

CORPORATE GOVERNANCE

“The implementation of the Board and Director Development Programme, the Ethics Along the Way Programme, and the CMT Compliance Programme is improving the governance profile and performance of the Group of Companies.”



Thomas Beale
Chief Governance Officer
Vodacom Group (Proprietary) Limited

Introduction

Corporate governance is a responsibility shared by all directors, chief officers and executives in the Vodacom Group of companies. The role of the Chief Governance Officer is to work with these individuals to co-ordinate, strengthen and improve the performance of governance structures and processes in the areas identified in the King Committee Report on Corporate Governance 2002.

The King Committee identified five focus areas for corporate governance: boards and directors, risk management, internal audit, sustainability reporting and accounting and auditing. The Governance Group takes a leading role in respect of board and director development and two areas of risk management: business ethics and compliance with laws relating to the prevention and combating of corruption, money laundering and terrorism (“CMT”).

Boards and directors

Board and committee meetings

The Group Board of Directors and the boards of the network

operating companies met quarterly during the financial year. Remuneration and Audit Committees have been established for all non-South African operating companies. The Group Remuneration and Audit Committees provided oversight on these matters in respect of the South African network and service provider companies. All Audit Committees have adopted the same or consistent charters and agendas. All Remuneration Committees met three times during the year; the Group Audit Committee met four times and the operating company Audit Committees met three times during the year.

Board and Director Development Programme

During the past year, the Governance Group has been formulating and implementing a Board and Director Development Programme, which currently consists of the following elements:

Institute of Directors memberships

The Group sponsors memberships in the Institute of Directors in Southern Africa (“IOD”), for over one hundred Vodacom directors, chief officers, executives, company secretaries and

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governance officers. Membership in the IOD heightens the awareness of these individuals of their roles and responsibilities in respect of corporate governance.

Director training and development

Director, officer and executive training and development remained a key focus area during the year. The IOD course on corporate governance, directorship and board effectiveness has been presented in all operating countries to over one hundred directors, officers and executives. This course will be repeated from time to time to ensure that all directors, officers and executives have an opportunity to attend the course.

Directors, officers and executives are also encouraged to take advantage of self-development opportunities offered through other training courses presented by the IOD and other reputable institutions. The Governance Group works together with Group Human Resources to monitor and record such activities in the individual's personal development programme.

Register of directors

A master register of members of the Boards of Directors of all Vodacom Group companies is being maintained by the Governance Group in co-operation with the company secretaries within the Group.

Registers of interests

The statutory registers of director interests are kept by various company secretaries. The Governance Group is developing a Group policy and procedure on, and a master register of, interests for all directors, officers and executives in the Group companies.

Company secretaries

The Governance Group encourages and sponsors the further training of company secretaries as well as their participation in conferences.

Risk management

The Group's Risk Management Division is responsible for the Group-wide implementation of the Enterprise Risk Management ("ERM") Programme. The Governance Group focuses on two risk management programmes: the Ethics Along the Way Programme and the CMT Compliance Programme.

ERM Programme

The Group Risk Management Committee currently meets quarterly and is effective in managing and overseeing the implementation of the ERM Programme in the Vodacom Group of companies. The critical and high strategic risks are updated annually and approved by the Group Audit Committee. The current list of critical and high strategic risks was approved by the Group Audit Committee in May 2006.

A series of risk management training courses are currently under way for all executive heads of divisions in the Group. The training is based on Vodacom's risk methodology and will assist management in identifying, assessing and monitoring risks within their respective areas of responsibility. To assist management with this process risk champions have been identified in each division. The risk champions will facilitate the process of updating current risk assessments, identifying new risks and updating the risk database. The roll-out and training of risk champions is currently in progress.

ERM will be embedded in the non-South African operating companies during the next financial year. This will be achieved through the training of management on the principles of ERM, the appointment of risk champions and the provision of assistance to management in identifying and assessing risks.

Finally, during this financial year, Vodacom procured an external Ethics and Whistle-Blowing Hotline service, which was implemented in May 2005. It was initially launched internally in Vodacom South Africa and will now be extended to Vodacom companies in other countries.

CMT Compliance Programme

International best practice indicates that corporate ethics and compliance programmes are key elements of any risk management strategy aimed at the prevention and detection of CMT. Developments in respect of Vodacom's ethics programme are highlighted below. The focus here is on the CMT Compliance Programme.

