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MTN Group Limited
Remuneration Report for the year ended 31 December 2010



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Overview

Remuneration in context

Remuneration strategy,
philosophy and principles

Remuneration structure/mix

Performance management

General principles of the
remuneration for directors

Remuneration governance

20
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the way

Remuneration report

Overview

Changes to reporting requirements (King III)

In 2010, as the world continued to recover from the financial turmoil of 2008 and 2009, remuneration considerations continued to be widely discussed at regulatory levels and among politicians and the public across the jurisdictions in which MTN operates. These factors, among others, have necessitated the introduction of a report on MTN's approach to remuneration.

Against the backdrop of King III recommendations and the guidelines of the Companies' Act, we have found MTN's long-standing fundamental remuneration practices, philosophies and policies to be consistently in alignment with regulatory requirements. Although our overall remuneration philosophy and principles have remained largely unchanged from previous years, there have been some changes at the operational level and we have detailed our approach in order

to be more transparent to both employees as well as executives.

Remuneration in context

MTN's remuneration philosophy, principles, and structure have been detailed in the later sections of this report. However, MTN's primary assertion is that we strive to ensure that MTN offers services through the utilisation of the best calibre of talent available in the market. We strongly believe that a competitive service offering to our customers is a result of employing skilled and motivated employees who deliver. MTN endeavours to ensure a strong value proposition to employees in order to attract, motivate and retain the required skills.

Our approach to reward is viewed from a global remuneration philosophy perspective which seeks to maintain an appropriate balance between the interests of stakeholders, while ensuring that we remain closely aligned to our core values and philosophies which

include risk awareness; meritocracy; and employee ownership.

Year in review

The following key points are important to note for the period under review:

- Non-executive director remuneration review for the 2011 financial period.
- MTN Group performance bonus scheme revised for the 2011 financial period.
- Compliance to corporate governance adjustments of the remuneration report.

Looking forward

The remuneration committee will continue to ensure that reward offerings remain appropriately competitive, provide an incentive for performance, and take due regard of our culture, values, philosophies and business strategy. The committee seeks to maintain the existing remuneration arrangements, as discussed in this report. Notwithstanding this approach,

factors such as additional regulatory and market-driven remuneration reform proposals may require these remuneration arrangements to be reviewed during the 2011 financial year. Where appropriate, we will continue to consult shareholders and shareholder bodies on any significant proposed changes in remuneration policy.

Remuneration strategy, philosophy and principles Remuneration strategy

Rewards and recognition form part of MTN's employee value proposition and it is important that the remuneration policy is considered in the context of the strategy for rewards and benefits for employees across the Group.

Our remuneration approach recognises that MTN operates in a highly competitive environment and that the performance is reliant on the quality of our employees. While MTN's vision will continue to be "the leading provider of

telecommunications services in emerging markets”, the industry is in the process of transformation. This new phase has ushered in a period where commercial, innovation and operational excellence is becoming increasingly critical. While the Nominations, Remuneration, Human Resources and Corporate Governance Committee (NRHR & CG) recognises that market forces influence remuneration practices, it strongly believes that the fundamental driver behind our remuneration structure is Group performance.

Our remuneration approach is designed to support the broader business agenda and is regularly reviewed to ensure it is appropriate for the needs of the Group. Regular benchmarking exercises are carried out across the Group in order to provide comparative data to ensure the provision of reward and benefit structures in keeping with local market practice while being clearly linked to aligned individual

and organisation performance objectives. Economic factors are considered and salary surveys are conducted in individual markets to compare the Group remuneration packages against those of comparable companies, while ensuring that these are aligned to a global reward philosophy and approach.

Philosophy statement

We subscribe to a “*total rewards*” approach in our relationship with people; this acknowledges the holistic person in terms of mind, body, heart and spirit. We believe in positioning our *total rewards* as an effective motivator of those behaviours that will lead to a team of engaged staff as well as continued business success.

Remuneration philosophy

Our philosophy is to employ the highest calibre individuals who share and relate to the MTN values and adhere and subscribe to our culture and philosophies. We strive

to inspire innovative thinking by providing a working environment that stimulates extraordinary performance, so that Group executives and employees positively contribute to our clients, the communities in which we operate, and the Group.

Taking into consideration that a remuneration system is the key element in creating value, we have an advanced and unique remuneration structure which is based on the reciprocity of value for employees and for the Group in line with the interests of shareholders.

The remuneration mix reflects the very best standards and principles of local and international practices in good governance, which have been suitably adapted to MTN’s specific structure and circumstances.

