

# Corporate governance report

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 116 million customers and 145 000 shareholders.

## Introduction

The MTN Group Limited subscribes to high ethical standards and principles of corporate governance. This has been an important feature of the business since the Company's foundation. The Company's corporate governance system is the cornerstone of its primary objective of creating value for its stakeholders in a sustainable way, in the context of the triple bottom line.

## Regulatory compliance

The MTN Group Limited is a company incorporated in South Africa under the provisions of the Companies Act, 1973, as amended (Act No 61 of 1973). The Group encompasses operations in 21 countries in Africa and the Middle East, holding companies in at least three other jurisdictions and is listed on the JSE Limited (JSE). In keeping with its vision and strategy, the Group subscribes, and applies the principles contained in the Code of Corporate Practices and Conduct recommended by the King Report on Corporate Governance in South Africa 2002 (King II).

While the board is satisfied that the Group does comply with the JSE Listings Requirements, the Companies Act and the requirements of King II, the board has already started addressing the challenges posed by the recommendations of the updated and revised King Report on Governance for South Africa 2009 (King III) and the much awaited new Companies Act (Act No 71 of 2008).

In other jurisdictions where the Company operates, governance developments are monitored on an ongoing basis to ensure that local regulatory requirements are complied with. The board monitors compliance by means of committee reports, which include information on any significant interaction with key stakeholders, including regulators, and through the activities of locally based audit and risk committees and internal auditors.

The board of directors endeavours to ensure that all operations comply with these corporate governance principles and the requirements of global best practices. Likewise, the board places strong emphasis on implementing high standards of reporting, financial and risk management.

Group overview

Business review

Operational review

Sustainability review

## Corporate governance report *continued*

The MTN Group financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as required by the JSE Listings Requirements, Corporate Laws Amendment Act and other legislative requirements or corporate governance frameworks. The Company's corporate governance systems are designed to exceed minimum compliance levels and continue to evolve to meet the expectations of all stakeholders.

During the year under review:

- The board received presentations on King III as well as the implications of the newly promulgated Companies Act, focused on the board, committees and individual directors;
  - The board undertook a comprehensive review of the existing composition and skills available on the board and defined the key attributes that would be required for future appointments. It also reviewed the composition of the audit committee, nominations, remuneration, human resources and corporate governance committee (NRHR & CG committee) and the risk management and compliance committee as well as the composition of the board itself and, based on the findings, decided to reconstitute the membership of committees and the board. The effective date of such appointments was 1 January 2010.
  - The board received presentations from the sponsor on the implications of changes to the JSE Listings Requirements.
- Continue to review regulatory and legislative developments to ensure that the Group is able to respond appropriately;
  - Prepare to implement the new corporate law regime, together with new or amended legislation relating to competition, privacy of information and consumer protection;
  - Review and update the board charter, articles of associations and committees' terms of reference to incorporate the requirements of the new Companies Act, the JSE Listings Requirements and King III; and
  - Review all shareholder agreements to align them with new regulatory and corporate governance developments.

### Looking forward to 2010 and ahead

In keeping with King III, Companies Act, No 71 of 2008, JSE Listings Requirements and other governance and legislative developments, the focus in 2010 and ahead will be on the following initiatives:

- Implementation and assessment of the Company's compliance with King III, including a gap analysis exercise to identify specific areas of improvements;

### Board of directors and composition

The MTN Group has a unitary board structure comprising three executive directors, two non-executive directors and nine independent non-executive directors.

The non-executive directors and independent non-executive directors play a critical role as board representatives on the various board committees and ensure that the Company's interests are served by impartial, objective and independent views that are separate from those of management and shareholders. Determination of independence is guided by the King Code, the Companies Act and corporate best practice.

The MTN Group board retains full and effective control over the Group and is responsible, *inter alia*, for the adoption of strategic plans, the monitoring of operational performance and management, and the development of appropriate and effective risk management policies and processes. The full extent of the board's responsibilities is contained in an approved board charter. The directors are of the opinion that they have adhered to the terms of reference as detailed in the board charter for the financial year under review.

