

Corporate governance

The AECI Group and its directors are committed to the principles of good corporate governance and to applying the highest ethical standards in conducting business. Some years ago, the Board subscribed to the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance of November 1994 ("King I"). The Board considers that the Company complies with all provisions of that Code. The Group further endorses the principles of openness, integrity and accountability advocated by the Code of Corporate Practices and Conduct set out in the King II report on Corporate Governance ("King II").

The Board considers that, throughout the accounting period as well as at the date of this report, the Company has been in compliance with the principles contained in the amended Code.

As long back as 1987, during a formal review of Group purpose and values, one of the Group's commitments was "honesty and integrity in all our activities". In addition to subscribing to the principles of King I and II, business process and governance practice have been refined over the years in response to developing trends in local and international best practice. The Company believes that a corporate culture of compliance with all applicable laws and procedures is a core competence of good corporate governance and that this culture of good governance serves to maximise sustainable returns and to provide all stakeholders with the assurance that the Group's businesses are being managed appropriately.

There is no "one-size-fits-all" approach to corporate governance and the Board believes that an appropriate corporate governance framework should conform to the size of the Company, its complexity, its structure and the risks affecting it, providing a structure through which objectives are set and monitored. Through such a vibrant and responsive system the chief executive, the management team and the Board can interact effectively and respond quickly to changing circumstances within a framework of solid corporate values, to provide enduring value to shareholders, while maintaining a balance between shareholder needs and the needs of other stakeholders.

The Board continually strives to find the correct balance between encouraging entrepreneurial flair and accountability and providing strategic leadership through the maintenance of strong governance.

The Board is satisfied that, in the 2008 financial year, its decision-making capability and the accuracy of the Company's reporting and financial results were maintained at a high level at all times with reliance being placed on the internal and external auditors and the audit and risk committee to raise any issues of financial- and risk-related concerns.

Continual improvement in the implementation of good governance practices

The Company strives constantly to develop and improve existing corporate governance structures and practices to ensure continued compliance with the recommendations of King II and other good governance practices.

For 2009, the key corporate governance areas of focus will remain:

- to continue to maintain compliance with the principles as contained in King II and evaluate the principles and implications of King III;
- a continued focus on strategic issues at Board level;
- a continued focus on corporate social responsibility and integrated sustainability matters, including people development and transformation;
- training and development of non-executive directors;
- the development and formalising of a succession plan for the executive directors and senior management; and
- continued training relevant to the Company's Code of Ethics, whistle blowing and competition matters.

Compliance with the JSE Limited's ("JSE") Listings Requirements and other legislation

An independent audit of the Company's compliance with the JSE Listings Requirements was performed during December. The Board had insight into the said audit report at its December 2008 meeting and is confident that the Company complies with all the provisions of the JSE Listings Requirements.

The Company is also in compliance with the provisions of the Companies Act, 1973 (as amended).

The Board

The Board charter

The AECI Board operates under an approved charter which regulates the way business is conducted. The charter is modeled on the principles recommended by King II, incorporates the powers of the Board, provides a clear division of responsibilities and sets out the accountability of Board members, collectively and individually, to ensure an appropriate balance of power and authority. In terms of the charter, the Board:

- defines its mission as representing the interests of shareholders in perpetuating a successful business that adheres to the vision and values of the Company and creates long-term value for shareholders;
- is accountable and responsible to shareholders for the performance and affairs of the Company;
- determines the Company's objectives, values and stakeholders relevant to its business and gives strategic direction to management;
- maintains full and effective control of the Company by ensuring that appropriate processes and procedures are in place to monitor and evaluate the implementation by management of its strategies, policies, performance criteria and business plans.

To this end the Board undertakes a formal annual review of the Company's strategy and that of its component businesses, and similarly of the budgets proposed by management at the start of each financial year;

- appoints the chief executive and ensures that succession is planned;
- ensures that the Company complies with all relevant laws and regulations and that it communicates with its shareholders and other stakeholders openly with substance prevailing over form;
- assesses at least annually the key risk areas of the business and determines the policies and processes necessary to ensure the integrity of internal controls and risk management in the Company;
- develops the framework, policies and guidelines for safety, health and environmental management and other aspects of corporate citizenship, and monitors key indicators of performance in this field;
- defines levels of materiality, reserving specific powers to itself and delegating other matters with written authority to management; and
- establishes and sets the terms of reference for sub-committees of the Board.

Matters reserved for Board decision

The following matters are reserved for decision by the Board, on the basis of any recommendation as may be made from time to time by the executive committee or other committees:

- accounting policies: adoption of any significant change or departure;
- articles of association: amendments to, recommendation to shareholders;
- external auditors and head of internal audit: appointment, removal and replacement of;
- Board of directors:
 - appointment to and removal from;
 - appointments of chairman, deputy chairmen, executive directors and non-executive directors, and their terms of reference and powers;
 - approval of nominations of alternate directors;
 - frequency of Board meetings.