implemented to improve the management of the Group IT and network assets.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	Applied	IT risk is a regular item on the risk management, compliance and corporate governance committee agenda. This committee ensures that the Company's IT risks are monitored and adequately mitigated. Regular feedback is provided to the board.
6.	<b>Compliance with laws, rules, codes and standards</b>		
6.1	The board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Partially applied	Although the Group does not have a dedicated compliance function, each department is responsible for ensuring compliance with their own requirements. The risk management compliance and corporate governance committee plays a primary role in co-ordinating compliance and ensuring that the Group complies with the prevailing legislation, codes and standards.

## Corporate governance report *continued*

King III principle	Status	Application of the principle by the Group
6. Compliance with laws, rules, codes and standards <i>continued</i>		
6.2 The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business	Partially applied	The board is regularly informed of changes in applicable laws and regulations by Group company secretarial with the assistance of external advisers.
6.3 Compliance risk should form an integrated part of the Company's risk management process	Partially applied	Compliance risk does not form part of the combined assurance model, however, it is addressed and managed as part of the risk management process throughout the Group. The process of establishing a dedicated compliance function is still in progress.
6.4 The board should delegate to management the implementation of an effective compliance framework and processes	Partially applied	See principle 6.1
7. Internal audit		
7.1 The board should ensure that there is an effective risk-based internal audit	Applied	Internal audit's main focus is to ensure that there are adequate systems of internal control in order to manage and mitigate significant risks that could potentially affect the performance of the Group.
7.2 Internal audit should follow a risk-based approach to its plan	Applied	The Group's internal audit plans are risk based. Risks are determined by the type of risk, which allows for a more controlled approach to managing risk levels.
7.3 Internal audit should provide a written assessment of the effectiveness of the Company's system of internal control and risk management	Applied	A written assessment of the effectiveness of the system of internal control is provided by internal audit. A statement on the status of the Group's internal controls is contained in the audit committee report and the directors' report in this integrated report.
7.4 The audit committee should be responsible for overseeing internal audit	Applied	The audit committee is responsible for and oversees internal audit and receives regular reports on progress throughout the Group.
7.5 Internal audit should be strategically positioned to achieve its objectives	Applied	Internal audit is strategically positioned to achieve its objectives and reports directly to the audit committee and functionally to the Group president and CEO.

## Corporate governance report *continued*

	<b>King III principle</b>	<b>Status</b>	<b>Application of the principle by the Group</b>
8.	<b>Governing stakeholder relationships</b>		
8.1	The board should appreciate that stakeholders' perceptions affect a Company's reputation	Applied	The gap between stakeholders' perceptions and the performance of the Company is monitored and managed through ongoing engagement with all significant stakeholders in order to enhance or protect the Company's reputation.
8.2	The board should delegate to management to proactively deal with stakeholder relationships	Applied	Management develops strategies, policies and programmes for the management of the relationship with each stakeholder grouping.
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	Applied	Management develops strategies, policies and programmes for the management of the relationship with each stakeholder grouping.
8.4	Companies should ensure the equitable treatment of shareholders	Applied	The Group understands the importance of sound relationships with shareholders and endeavours to treat all shareholders fairly and ensure that they have adequate access to financial information and other relevant reports.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied	The board has been intimately involved in communication to our stakeholders regarding issues that could affect the Group's reputation. The Group has dedicated departments that manage the relationship with stakeholders.
8.6	The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible	Applied	All major disputes are escalated to management and to the board and efforts are made wherever possible to resolve disputes effectively and expeditiously.
9.	<b>Integrated reporting and disclosure</b>		
9.1	The board should ensure the integrity of the Company's integrated report	Applied	The board reviews, contributes and approves the content of the integrated report.
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting	Applied	The Group's reports on sustainability and includes such in the integrated report.
9.3	Sustainability reporting and disclosure should be independently assured	Partially applied	Aspects of sustainability reporting are independently verified in accordance with a formal assurance process that has been established. The intention is to extend the independent verification scope in the years ahead.