Our remuneration policy is structured to take into account the environment in which we operate and the results achieved. Executives

and employees are rewarded for their contribution through:

- the payment of industry-competitive annual packages (base salary and company benefits);
- a variable performance reward programme (linked to our EVP model); and
- company ownership in the form of equity schemes across operations.

We tend to look at the aggregate of the above as the overall total remuneration package designed to attract, retain, incentivise and steer the behaviour of our employees over the short and longer term. The combination of these elements comprises a balanced remuneration system reflecting the Group strategy and its values as well as the interests of its shareholders.

The type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining

Remuneration report *continued*

success and long-term progress. Our reward programmes are clear and transparent and are designed and administered to align directors' and employees' interests with those of all stakeholders and ensure the Group's short and long-term success.

Core remuneration principles

The key remuneration policy principles are as follows:

- MTN subscribes to the principles of equity and fairness in respect of *total rewards* while acknowledging that there is true differentiation based on performance.
- MTN will strive to achieve internal equity with due consideration to affordability.
- Acceptable benchmarking approaches are always adopted and targeted to ensure that *total rewards* are externally competitive and meaningful to employees.
- MTN regards *total rewards* to be personally motivating to employees, teams and functional areas.
- Our reward policies and practices are free of inequitable distinctions which are unacceptable to the Group.

- Clear and transparent communication to all employees explaining general principles, specific policies and practices, and the processes used to determine individual total remuneration.
- The execution and deployment of all reward programmes is in full compliance with all relevant legislation.
- Our *total rewards* offerings are culturally sensitive across our geographic span of operations.

Remuneration structure/mix

Base salary

Base remuneration at MTN is that component of *total reward* that does not vary according to performance. It is generally established by taking into account the level of responsibility and the professional path of the employee within the Group.

Remuneration benchmarks are established for each MTN level or function and are reflective of the value to the organisation. These salary benchmarks are defined by analysing salary equivalence and the level of fairness within the Group and the market. Annual salary

reviews are conducted to facilitate alignment of our packages to market movement as well as reward employees and executives for their performance.

Annual salary review (ASR)

We acknowledge that the market within which we operate is not constant and is impacted by external factors in the local and international environment. To remain abreast of remuneration changes, MTN conducts an annual review to assess the need to realign packages with market trends – this is done through the annual salary review (ASR) process.

Our salary increase guidelines are as follows:

- Increases are awarded annually effective on 1 April.
- Employees must achieve a predetermined performance rating in order to qualify for an increase.
- Increases are awarded to individual employees based on the approved mandate by the Group NRHR & CG committee.
- Remuneration is managed within the salary band allocated, based on a job level.

In assessing levels of pay and benefits, MTN analyses those offered by different groups of comparable companies. These groups are chosen having regard to participants':

- size – market capitalisation, turnover, profits and the number of people employed;
- diversity and complexity of business;
- geographical spread of business; and
- relevance to the telecommunications industry.

In reaching its decisions, the benchmarks also consider the remuneration levels and approaches provided to the wider MTN workforce.

Benefit programmes

Benefits are targeted at competitive levels and are delivered through both company and employee contributions. Our benefits offerings include pension and provident schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices.

Variable pay (VP)

Variable remuneration in MTN comprises short-term and long-term incentives. A combination of these two elements fosters the creation of mid and long-term value.

Short-term incentive pay

Short-term incentives consist of three elements, namely: the performance bonus programme for non-sales roles, the commission programme for those employees in sales roles, and the recognition programme.

Performance bonus (for those employees with a non-sales focus)

MTN's performance bonus scheme is designed to reward superior performance through the payment of a performance bonus amount, the reward payable to individuals as part of a team for their achievements against targets as determined by the organisation.

After due consideration of a variety of factors, the committee obtained board approval for a revised performance bonus scheme

(effective in the 2011 financial year) which took consideration of the changing dynamics of our business, employee aspirations as well as increased recognition of their performances and overall, a more simplified and easier to understand scheme.

In addition to appropriately rewarding performance, motivating value-creating behaviour, and contributing towards attraction and retention of quality staff, the scheme also encourages business practices consistent with the Group's vision, mission and strategies. This weighted approach to incentivising employees and executives has already been communicated Group-wide.

Commission schemes (for those with a sales focus)

In acknowledgement of the sales roles that exist within and among Group operations, MTN runs an incentive scheme directed at employees with a sales focus. The existence of sales-focused schemes is not to drive unique vision, but to design motivational tools to

compensate sales professionals to meet goals or metrics over a specific period of time.

Our commission schemes do not operate in isolation within the *total reward* framework; they are one of the core components of total remuneration that are used to drive behaviour toward business objectives. Our commission schemes are competitively

structured and provide meaningful incentive for contribution.