The board and its committees' composition and the record of attendance are set out on page 98. The profiles of the individual directors, including appointment dates, are set out on pages 14 and 15 and page 98.

### Articles of association and board charter

The general powers of the directors are set out in the Company's articles of association. They have further unspecified powers and authorities in respect of matters which may be exercised and dealt with by the Company, which are not expressly reserved to the members of the Company in general meeting.

The board charter regulates how the board and individual members of the board discharge their responsibilities according to the principles of good governance. The charter aims to ensure that all board members understand their duties and responsibilities as well as the laws, regulations and best practices governing their conduct.

The board charter details the following key matters:

- Division of responsibilities between the board and management
- Size and composition of the board
- Balance of powers
- Role of the board
- Matters reserved for the board
- The role of the chairman, the chief executive and the company secretary
- Board and committees governance
- Evaluation and performance of the board and its committees; and
- Relationship with all stakeholders.

### Chairman

The board is chaired by Mr MC Ramaphosa. No individual board member has unfettered powers of decision making. Responsibility for managing the board and executive responsibility for the conduct of the business are differentiated. Accordingly, the roles of the chairman of the board and the chief executive officer are separate. The chairman is responsible for leadership of the board, ensuring its effectiveness in all aspects of its activities and setting its agenda. The chairman is also responsible for ensuring that the directors receive accurate, timely and clear information. The chairman also ensures effective communication with shareholders and facilitates the effective contribution of non-executive directors in particular and ensures constructive relationships between executive and non-executive directors. The board, on the advice and recommendation of the executive and steering committee (Exco), is responsible for setting the strategic direction of the Company. Annually, the board considers, debates and adopts with or without amendments, a strategic plan presented by Exco.

### Group president and chief executive officer (GP & CEO)

Mr PF Nhleko is the GP & CEO and is responsible for the day-to-day management of the Group, supported by Exco, which he chairs. The GP & CEO provides leadership to the executive team in running the business, co-ordinates proposals developed by the executive committee for consideration by the board, and also develops the Company's strategy for consideration and approval by the board.

### Appointment and resignation

To ensure a rigorous and transparent procedure, any appointment of a director is considered by the board as a whole, on the

## Corporate governance report *continued*

recommendation of the NRHR & CG committee. Where necessary, MTN Group uses external service providers to source the skills required by the board. The selection process involves consideration of the existing balance of skills and experience on the board and a continual process of assessing the needs of the Company. Non-executive directors are required to devote sufficient time to the Company's affairs.

There is no formal limitation on the number of board appointments that non-executive directors can hold but all directors are required to carefully consider the number of appointments they take so as to ensure that they have the time and capacity to properly and comprehensively carry out their duties as a director. Non-executive directors are required to advise the chairman of the board or the chairman of the NRHR & CG committee before accepting membership on other external boards. In line with the directorships policy, executive directors are permitted to accept one external non-executive board appointment subject to approval by the board. All fees received relating to the holding of a directorship on the board of an external company by an executive director are ceded to the MTN Group.

Non-executive directors are required to advise the board of any subsequent changes to or additional commitments from time to time as provided for the Companies Act, 1973.

Three non-executive directors namely; Messrs NP Mageza and A Harper and Ms MLD Marole were appointed to the board, effective from 1 January 2010. All board appointments met the requirements of the Companies Act, King II and the JSE Listings

Requirements. During the year under review, Mr RD Nisbet resigned from the board as Group finance director and was replaced by Mr NI Patel effective from 27 November 2009. The appointments will be confirmed at the annual general meeting to be held on 15 July 2010. The board is confident that the current board, consisting of 14 members, is sufficiently well resourced and experienced.

