

# Corporate governance

## *Introduction*

Fundamental to the MTN Group's vision of becoming the leading provider of telecommunication services in emerging markets, particularly in Africa and the Middle East, is our status as a good corporate citizen. We acknowledge our responsibility as a major organisation to remain accountable to stakeholders for our financial and non-financial impacts and to continue maintaining high standards of corporate governance in compliance with the King II report as well as the requirements of the global Code of Corporate Practices and Conduct in all the markets in which we operate. Effective governance framework initiatives are currently being implemented, providing direction for the operations, to structure their respective governance framework according to Group standards.

The corporate structure of the enlarged Group, following the acquisition of Investcom LLC in July 2006, necessitated the review of the MTN Group governance framework, the highlight being the reconstitution of the MTN Group board of directors, and by extension its committees, creating a more independent internationalised representation to further strengthen its independence and to leverage more diverse skills on the board. This initiative complements the considerable non-executive component

which made up the board prior to its reconstitution.

Accordingly, operational subsidiary boards and committees were partially reconstituted by adding a strong component of independent non-executives to reflect best practices in corporate governance and to advance the principles and practices of sustainable development.

Thus the following improvements were implemented during the year under review:

- The reconstitution of the MTN Group board of directors and by extension its committees, detailed on page 140.
- The reconstitution of all subsidiary boards and by extension their committees.
- The review and adoption, where required, of the board and committee charters (terms of reference), also ensuring that all boards and committees of subsidiary operations have adopted charters. This together with the relevant delegation of authority will provide adequate guidance to directors of the respective operations in discharging their duties.
- The formal integration of governance and risk management strategies into business plans and key performance areas.

- The appointment of a senior executive to oversee the Group business risk function.
- Substantially completing the integration and merger process following the acquisition of Investcom.
- The adoption of a revised delegation of authority for the MTN Group.
- The review and adoption of the revised trade embargo policy (in compliance with the Securities Services Act of 2004).
- The review and adoption of a sustainability policy.

The company also undertook to restructure its reporting and executive management structures, including a renaming convention, to complement the enlarged Group. The operations were effectively divided into three regions, namely, South and East Africa, Middle East and North Africa, and West and Central Africa.

Accordingly, vice presidents were appointed to oversee operations in the respective regions. The vice presidents

report directly to the Group chief operating officer.

The vice presidents are ex-officio members of the MTN Group board of directors.

