

CORPORATE GOVERNANCE STATEMENT

Corporate Practices and Conduct

Vodacom Group is guided in its commitment to the principles of good governance by the King Committee Report on Corporate Governance 2002.

The characteristics of this code are recognised as including ethical conduct, discipline, transparency, through timely and accurate information, independence, accountability and responsibility to statute and law as well as to the relevant stakeholders, which is balanced by fairness and social responsibility. Through this process, shareholders and other stakeholders may derive assurance that the Group is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the Group's compliance with King II, as updated from time to time, forms part of the mandate of the Audit Committee.

Board of Directors

The composition of the Vodacom Group Board of Directors is governed by the shareholders' agreement between the Group's three shareholders. All directors are appointed by the shareholders. The Board consists of 12 members, four executive and eight non-executives, and also comprises six alternate non-executive directors. All companies within the Group have unitary Board structures with a mix of non-executive and executive directors.

Meetings are held quarterly, more frequently if circumstances or decisions require, and the Board retains full and executive control over the companies concerned.

The Board has a formal schedule of matters specifically reserved for decisions, including the approval of Group commercial strategy, major capital projects and investments, borrowings, the adoption of any significant change in accounting policies or practices and material contracts not in the ordinary course of business. The Board monitors its management ensuring that material matters are subject to Board approval. The Board delegates responsibility for day-to-day activities to the CEO.

Directors are appointed on the basis of skill, acumen, experience and level of contribution to and impact on the activities of the Group. On appointment, all directors are provided with

guidance as to their duties, responsibilities and liabilities as a director of a company and also have the opportunity to discuss organisational, operational and administrative matters with the Chairman, the CEO and the Company Secretary.

In the event that a potential conflict of interest may arise, involved directors withdraw from all deliberations concerning the matter and are not permitted to exercise any influence over other Board members or receive relevant Board papers.

Chairman and Chief Executive Officer

The role of Chairman and CEO is not vested in the same person. For the year under review, Wendy Luhabe continued to act as Chairman, and Alan Knott-Craig as the CEO of Vodacom Group. Telkom SA Limited, the Group's major shareholder, appoints the Chairman.

Company Secretary and professional advice

All directors have unlimited access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed.

All directors are entitled to seek independent professional advice at the Group's expense, concerning the affairs of the Group, after obtaining the approval of the Chairman. The Audit Committee is responsible for monitoring the independence and suitability of all professional advisors.

Committees of the Board of Directors

The Board has a number of committees which have been established to consider issues and strategies within common areas in order to advise and guide the Board. Ad hoc committees are also established as the need arises. These committees comprise both executive and non-executive directors. Board committees that have operated during the year (unless otherwise indicated) are detailed below. Ad hoc committees are created as and when necessary. The names of the members of the Board appear on pages 11 to 12 of this report.

Directing Committee

The Board has delegated all its powers, functions and authority to act for and on behalf of the company to the Directing Committee.

The Chairman and members of the Directing Committee consist of the eight non-executive directors nominated for appointment to the Board by the committed shareholders. Committee meetings are held at the same time, and on the same basis, as Board meetings.

Non-executive directors bring with them a diversity of experience, insight, business acumen and skills and independent judgment on issues of strategy, performance, resources and standards of conduct.

Non-executive directors have no service contracts with the company and are nominated and appointed on a proportional basis by the shareholders of the company, who have an equity interest of more than 10% in the Group. Recommendation for re-appointment as director is not automatic, but considered individually based on their contribution.

Executive Committee

This committee is responsible for ensuring that the decisions, strategies and views of the Board are implemented. The committee consists of the four executive directors. Executive directors are considered for re-appointment annually. The Group follows a decentralised approach with regard to the day-to-day running of its businesses.

The Executive Committee meets each month under the chairmanship of the CEO. This committee is responsible for the day-to-day management of the Group's businesses and it also reviews strategic plans, potential acquisitions, major capital expenditure projects, company operating and financial performance and the central and administrative functions of the Group.

Remuneration Committee

The Remuneration Committee consists entirely of non-executive directors and is advised by independent outside experts. Its written charter and specific terms of reference include direct authority for, or consideration and recommendation to, the Board of matters relating to, inter alia, general staff policy, strategy for employment, affirmative action, remuneration, performance bonuses, executive remuneration, directors' remuneration and fees, service contracts, deferred bonus incentive schemes and

Group pension and retirement funds. Two meetings of the committee are scheduled annually, with ad hoc meetings convened as and when required.

The broad objectives of the committee are to:

- i) Ensure that the Group's directors and staff are fairly rewarded for their individual contributions to the Group's overall performance;
- ii) Approve the annual remuneration review of the Group and to ensure that salaries are market-related;
- iii) Approve profit sharing arrangements and annual bonuses; and
- iv) Approve the allocation of share scheme participation.

