

## Corporate governance

The board of directors and senior management are committed to good corporate governance and understand their roles and responsibilities as custodians of the Company which has over 90 million customers, 145 346 shareholders and is one of the largest companies in South Africa.

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The MTN Group Limited, a company incorporated in South Africa under the provisions of the Companies Act, 1973, as amended, and listed on the JSE, encompasses operations in 21 countries in Africa and the Middle East. In keeping with its vision and strategy, the MTN Group subscribes to the principles contained in the Code of Corporate practices and conduct recommended by King II and complies with the additional governance requirements of the JSE and various other legislative requirements.

In addition, the board of directors endeavours to ensure that all operations comply with these principles and the requirements of global best practices. Likewise, the board places strong emphasis on achieving the highest standards of reporting, financial and risk management.

The board is satisfied that the MTN Group has made every practical effort to comply with the requirements of King II, in all material aspects. The board will be addressing the challenges of the King III recommendations and other new legislative requirements.

In the application of MTN Group's systems of corporate governance note is taken of various shareholder corporate governance statements.

The MTN Group board retains full and effective control over the Group and monitors the executive management and decisions of the subsidiary companies. The board is responsible for the adoption of strategic plans, monitoring of operational performance and management, as well as the determination of policies and processes to ensure the integrity of the Group's risk management systems among other duties. These responsibilities are set out in the approved board charter, which is reviewed annually. The directors believe that they have adhered to the terms of reference as articulated in the board charter for the financial year under review.

The board and its committees' constitution, remuneration and the record of attendance are set out on page 86. The board also meets with management annually over a period of two to three full days to debate and agree on the

proposed Group strategy and to consider long-term issues facing the MTN Group, as well as the environment in which the Group operates.

During the year under review three independent non-executive directors resigned from the board due to their numerous other commitments. In March, M Ramphela and PL Woicke resigned and in June Sheikh ARH Sharbatly resigned.

The board has assessed its composition post the resignation of these directors and is confident that the current board consisting of 11 members is sufficiently well resourced and experienced. However, one of the outcomes of the board evaluation deliberations was that the board intends increasing the number of board members by appointing additional international board members during the 2009 financial year.

#### **Independence of directors**

The board considers all its non-executive directors to be independent. The non-executive directors demonstrate complete independence in character, judgement and action in fulfilling their duties. A small number of the non-executive directors have indirect remote interests in the MTN Group as outlined on page 49 of book 2.

The board is mindful of this and the potential conflict of interests that might arise as a result, however remote. A rigorous policy of disclosure of interests and recusal from discussions in which a director has an interest is followed to mitigate any such conflicts and thus preserve their independence.

#### **Induction and education**

The MTN Group recognises that the induction of new directors, as well as the ongoing education of all directors, is critical to ensure that they are able to effectively discharge their responsibilities within the Company's governance structure as well as the legislative framework under which it operates. During the year, the directors received briefings and presentations by an independent adviser on the new requirements introduced by the Companies Bill. In respect of the JSE Listings Requirements upon recommendation by the NRHR & CG committee, the board has agreed to a structured education programme for the 2009 financial year, which will be executed in conjunction with the Company's sponsors. In addition, all directors have access to independent professional advice at the expense of the Company in furtherance of their duties or other relevant circumstances.

#### **Board of directors and committee evaluation**

Consistent with previous years, the board conducted a collective board and committees evaluation aimed at among others, determining how the board's effectiveness can be improved. All directors completed a qualitative-based questionnaire compiled by the Group secretary in conjunction with the chairman of the board and chairman of the Nomination, remuneration, human resources and corporate governance committee.

Director performance is assessed against the following criteria: time, availability, commitment to performing the functions of a director, knowledge of the business, providing strategic

## Corporate governance *continued*

direction, contribution to investment decisions, consideration of significant financial matters, the director's views on critical and key issues, the constant challenges that face the Company, the director's views on his/her own performance as a board member, and meeting attendance over the past year.

The process included:

- an evaluation of board effectiveness;
- an assessment of the performance of board members; and
- an assessment of the performance of board committees and an evaluation of their terms of reference.

An assessment of the chairman was also conducted by the full board led by the chairman of the NRHR & CG committee.

