

Corporate governance statement

Statement of compliance

Vodacom is committed to the highest standards of business integrity, ethics and professionalism.

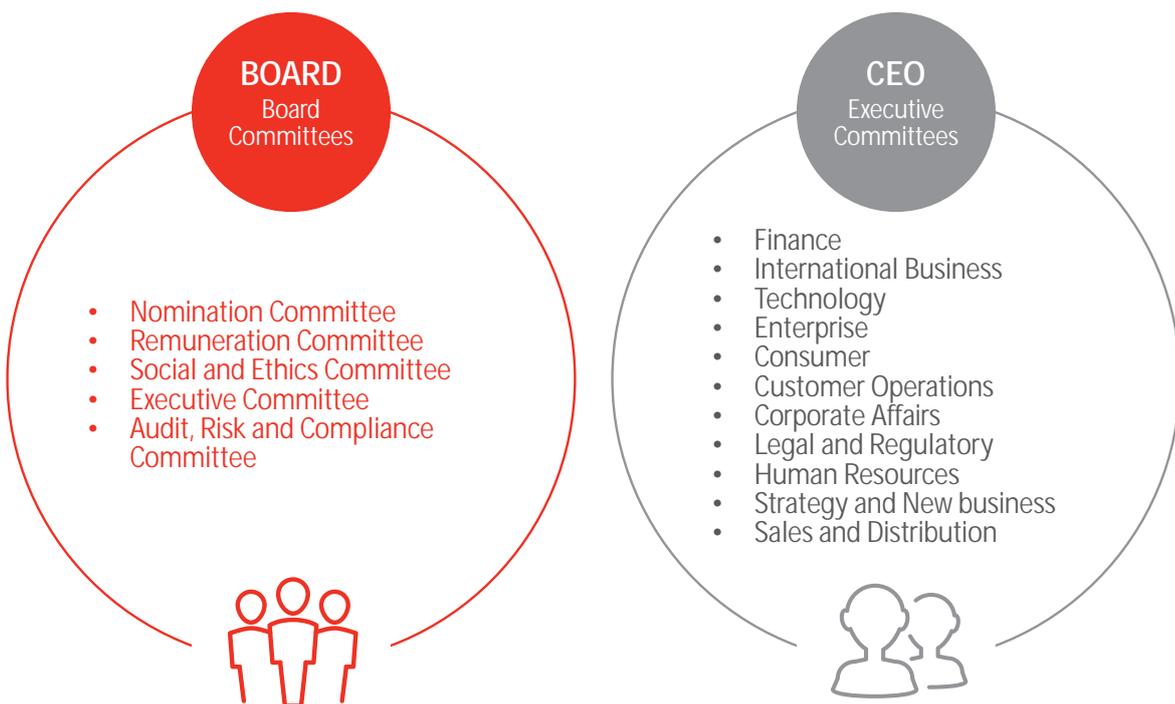
The Board recognises the need to conduct the business in accordance with the principles of the King Code of Corporate Practices and Conduct (King III). These principles include discipline, independence, responsibility, fairness, social responsibility, transparency and the accountability of directors to all stakeholders. Many of these principles are entrenched in the Group's internal controls, policies and procedures governing corporate conduct. The Board is satisfied that every effort has been made during the reporting period to comply in all material aspects with King III. Where we do not comply, this is stated and explained.



Our King III assessment register is available at www.vodacom.com

Corporate governance structure

The following diagram shows the Group's governance structures as at 31 March 2016:



Board leadership and committees

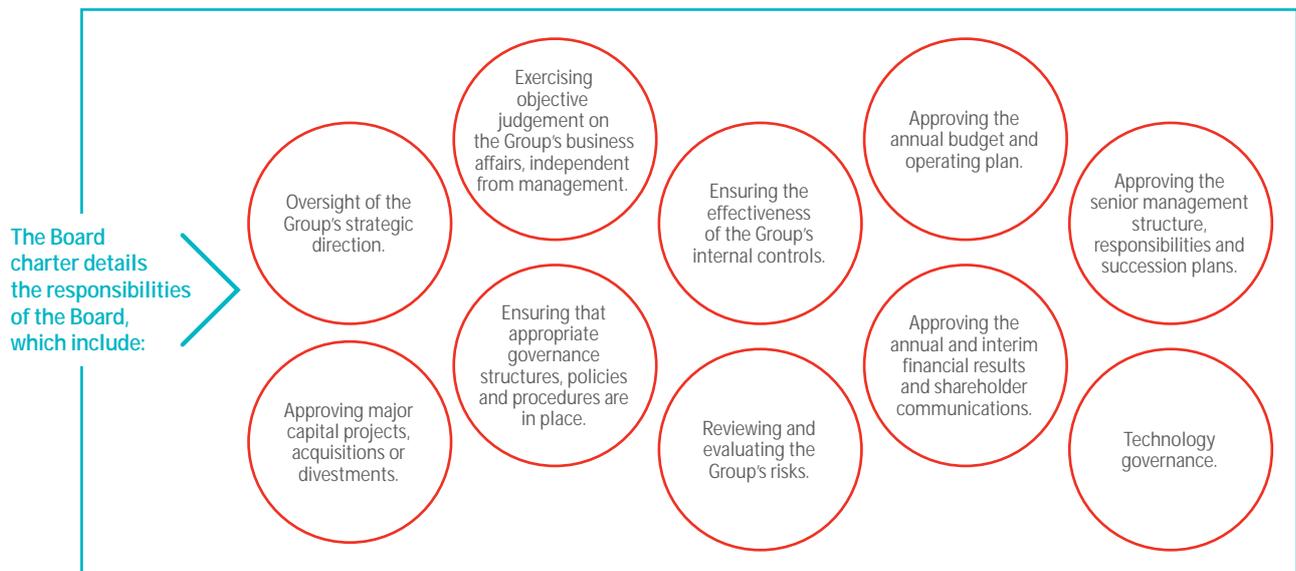
Board

Vodacom has a unitary Board of 12 directors, of whom five (including the Chairman) are independent non-executive directors, five are non-executive (but not independent as they represent Vodafone) and two are executive directors. Although King III recommends that more than half of non-executive directors are independent, the Board is satisfied that the balance of power and objectivity on the Board is sufficient and does not require additional independent voices.

Accountability

The Board takes overall responsibility for Vodacom's success. Its role is to exercise leadership and sound judgement in directing Vodacom to achieve sustainable growth and act in the best interests of shareholders.

In line with best practice, the roles of Chairman and Chief Executive Officer are separate. The Chairman is responsible for leading the Board, while the Chief Executive Officer is responsible for the operational management of the Group.



Directors

Vodacom's memorandum of incorporation specifies that non-executive directors have no fixed term of appointment. Executive directors are subject to standard employment terms and conditions and a six-month notice period. Directors are subject to retirement by rotation and re-election by shareholders at least once every three years. Any director appointed to fill a temporary vacancy must retire at the first annual general meeting following their appointment.

Chairman

The memorandum of incorporation requires the Board to re-elect the Chairman yearly, in line with King III. Peter Moyo was re-elected on the anniversary of his appointment in May 2016.

Independent advice

The Board recognises that there may be occasions where directors consider it necessary to take independent professional advice. This is done at the Company's expense according to agreed procedure.

Corporate governance statement continued

Board meetings

The Board holds a minimum of four meetings, four teleconferences and a strategy session every year. Special Board meetings are convened when necessary. Two special Board meetings were convened during the year.

The table below records the attendance of directors at Board meetings for the year.

Name of director	14 May 2015	19 June 2015 Special	29 June 2015 Special	22 July 2015 Telecon	9 Sep 2015	6 Nov 2015 Telecon	3 Dec 2015	2 Feb 2016 Telecon	10 Mar 2016	18 Mar 2016 Telecon
MP Moyo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Aziz Joosub	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
DH Brown	✓	✓	✓	✓	✓	✓	✓	✓	✓	X
IP Dittrich ¹	✓	✓	✓	✓	–	–	–	–	–	–
HMG Dowidar ²	✓	✓	✓	X	X	–	–	–	–	–
M Joseph	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
BP Mabelane	✓	✓	X	✓	✓	✓	✓	✓	✓	✓
TM Mokgosi- Mwantembe	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PJ Moleketi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
M Pieters ³	–	–	–	–	–	✓	✓	✓	✓	✓
RAW Schellekens	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
JWL Otty	✓	✓	X	✓	✓	✓	✓	✓	✓	✓
T Streichert ⁴	–	–	–	–	✓	✓	✓	✓	✓	✓
S Timuray	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Notes:

1. IP Dittrich resigned 31 July 2015.
2. HMG Dowidar resigned 30 September 2015.
3. M Pieters appointed 1 October 2015.
4. T Streichert appointed 1 August 2015.