Recognition programme (Y'ello Stars)

The MTN Y'ello Stars programme is a recognition platform designed to build an organisational culture of recognition and personal acknowledgement within the Group. It allows employees to nominate other MTNers for their



Remuneration report

exceptional behaviour across departments, functions, business units and Group operations based on: living the values, customer service, knowledge sharing, and star performance.

We believe appreciation to be a fundamental human need and employees respond positively to expressions of their good work. We also believe that when employee's work is valued, the satisfaction and productivity rises, and effectively motivate for continued improvement.

Long-term incentive pay

Long-term incentives are divided into the SA-based scheme as well as the Africa and Middle East scheme. The two types of schemes provide eligible employees with equity in an operating unit as well as at a Group level.

SA operation equity schemes

MTN runs a number of share incentive plans that are designed to link the interests of directors with those of shareholders and long-

term organisational interests. The company operates the following schemes:

- Share Options Scheme 2001 – operating under the MTN Group Share Trust.
- Share Appreciation Rights Schemes (SARS) 2006 – an equity-settled scheme with a nominal gain determined upon exercise.
- Share Right Scheme 2008 – which superseded both the Share Option Scheme and SAR Scheme, however operates under the SARS provisions.
- Performance Share Plan (PSP) and SARS of 2010 – these two new employee share incentive plans were adopted in 2010 and allowed qualifying employees to receive shares in settlement of the plan benefits which would be purchased in the market.

The purpose of the share schemes is primarily to retain and recognise the contributions of eligible employees by providing additional incentive to contribute to MTN Group's continued growth in accordance

with the applicable incentive plans rules.

Non-SA-based operations' equity schemes

It is of prime importance to MTN not only to attract, but also to motivate and retain capable human capital across all its operations. To create a sense of "oneness" with the MTN Group brand, the company offers eligible employees participation in the Group's Notional Share Option (NSO) scheme. This scheme enhances MTN's commitment to the "One Group" philosophy.

Under this scheme, qualifying employees not only own options, but also participate in the growth of the Group/operations, as applicable. The primary objective of this long-term incentive scheme is to encourage an alignment between the individual interests of senior MTN employees and that of the long-term MTN Group success.

Factors influencing variable pay

Acknowledging the Group's dynamic and changing operating

environment, the remuneration committee continually reviews the Group's remuneration structures and the components thereof. This ongoing exercise ensures that the individual, team and divisional efforts are streamlined and assume the same direction as the company's long-term objectives.

An assessment of the 2010 operating environment showed that there were a myriad of internal and external factors that influenced the decision to adjust the Group's variable pay structures; some of the highlights that impacted and are forecast to influence future decision-making are as follows:

- Local and international regulatory changes.
- Labour dynamics.
- Strategic expansion decisions made at Board level.
- Economic, environmental, political and social dynamics and technological changes.

The committee will continue to monitor and look out for any changes that will potentially

trigger changes to the Group's variable schemes. Where changes are required, proper consultation with the affected workforce will be undertaken to inform all parties.

Performance management

In accordance with the belief that the fundamental driver behind our remuneration structure is Group performance, the *total reward* approach is structured to attract and retain high calibre employees and executives, the amount of remuneration actually received is dependent on the achievement of superior business and individual performance and on generating sustained shareholder value.

MTN's integrated performance management

MTN Group utilises the integrated performance management framework (IPF) in order to drive a high performance culture. The IPF process aligns the company vision, values and strategy to the operational activities and resource utilisation as derived from the MTN Group annual business plan

imperatives. Overall, the main objectives of the IPF process are threefold:

- To align strategic initiatives, business activities, and the collective efforts of teams and individuals towards the realisation of strategic business goals.
- To provide the right environment for people to perform at their full potential.
- To reward star performance contributing towards the success of the business.

All MTN Group eligible permanent employees and executives participate in the IPF process through performance agreements, ensuring effective alignment to business objectives and goals as mandated by the board.

Group executives only sign bonus agreements which are cascaded into functional heads' key performance areas (KPA's). The functional heads sign-off both their individual agreement as well as team-based bonus agreements on behalf of their respective teams. The individual and

team key performance indicators (KPIs) are monitored throughout the year, particularly during the formal bi-annual and final performance review processes.

The MTN performance bonus scheme is designed to optimise the company's performance in the short term, ensuring that shareholder value is created and maintained. The scheme is broken down into three elements:

- Company performance (CP) – which includes company drivers such as revenue, EBITDA and managed cash flows.
- Team performance (TP) – which is driven through a balanced scorecard approach to ensure accountability at team levels.
- Employee performance (EP) – which is aimed at recognising individual performance based on the individual performance agreements.