### **Retirement of directors by rotation**

The Company's articles of association provide that one-third of the directors who have been longest in office since the last election, are required to retire at each annual general meeting (AGM) and may offer themselves for re-election. During the year under review, Messrs RS Dabengwa, AT Mikati, MJN Njeke and J van Rooyen retired from the board and were re-elected at the annual general meeting on 24 June 2009.

The board, on the recommendation of the NRHR & CG committee, reviewed the independence of Messrs MC Ramaphosa, DDB Band and AF van Biljon, who are due to retire from the board by rotation at the forthcoming AGM. Details of retiring directors are set out on page 171 of book 2.

The board concluded that despite Messrs MC Ramaphosa and DDB Band having served as directors since October 2001, and Mr AF van Biljon since November 2002, their independence of character and judgement are not in any way affected or impaired by their length of service, and the board is therefore of the opinion and has declared the three directors to be independent. The determination of independence is guided by the King Code, the Companies Act and international best practice.

## Independence of directors

The MTN board comprises a majority of independent non-executive directors. The board considers nine out of the 11 non-executive directors to be independent in terms of the King II definition and the guidelines outlined in the JSE Listings Requirements. One of the non-executive directors has interests in the MTN Group as outlined on page 40 in 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.

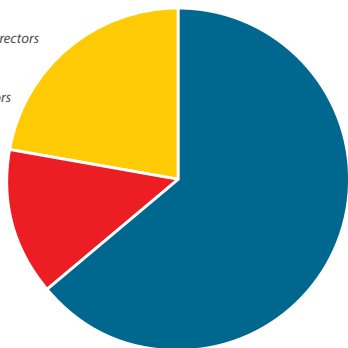
The graph below shows extent of independence of directors

	Number*	Percentage
Independent non-executive directors	9	64
Non-executive directors	2	14
Executive directors	3	22

\* as at 1 January 2010

### MTN directors

- Independent non-executive directors
- Non-executive directors
- Executive directors



## Induction and development

MTN recognises that the induction of new directors, as well as the ongoing development of all directors, is critical in ensuring 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 under review, the directors received briefings and presentations on the new requirements of the Companies Act, No 71 of 2008, King III and the JSE Listings Requirements.

Whenever there are new legislative/corporate governance changes, directors are informed accordingly. In addition, all directors have access to the services of independent professional advisers at the expense of the Company in order to act in the best interests of the Company, although no such advice was sought during 2009. Furthermore, all directors have access to management, and to the advice of the company secretary.

## Board and directors evaluation

Consistent with previous years, a collective evaluation of the board was conducted aimed at *inter alia*, determining how the board's effectiveness can be improved. The evaluation was carried out by the Institute of Directors (IoD). Executive directors were also included in the evaluation process.

Director performance is assessed against these criteria: time availability, commitment to performing the functions of a director, knowledge of the business, providing strategic direction, contribution to investment decisions, consideration of significant financial matters, 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 attendance over the past year.

## Corporate governance report *continued*

The process included:

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

The GP & CEO's performance is also evaluated according to his performance scorecard, which is approved annually by the NRHR & CG committee. The outcomes of the board evaluation were as follows:

- The board has more significant areas of strength than weaknesses;
- the board is firmly focused on strategy;
- the effectiveness of the audit committee is seen as one of the biggest strengths of the board;
- board meetings appear to be well run and managed;
- the company secretary is seen to provide excellent support to the chairman and the board;
- the monitoring role played by the board in ensuring delivery on its mandate and oversight of systems controls and risks is seen as particularly good;
- the board charter was seen as providing a good roadmap to the board in so far as duties and responsibilities were concerned;
- the agenda-setting process is seen as being strong. The NRHR & CG committee was seen as adding significant value;
- the role, composition and terms of reference of the subcommittees and the considerable value that they add to overall board effectiveness are also viewed as a major strength of the board;
- The Group's annual report and sustainability reporting are taken seriously by the board and are regarded as an effective stakeholder communication.