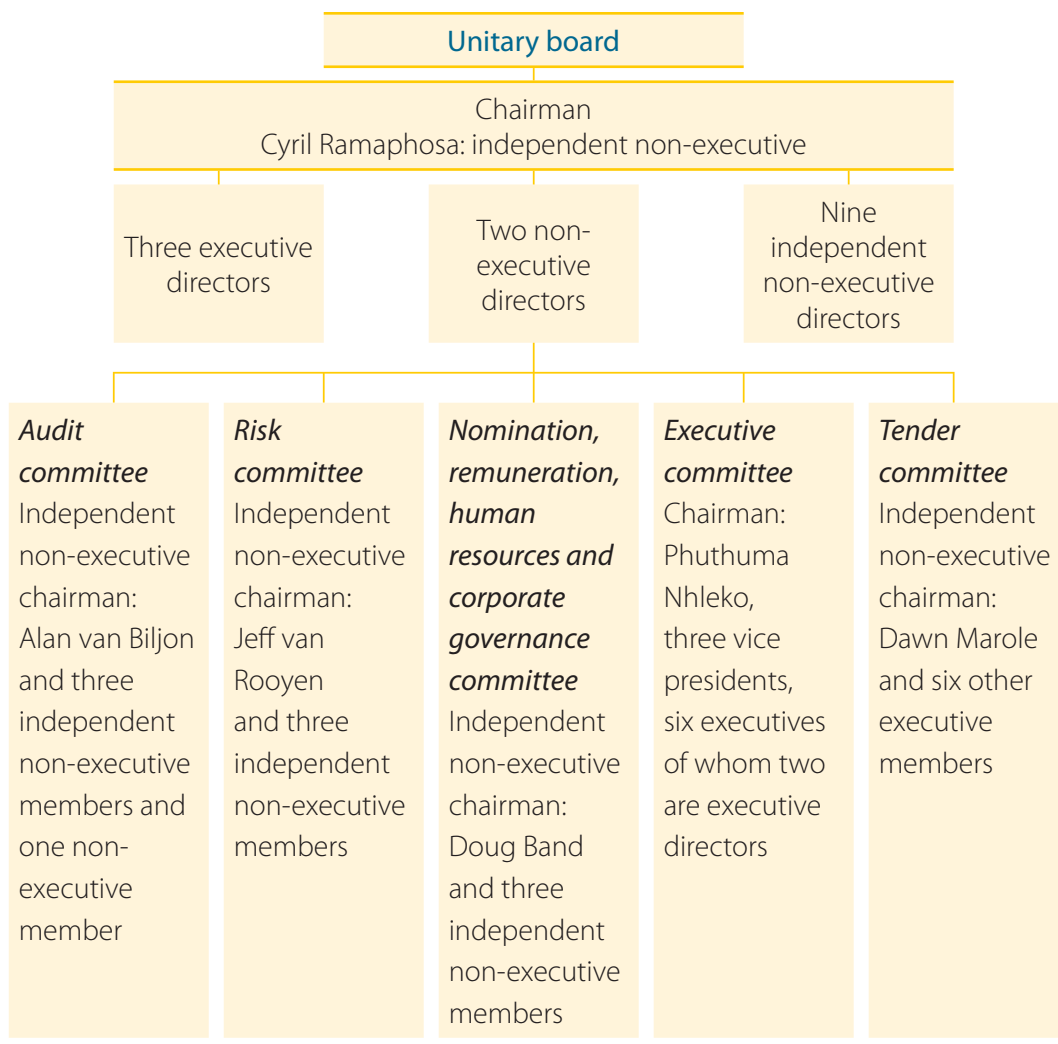
#### *The MTN Group board*

The MTN Group board is ultimately accountable for corporate governance and risk management throughout the Group and is assisted in discharging these duties through the following committees:

- Audit committee
- Executive and steering committee
- Risk management and compliance committee
- Nomination, remuneration, human resources and corporate governance committee
- Tender committee

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## MTN Group board structure



As shown above the MTN Group board is led by Cyril Ramaphosa, an independent non-executive director and the position of Group President and CEO is held by Phuthuma Nhleko. The board and its committees have been reconstituted resulting in approximately 80% of

directors being non-executive and approximately 65% being independent non-executive. Changes to the directorate during the year are outlined in the following table:

Resignation of director	Date of resignation	Appointment of director	Date of appointment
SL Botha*	13 June 2006	KP Kalyan	13 June 2006
I Charnley*	13 June 2006	AT Mikati#	17 June 2006
ZNA Cindi	13 June 2006	MJN Njeke	13 July 2006
PL Heinemann	13 June 2006	MA Ramphele	13 June 2006
MA Moses	13 June 2006	AH Sharbatly†	13 June 2006
		J van Rooyen	17 July 2006
		PL Woicke†	13 June 2006

\*Executive director

#Lebanese

‡Saudi

†German

Board members, in terms of the company's articles of association, retire by rotation every three years and are eligible for re-election.

All boards and committees in the Group have access to professional external advice, if required, provided that established procedures are followed in obtaining such services.

The board is responsible for giving strategic direction to the Group and a strategy session is held annually (the last strategy session was held on 17, 18 and 19 July 2006).

The board is also responsible for evaluating, at least annually, its own performance and that of its committees. These evaluations are overseen by the chairman of the board together

with the chairman of the nomination, remuneration, human resources and corporate governance committee.

#### *Delegation of authority*

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 which specialise in certain areas of the business. Certain authorities have been delegated to the Group President and CEO to manage the day-to-day business affairs. The Group executive and steering committee assist the Group President and CEO in discharging his duties and the duties of the board when it is not in session. However, by law and in terms of the company's constitution and delegation of authority, certain matters

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are reserved for board and/or shareholder approval.

As a result of the restructure detailed earlier, the delegation of authority was revised and adopted by the Group board on 4 December 2006. This was to ensure that in terms of the enlarged Group the requisite levels of authority exist at regional and Group levels, ensuring that all executives are empowered to carry out their duties in terms of the approved business plan and budget.

### *Induction programme*

An induction programme for new directors is under way and includes a comprehensive briefing on the Group's operations and regional structures.