Board committees

The non-executive directors contribute their extensive experience and knowledge to the Board's committees. All committees operate under Board-approved terms of reference, which are updated from time to time to stay abreast of developments in corporate law and governance best practice.

Executive Committee

During the year, the Executive Committee included the Chief Executive Officer (Chairman), Chief Financial Officer, Chief Human Resources Officer, Chief Officer: Corporate Affairs, Executive Director: Finance Vodacom South Africa, Chief Operating Officer: International Business, Chief Technology Officer, Chief Officer: Legal and Regulatory, Chief Officer: Strategy and New Business, Chief Officer: Consumer Business Unit, Chief Officer: Customer Operations and Chief Officer: Enterprise Business Unit.

The committee is responsible for managing the Group's operations, developing strategy and policy proposals for the Board's consideration, and implementing the Board's directives. It has a properly constituted mandate and terms of reference.

The committee's other responsibilities include:

- ➔ leading executives, management and employees;
- ➔ developing the annual budget and business plans for the Board's approval; and
- ➔ developing, implementing and monitoring policies and procedures, internal controls, governance, risk management, ethics and authority levels.

Audit, Risk and Compliance Committee

Current members: DH Brown (Chairman), BP Mabelane, PJ Moleketi.



Further details of the activities of the Audit, Risk and Compliance Committee can be found in its standalone report in the audited annual financial statements at www.vodacom.com

Remuneration Committee

Current members: TM Mokgosi-Mwantembe (Chairman), DH Brown, RAW Schellekens, S Timuray.

The Remuneration Committee, in consultation with executive management, ensures that the Group's directors and senior executives are fairly rewarded for their individual contributions to overall performance and in line with Vodacom's remuneration policy.

The membership of the Remuneration Committee does not comply fully with King III or the JSE Listings Requirements, which advocate a majority of independent non-executive directors. Of the non-executive directors on the committee, only half are independent. Thoko Mokgosi-Mwantembe, the Chairman of the committee, and David Brown are independent non-executive directors. The Board is satisfied that Vodafone's representation on this committee is appropriate given the valuable contribution of the Vodafone directors. Serpil Timuray, who is the Vodafone Regional CEO for Africa, Middle East and Asia Pacific, has oversight over Vodacom, and Ronald Schellekens is the Vodafone Human Resources Director. To address non-compliance with the JSE Listings Requirements, it was agreed with the JSE that the Chairman of the committee would have a casting vote in the event of any deadlock or dispute that could arise. The mandate of the committee was revised accordingly.

In the year, the Remuneration Committee met five times with attendance as follows:

Name of director	13 May 2015	22 Jul 2015 Telecon	8 Sep 2015	3 Dec 2016	9 Mar 2016
TM Mokgosi-Mwantembe	✓	✓	✓	✓	✓
RAW					
Schellekens	✓	✓	✓	✓	✓
DH Brown	✓	✓	✓	✓	✓
S Timuray	✓	✓	✓	✓	✓



More detail on the activities of the Remuneration Committee can be found in the remuneration report on page 64 in the integrated report – www.vodacom.com

Nomination Committee

Current members: MP Moyo (Chairman), TM Mokgosi-Mwantembe, RAW Schellekens, S Timuray.

The Nomination Committee's duties include identifying and evaluating suitable potential candidates for appointment to the Board, as well as candidates for the position of Chief Executive Officer and Chief Financial Officer. The authority to appoint directors remains a function of the Board. The committee also makes recommendations on the composition of the Board in terms of the mix of skills, size and the number of committees required, and it reviews and approves executive succession.

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RAW					
Schellekens	✓	✓	✓	✓	✓
S Timuray	✓	✓	✓	✓	✓

The committee's key focus areas during the year included:

- succession planning in respect of the senior leadership team;
- identifying and evaluating candidates for the position of Chief Financial Officer, Chief Operating Officer: International Business and Chief Officer: Consumer Business Unit, Managing Director of Vodacom Tanzania and Managing Director of Vodacom Lesotho; and
- identifying and evaluating suitable candidates for appointment to the Board. The authority to appoint directors remains a function of the Board.