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

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 that specialise in specific areas of the business. Necessary authorities have been delegated to the GP & CEO to manage the day-to-day business affairs of the Company. The Group executive and steering committee assists the GP & 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 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 on page 108 of the risk management report.

### **Board remuneration and shareholding**

Details of remuneration paid to directors are set out on page 26 in book 2. Non-executive directors receive fees for their membership and attendance at meetings of the board and committees on which they serve. In addition, where non-executive directors perform *ad hoc* work, they are paid in accordance with an approved schedule of fees. Proposals on non-executive directors' remuneration are made through the NRHR & CG committee for review by the board. The remuneration of non-executive directors

is submitted to shareholders for sanctioning at the annual general meeting prior to implementation. Details of directors shareholding are set out on page 40 in book 2.

### Dealings by directors in company securities

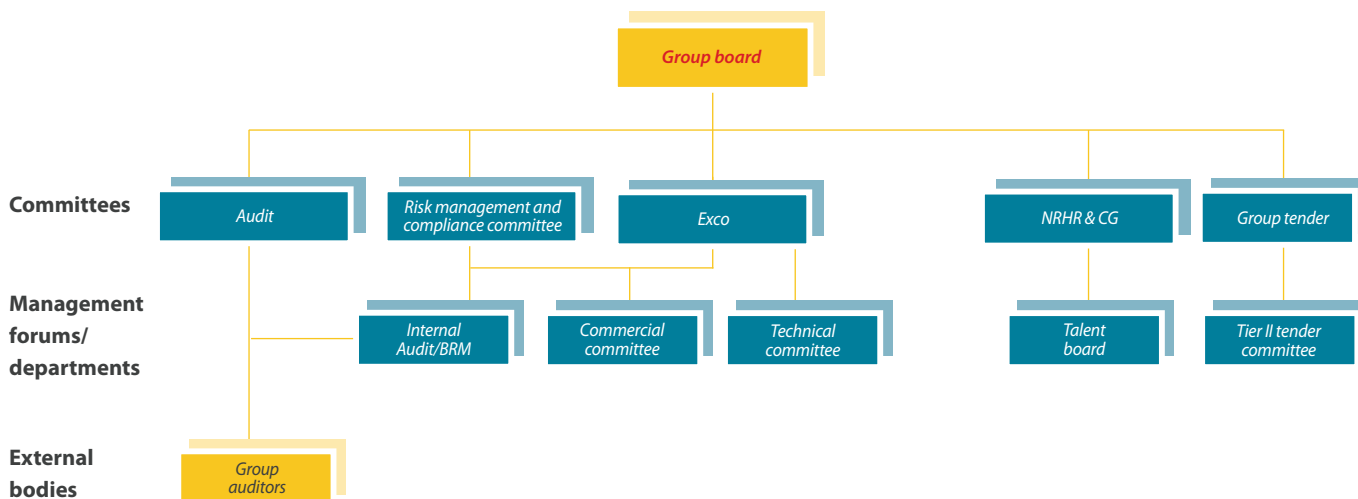
Directors' dealings are disclosed on page 41 in book 2. The Company has a policy in place that regulates dealings by directors. In compliance with the JSE Listings Requirements, all directors are required prior to trading, to obtain clearance to trade from the chairperson or the designated director. All the directors complied with the JSE Listings Requirements during the period under review.

### Group governance structure

This section provides an overview of the Company's formal governance structure and related mechanisms.

This structure is largely replicated in significant MTN subsidiaries. In all subsidiary operations, the audit committee assumes the additional responsibilities of risk management and compliance.