### *Group secretary*

Sibongile Mtshali is the group secretary and the board is aware of her duties in fulfilling her role as both compliance and governance officer of MTN Group.

New directors are inducted into the organisation via the group secretarial office. The office also communicates and monitors compliance, among others, with the Group trade embargo policy, ensuring that no employee is allowed to deal in the company's securities during prohibited periods.

### *Remuneration philosophy*

Details of the remuneration philosophy appear on page 150 of the sustainability report. The nomination, remuneration, human resources and corporate governance committee is responsible for the remuneration framework of MTN Group and recommends strategic matters relating to remuneration to the board for approval. This would include non-executive directors' remuneration, which ultimately is approved by shareholders. Details of directors' emoluments appear on page 187.

### *Risk management philosophy*

Details of the risk management philosophy appear on page 159. The risk management and compliance committee is responsible for the risk management framework of the MTN Group and recommends matters relating to risk management strategies and policies to the board for approval.

Details of the risk management and compliance committee appear on page 149.

### *Board meetings*

Board and committee meetings, together with members' attendance, are outlined in the following tables:

Details of attendance by directors at quarterly board meetings for the year under review are set out below:

Names of directors	22/3/2006 In-camera meeting	13/6/2006	29/8/2006	4/12/2006
MC Ramaphosa***	P	P	P	P
PF Nhleko*	P	P	P	P
DDB Band***	P	P	P	P
RS Dabengwa*	P	P	P	P
KP Kalyan***	NAD	P	P	P
AT Mikati**	NAD	NAD	P	P
RD Nisbet*	P	P	P	P
MJN Njeke***	NAD	P	P	P
MA Ramphele***	NAD	P	P	P
ARH Sharbatly***	NAD	P	P	P
JHN Strydom**	P	P	P	P
AF van Biljon***	P	P	P	P
J van Rooyen***	NAD	NAD	P	P
PL Woicke***	NAD	P	P	P
<b>Ex board members as at 13 June 2006</b>				
SL Botha	P	P	NLD	NLD
I Charnley	P	P	NLD	NLD
PL Heinamann	P	P	NLD	NLD
ZNA Cindi	P	P	NLD	NLD
MA Moses	P	A	NLD	NLD

**In-camera meetings:** Meeting of non-executive directors (excluding executive directors).

A = Apologies

P = Present

NAD = Not a director yet

NLD = No longer a director

\* Executive

\*\* Non-executive

\*\*\* Independent non-executive

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### Special board meetings

Special board meetings (meetings scheduled outside pre-determined meeting dates to deliberate on special business) are convened at short notice

and therefore directors are not always available to attend. Details of attendance by directors at special board meetings for the year under review are set out below:

Names of directors	2/3/06	12/4/06	20/4/06	26/4/06	26/5/06	17/7/06
MC Ramaphosa***	P	P	P	P	P	P
PF Nhleko*	P	P	P	P	P	P
DDB Band***	P	P	P	P	P	P
RS Dabengwa*	P	P	P	P	P	P
KP Kalyan***	NAD	NAD	NAD	NAD	NAD	P
AT Mikati**	NAD	NAD	NAD	NAD	NAD	P
RD Nisbet*	P	P	P	P	P	P
MJN Njeke***	NAD	NAD	NAD	NAD	NAD	P
MA Ramphele***	NAD	NAD	NAD	NAD	NAD	P
ARH Sharbatly***	NAD	NAD	NAD	NAD	NAD	P
JHN Strydom**	P	P	P	P	P	P
AF van Biljon***	P	P	P	P	P	P
J van Rooyen***	NAD	NAD	NAD	NAD	NAD	P
PL Woicke***	NAD	NAD	NAD	NAD	NAD	P
<b>Ex-board members as at 13 June 2006</b>						
SL Botha	P	P	P	P	P	NLD
I Charnley	P	P	P	P	P	NLD
PL Heinemann	P	P	P	P	P	NLD
ZNA Cindi	P	P	P	P	P	NLD
MA Moses	P	P	P	A	P	NLD

† Special board meeting

A = Apologies

P = Present

NAD = Not a director yet

NLD = No longer a director

\* Executive

\*\* Non-executive

\*\*\* Independent non-executive

Details of attendance by directors after 31 December 2006 are set out below:

Names of directors	21/2/07†	28/3/07†
MC Ramaphosa***	P	P
PF Nhleko*	P	P
DDB Band***	P	P
RS Dabengwa*	P	P
KP Kalyan***	P	P
AT Mikati**	P	P
RD Nisbet*	P	P
MJN Njeke***	P	P
MA Ramphela***	P	P
ARH Sharbatly***	P	A
JHN Strydom**	P	P
AF van Biljon***	P	P
J van Rooyen***	P	P
PL Woicke***	P	P

† Special board meeting

A = Apologies

P = Present

\* Executive

\*\* Non-executive

\*\*\* Independent non-executive

### Executive and steering committee

The committee, led by Phuthuma Nhleko, is responsible for strategic and operational matters including the day-to-day management of the business of the MTN Group in terms of its delegated authority approved by the board of directors.

As stated, the operations have been classified into specific regions, with each region headed by a regional vice president.

This committee facilitates the effective control of all the Group's operational activities, acting as a medium of communication and co-ordination

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between the various business units, Group subsidiary companies and the board. It is also responsible for recommendations to the board on the Group's policies and strategies, and monitoring implementation in line with the board's mandate.

### *The introduction of regional vice presidents resulted in the committee being reconstituted as follows:*

PF Nhleko (Chairman)

RS Dabengwa

SL Botha

I Charnley

C De Faria

RD Nisbet

KW Pienaar

PD Norman

J Ramadan

### **Board statutory committees**

Specific responsibilities have been delegated to several board committees with clearly defined terms of reference approved by the board. The committees' profiles are detailed below.

#### **Group audit committee**

The Group audit committee is guided by its terms of reference, dealing with membership, structure and levels of authority and the following duties and responsibilities:

- The committee assists the board in discharging its responsibilities to safeguard the Group's assets and to ensure that proper accounting records are maintained.
- It also oversees the financial reporting process and ensures compliance with accounting policies, legal requirements and reviews internal controls.
- It interacts with and evaluates the effectiveness of the external and internal audit processes.
- The committee also recommends to the board the appointment of external auditors and reviews and approves non-audit work performed by the external auditors.

The committee is led by Alan van Biljon and consists of four independent non-executive directors and one non-executive director (including the chairman). The Group President and CEO, the Group financial director, the Group chief operating officer, internal and external audit representatives attend all committee meetings by invitation.

The head of internal audit and the external auditors have unrestricted access to the committee and its chairman.

Audit committees exist in each of the Group's significant operations and significant risk and audit matters relating to the operations are reported to the Group audit committee. In operations where no audit committee exists the board fulfils this function.

During the year the constitution of the Group audit committee underwent the following changes:

Resignation of member	Date	Appointment of member	Date
PL Heinamann	13 June 2006	MJN Njeke	13 June 2006
		J van Rooyen	17 July 2006

**Accordingly, the committee is constituted as follows:**

AF van Biljon (Chairman)  
DDB Band  
MJN Njeke  
JHN Strydom  
J van Rooyen

***In-camera meetings***

The main meetings of the committee are preceded by an in-camera session of non-executive members only and concluded by a separate in-camera sessions with the following key invitees:

- Management

- Internal audit
- External audit
- The non-executive chairs of subsidiary audit committees are also invited to meet with the Group audit committee annually.

Details of attendance by members of the committee during the year are set out below:

Names of members	16/2/06	28/2/06	13/3/06	30/5/06	7/8/06	22/8/06	13/11/06
AF van Biljon	P	P	P	P	P	P	P
DDB Band	P	P	P	P	P	P	P
JHN Strydom	P	P	P	P	A	P	P
MJN Njeke	NAM	NAM	NAM	NAM	P	P	A
J van Rooyen	NAM	NAM	NAM	NAM	P	P	P
PL Heinamann*	P	P	P	P	NLM	NLM	NLM

\*Ex committee member

A = Apologies  
P = Present

NAM = Not a member yet  
NLM = No longer a member



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Details of attendance by committee members after 31 December 2006 are set out below:

Names of members	27/2/2007	19/3/2007
AF van Biljon	P	P
DDB Band	P	P
JHN Strydom	P	P
MJN Njeke	A	P
J van Rooyen	P	P

*A = Apologies*

*P = Present*

### **Group risk management and compliance committee**

The Group risk management and compliance committee's primary task is to ensure that the risk management framework together with a compliance framework exist and are implemented and monitored regularly. The committee's mandate was reviewed during the year and the scope of compliance was clearly defined in terms of the committee's responsibilities.

