ANNEX "A"
THE PRINCIPLES OF A CODE OF CORPORATE GOVERNANCE

1. GOVERNANCE – STRATEGY, MISSION, PLANNING AND THE GOVERNING BODY

1.1. Each company shall have a board appointed by the shareholders in general meeting, which shall adopt governance practices based on the principles of *fairness, accountability, transparency* and *responsibility*. The individuals who comprise the board shall act in good faith with care, skill and diligence.

1.2. The board shall set and maintain the *strategic direction* of the company, the effective and efficient *allocation of resources* and the *effective monitoring* of management and the operation of the company's business.

1.3. The board should have *strategic short- and long-term* plans that reflect how the company will seek to fulfil its purpose *efficiently, effectively* and *sustainably*.

1.4. The *purpose* of the company, its stakeholders, its *tolerance for risk* and its *key performance indicators* shall be defined and reflected in its policy statements, communications, decision-making and working practices.

1.5. The expert committees of the board should be comprised of members who are *independent of the company's management, its suppliers and customers*.

2. GOVERNANCE – GOVERNING BODY AND COMMITTEE STRUCTURES

2.1. In the interests of efficiency and effectiveness, the *board shall appoint committees* with defined terms of reference and levels of authority and whose membership has the necessary technical and/or management expertise in order to make recommendations to the board or act on its behalf (for example: audit committee, remuneration committee and nominations committee).

2.2. Where the board delegates authority, it *shall not abdicate its ultimate responsibility for a committee's actions or omissions* with regard to matters such as resource allocation, risk management, internal controls, remuneration and financial reporting.

2.3. The board and its committees shall have access to *expert advice independent from management and from the company's shareholders*.

2.4. *Nominations and appointments* to committees of the board should be made on the basis of *formal transparent procedures and criteria* agreed by the board.

2.5. A significant proportion of the board and committee members (for example, one-third) shall *rotate on a regular basis*, according to rotation periods and criteria agreed by the board.

2.6. The board is responsible for *appointing a chief executive officer* for the company through a formal and transparent process.

3. GOVERNANCE – HUMAN RESOURCES MANAGEMENT

3.1. Competencies of the board, its committees and executive management shall reflect the *knowledge and skills*, including specific technical knowledge and skills, needed to fulfil the purpose of the company and to implement its strategic direction.

3.2. The board shall ensure that *compensation policies and practices* for independent expert committee members, as well as executive management, are supported by the company's shareholders and fully disclosed.

3.3. The board, its committees and executive management shall all have *succession plans* in place.

4. GOVERNANCE – TRANSPARENCY AND DISCLOSURE

4.1. The company's management shall provide timely *disclosure to the board and appropriate committees of all matters of significance* regarding the company, including its financial situation and performance.

4.2. The company shall provide timely *disclosure to relevant stakeholders* of all matters of significance.

4.3. The board, committee members and executive management are required to *disclose all relevant personal and related party financial matters and interests* that may give rise to any conflict of interest.

4.4. The board, committees and executive management shall *demonstrate probity in the conduct of their activities*.

4.5. The board shall *conduct and report on its performance* on an annual basis through *facilitated evaluation*.

5. GOVERNANCE – ETHICAL ENVIRONMENT

5.1. The manner in which the company is governed shall ensure that *it acts and is seen to act responsibly and responsively* to its stakeholders.

5.2. The company shall have a *written code of conduct*, which reflects its values and *appropriate investigation and disciplinary procedures* with sanctions for any violations of this code.

5.3. There shall be mechanisms for enabling *responsible whistleblowing*, including appropriate whistleblower protection.

6. OVERSIGHT – AUDIT, RISK MANAGEMENT AND COMPLIANCE

6.1. It is the board's ultimate responsibility to satisfy itself that management has *a robust framework for internal controls, risk management systems and compliance with laws, regulations and appropriate accounting standards*. These responsibilities shall be reflected in statements by the board in the company's annual report, showing how they have been discharged.