The board has a diversity of talent, expertise and experience. This is put to good use through various carefully structured board committees and is partly reflected by the number of board and committee meetings held during the year under review. These are presented in the tables to follow:



## Corporate governance report *continued*

Directors	Age	Director since	Scheduled board meetings attended	Special board meetings attended#
<b>Independent non-executives</b>				
MC Ramaphosa	57	Oct-01	4/4	10/10
DDB Band	66	Oct-01	4/4	10/10
KP Kalyan	55	Jun-06	4/4	9/10
MJN Njeke	51	Jun-06	4/4	9/10
AF van Biljon	62	Nov-02	4/4	10/10
J van Rooyen	60	Jul-06	4/4	9/10
<b>Non-executives</b>				
AT Mikati	37	Jul-06	4/4	10/10
JHN Strydom	71	Mar-04	4/4	10/10
<b>Executives</b>				
PF Nhleko	50	Jul-01	4/4	10/10
RS Dabengwa	52	Oct-01	4/4	10/10
RD Nisbet (Resigned as Group finance director on 30 September 2009)	54	Oct-01	3/4	10/10
NI Patel (Appointed as Group finance director on 27 November 2009)	53	Nov-09	1/4	n/a

# Special board meetings (meetings scheduled outside predetermined meeting dates on special business) are convened at short notice and therefore directors are not always available to attend.

Audit	Meetings attended	Risk management and compliance committee	Meetings attended	NRHR & CG	Meetings attended	Group tender	Meetings attended
				Member	5/5		
		Alternate	n/a	Chairman	5/5		
		Member	4/4	Member	5/5		
Member	5/6	Member	2/4				
Chairman	6/6	Invitee	3/4				
Member	6/6	Chairman	4/4				
Member	5/6	Member	4/4				
Invitee	6/6	Invitee	4/4	Invitee	5/5		
Invitee	6/6	Invitee	4/4	Invitee	5/5	Member	1/2
Invitee	5/6	Invitee	4/4	Invitee	2/5	Member	2/2
Invitee	1/6	Invitee	n/a	n/a	n/a	Member	1/2

Group overview

Business review

Operational review

Sustainability review

## Corporate governance report *continued*

### Additional Group tender committee members (Including independent non-executive chairman)

	Age	Committee member since	Scheduled meetings attended
MLD Marole (Chairman)	50	05/2004	2/2
C de Faria	54	06/2007	2/2
T Lowry	54	06/2007	1/2
J Ramadan	53	06/2007	2/2
C Wheeler	46	05/2004	2/2

### In camera meetings

During the period under review most of the board meetings were preceded by in camera meetings of non-executive directors.

### Special *ad hoc* board committees

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 (Exco)

This committee facilitates the effective control of 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 for monitoring their implementation in line with the board's mandate. The committee

is assisted by three regional vice presidents (VPs) who communicate and co-ordinate the policies and strategies of the committee to the various subsidiary operations. The committee meets at least monthly and additionally as required. The committee is chaired by the GP & CEO.

The committee constituted the following subcommittees 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 the VPs. Various other senior management representatives of large subsidiaries attend as permanent invitees to ensure broad representation. The profile of the executive committee is set out on pages 18 and 19.

### **Board committees**

The MTN Group board recognises that it is ultimately accountable and responsible for the performance and affairs of the Group and that the issue of delegated authorities to board committees and management in no way absolves the board and its directors from the obligation to carry out their duties and responsibilities.

All board committees operate under written terms of reference approved by the board.

All committee chairpersons also provide the board with a report on recent committee activities. Board committees are permitted to take independent outside professional advice as and when deemed necessary. The office of the Group secretary provides support and secretarial services to each of the board committees.

Membership of board committees comprises independent and non-executive directors only, with the exception of the executive and steering committee and the Tier II tender committee, which are primarily committees of an operational nature and so comprised of senior management. There is full disclosure and transparency from these committees to the board. The membership and principal responsibilities of the committees are set out on page 98. Each committee's authority and the discharge of its responsibilities is directed by a charter.

The committees are as follows:

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

The board is satisfied that the board committees set out in detail below have effectively discharged their responsibilities as contained in their respective terms of reference during the year under review.