Significant risks and compliance matters are monitored by the committee which provides strategic direction in this regard. The committee is also responsible for the sustainability framework and sustainability reporting. During the year, Shauket Fakie was appointed as the Group business risk executive, responsible for business risk management, internal audit and forensics for the Group.

During the year the constitution of the Group risk management and compliance committee underwent the following changes:

Resignation of member	Date	Appointment of member	Date
PL Heinamann	13 June 2006	MJN Njeke	13 June 2006
ZNA Cindi	13 June 2006	J van Rooyen	17 July 2006
PF Nhleko	13 June 2006	M Ramphele	13 June 2006
RS Dabengwa	13 June 2006	PL Woicke	13 June 2006
AF van Biljon	13 June 2006		

The committee is led by Jeff van Rooyen and consists of four independent non-executive members (including the chairman), as detailed below:

**Members of the Group risk management and compliance committee**

J van Rooyen (Chairman)

MJN Njeke

M Ramphele

PL Woicke

Details of attendance by committee members during the year are set out below:

Names of members	7/3/06	30/5/06	22/8/06	21/11/06
J van Rooyen	NAM	NAM	P	P
PL Heinamann *	P	P	P	NLM
PF Nhleko *	P	P	NLM	NLM
ZNA Cindi *	P	P	NLM	NLM
RS Dabengwa *	A	A	NLM	NLM
MA Ramphele	NAM	NAM	A	P
MJN Njeke	NAM	NAM	P	P
AF van Biljon *	P	P	NLM	NLM
PL Woicke	NAM	NAM	P	P

\* Ex committee members as at 13 June 2006

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NLM = No longer a member

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Details of attendance by committee members after 31 December 2006 are set out below:

Names of members	26/3/2007
J van Rooyen	P
MJN Njeke	P
MA Ramphele	P
PL Woicke	P

*P = Present*

### **Group nominations, remuneration, human resources and corporate governance committee**

During the period the committee's mandate was reviewed and responsibilities for corporate governance were added. The revised responsibilities are outlined below:

- Review the size, structure and composition of the board.
- Conduct an annual assessment of the board's performance.
- Conduct an annual assessment of the chairman and Group president and CEO's performance.
- Set criteria for the nomination of directors and committee members of the board.
- Identify, evaluate and nominate candidates for appointment to the board to fill vacancies as they arise.
- Determine the remuneration of executive directors.
- Consider, review and approve Group policies on executive remuneration.
- Monitor the Group's compliance with King II and relevant legislation.
- Make recommendations to the board on annual salary increases and performance-related bonus awards.
- Review and approve performance-related incentive schemes, performance criteria and measurements, including share option allocations to executive directors and senior staff.
- Review and approve new remuneration methodologies for the management team including incentive schemes, benefit funds and other benefits.
- Review philosophy regarding fees payable to non-executive directors (based on recommendations from the

executive directors as a separate process from executive remuneration reviews which is for confirmation by the board and ratified by shareholders.

- Monitor and review compliance with employment equity practices.

The committee is led by Doug Band and consists of four independent non-executives (including the chairman). The committee operates within the parameters of a board approved charter.

During the year the constitution of the committee underwent the following changes:

Resignation of member	Date	Appointment of member	Date
PL Heinamann	13 June 2006	KP Kalyan PL Woicke	13 June 2006 13 June 2006

*The committee is constituted as follows:*

DDB Band (Chairman)  
MC Ramaphosa  
KP Kalyan  
PL Woicke

Details of attendance by committee members during the year are set out below:

Names of members	15/3/06	31/5/06	28/9/06	21/11/06
DDB Band	P	P	P	P
KP Kalyan	NAM	NAM	P	P
MC Ramaphosa	P	P	P	A
PL Woicke	NAM	NAM	P	P
PL Heinamann	P	P	NLM	NLM

*A = Apologies*  
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*NAM = Not a member yet*  
*NLM = No longer a member*

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Details of attendance by members of the committee at a meeting held after 31 December 2006 is set out below:

Names of members	28/3/2007
DDB Band	P
KP Kalyan	P
MC Ramaphosa	P
PL Woicke	P

*P = Present*

### *Special sub-committee of the Group nomination, remuneration, human resources and corporate governance committee*

The nomination, remuneration, human resources and corporate governance committee constituted a special sub-committee to deliberate on special business. The sub-committee met on 22 March and 20 April 2006, committee members Doug Band and Cyril Ramaphosa were in attendance.