6.2. Each company shall have an *audit committee*, which shall comprise experts independent from management and from major stakeholders, who are financially literate and at least one of whom is a qualified accountant and/or auditor. The board shall approve its membership and ensure it has appropriate terms of reference.

6.3. Each company shall have a professional and competent *internal audit* function, which shall be accountable to management, but has the right to report independently to the board through the audit committee and shall have appropriate terms of reference, which shall include a requirement for regular quality reviews.

6.4. *External audit* shall be appointed by and accountable to the company's shareholders through the company's audit committee.

ANNEX "B"
BEST PRACTICES

The challenge of accountability is to demonstrate that a code of governance as outlined above is implemented throughout a company. This is achieved through seeking to apply best practices. The best practices are therefore a means to help ensure that the code is implemented and that those responsible are held accountable. It does not represent an exhaustive list of activities or actions for the board and management and certain practices may support more than one principle. It is provided as a starting point for boards to assess their approach to governance against best practice.

The best practices are :

Principle	**Best Practices**
1. Strategy, mission, planning and the board	• The board must give strategic direction to the company. It must appoint the chief executive officer and monitor management in implementing the board's plans designed to achieve its purpose, budgets and strategies. • The board should ensure that the company complies with all relevant laws, regulations, governance, oversight principles and best practices. • The board must ensure that communications between the company and its relevant stakeholders are driven by "substance over form" and are delivered promptly. • The board should define the purpose of the company, set out its values and identify stakeholders relevant for governance purposes. • The board should define levels of materiality, reserving specific powers to itself and delegating other matters with the necessary written authority to subsidiary governing committees and/or executive management. • The board must identify the key risk areas, the tolerance or appetite for risk and the key performance indicators of the company's activities, all of which should be regularly monitored. • The board must present a balanced and understandable assessment of the company's position in reporting to shareholders. Such a report should address material matters of significant interest and concern to stakeholders. • The report should set out the positive and negative impacts on the

Principle	Best Practices
	economic life of the community from its operations during the year under review.
2. Board and committee structures	• The board should establish committees as an aid to assist it in discharging its duties and responsibilities. These committees must have written terms of reference, establishing its membership, their duties, responsibilities, accountability and regularity of meetings. These committees should be free to take independent, outside professional advice as and when necessary. • The board should have an agreed procedure whereby its members may, if necessary, take independent professional advice at the company's expense. • Outside experts or advisors should be individuals of calibre and credibility and have the necessary skills, competencies and experience to bring considered judgment to bear, independent of management, on relevant issues, such as strategy, performance, the allocation of resources, standards of conduct and the evaluation of performance. • Procedures for appointments to the board by shareholders should be formal and transparent. Shareholders should have regard to the need to combine proper performance evaluation, staggered rotation and continuity for the board. • The chief executive officer should not also be the chairperson, in recognition of their very different roles.
3. Human resources management	• The board should have the necessary skills, knowledge and competencies to ensure its effectiveness. • The board should establish a formal orientation programme to familiarise incoming members with the company's operations, their duties and responsibilities. • The board should develop a succession plan, particularly for executive management.
4. Transparency and disclosure	• The board should adopt an overriding principle of full disclosure of the remuneration of independent members of its committees and the executive management team. Financial interests, direct and indirect, of members of boards, committees and executive management should be disclosed in writing at all meetings. • Management has the responsibility to ensure that information is furnished to the board in a timely manner prior to meetings of the board, while each

