

CORPORATE GOVERNANCE

Governance principles

General

Corporate governance encompasses the concept of sound business practice and is an integral part of Brait's business philosophy. Brait is committed to an open governance process, which provides its shareowners and other stakeholders with the assurance that, in adding value to and protecting the group's financial and human investment, the group is being managed ethically in accordance with predetermined risk parameters and in compliance with best international practices.

The directors of Brait subscribe fully to the principles embodied in appropriate international corporate governance codes including those contained in the King Report on Corporate Governance for South Africa 2002 ("King II"), and believe that these principles have been adhered to and complied with in the discharge of their duties. Adherence to sound principles of governance going forward, remains both a board and management priority. The board believes that even though compliance with formal standards of governance is significant, greater emphasis is placed on ensuring the effectiveness of governance practice, with substance prevailing over form (as and when required).

Policies, objectives and performance measurement

The philosophy, policies, values and objectives of the group are determined by the board of directors of Brait who, in turn, receive input and guidance from the boards of its principal subsidiaries. The board sets the strategic objectives of the group and determines investment and performance criteria. Management is charged with the detailed planning and implementation of that policy in accordance with appropriate risk parameters. The achievement of objectives and compliance with policies is monitored by the board through mandated reports from management who are accountable for their actions.

Risk management

Risk management is central to Brait's business. The group has developed comprehensive systems and risk management processes to control and monitor all activities in the group. A critical element of Brait's strategy has been the development of skilled professionals who have an established culture of risk management. While ultimate accountability for risk lies with the board of Brait, the management of risk is closely monitored by the boards of its primary operating subsidiaries. In addition, the board has formally mandated the group audit and risk committee to include the review of risk management policies and processes of the group in its terms of reference.

Business integrity and ethics

The group subscribes to a corporate ethos, which requires directors and employees to adopt the highest personal ethical standards in dealing with all stakeholders in the conduct of the group's affairs. The principles to which each individual subscribes, include integrity, openness, accountability, impartiality and honesty, and are embedded in the group's Human Resources Policy document to which each employee is bound. The Brait Group Code of Conduct is being updated and is awaiting board ratification.

Brait maintains a zero-tolerance approach to unethical or dishonest behaviour and any employee found to be acting unethically, is subject to disciplinary action/proceedings in accordance with the company's disciplinary code. The ultimate sanction for breach or non-adherence would be the dismissal of the employee. The board believes that there has been no material non-adherence to these principles, by any employee, during the year under review.

In accordance with Brait policies, no donations were made to any political parties by any of the companies within the Brait group, during this period.

Employee empowerment

The group places great emphasis on the development and training of its people and endeavours to ensure that it offers staff equal opportunity and appropriate participation in decision-making processes. Through its various share incentive schemes, management have ownership in the company and are incentivised in their performance.

The environment, health and safety

While Brait's direct activities do not pose any significant threat to the environments in which they operate, the group has mandated its group Environmental Steering Committee to monitor compliance with environmental policies and guidelines dealing specifically with environmental challenges. Brait also seeks to ensure that it invests in businesses which conform to environmental standards. Similarly, it makes investments where the health and safety of employees and the well being of the communities in which these companies operate is recognised as an important component of corporate governance.

Reporting

Brait is committed to transparent reporting and disclosure. Information provided to all stakeholders, including financial results and the annual report, are presented in a meaningful and relevant manner so as to enable users to gain a proper and objective perspective of the group. Brait's website is maintained as a relevant means of communicating Brait's message to all its stakeholders.

Share dealings

The group adheres to a "closed period" policy, as defined in its listing requirements, in which directors, officers, participants in the share incentive schemes and employees who may have access to price-sensitive information are prohibited from dealing in Brait shares for the entire closed periods prior to the release of the group's interim and final results. This is also extended to any period when the company is trading under a cautionary announcement. All board members and employees across the group are timeously informed of such closed periods. In terms of the policy, "shares" also include options.

Details of directors' dealings in Brait shares are disclosed to the board and to public via the group's various securities exchange news services.