Basic remuneration and short and long-term incentives are determined with reference to applicable market rates and practices. Performance-related remuneration practices and deferred bonus incentive schemes are considered important elements in attracting, rewarding and retaining high potential and high performance executive management. The annual financial statements accompanying this report reflect the total of executive and non-executive directors' earnings and other benefits in accordance with the requirements of the Companies Act, 1973.

Audit Committee

The Audit Committee is comprised entirely of non-executive directors. All the members are financially literate and no relationships exist which could possibly interfere with the committee members' independence from management. Both the internal and external auditors have unrestricted access to the committee which ensures that their independence is in no way impaired or compromised.

The committee meets at least three times a year.

These meetings are attended by both the external and internal auditors and appropriate members of executive management, including those involved in risk management, control and finance. The primary responsibility of the committee is to assist the Board in carrying out its duties relating to the Group's accounting policies, internal control, financial reporting practices, and identification of and exposures to significant risks.

CORPORATE GOVERNANCE STATEMENT continued

The committee has a written charter from the Board and provides assistance to the Board with regards to:

- i) Ensuring that management has created and maintained an effective control environment throughout the Group, monitoring its effectiveness, and that management demonstrates and stimulates the necessary respect for the internal control structure;
- ii) Ensuring compliance with the applicable legislation and the requirements of the regulatory authorities;
- iii) Obtaining an appreciation of the state of the internal control systems;
- iv) Reviewing and recommending internal audits, specifically the internal audit plan which is risk based, and internal audit policy, as well as reviewing their activity and significant findings;
- v) Monitoring relationships with external auditors and reviewing the audit plans and policy, scope and activity, management reports and fees of the external auditors and to discuss any significant findings, issues of concern or changes to the statutory and interim audits as well as setting principles for external auditors to do other work;
- vi) Reviewing and considering the presentation and disclosure of the interim and preliminary results statements and the annual financial statements of the Group, considering accounting policies, and to report fully thereon to the Board;
- vii) Reviewing compliance with the Group's code of ethics;
- viii) Receiving the reports of the compliance officers and monitoring compliance with the King Code as updated from time to time; and
- ix) Executing special projects and other investigations where deemed necessary.

Critical findings arising from both internal and external audit activities are formally reported to, and comprehensively addressed by, the Audit Committee.

In order to assess the principle of going concern, the Audit Committee reviews the operations and business competitiveness together with management. In addition to the historical and current year financial statements, the five-year forecasts and budgets and cash flow projections are considered. Due consideration is also given to the information contained in the current initiative of

effective ongoing risk management. The committee has reviewed and noted the assumptions taken on these issues and considers the going concern principle to be appropriate for the company and the Group as at the date of signing the annual financial statements.

Risk Management

Effective risk management is integral to the Group's objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks.

The directors, when setting strategy, approving budgets and monitoring progress against budget, consider the business risks identified.

Risk management is addressed in the areas of general business risks, worker safety, product liability, credit risks, exchange rate exposure, insurable losses, interest rate and liquidity risks.

Key policies and procedures in place to manage operating risk involve segregation of duties, transaction authorisation, supervision, monitoring and financial and managerial reporting.

A separate division, reporting directly to the Group Executive: Risk Management of Vodacom Group is tasked with identifying, measuring, and recording the core risks facing the Group as well as, where appropriate, implementing procedures to mitigate pertinent risks. Risks are categorised and assessed as to:

- i) Whether the risk was insured, uninsured or uninsurable;
- ii) The perceived financial impact;
- iii) The cultural awareness of the risk.

Risks are continually reviewed and, through risk mitigation processes, rolled out to individual companies and formalised, in part through, policies and procedures. Compliance with these policies is enforced and monitored by Internal Audit. This process is as dynamic as the risks that face Vodacom. Professional advisors are invited from time to time to assist the directors in evaluating risk management strategies presented by management.

Internal Control Systems

To meet its responsibility with respect to providing reliable financial information, the Group maintains financial and

operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority; that the assets are adequately protected against material loss of unauthorised acquisition, use or disposition and that transactions are properly authorised and recorded.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

Responsibility for internal controls

The Board has overall responsibility for the Group's system of internal control. The Group's systems have been designed to provide the directors with reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or detected within a timely period.

Control environment

The Board has established an organisational structure with clear operating procedures, lines of responsibility, segregation of duties, delegated authority, policies and procedures, including a code of ethics to foster a strong ethical climate and the careful selection, training and development of people. These are communicated throughout the Group. The Board has delegated to executive management the establishment and implementation of appropriate internal control systems.

Financial reporting system

The Group's operating procedures include a comprehensive system for reporting financial information to the directors. The principal elements of this include the formal review by the directors of:

- i) Detailed budgets prepared by management and reviewed by the executive directors before formal adoption by the Board;
- ii) Forecasts, revised on a quarterly basis, compared against budget;
- iii) Monthly management accounts with a comparison against the latest forecast and budget; and

- iv) An update, at least annually, of the five-year forecast, including key assumptions and indicators.