After consideration of the results of the evaluation, notwithstanding the fact that the board has operated effectively, the following recommendations were adopted for implementation in the 2009 financial year:

- the number of scheduled board meetings would be increased from four to six times a year and the audit committee's annual meetings would be increased from four to five times a year.
- A 360 degree evaluation exercise, conducted by an independent facilitator, would be undertaken during the 2009 financial year. This is particularly important considering that the revised Companies Act and the King III guidelines are due to come into effect in 2010.

The performance of the Group president and CEO's and executive directors is also evaluated according to their performance scorecard, which is approved annually by the NRHR & CG committee.

### **Delegation of authority and risk management**

The ultimate responsibility for the Group's operations rests with the board. The board retains effective control with the help of a well-developed governance structure of board committees that specialise in specific areas of the business. Certain authorities have been delegated to the Group president and CEO to manage the day-to-day business affairs of the Company. The Group executive and steering committee assists the Group president and CEO in discharging his duties and the duties of the board when it is not in session. However, in terms of statute and the Company's constitution, certain matters are still reserved for board and/or shareholder approval.

The delegation of authority is reviewed periodically to ensure it remains aligned and relevant in relation to the rapid growth of the Company. Future amendments will also include the integration of a risk appetite framework which has recently been adopted by the Group, with a view to identifying, classifying, escalating and mitigating risks. Further details of the risk management philosophy appear in the risk management report starting on page 92.

### **Group secretary**

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

This office also communicates and monitors compliance, among others, with the Group trade embargo policy, ensuring that no employee, executive director or non-executive director is allowed to deal in the Company's securities during prohibited periods.

### Group governance structure

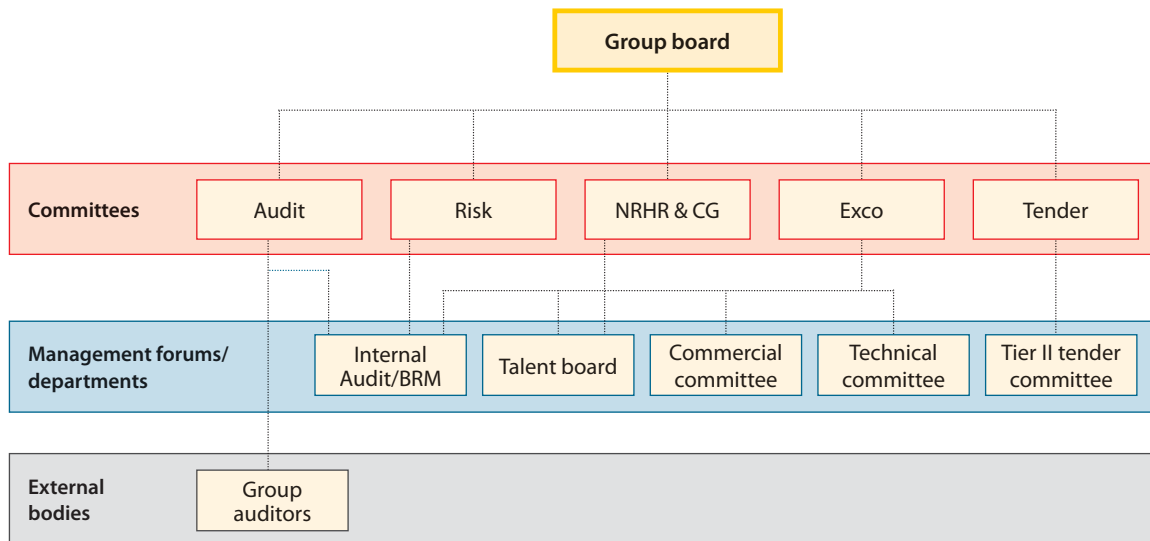
This section provides an overview of our formal governance structure and related mechanisms.

The MTN Group board is assisted in discharging its duties through the following committees, which comprise non-executive directors only, with the exception of the executive and steering committee and the tender committee (chaired by an independent non-executive chairman) which are primarily committees of an operational nature, comprising senior management. There is full disclosure and transparency from

these committees to the board. Each committee's authority and the manner of discharging its responsibilities are directed by a mandate:

- Audit committee (Audit)
- Risk management and compliance committee (Risk)
- Nomination, remuneration, human resources and corporate governance committee (NRHR & CG)
- Tender committee (Tender)
- Executive and steering committee (Exco)

This structure is largely replicated in MTN subsidiaries and associates. In the smaller entities, the audit committee additionally assumes the responsibilities of the risk management and compliance committee.