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Directors' dealings for the year under review were as follows:

Name of director	Date of purchase/sale	Nature of interest	Shares purchased		Shares sold	
			Number	Price	Number	Price
BI Childs	11 August 2005	Indirect	6 500	R17,60		
BI Childs	18 August 2005	Indirect	5 000	R18,50		
BI Childs	30 August 2005	Indirect	16 000	R17,80		
AC Ball*	28 March 2006	Indirect			1 000 000	R25,40
JA Gnodde*	28 March 2006	Direct			1 000 000	R25,40
CJ Tayelor*	28 March 2006	Direct			864 000	R25,40
CJ Tayelor*	28 March 2006	Direct			31 307	R24,60

* The above directors have in aggregate made commitments to Brait IV in excess of the net proceeds arising from the disposal of these shares and the primary purpose for the disposals was to fund these obligations.

Company secretary

The functions of the company secretary, domiciliary agent and registrar is overseen by Experta Luxembourg S.A.. They are responsible for ensuring compliance with all board procedures. All directors have access to the advice and services of the company secretary.

Key governance developments

The following developments were important to Brait's corporate governance process during the year under review:

- ongoing compliance with King II and other international corporate governance codes;
- the inclusion in the JSE Socially Responsible Investment (SRI) Index for the second consecutive year;
- the implementation of an audit committee self-assessment, which evaluated and assessed the effectiveness of the group audit and risk committee;
- ongoing awareness of emerging and international governance trends, which are considered for implementation if deemed applicable to the business of Brait, taking into account market practices and substance over form; and
- the implementation of a formal compliance monitoring process responsible for evaluating the effectiveness of the company's compliance to regulatory and legal requirements.

Governance structures

Board of directors

The board meets quarterly and monitors the management, controls, compliance and proper conduct of the business under its direction. Having due regard to the recommendations by its executive committees, the board determines and monitors matters relating to the implementation and/or modification of policies and strategic plans, group investments and dispositions, major capital expenditure and operating and financial budgets.

The board Charter describes the board's mission, duties and responsibilities and, in particular, salient aspects concerning the following:

- the fiduciary responsibilities of directors;
- board composition and leadership;

- induction and orientation of new directors;
- conduct regarding conflicts of interest;
- evaluation of directors;
- board relationship to staff and external advisors, including unrestricted access to company books and records;
- succession and emergency planning; and
- board meetings and procedures.

In terms of the board Charter, the directors are to be assessed annually, both individually as directors, and collectively as a board. In addition, the non-executive members of the board, in consultation with the chairperson, formally evaluates the performance of the chief executive officer (CEO) on an annual basis.

In accordance with the company's Articles of Incorporation, all directors are subject to re-election by shareowners at each annual general meeting. The board comprises people with skills, knowledge and experience who are conscious of their duty to ensure that the group maintains a high standard of corporate governance.

The board has ensured that its information needs are well defined and regularly monitored. A formal orientation programme with members of management is provided to assist all newly appointed directors. Directors have unrestricted access to all group information, records and documents and are provided with comprehensive board packs prior to each scheduled meeting. If necessary, a board member may take independent professional advice concerning the affairs of the group, at the expense of the group.

Board membership and meeting attendance

The board of directors of the company is chaired by an independent non-executive director of the company who is supported by an additional six independent non-executive directors and six executive directors. The board is therefore comprised of a majority of non-executive, directors who are also independent of management and promote the interests of stakeholders. The independence of the non-executive directors has been assessed having regard to the criteria set out in international corporate governance codes, and King II.

Serving members of the Brait S.A. board, the date of their appointment, and their attendance at board meetings, are as follows:

	Date of appointment	Number of meetings attended during the year	Attendance record
		4 meetings held	
Non-executive directors			
ME King (<i>Senior Chairman</i>)*	29 July 1998	4	100%
RJ Koch†	29 July 1998	4	100%
AM Rosenzweig‡	29 July 1998	3	75%
JE Bodoni**	29 July 1998	3	75%
HRW Troskie‡	27 July 2005	3	100%
PL Wilmot*	3 August 1999	4	100%
PAB Beecroft†	27 July 2005	3	100%
Executive directors			
AC Ball*	29 July 1998	4	100%
JA Gnodde*	27 July 2005	3	100%
JJ Coulter°	27 July 2005	3	100%
CJ Tayelor*	29 July 1998	4	100%
SJP Weber**	28 May 2001	3	75%
BI Childst†	27 July 2005	3	100%

* South African, ** Luxembourgish, † British, ‡ Dutch, ° Irish

Risk management and internal control

Responsibility for the group's risk management, including its systems of internal financial and operational control is recognised and acknowledged by the board as being its responsibility, but specifically monitored by the group audit and risk committee. The foundations for the group's internal control process can be found in its governance principles which incorporate ethical behaviour coupled with compliance with legislation and sound accounting practice.