### *Group tender committee*

The Group tender committee's primary objective is to promote a sustainable and fair tender culture and to ensure that tender policies are applied consistently; always bearing in mind best business practices to develop all markets and promote economic development. Similar tender committees exist in most

significant operations throughout Africa. The committee's board-approved charter aims to promote effective, transparent and independent procurement and tender evaluation processes. The committee however only reviews high-level tenders as the need arises. Various lower-level committees are in place to ensure that all other tenders are reviewed with the same level of efficiency.

### *The committee is constituted as follows:*

D Marole (Chairman<sup>\*\*</sup>)  
 RS Dabengwa  
 I Charnley  
 CS Wheeler  
 RD Nisbet  
 J Ramadan\*  
 C De Faria\*

*\*appointed as committee member during the year*

*\*\*independent non-executive member*

Details of attendance by committee members during the year are set out below:

Names of members	16/10/2006	23/11/2006	6/12/2006
D Marole	P	P	P
RS Dabengwa	P	P	A
I Charnley	P	P	P
C de Faria	P	P	A
RD Nisbet	A	P	P
J Ramadan	P	P	P
C Wheeler	P	P	A

*A = Apologies*

*P = Present*

#### **Special committee of the board**

In certain instances the board is required to consider special projects which may result in additional meetings. In such cases, the board has constituted special project committees which are granted the necessary authority to deal with salient matters related to such projects, with final recommendations being approved by the board. Special committees may consist of different directors depending on the expertise required to resolve any special matters under review by the committee.

In the year under review the special committees met on 19 April, 21 April, 25 April and 11 July 2006 to review special business.

#### **Environmental code**

The Group is committed to and endeavours to comply in all respects with applicable environmental legislation. It also ensures that all compliance matters are adhered to and endeavours to comply with all relevant ISO standards. The code of conduct prescribes strict policies on environmental matters.

#### **Code of conduct**

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

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### *Market review of non-executive directors' remuneration*

The shareholders approved a resolution at the annual general meeting on 13 June 2006 to increase the non-executive directors' remuneration. Market research shows that the current directors' remuneration is market related, no further increases will be considered for the 2007 financial year.

### *Internal audit and forensic services*

MTN Group's internal audit function is supported by similar internal audit functions in most major operations. The internal auditor is mainly responsible for providing assurance on the adequacy and effectiveness of internal controls in the Group. The function reports to the Group president and CEO and to the chairman of the Group audit committee as well as risk management and compliance committee.

Subsidiary audit committees are similarly structured and most operations have access to the chairman of their Group audit committee. Key issues falling under the scope of the audit committee or internal auditor are also reviewed at Group level, if required.

Internal audits are performed on a risk-based audit approach to ensure that assurances can be given on the mitigation of inherently high risks.

### *External audit*

The joint external auditors express an independent opinion on the annual financial statements. The auditors are appointed by the board on the recommendation of the Group audit committee and ratified by shareholders. The external auditor's performance and independence is regularly monitored by the Group audit committee. The non-audit work performed is periodically reviewed to ensure no conflict of interest exists, or auditor independence impairment occurs. The audit partners are also rotated every seven years.

### *Shareholder communication*

It is the policy of the company, where practical, to ensure that material information is timeously and accurately disseminated.

The Group encourages shareholders to attend its annual general meeting, which provides an opportunity for shareholders to raise questions.

Regular presentations by executive directors and senior management are made to institutional investors, analysts and the media to communicate Group strategy and performance.

A corporate website (<http://www.mtn.com>) communicates the latest Group financial and operational data, as well as relevant historical information.

The board has approved an initiative to improve services to shareholders, specifically for effective and efficient voting at the company's annual general meeting to be held on Wednesday, 13 June 2007, using an electronic solution provided by the company's transfer secretaries.

### *Sustainability reporting*

A comprehensive sustainability report is provided on pages 85 to 135.

### *Sponsor*

The corporate sponsor is Merrill Lynch appointed in compliance with the JSE Listings Requirements.