Principle	Best Practices
	member of the board must satisfy him or herself, objectively speaking, that he or she has been furnished with all the relevant information and facts before making a decision. • Each committee should be subject to evaluation by the board in regard to their performance and effectiveness. • The board should assess the company's observance of its code of governance and adoption of best practices. Where best practices are not adopted, a full explanation of the reasons and the process actually adopted should be furnished in the annual statement. • The board should have an agreed process whereby it has access to all the appropriate information, records and documents of the company. • The board should define procedures for the early reporting of significant events, having defined "significant".
5. Ethical environment	• The board should develop a code of conduct which should be regularly reviewed and updated. It should address conflicts of interest, particularly relating to its own members and the executive management team. • The board should ensure that a confidential process (whistleblowing) covering fraud, corruption and other risks is in place.
6. Audit, risk and compliance	• While the board has the responsibility for the process of risk management, the executive management is responsible to design, implement and monitor the process of risk management and to integrate it into the day-to-day activities of the company. The risks managed could include physical, human resource, technology, business continuity, disaster recovery, credit, market and compliance. • Management has the responsibility to install a comprehensive system of internal controls to ensure that risks are mitigated. • The board should regularly review and assess the effectiveness of the company's internal systems of control and audit and report on the process of risk management within the organisation and its evaluation of internal controls. • The board should establish an audit committee, made up of non-executive directors who should all be financially literate, with at least one of them being a qualified accountant with recent experience. The audit committee should have written terms of reference that deal adequately with its membership, duties, authority, accountability and regularity of meetings.

Principle	Best Practices
	• The company should have an effective internal audit function, the written terms of reference of which should be consistent with the standards set by the Institute of Internal Auditors. • The appointment or dismissal of the head of internal audit should be with the concurrence of the audit committee on the recommendation of the board. • The board should ensure that the internal audit function provides an independent assurance function to improve management's ability to manage the company. • The audit committee should make a written statement to the shareholders in general meeting for the appointment of the external auditors. The board should ensure that the external auditors observe the highest level of business and professional ethics and independence. • The board, through the audit committee, should encourage consultation and planning of audits between the external and internal auditors. • The board should adopt international standards for accounting.

ANNEXURE “C” –

BOARD AND DIRECTORS REMIT

- Director accountability and liability
- Trends in liability of directors :
    - objective and subjective tests
    - business judgment rule
- Companies Act
- Corporate Laws :
    - “acting independently” vs “independent” director
    - Non-executive directors
- UK new Companies Act
- Smith’s and Higgs’ reports
- Sarbanes-Oxley Act
- Remuneration of directors
- Other legislation affecting directors
- SA Companies Bill 2007

RISK MANAGEMEMENT REMIT

- Risk and controls :
  - COSO 2
  - Turnbull 2
- IT Risk and Governance:
  - COBiT
  - ITIL
- Capital adequacy :
  - Basel II
  - Solvency
- Alternative Dispute Resolution
- Mergers and Acquisitions

INTERNAL AUDIT REMIT

- Risk based approach to internal audit
- Linking internal audit to strategy
- Sign-off on internal controls
- IIA leadership
- EU initiatives
- Sarbanes-Oxley
- Combined code
- Canadian initiative
- Australian initiative

- EU initiatives (The Combined Code on Corporate Governance, June 2006)
- US initiatives (Sarbanes-Oxley Act, July 2002)
- Canadian initiatives (Bill 198)
- Australian initiatives (Principles of Good Corporate Governance and Best Practice Recommendations, March 2003)
- South African developments :
    - Corporate Laws Amendment Act, 2006
    - Companies Bill, 2007
    - SA Auditing Profession Act, 2005
    - Public Finance Management Act, 1999

SUSTAINABILITY REMIT

- Iceberg phenomenon

- Sustainability risk :

    - review local and international developments and best practices;
    - review any additional guidelines or policy documents that have been issued/published locally and internationally since the King Report;
    - consider any shortcomings in the King Report or any enhancements that may contribute to clarity or more effective implementation.
    - review the legislative developments in South Africa
    - Tomorrow's Company report
    - Governance, strategy and sustainability

- Trends in liability of directors :
    - Objective and subjective tests
    - Business Judgement Rule
- Companies Bill, 2007
- Shareholder rights
- SA Auditing Profession Act, 2005 :
    - Enforcement against auditors
    - Reportable Irregularities
- SA's Prevention and Combating of Corrupt Activities Act
- SA's Consumer Protection Bill