Corporate governance statement continued

Social and Ethics Committee

Current members: PJ Moleketi (Chairman), MP Moyo, RAW Schellekens, MS Aziz Joosub.

There were no changes to the composition of the Social and Ethics Committee during the year. Key executives attend meetings by invitation but have no vote, including the Chief Risk Officer, Group Company Secretary (Ethics Officer), Chief Human Resources Officer, Chief Officer: Corporate Affairs, Chief Officer: Legal and Regulatory and Chief Officer: Consumer Operations.

As required by the Companies Act, No 71 of 2008 (as amended) and King III, this committee oversees and monitors Vodacom's activities in relation to:

- ➔ social and economic development including the principles of the United Nations Global Compact, Black Economic Empowerment (BEE), Employment Equity and the Organisation for Economic Co-operation and Development's (OECD) recommendations on corruption;
- ➔ good corporate citizenship which includes promotion of equality, prevention of unfair discrimination, corporate social responsibility, ethical behaviour and managing environmental impacts;
- ➔ consumer relations;
- ➔ labour and employment including skills development; and
- ➔ safety, health and environmental issues.

The Social and Ethics Committee met four times during the year with attendance as follows:

Name of director	8 May 2015	3 Sep 2015	30 Oct 2015	8 Mar 2016
PJ Moleketi	✓	✓	✓	✓
MP Moyo	✓	✓	✓	✓
RAW Schellekens	✓	✓	✓	✓
MS Aziz Joosub	✓	✓	✓	✓

The committee's key focus areas during the year included;

- ➔ driving BEE in Vodacom South Africa;
- ➔ maintaining good relations with consumers;
- ➔ maintaining good relations with employees and achieving employment equity;
- ➔ promoting and protecting the environment, health and safety; preventing and combating bribery and corruption;
- ➔ being a good corporate citizen, particularly our efforts at protecting and advancing human rights, promoting equality and preventing unfair discrimination; and
- ➔ extending the reach and impact of our values and ethics through our business partners and supply chain.

Board evaluation

The Chairman plays a crucial role in the Board's overall effectiveness. This year, the Board used a free style approach where directors met individually with the Chairman to express their top of mind issues around the Board's effectiveness. Overall, directors felt that the Board is highly effective, engagement is robust and open dialogue is encouraged. One query was raised and this was around the role and function of the Social and Ethics Committee where there appeared to be overlap with other committees and over extension of its mandate. This is being addressed with a review in progress of the mandate against the requirements of the Companies Act, 2008, as amended, and the proceedings of the Social and Ethics Committee to ensure alignment with statutory requirements and reduction in any overlap with other committees.

Company Secretary

All directors have access to the advice and services of the Group Company Secretary, Sandi Linford, who is responsible to the Board for ensuring compliance with procedures and applicable statutes and regulations. For the Board to function effectively, all directors have full and timely access to information that helps them do their duties properly. This includes corporate announcements, investor communications and information about developments that may affect Vodacom and its operations. Directors have full access to management as required.

The Group Company Secretary is responsible for director training. The Group Company Secretary and Chief Executive Officer induct new directors, which includes briefings on their fiduciary and statutory responsibilities as well as on the Group's operations as required.

Share dealings

Vodacom has a share dealing policy requiring all directors, senior executives and the Group Company Secretary to obtain prior written consent from either the Chairman or Chief Executive Officer to deal in Vodacom Group shares. The Chairman has to obtain prior written clearance from the Chairman of the Audit, Risk and Compliance Committee. Closed periods are implemented as per JSE Listings Requirements, during which the Group's directors, executives and employees are not allowed to deal in Vodacom Group shares. Additional closed periods are enforced should Vodacom be subject to any corporate activity requiring a cautionary announcement.

Shareholder relations

Vodacom proactively communicates its strategy and activities to shareholders through a planned investor relations programme which includes:

- ➔ formal presentations of annual and interim results;
- ➔ briefing meetings with major institutional shareholders after the release of results; and
- ➔ hosting investor and analyst sessions.