The control systems include clearly defined lines of accountability and delegation of authority, and provide for full reporting and analysis against approved budgets. The executive directors are responsible for determining the adequacy, extent and operation of these systems. In this regard, the executive directors are of the opinion that the systems in operation provide reasonable assurance that the assets are protected against material loss or unauthorised use and that transactions are properly authorised and documented.

The group's internal audit process reviews and tests the control of key business risks in the group as well as the assurance of the effectiveness of the internal control systems in operation. The results of these and external audit reviews are submitted to the group audit and risk committee for consideration and evaluation of the adequacy of the primary business risks as well as the systems of internal control in operation. It is the responsibility of this committee to inform the directors of any material losses which may have arisen as a result of a breakdown of the systems in operation, and to report on remedial action taken or required.

Internal audit

All business and support units within the group are subjected to an independent internal audit on an annual basis. The group follows a risk based approach and the audit and risk committee reviews and

approves audit programmes and plans. The head of internal audit has unrestricted access to the chairman of the audit and risk committee.

External audit

The group's external auditors are Deloitte S.A. and the independence of the external auditors is recognised, and reviewed with the auditors by the audit and risk committee on an annual basis.

The audit and risk committee meet with the external auditors to review the scope of the external audit, budgets and any other matters arising.

In accordance with the requirements relating to pre-approval of services to Securities Exchange Commission (SEC) registrants or their subsidiaries, the group's audit and risk committee evaluates the services supplied by the external auditors to ensure that the services are not prohibited as defined by the SEC prior to approval by the committee of these services.

The external auditors attend the audit and risk committee meetings and have unrestricted access to the chairman of the audit and risk committee.

Compliance

The directors recognise their responsibility to conduct business in accordance with the applicable laws and regulations in the various countries in which the group operates. The responsibility for daily compliance with laws and regulations within the business areas rests with the various heads of departments.

The chief role of group compliance is to assist management in complying with all the applicable statutory, regulatory and supervisory requirements, and the compliance function forms part of the overall risk framework. Where applicable, business units have a dedicated

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compliance officer, with a direct link to the group compliance officer whose responsibility it is to assist with the implementation and monitoring of compliance in the particular unit. The business units follow a self-assessment approach to controls via compliance checklists.

Board committees

Certain responsibilities of the board have been delegated to board committees to assist and enable the board to properly discharge its duties and responsibilities. These committees comprise the group audit and risk committee and the remuneration committee, both of which operate under written terms of reference confirmed by the board. Ad-hoc committees are also mandated to attend to specific business matters from time to time. The existence of these committees does not, however, reduce the overall responsibility of the board and, therefore, all committees must report and make recommendations to the board.

All board committees are chaired by an independent non-executive director and are free to obtain independent external professional advice in the carrying out of their duties as and when required.

Group audit and risk committee

The group audit and risk committee has a minimum of three members all of whom are independent non-executive directors, including the chairperson. Various non-members, including the executive chairman, the group chief executive officer, group financial director, representatives of the finance function, internal auditor and external auditor attend meetings by invitation.

Membership and meeting attendance

Serving members of the group audit and risk committee, the date of their appointment, and their attendance at the meetings are as follows:

	Date of appointment	Date of resignation	Independent	Number of meetings attended during the year	Attendance record
4 meetings held					
Members					
PL Wilmot* (<i>Chairman</i>)	4 August 1999		Yes	4	100%
ME King*	9 September 1998		Yes	4	100%
RJ Koch†	9 September 1998	31 May 2006	Yes	4	100%
AM Rosenzweig‡	31 May 2006		Yes	0	n/a

* South African, † British, ‡ Dutch

Objective, duties and primary functions/responsibilities

The group audit and risk committee's primary objective is to provide the board with additional assurance regarding the quality and reliability of the financial information used by the directors and to assist them in the discharge of their duties.