## Corporate governance *continued*

The board has a diversity of talent, expertise and experience. This is also put to good use through various carefully structured board committees and partly reflected by the number of board

and committee meetings held during the 12 months under review. These are presented in the following table:

| Directors  | Age | Director since | Scheduled board meetings attended | Special board meetings attended | Audit    | Meetings attended | Risk      | Meetings attended | NRHR & CG | Meetings attended | Tender | Meetings attended |
|--|-----|----------------|-----------------------------------|---------------------------------|----------|-------------------|-----------|-------------------|-----------|-------------------|--------|-------------------|
| <b>Independent non-executives (INEDS)</b>            |     |                |                                   |                                 |          |                   |           |                   |           |                   |        |                   |
| MC Ramaphosa   | 56  | Oct-01         | 4/4                               | 7/7                             |          |                   |           |                   | Member    | 3/4               |        |                   |
| DDB Band   | 65  | Oct-01         | 4/4                               | 7/7                             | **       |                   | Alternate | *                 | Chairman  | 4/4               |        |                   |
| KP Kalyan  | 54  | Jun-06         | 4/4                               | 7/7                             |          |                   | Member    | 0/1*              | Member    | 4/4               |        |                   |
| MUN Njeke  | 50  | Jun-06         | 2/4                               | 6/7                             | Member   | 4/5               | Member    | 4/4               |           |                   |        |                   |
| AF van Biljon  | 61  | Nov-02         | 4/4                               | 6/7                             | Chairman | 5/5               |           |                   |           |                   |        |                   |
| J van Rooyen   | 59  | Jul-06         | 4/4                               | 4/7                             | Member   | 4/5               | Chairman  | 4/4               |           |                   |        |                   |
| <b>INEDS resigned during the period under review</b> |     |                |                                   |                                 |          |                   |           |                   |           |                   |        |                   |
| MA Ramphele  | 61  | Jun-06         | 1/1                               | 0/2                             |          |                   | Member    |                   |           |                   |        |                   |
| ARH Sharbatly  | 63  | Jun-06         | 0/1                               | 0/4                             |          |                   |           |                   |           |                   |        |                   |
| PL Woicke  | 65  | Jun-06         | 1/1                               | 0/2                             |          |                   | Member    |                   | Member    |                   |        |                   |
| <b>Non-executives</b>                                |     |                |                                   |                                 |          |                   |           |                   |           |                   |        |                   |
| AT Mikati  | 36  | Jul-06         | 4/4                               | 7/7                             |          |                   |           |                   |           |                   |        |                   |
| JHN Strydom  | 70  | Mar-04         | 4/4                               | 7/7                             | Member   | 5/5               | Member    | 1/1*              |           |                   |        |                   |
| <b>Executives</b>                                    |     |                |                                   |                                 |          |                   |           |                   |           |                   |        |                   |
| PF Nhleko  | 49  | Jul-01         | 4/4                               | 7/7                             | Attendee | 5/5               | Attendee  | 3/4               | Attendee  | 4/4               |        |                   |
| RS Dabengwa  | 51  | Oct-01         | 4/4                               | 7/7                             | Attendee | 5/5               | Attendee  | 4/4               |           |                   | Member | 4/5               |
| RD Nisbet  | 53  | Oct-01         | 4/4                               | 7/7                             | Attendee | 5/5               | Attendee  | 4/4               | Attendee  | 4/4               | Member | 4/5               |
| <b>Additional tender committee members</b>           |     |                |                                   |                                 |          |                   |           |                   |           |                   |        |                   |
| D Marole (Independent non-executive chairman)        |     |                |                                   |                                 |          |                   |           |                   |           |                   |        | 3/5               |
| C de Faria   |     |                |                                   |                                 |          |                   |           |                   |           |                   |        | 4/5               |
| T Lowry  |     |                |                                   |                                 |          |                   |           |                   |           |                   |        | 2/5               |
| J Ramadan  |     |                |                                   |                                 |          |                   |           |                   |           |                   |        | 1/5               |
| C Wheeler  |     |                |                                   |                                 |          |                   |           |                   |           |                   |        | 3/5               |

\*Appointed 27 August 2008

\*\*Mr DDB Band resigned from the audit committee with effect from 1 January 2008

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.