## Corporate governance report *continued*

The committees' profiles are detailed as follows:

### **Group audit committee**

The audit committee is a statutory committee and also has duties delegated to it by the board. The audit committee is appointed annually by the board as required by the Companies Act, No 61 of 1973. 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 activities report as required by the Companies Act is contained on page 17 in book 2. Membership of the committee and attendance at meetings is reflected on page 98. The audit committee has a majority of independent non-executive directors who are financially literate as recommended by King II.

The committee's chairman attended the annual general meeting during the year under review.

The executive directors, as well as internal and external audit representatives (the Company auditors), attended all committee meetings as permanent attendees. The committee chairman also attends Group risk management and compliance committee meetings.

The head of business risk management/internal audit (BRM) and external auditors have unrestricted access to the committee and

its chairman. The committee chairman also meets regularly with the head of business risk management. BRM reports to the GP&CEO and to the chairman of the Group audit committee as well as to the risk management and compliance committee. BRM's performance is reviewed annually by the 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 do meet formally with the Group audit committee annually or more often as required. Members of the Group audit committee do periodically visit selected subsidiary operations so as to enhance their understanding of the Group's overall financial control environment. Audit workshops are held annually to consider and agree on audit plans for all operations for the year ahead and to review the effectiveness of the overall internal audit function.

The audit committee operates in line with a charter as approved by the board and fulfils its corporate governance and statutory duties as applicable.

### **In-camera meetings**

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

- Management
- Internal audit
- External audit.

## External audit

The joint external auditors provide an independent assessment of key accounting and information systems and controls in the Group. The auditors are appointed by the board on the recommendation of the Group audit committee and ratified by shareholders. The external auditors' performance and independence is regularly monitored by the Group audit committee and formally assessed annually. Non-audit work performed is authorised in advance by the chairman of the audit committee to ensure that there is no conflict of interest and that the work is within the scope of that permitted. The audit partners are rotated every five years.

## Financial directors who served over the period under review

During the period under review, Mr RD Nisbet served as Group financial director until 30 September 2009. On his resignation, he was replaced by Mr NI Patel who was formally appointed with effect from 27 November 2009. The audit committee had, for the period under review, formally considered and satisfied itself of the appropriateness, expertise and experience of the financial directors.

## Reporting and accountability

The chairman of the committee accounts to the board for its activities and makes recommendations to the board regarding the adoption of the annual and interim financial statements and any other matters arising from the above responsibilities.

The chairman of the committee is required to attend the annual general meeting to answer questions concerning matters falling within the ambit of the committee.

## Meetings

The committee meets not less than four times per year and the quorum is three members present.

## 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 ensure compliance with prevailing legislation and other statutory requirements including voluntary corporate governance frameworks. 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. Three non-executive directors serving on the audit committee also serve on the risk management and compliance committee. This ensures that overlapping responsibilities are dealt with in an efficient manner.

## Corporate governance report *continued*

The committee is responsible for performing the following functions:

### Compliance

- To periodically review issues relevant to the board's oversight responsibilities, including compliance with the relevant laws and governance standards;
- Review compliance with all local and foreign legislation and regulatory body requirements applicable to the Company including but not limited to the following:
  - Companies Act
  - JSE Listings Requirements
  - Governance frameworks
  - Safety and health legislation
  - Employment equity
  - Security Services Act
  - Taxation legislation.

During the year under review, the committee assessed the Company's compliance with all statutory and other voluntary governance codes and was satisfied that it had complied with requirements. The committee is constituted of independent and non-executive directors only and details of attendance and membership of the committee are set out on page 98.

### Group nominations, remuneration, human resources and corporate governance committee (NRHR & CG)

The NRHR & CG committee has been constituted to assist 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.

Some committee meetings were preceded or followed by an in-camera session (meeting of non-executive directors only).

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

- 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 GP & CEO's performance.
- Sets criteria for the nomination of directors and committee members.
- 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.
- 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 and the JSE Listings Requirements, the chairman of the nominations committee should be the chairman of the board, and membership of the committee must consist of only non-executive directors. 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 committee and thus able to influence the nomination processes sufficiently.