Specific responsibilities in terms of the charter of the group audit and risk committee include:

- providing satisfaction to the board that adequate and appropriate financial and operating controls are in place;
- ensuring compliance with appropriate standards of governance, reporting and other regulations;
- reviewing and approving internal audit, risk and compliance policies, reports and findings;
- ensuring that significant business, financial and other risks have been identified and are being managed; and
- reviewing and recommending to the board the adoption of the interim and annual financial statements.

The group audit and risk committee has satisfied their terms of reference for the year under review.

Issues relating to accounting, auditing, internal control and financial reporting matters are discussed with the group's external auditors at meetings convened on a periodic basis. Both the internal and external auditors are afforded unrestricted access to the group audit and risk committee.

The group's internal auditors report to an independent internal audit committee as well as the group audit and risk committee. The main responsibilities of the internal audit function include the examination and evaluation of the effectiveness of operational activities, together with the attendant business risks and systems of operational and financial control. Material deficiencies, development needs and instances of non-compliance are reported to the audit and risk committee, the external auditors and operational management for resolution.

At certain meetings, time is reserved for separate discussions with the committee together with management (excluding the external auditors) and the committee together with the external auditors (excluding management). These separate discussions provide an opportunity for committee members, management and external auditors to communicate privately and independently.

The internal and external auditors have unrestricted access to the group audit and risk committee, ensuring that their independence is maintained at all times.

Remuneration committee

The remuneration committee has three members of whom two, including the chairman, are independent. The remuneration committee has a charter and is mainly charged with the remuneration strategy for the group and meets regularly to consider the annual reviews, remuneration issues, incentives and policy matters. Refer to the Remuneration report on page 42 for further detail on remuneration and remuneration policies.

Membership and meeting attendance

The serving members, the date of their appointment, and attendance at the remuneration committee meetings are as follows:

	Date of appointment	Independent	Number of meetings attended during the year	Attendance record
4 meetings held				
Members				
ME King* (<i>Chairman</i>)	9 September 1998	Yes	4	100%
AC Ball*	9 September 1998	No	3†	100%
RJ Koch†	9 September 1998	Yes	4	100%

* *South African, † British*

† *AC Ball recused himself from a meeting during the year.*

Board sub-committees

The Brait S.A. board has established several additional sub-committees which report either directly or indirectly to the board and whose functions are to manage specific risks and activities of the group. These sub-committees operate within defined terms of reference, and include the following:

- Private equity proprietary investment committee;
- Group internal audit committee;
- Social investment committee;
- Environmental steering committee;
- Employment equity committee; and
- Marketing committee.

Major subsidiary companies

Brait International Limited board

The Brait International Limited board is, in addition to its statutory obligations, mandated as a sub-committee of the Brait S.A. board with the responsibility to carry out specific tasks delegated to it in respect of the group's international operations outside South Africa. Serving members of the international board are:

Name	Date of appointment	Date of resignation
Executive directors		
BI Childs (<i>Chairman</i>)†	21 October 2004	
EA Venpin*	22 July 2004	30 March 2006
D Boodhoo*	10 June 2003	

* *Mauritian, † British*

Brait South Africa Limited board ("BSAL board")

The South African holding company board, in addition to its statutory obligations, is mandated by the Brait S.A. board to carry out specific tasks delegated to it in respect of the South African operations of the group. The serving members of the BSAL board are tabled below:

Name	Date of appointment	Date of resignation
Independent non-executive directors		
BL Sibiyi (<i>Chairman</i>)*	1 October 2004	
OK Chikane*	1 October 2004	
ME Gevers*	1 November 2004	
I Matthews*	1 November 2004	
(<i>Alternate to ME Gevers</i>)		
BMC Ngcobo*	1 October 2004	28 September 2005
<i>Reappointed –</i>	25 January 2006	
VV Reddy*	1 October 2004	
SDM Zungu*	10 October 2004	
Executive directors		
AC Ball*	11 July 2000	
AD Campbell*	6 October 2003	
JJ Coulter°	6 June 2005	
FR de Beer*	25 January 2006	
DG Field*	11 June 2004	
JA Gnodde*	10 October 2002	
E Guiterrez-Garcia*	1 April 2003	
WF Hirzebruch*	1 April 2003	
BL MacRobert*	1 January 2003	
CL Smart*	1 April 2003	
CJ Tayelor*	10 October 2002	

* *South African, ° Irish*