#### **In-camera meetings**

During the period under review the board held in-camera meetings, preceding or immediately following eight out of 11 board meetings.

#### **Special committee**

In certain instances, the board constituted special board committees which are granted the necessary authority to deal with the salient matters under special projects and to allow for a more detailed consideration of issues.

Special committees may consist of different directors depending on the expertise required to resolve any special matters under review by the committee.

#### **Executive and steering committee**

This committee facilitates the effective control of all the Group's operational activities in terms of its delegated authority approved by the board. It is responsible for recommendations to the board on the Group's policies and strategies and monitoring their implementation in line with the board's mandate. The committee is assisted by three regional vice-presidents (VPs) who act as a medium of communication and co-ordinate the policies and strategies of the committee with the various subsidiary operations. The committee meets at least monthly and additionally as required.

The committee is chaired by the Group president and CEO and its constitution is outlined in the table on page 16 of this report.

In January 2008, the committee constituted the following sub-committees with a view to further enhancing its ability to manage and oversee operational matters:

- The technical committee
- The commercial committee.

Both committees are chaired by the Group chief operating officer with two additional Exco members, including one VP. Various other senior management representatives of large subsidiaries attend as permanent invitees to ensure broad representation.

#### **Board statutory committees**

Specific responsibilities have been delegated to several board committees with clearly defined terms of reference approved and reviewed by the board annually. The committee's profiles are detailed as follows:

##### **Group audit committee**

The audit committee assists the board in discharging its duties relating to the safeguarding of assets, the operation of adequate financial systems and control processes, and the preparation of financial statements and related financial reporting in compliance with all applicable legal requirements and accounting standards. The audit committee report is contained on page 23 in book 2, the annual financial statements.

The committee was formally re-appointed by the board during the period under review.

## Corporate governance *continued*

The executive directors, as well as internal audit and external audit representatives (the Company auditors) attend all committee meetings as permanent attendees.

The head of business risk management/internal audit (BRM) and the external auditors have unrestricted access to the committee and its chairman. BRM reports to the Group president and CEO and to the chairman of the Group audit committee as well as the risk management and compliance committee. BRM's performance is reviewed annually by the audit committee.

Audit committees exist in each Group operation and significant risk and audit matters relating to operations are regularly reported to the Group audit committee. The non-executive chairpersons of subsidiary audit committees are invited to meet with the Group audit committee annually. Members of the Group audit committee also individually, periodically visit selected subsidiaries in the Group to enhance their understanding of the Group's overall financial environment. The committee reviewed its charter during 2008 in response to various governance developments brought on by the draft King III Report on Corporate Governance, the revised Companies Act and JSE requirement amendments.

During the year under review, a Group financial policies manual was developed in order to establish financial accounting and policy norms for the Group, including IFRS reporting requirements.

### *In-camera meetings*

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

- Management
- Internal audit
- External audit

### *External audit*

The joint Company auditors provide an independent assessment of key accounting and information systems and controls in the Group. The Company auditors are appointed by the board on the recommendation of the Group audit committee and ratified by shareholders. The Company auditors' performance and independence is regularly monitored by the Group audit committee and formally assessed annually. The non-audit work performed is periodically reviewed to ensure that no conflict of interest exists or that any impairment of auditor independence occurs. The audit partners are rotated every five years.

### *Financial director*

The audit committee has, for the period under review, formally considered and satisfied itself of the appropriateness of the expertise and experience of the financial director.

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

The risk management and compliance committee was established to improve the efficiency of the board and assist it in discharging its duties with regard to identifying, considering and monitoring risks impacting the Company and to ensure compliance with prevailing legislation and statutory requirements. The committee is also responsible for the sustainability framework and sustainability reporting for the MTN Group.

A close working relationship exists between the risk management and compliance committee and the audit committee. Two non-executive directors serving on the audit committee also serve on the risk management and compliance committee. This ensures that some of the overlapping responsibilities are dealt with in an efficient manner.