The committee is only constituted of independent non-executive directors and thus exceeds the King II and JSE Listings Requirements of non-executive directors only. Details of the committee's attendance and membership are set out on page 98.

The committees' chairman attended the annual general meeting during the year under review. Further details regarding directors'

remuneration and the Group remuneration philosophy are set out on page 98.

### **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. The committee is chaired by an independent non-executive director. 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 group-wide to ensure that all other tenders are reviewed with the same level of efficiency. The chairman of the tender committee will be replaced by another independent chairman due to the appointment of the current chairman to the board.

Details of attendance and membership are set out on page 98.

### **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.

## **Corporate governance report** *continued*

### **Group company secretary**

Ms SB Mtshali is the Group company secretary. The company secretary is a central source of information and advice to the board and within the Company on matters of ethics and good governance. Together with the investor relations department, the company secretary provides a direct communication link with investors and liaises with the Company's share registrars on all issues affecting shareholders. The company secretary assists the board in its deliberations, drawing the attention of members to their legal duties and ensuring, together with the executive directors and senior management, that decisions of the board are properly implemented.

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.

The company secretary provides the board as a whole and directors individually with guidance on the discharge of their responsibilities. Appointment and removal of the company secretary are matters for the board as a whole. The company secretary ensures that in accordance with pertinent legislation, the proceedings and affairs of the board and its members, the Company itself and, where appropriate, the owners of securities in the Company, are properly administered. The company secretary ensures compliance with the rules and Listings Requirements of the JSE Limited. The company secretary also assists in developing

the annual board plan, administers the long-term incentive schemes and ensures compliance with the statutory requirements of the Company and its subsidiaries.

### **Compliance office**

A compliance function has been established within the company secretary office, responsible for advising and assisting the board of directors and management in implementing the awareness and assessment of compliance with the regulatory environment. MTN understand that compliance with laws, regulations and all governance frameworks promotes and sustains the reputation and standing of a company.

### **Group executive: regulatory affairs**

MTN Group has 21 operations in Africa and the Middle East. There are many regulatory issues that are applicable in these operations. During the year under review, a Group Executive: regulatory affairs was appointed to advise the Group of related legal developments in various operations.

### **Stakeholder communication**

MTN strives to have transparent, open and clear communication with all of its relevant stakeholders. It is the policy of the Company, where practical, to ensure that financial and non-financial information is timeously and accurately disseminated to relevant stakeholders. 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.

The MTN Group encourages shareholders to attend the annual general meeting, which provides an opportunity for shareholders to raise pertinent questions and to interact with directors. A summary of the proceedings of all general meetings and the outcome of voting on items of business are posted on the website immediately following the AGM.

### **Political donation policy**

MTN supports multi-party democracy in South Africa and good governance and healthy competition of ideas in the country's policy-making environment through its political funding policy. Parties that receive funding are chosen using verified provisions from the Independent Electoral Commission. To qualify for funding, political parties must be registered in terms of section 15 of the Electoral Commission Act, No 57 of 1996, and must have parliamentary representation. During the year under review, the Company distributed funding in support of the democratic elections held in South Africa.

### **Integrated sustainability reporting**

In accordance with King II, MTN understands that the principle of transparency in reporting sustainability information is a critical element of effective reporting. The key consideration is whether the information provided has allowed stakeholders to understand

the key issues affecting the Company as well as the effect the Company's operation has had on the economic, social and environmental wellbeing of the community, both positive and negative.

To ensure that the Company has focus on sustainability issues a Group sustainability manager has been appointed. A full sustainability review appears on page 70 to page 90 of this report.

### **Sponsor**

MTN fully understands the role and responsibilities of the sponsor as described in the JSE Listings Requirements. On February 2009, Deutsche Securities (Pty) Limited was appointed the Company's sponsor replacing Merrill Lynch South Africa (Pty) Limited. MTN has a sound relationship with its sponsor and considers that they have discharged their responsibilities with due care and skill.