Main control procedures

Written financial policies and procedures have been issued which specify the minimum requirements for financial and administrative matters within the Group. These policies and procedures address the areas of significant business risk and include financial limits on delegated authority and detailed policies and procedures regulating treasury activities, which are approved annually.

Joint venture undertakings are monitored closely through attendance at their Board meetings and review of key financial information. It is the Group's policy that its external auditors, where possible, are appointed as external auditors of joint venture undertakings. Detailed post investment reviews of all the Group's investments are conducted on a regular basis.

Review of effectiveness

The Board believes that the Group's system of internal control provides reasonable, but not absolute, assurance that problems are identified on a timely basis and dealt with appropriately.

The Board confirms that it has reviewed the effectiveness of the system of internal control through the monitoring process set out above and is not aware of any significant weakness or deficiency in the Group's system of internal control during the period covered by this report.

Internal Audit

Group Internal Audit is an independent appraisal function to examine and evaluate the Group's activities. Its objective is to assist members of executive management in the effective discharge of their responsibilities. The scope of Group Internal Audit is to review the reliability and integrity of financial and operating information; the risk management process; the systems of internal control; the means of safeguarding assets; the efficient management of the Group's resources; effective quality assurance and the effective conduct of its operations. The function is fully mandated by, and accountable to, the Board and Audit Committee as an independent appraisal activity for the review of all operations.

There are clear procedures for monitoring the system of internal financial control. The significant components of these are:

- i) Formal annual confirmation by subsidiary managing directors concerning the operation of internal control systems for which they are responsible;
- ii) Group Internal Audit, while reporting directly to the Audit Committee via the Group Executive: Risk Management, has access to the Audit Committee, and, on a continuous risk assessment basis, undertakes periodic examination of business processes and reports on internal controls throughout the Group;
- iii) Reports from the external auditors on internal controls and relevant financial reporting matters; and
- iv) Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are identified.

The internal audit function also manages specific quality compliance of environmental, health and safety, information security and other quality issues.

Code of Ethics

Directors and employees are required to understand and maintain the highest standard of ethics ensuring that business practices are conducted in a manner which, in all reasonable circumstances, is beyond reproach. Ethical conduct must be an integral part of the organisation, a deeply ingrained tradition that is passed from one generation of employees to the next.

The Group has adopted a code of ethics which complies with the highest standards of integrity, honesty and ethics in dealing with all its stakeholders, including the Group's directors, managers, employees, customers, suppliers, competitors, shareholders and society at large. The code also spells out policies and guidelines regarding the personal conduct of directors and employees.

All new staff receive a copy of the code and they are required to sign a declaration stating that they have received it, have read and understood it and will comply with it. The code was developed through a process of consultation throughout the Group. All new staff receive a presentation on the code as part

of the induction process. The directors regularly review this code to ensure it reflects best practice in corporate governance.

Stakeholder Communication and Relationships

The Group has formalised its stakeholder philosophy and introduced structures of corporate governance to manage the interface with the various stakeholder groups.

There are responsive systems of governance and practice which the Board and management regard as appropriate. Stakeholder communication and relationships are limited, with the Group not being a public or listed company, but do include, by invitation, two formal presentations to the investor community per year, at which the interim and annual results are discussed.

Communication with stakeholders addresses material matters of significant interest to shareholders, other stakeholders and the financial and investment community and is augmented by a Group-wide disclosure policy.

The quality of information is based on the guidelines of promptness, relevance, accuracy and transparency and is covered by our internal control processes.

Employees and Employee Participation

For employee-related matters, the Group is dependent on consultative committees of Vodacom (Proprietary) Limited and Vodacom Service Provider Company (Proprietary) Limited, the major subsidiaries within the Group, which contribute to employee policies within the Group. A consultative committee consists of a maximum of nine staff members with the managing director of the subsidiary concerned as the Chairman. Members are elected by the employees of the company for a term of one year and may be re-elected.

The Group has designed employment policies which are appropriate to its business and markets and which attract, retain and motivate the quality of staff necessary. These policies are required to provide equal employment opportunities without discrimination. Reports are made available to employees.

Employees are encouraged to become involved in the Group's affairs and to obtain a sound understanding of its activities.

The Group employs a variety of participative structures which focus on material issues affecting employees directly. These are designed to achieve good employer/employee relations through the effective sharing of relevant information and consultation; the speedy identification of potential conflict areas and the effective and prompt resolution of issues. We are committed to equity in the workplace.

Employee participation structures embrace goals relating to values, productivity, training and retraining and serve as a means of encouraging empowerment through participation and information sharing, and of enhancing communication between employees and executive management.

Employees are informed of issues that affect their jobs and work environment, through a range of communication channels. In-house training courses and Group publications are provided for employees to enable them to maintain an understanding of the Group's activities.

When an employee is dissatisfied or feels that an injustice has been done, access is available, through the Group's grievance procedures, whereby the employee's grievances are addressed, by management, without fear of discrimination or victimisation. Policies and practices have also been developed to identify issues of potential conflict and to effectively resolve them in a timely fashion.