International and country databases on CMT risk and CMT policy, law and administration are being updated and improved. Legal counsel and consultants on CMT continue to provide specialist advice and updates on political, socio-economic and CMT risk in selected countries.

Country and company CMT risk assessments have been carried out for Vodacom Group and all network operating companies; these are updated on an annual basis. Based on the findings, CMT risk management strategies and programmes have been designed to manage the various levels of risk.

The Group CMT Code of Compliance was approved in the 2005 financial year and is being implemented in the Group and all network operating companies. The directors, officers and executives of the companies have been briefed on their responsibilities in this regard.

Governance officers have been appointed for the Group and the operating companies. Country-specific CMT policies and procedures have been put into place to inform and guide the implementation of the Group CMT Code of Compliance. The country policies and procedures are being implemented by management in respect of their various functional groups and divisions, according to risk profile, in four basic steps. Firstly, governance officers assist line management in adding CMT requirements into various functional policies and procedures. Secondly, an appropriate due diligence questionnaire is developed for the function. The due diligence process is then initiated in respect of the establishment of new business relationships and, over time, the review of existing ones. Finally,

based on the results of the due diligences, appropriate CMT clauses are inserted into new and existing contracts and agreements. The Tanzanian and South African operations have made substantial progress and the others are now gaining momentum.

It should also be noted that, during the year, considerable resources were allocated to assist with CMT risk assessments and due diligences in respect of a number of proposed investment opportunities.

Towards the end of the year, the Governance Group employed an executive head of the division who will be responsible for CMT audits, investigations and enforcement and will work with Group Risk Management and Group Human Resources to complement the CMT risk management effort.

Ethics Along the Way Programme

Given the challenging environments in which the Vodacom Group operates, the management of ethical risk is a critical requirement for corporate sustainability and success. Consistent with the recommendations of the King Committee and international best practice, an ethics development programme called Ethics Along the Way is being implemented in Vodacom Group and all operating companies. The Vodacom Way, which sets forth Vodacom's key strategic, job and ethical values, serves as the focal point for the Programme.

The first phase of the Programme was to conduct ethics risk assessments, which focused on the Group and the five operating companies. The assessments were conducted using qualitative (interview) and quantitative (questionnaire) analysis techniques. Based on the findings of these risk assessments regarding the opportunities and threats facing the companies, a second phase of the Programme has been designed to enhance strengths and correct weaknesses in two main areas: thinking about ethics, and institutionalising and managing ethics.

The following internal interventions have been planned:

- Senior management will be given training on how to think about and manage ethics in the business environment.

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They will then work with the Governance Group to raise the awareness of their staff about values and ethics, both by including it in general management practices and by providing some basic ethics training at junior management and staff levels. The goal is to have all employees share in the ownership of Vodacom's ethical values and standards.

- The Vodacom Way will be emphasised, appropriated and applied throughout the Group of companies. This will be achieved through further training, communication campaigns and workshops, which will provide the means for employees to review and discuss the ethical content of the Vodacom Way, to learn how to apply its ethical content in everyday business and possibly even to propose amendments to the Vodacom Way.
- The Vodacom Group Code of Ethics will be appropriated and applied in various companies, so that it can be related to ethical behaviour in their day-to-day operations. Management and staff will receive further training on how to apply it to their specific job environments. It is possible that individual companies may refine or elaborate on the Group Code to address specific cultural concerns and challenges presented in their operating environment.

The first intervention mentioned above has been initiated in South Africa, Tanzania, the DRC and Lesotho. Senior management in Mozambique received their initial training in May 2006.

Registers of gifts and hospitality received

Each Vodacom Group company maintains a register of gifts and hospitality received by personnel. These registers are submitted

to the Group Remuneration Committee for scrutiny at regular intervals. This year, the Group policy and procedure was updated and a new electronic system of registration was developed. These measures will be implemented during the next financial year.

Sustainability reporting

Various executives at Group and operating company level take responsibility for championing one or more of the key elements of corporate sustainability. Ethics and organisational integrity has been reported on here. Sustainability issues relating to human resource development and stakeholder relations are covered in the following two reports.

Conclusion

Progress continues to be made in the enhancement of governance structures and processes. The implementation of the Board and Director Development Programme, the ERM Programme, the Ethics Along the Way Programme, and the CMT Compliance Programme is improving the governance profile and performance of the Group of companies.

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