Participation into the IPF ensures that the entire Group is fully aligned in achieving the strategic objectives and goals as determined by the board.

General principles of the remuneration for directors

The remuneration policy, principles and guidelines described above apply to the entire MTN Group staff, adapted to different posts according to their levels of responsibility and professional development. The specific features of the MTN Group executive and non-executive directors have been taken into account according to the requirements of the King III Code on Corporate Governance. The principles of MTN Group's remuneration policy reflect the Group's objectives of a sound governance process and long-term value creation for the Group's shareholders. The policy is also designed to support key business strategies and create a strong, performance-orientated environment as well as attract, motivate and retain employees.

MTN's remuneration policy for members of the board of directors distinguishes between the remuneration of executive directors and non-executive directors.

Remuneration report *continued*

Executive directors and senior management

The remuneration of executive directors currently consists of three main components to balance long- and short-term objectives:

1. **base salary.**
2. **short-term incentives** with performance targets.
3. **long-term incentives** in the form of share-based incentive schemes. The last two are designed to encourage and reward superior performance and to align the interests of the executive directors as much as possible with the interest of shareholders. In addition to these main components, executive directors also receive provident and pension schemes, medical insurance, death/disability insurance and other benefits.

Performance bonuses for executive directors are linked to the operational and financial value drivers pertaining to business performance against budget for individual operations and the Group as a whole. These value drivers are determined by the board every year in respect of the

next financial year. Each executive director's performance bonus is conditional upon the achievement of their specific value drivers and key performance indicators which are structured to retain a balance between the performance of entities for which they are directly responsible, and that of the Group. In order to align incentive awards with the performance to which they relate, bonuses reflected are for amounts accrued in respect of each year and not the amounts paid in that year. The bonuses are determined by the NRHR & CG committee and are approved by the board.

The **base salary** of executive directors is subject to annual review and is set with reference to external market benchmarks, taking individual performance into consideration. Executive directors do not receive payment of director's fees or committee fees in respect of meetings attended.

MTN Group recognises the benefits of the involvement of executive directors as non-executive directors

of other companies (under certain conditions) to individuals and the Group. However, each director is normally permitted to accept only one outside appointment, and the director's fees earned are ceded to the Group.

Remuneration for non-executive directors

The fees for non-executive directors are considered annually and are determined in light of market best practice and with reference to the time commitment and responsibilities associated with the roles.

In October 2010, in order to recognise the growing workload of the board committees, two changes were made to the fee structure for non-executive directors with effect from 1 January 2011:

1. The creation of a new position of a lead independent non-executive director (LID).
2. Fees for international members of the NRHR & CG committee were presented and adopted at board

level; these are to be effective at the date of appointment of the international members.

MTN Group's non-executive directors receive an annual retainer and meeting attendance fees. They do not participate in any type of incentive scheme nor do they receive any medical and pension-related benefits.

The board is proposing a fee increase of 9,1% for attendance and retainer of board meetings, 7,1% for committee members and 4,1% for international non-executive directors. It is important to ensure that the remuneration of non-executive directors remains competitive to enable the Company to retain and attract people of the required calibre who can make meaningful contributions. Given its global footprint and growth rate and having regard to the appropriate capabilities, skills and experience required, the Group president and CEO (in consultation with the Group executive for human resources and Group financial director) conducted a review of the remuneration paid

to non-executive directors, based on data provided by independent remuneration specialists and benchmarked against comparable entities.

The NRHR & CG committee debated and considered the revised remuneration proposal at length and after reaching consensus, recommended the revised remuneration proposal to the board, which sanctioned the proposal for recommendation to shareholders at the annual general meeting to be held on 22 June 2011. The proposed new fee structure is outlined in the notice of the 16th annual general meeting and will be applicable with effect from 1 January 2011.

Remuneration governance

Whereas the MTN board is responsible for making strategic Group decisions related to the overall success of the Company, it is assisted in discharging its remuneration duties through the NRHR & CG committee which has a mandate to ensure the Group's remuneration structure

is equitable and aligned with the long-term interests of MTN and its shareholders.

The MTN Group board of directors has delegated responsibility for remuneration policy to the NRHR & CG committee. The role of this committee, among others, is to establish the overall principles that determine the remuneration of the executive directors and senior management. The full details of the NRHR & CG committee's role, constitution and attendance are outlined in the corporate governance report.

In setting remuneration policy, the NRHR & CG committee recognises the need to be competitive in an international market. The committee's practice is to set remuneration levels which ensure that executive directors and senior management are fairly and responsibly rewarded for their contribution to the Group's operating and financial performance. In addition, in order to promote a common interest

with shareholders, performance-linked, share-based incentives are considered to be an important element of the executive incentive policy.