Due to the resignations of Dr MA Ramphela and Mr PL Woicke in March 2008, Ms KP Kalyan and Mr JHN Strydom were appointed as members of the committee in August 2008. Furthermore, Mr DDB Band was appointed as an alternate member to all committee members in August 2008.

The committee is constituted of independent and non-executive directors only and details of attendance and membership of the committee for the period under review are set out in the table on page 86.

Further details of the risk management philosophy appear in the risk management report starting on page 92.

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

The committee has been constituted to improve the efficiency of the board in discharging its duties relating to the nomination of board members and senior management. It also oversees the formulation of a remuneration philosophy and human resources strategy to ensure that the Company employs and retains the best human capital possible relevant to its business needs; maximises the potential of its employees; and ensures the Group's adherence to sound corporate governance principles.

Each meeting is either preceded or followed by an in-camera session of non-executive directors only.

The committee's mandate, which is reviewed annually by the board, defines its key responsibilities as outlined below:

- Reviews the size, structure and composition of the board.
- Conducts an annual assessment of the board's performance.
- Conducts an annual assessment of the chairman's as well as the Group president and CEO's performance.
- Sets criteria for the nomination of directors and committee members of the board.
- Identifies, evaluates and nominates candidates for appointment to the board to fill vacancies as they arise.
- Reviews and determines the remuneration of executive directors.
- Reviews and approves the Group's policy on executive remuneration.
- Reviews and approves Group policies on corporate governance.

## Corporate governance *continued*

- Monitors the Group's compliance with King II and other relevant legislation.
- Makes recommendations to the board on annual salary increases and performance-related bonus awards.
- Reviews and approves performance-related incentive schemes, performance criteria and measurements, including share scheme allocations to executive directors and senior staff.
- Reviews and approves new remuneration methodologies for the management team including, but not limited to, incentive schemes, benefit funds and benefits related to salary-sacrifice options.
- Reviews the Group's philosophy regarding fees payable to non-executive directors, based on recommendations from the executive directors (as a separate process from executive remuneration reviews). This must be confirmed by the board and ratified by shareholders.
- Monitors and reviews compliance with employment equity practices.

In terms of King II, the chairman of the nominations committee should be the chairman of the board. MTN has combined the nominations committee, human resources and remunerations committees as well as the corporate governance committee under one committee. As such MTN is not strictly compliant with the King II recommendation, the chairman of the board is, however, a member of the NRHR & CG and thus able to influence nomination processes sufficiently.

In March 2008, Mr PL Woicke resigned as a member of the committee.

The committee is constituted of independent non-executive directors only and details of the committee's attendance and membership for the period 1 January 2008 to 31 December 2008 are set out in the table on page 86.

Further details of the remuneration philosophy appear on page 33 of book 2 in the directors' report.

### **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 all major operations. The committee's charter, which is approved by the board and reviewed periodically, aims to promote an effective, transparent and independent procurement and tender evaluation process. The committee, however, only reviews high-level tenders as the need arises. Various lower-level tender committees are in place to ensure that all other tenders are reviewed with the same level of efficiency.

The details of the committee's attendance and membership for the period 1 January 2008 to 31 December 2008 are set out in the table on page 86.

### Code of conduct

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

### Shareholder communication

It is the policy of the Company, where practical, to ensure that material information is timeously and accurately disseminated. The MTN Group encourages shareholders to attend the annual general meeting, which provides an opportunity for shareholders to raise pertinent questions.

To communicate Group strategy and performance, regular presentations are made by executive directors and senior management to institutional investors, analysts and the media. A corporate website (<http://www.mtn.com>) communicates the latest Group financial and operational data, as well as relevant historical information.

To ensure effective and efficient voting at the Company's annual general meetings an electronic solution provided by the company's transfer secretaries is used to conduct all voting.

### Environmental code

The MTN 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.

### Sustainability reporting

A sustainability review appears on pages 68 to 81 of this report.

### Sponsor

In compliance with the JSE Listings Requirements, Merrill Lynch South Africa (Pty) Limited acted as the Company's sponsor during the period under review. Subsequently the Company appointed Deutsche Securities (SA) (Pty) Limited during February 2009 as its new sponsor.