Risk management

Management continuously develops and enhances its risk and control procedures to improve risk identification, assessment and monitoring. The Board considers business risks when setting strategies, approving budgets and monitoring progress against budgets.

A division reporting to the Chief Risk Officer assists in identifying, assessing and recording the strategic risks facing the Group and, where appropriate, monitors mitigating actions.

Risks are managed at three distinct levels: Risk Management Committees (RMCs), the Risk Group and line management.

The Group Risk Management Committee (GRMC), which meets four times a year, is chaired by the Chief Risk Officer and currently also comprises the Group Executive Committee members and the Managing Directors of each of the local markets.

The two main functions of the GRMC are to:

- ➔ filter and approve the list of strategically high and critical risks and to present these risks to the Board yearly; and
- ➔ oversee and monitor the various projects and structures designed to manage specific identified risks, for example Business Continuity Management.

The GRMC also acts as the RMC for Vodacom South Africa. The RMC in each country of operation is chaired by its respective Managing Director and also comprises the other Executive Committee members of the local operation. The mandate of each committee is identical to that of the GRMC.

Risks are identified and managed at five levels within the Group, namely: project, process, operational, tactical and strategic. Risks are periodically reviewed and updated. For strategic risks, a filtering and reporting process ensures that the relevant items are reported to the respective RMCs and are reviewed by the relevant boards.



The major strategic risks identified during the year are detailed on page 20 of the integrated report.

Internal control

Management implements internal controls, which comprise policies, procedures and processes, to provide reasonable assurance on safeguarding assets, preventing and detecting errors, the accuracy and completeness of accounting records, and the reliability of financial statements. Internal audit provides independent, objective assurance of the system of internal controls within the Group.

Internal audit

The internal audit function operates under a defined charter, as approved by the Audit, Risk and Compliance Committee. The charter conforms to the International Standards for the Professional Practice of Internal Auditing and Code of Ethics as set out by the Institute of Internal Auditors and Vodacom Group Limited.

The audit methodology is based on a risk-based audit approach. The internal audit plan is compiled annually (in conjunction with Vodafone) and is approved by the Group Audit, Risk and Compliance Committee during March of every year and communicated to executive management. Special assignments may also be conducted on request with appropriate arrangements made to ensure that these do not compromise the achievement of the overall audit plan for the year.

Internal audit conducts the following types of audit:

- ➔ financial systems audits;
- ➔ business process audits;
- ➔ information technology audits; and
- ➔ network operational audits.

Compliance

The Group actively works to comply with relevant laws, regulations and company policies applicable across its various jurisdictions. The legal compliance programme includes a compliance management framework which sets target dates for full compliance with legal obligations, guidelines for the implementation of internal controls, and manages the implementation and monitoring of the framework together with compliance owners. High risk compliance areas such as competition, anti-corruption, anti-money laundering and terrorist financing and privacy law are emphasised. The policy compliance programme fulfils functions similar to the legal compliance programme under the Vodafone high and medium risk policies and policy standards, a number of which complement and correlate directly with laws.

Corporate governance statement continued

The legal, regulatory and compliance team headed by the Chief Officer: Legal and Regulatory is a dedicated function for overseeing, executing and monitoring the Group's various compliance policies and programmes. The team is responsible for:

- ➔ providing commercial-level legal support, including drafting commercial agreements and providing legal advice and guidance from time to time;
- ➔ managing litigation and utilising alternative dispute resolution mechanisms – such as mediation and arbitration – to find solutions to disputes involving the company;
- ➔ engaging with various government and regulatory authorities across all our markets;
- ➔ advising and assisting the organisation with acquisitions of new licences and overseeing compliance with licence conditions and obligations;
- ➔ commenting on any proposed legislation, both original and subordinate, and other laws relevant to our industry and impacting the company; and
- ➔ monitoring, developing and raising awareness on policies and procedures to ensure compliance with laws, regulations, codes and various prescripts applicable to the Group's operating companies.

