CHIEF GOVERNANCE OFFICER'S REVIEW

"Given the increasing importance of corporate governance globally, and mindful of the challenges presented by African operating environments, the Group decided to establish the new post of Chief Governance Officer."

Thomas Beale
Chief Governance Officer
Vodacom Group (Proprietary) Limited

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Introduction

Corporate governance is a responsibility shared by all directors, chief officers, and executives in the Group. However, given the increasing importance of corporate governance globally, and mindful of the challenges presented by African operating environments, the Group decided to establish the new post of Chief Governance Officer. The role of the Chief Governance Officer is to coordinate, strengthen and improve the performance of governance structures and processes in the areas identified in the King Committee Report on Corporate Governance 2002 and reported on in the corporate governance statement which follows the chief officers' reviews. This year, the focus was on boards and directors, risk management and sustainability management and reporting. In the area of risk management, one key task was to design and implement an ethics and compliance programme that will enable Vodacom to manage the risk of corruption, money laundering and terrorist financing (CMT) in its operations and operating environments.

Boards and Directors

The Group has sponsored memberships in the South African Institute of Directors (IOD) for over fifty Vodacom directors, chief officers, executives, company secretaries and governance officers. A number of Vodacom personnel attended IOD training courses during the financial year. A Group training programme is being developed to enhance director and Board performance.

The constitution and agendas of the boards of directors of the network operating companies were reviewed to ensure the correct balance of executive and non-executive directors and to enhance the boards' strategic focus. The boards of the network operating companies met quarterly. Remuneration and audit committees were established for all non-South African network operating companies (South African issues are dealt with by the Group Remuneration and Audit Committees). The remuneration committees met four times during the year. The audit committees met at least three times during the year, with the exception of Mozambique, whose audit committee met only once. The audit committees have adopted the same charter as the Group Audit Committee.

Risk Management

General

A Group Risk Management Committee has been established, on which various chief officers, managing directors and executives serve. A list of critical and high risks for the Group

was approved by the Audit Committee in November 2004. The list is being continuously reviewed and updated by the Risk Management Committee. A Risk Management Strategic Assessment was carried out by a major consulting firm. In respect of eleven risk management focus areas, Vodacom was found to be in partial adherence to generally accepted best practice, with room for improvement to be considered. These findings and recommendations will serve as a basis for improving and enhancing Vodacom's enterprise-wide risk management structures and processes.

Vodacom has procured an external Ethics and Whistle-blowing Hotline service which is to be implemented in May 2005. The facility will be launched internally, in Vodacom South Africa. It will then be extended to Vodacom companies in other countries.

CMT risk management

International best practice indicates that a corporate ethics and compliance programme is a key element of any risk management strategy aimed at the prevention and detection of corruption, money laundering and the financing of terrorism. Developments in respect of Vodacom's ethics programme are highlighted below. Here, the focus is on the CMT compliance programme.

International and country databases on CMT risk and CMT policy, law and administration have been established. Specialist legal counsel on CMT matters has been sourced from South African and foreign law firms. Consultants have been retained to provide monthly briefings on political, socio-economic and CMT risk in selected countries.

A Group CMT Code of Compliance has been approved by the Chief Executive Officer and is being implemented in all operating countries. The boards and senior management of the companies are being briefed on their responsibilities and liabilities, both individually and in small groups. Governance officers have been appointed for South Africa and Tanzania, with governance officers for the DRC, Lesotho and Mozambique to be appointed in May 2005.

Country and company CMT risk assessments are being carried out. Based on those findings, CMT policies and procedures are being put into place which will inform and guide the implementation of the Group CMT Code of Compliance in each country. The requirements set forth in these policies and procedures are derived from the domestic, foreign and international laws that are applicable to the country and company concerned. Changes to other policies and procedures, e.g. due diligences associated with procurement, are also being made. CMT "boilerplate" clauses for inclusion in supply contracts, sponsorship letters and other agreements have been formulated in consultation with Group Legal. Governance officers have been providing advice and granting or denying approvals in respect of various transactions and business relationships. Governance officers and other Vodacom staff have attended conferences and training courses on various topics, including risk management, corruption, money laundering and fraud.

As noted above, an Ethics and Whistle-blowing Hotline will be launched in May 2005. Requests for guidance on ethical or CMT issues will be routed to the governance officers so that problems can be avoided rather than reported after they have already occurred. The Governance group is working with the Risk Management and Human Resources groups to ensure that audit, investigative and disciplinary resources and procedures complement the CMT risk management effort.

Sustainability Management and Reporting

At Group level, chief officers take responsibility for championing various aspects of sustainability. This year, the Chief Governance Officer has focused on ethics and organisational integrity as reported below. The Chief Human Resources Officer manages and reports on the issues of employment equity, employee well-being and human resource development. The Chief Communications and Chief Operations Officers champion and report on Group efforts in respect of corporate social investment, occupational health and safety, environmental issues, transformation issues and stakeholder relations. Thus, much of the Group's sustainability reporting is to be found in this and the following two chief officer reports.

As noted above, one aspect of sustainability which is receiving attention from the Governance group is business ethics and organisational integrity. Taking the "Vodacom Way" value statement as a point of departure, a comprehensive programme,

> "The Vodacom Group has long subscribed to the notion that, for business success to be sustainable, it should be rooted on a solid platform of socially responsible behaviour."

entitled "Ethics Along the Way", has been initiated. The first phase, which is an ethics risk assessment, will be completed by the end of May 2005. Based on those findings, various awareness and training programmes and other interventions will follow.

The Governance group has also initiated a project to establish a consolidated gift register (both giving and receiving) for the Group and its South African companies. This register will also provide for declarations of standing interests, declarations of actual, potential or apparent conflicts of interests and declarations of relationships with government officials by all directors, chief officers and executives. This register will be linked with procurement databases to facilitate management and oversight of ethical behaviour. Obviously, these registers also form a critical part of the CMT compliance programme, as outlined above.

With an eye to achieving a more systematic and formal approach to managing sustainability by the respective boards of directors and to providing more policy and strategic direction

and support from Vodacom Group, it was decided to establish a "Group Support Services Committee". The committee will meet on a quarterly basis, after operating company board meetings, beginning in May 2005. Critical sustainability issue areas and needs will be highlighted, and chief officers will provide policy guidance and assistance.

Conclusion

Good progress has been made in furthering and enhancing existing governance structures and processes and in designing and implementing CMT risk management structures and processes.

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