Regulatory and compliance developments during 2016 included:

- ➔ enforcement of subscriber registration regulations in DRC, Mozambique and Tanzania.
- ➔ amendments to sector legislation such as the Electronic Communications Act, the Independent Communications Authority of South Africa Act, the Electronic Communications and Transactions Act and changes to sector legislation and regulations in Lesotho, Mozambique, Tanzania, and DRC;
- ➔ regulations on licence fees and taxes;
- ➔ radio frequency fees regulations;
- ➔ Tanzania listing regulations;
- ➔ the publication of the Radio Frequency Spectrum Assignment Plan and Radio Frequency Spectrum Regulations in South Africa;
- ➔ 2G licence renewed in DRC and allocation of 2x5.8 MHz and 2x15MHz spectrum in 1 800 and 1 900 bands;
- ➔ renewal of service licences in Lesotho and Mozambique;
- ➔ information Communication Technology green/white Paper In South Africa;
- ➔ interconnection regulations in South Africa, Lesotho, DRC, Mozambique and Tanzania;
- ➔ market reviews and price regulations in Lesotho, DRC and Mozambique;
- ➔ SADC and EAC international roaming regulations;

- ➔ numbering regulations;
- ➔ Universal Service Obligations;
- ➔ Financial Act and budget resulting in taxation decisions in DRC and Tanzania;
- ➔ Quality of Service Regulations;
- ➔ competition law compliance;
- ➔ Promotion and Protection of Investment Bill;
- ➔ cybercrimes and cyber security consultations in South Africa, DRC, Lesotho and Tanzania;
- ➔ national security regulatory requirements;
- ➔ Rapid Deployment Policy and Policy Directive;
- ➔ Mobile Number Portability in Tanzania;
- ➔ Overseeing the Group's anti-corruption, money laundering and terrorist financing programme; and
- ➔ maintaining legal and policy standards; and compliance programmes and frameworks.

Ethics programme

Vodacom adheres to the highest ethical standards wherever we operate to ensure our business activities do not negatively impact on economies, societies and environments.

The Group's ethics programme includes: conducting periodic company risk assessments; formulating appropriate risk management strategies; publishing and championing our values and ethical codes of conduct; providing awareness training and advice to employees; maintaining registers for gifts and entertainment and declarations of interests; and ultimately enforcing these policies and processes.

While the general programme is supported by a specialist function at Group level, Managing Directors and senior executives are responsible for establishing and chairing local ethics committees that tailor and guide the implementation of the programme in their respective companies. The respective audit and social and ethics committees in the Group companies monitor implementation.



A detailed Vodafone code of conduct <http://www.vodacom.com/com/aboutus/codeofconduct> forms part of the overall employee policies within Vodacom.

All executives and employees are required to maintain the highest ethical standards to ensure that Vodacom's business practices are conducted in a manner that is above reproach.

The Vodacom code of conduct sets out 11 business principles that provide a reference for ethical behaviour in the Group:

1. Complying with all relevant laws, standards and principles.
2. Basing business decisions on economic, social and environmental criteria and maintaining financial integrity.
3. Voicing our opinions on industry issues while taking an apolitical stance.
4. Communicating openly with stakeholders while maintaining commercial confidentiality.
5. Valuing our customers' trust and safeguarding their personal information.
6. Basing employee relationships on respect for individuals and their human rights.
7. Protecting the environment and improving the environmental and social benefits of products and services.
8. Building trust within communities and investing in social upliftment.
9. Protecting the health and safety of our customers, employees, partners and communities.
10. Acting with honesty, integrity and fairness in all our dealings.
11. Ensuring adherence to the Vodacom Way and code of conduct.

Stakeholder engagement

The Board has delegated to management the responsibility to deal with stakeholder relationships in a proactive and constructive manner. There is an approved stakeholder policy in place. The initiatives and activities for the year are more fully reported in the sustainability report at www.vodacom.com

Technology governance

In line with King III, technology governance forms part of our governance structures, policies and procedures. It forms part of the Group's strategic and business processes and is managed by the Chief Technology Officer.

The Vodacom Technology Governance Framework and charter, which are mapped to the IT governance principles of King III, have continued to be reinforced in the organisation. Each framework element is substantiated through demonstrable processes to align technology strategy and business needs, deliver value and manage performance, and to strengthen information security management, information management, risk management, business continuity management and compliance.

Our attention in the past year has focused on putting mechanisms in place to ensure independent assurance of services provided by outsourced providers, and moving towards compliance of the Protection of Personal Information (PoPI) Act.

