



supergroup

Corporate Governance Report 2011

User guide

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Reporting structure



FIN Annual Financial Statements
The Group's consolidated annual financial results are included on the attached CD as well as the website.

CG Corporate Governance Report
The comprehensive Corporate Governance Report is also available on the website and on the CD included at the back of this Integrated Report.

SR Sustainability Report
The comprehensive Sustainability Report is available on the website and on the CD included at the back of this Integrated Report.

WEB Website
Super Group reporting is fully integrated, there may be links that relate to information on our website. The website is: www.supergroup.co.za

Super Group Limited
(Incorporated in the Republic of South Africa)
Registration number 1943/016107/06
ISIN number: ZAE000011334
Share code: SPG



Corporate Governance Report

The Group is subject to and endorses the ongoing disclosure, corporate governance and other requirements imposed by the JSE Limited (JSE). The Group also supports and complies with the principles of the South African Code of Corporate Practices and Conduct as recommended in the King III report.

The directors and management of Super Group subscribe to the generally accepted principles of good corporate governance as one of the foundations of a sustainable business. Super Group is committed to and accepts responsibility for applying these principles to ensure that the Group is being managed ethically within prudent risk parameters. The Group is subject to and endorses the ongoing disclosure, corporate governance and other requirements imposed by the JSE Limited (JSE). The Group also supports and complies with the principles of the South African Code of Corporate Practices and Conduct as recommended in the King III report.

The 2011 financial year was a successful year where the Group focused on executing its strategy. During the year, the Group exited its holding in Ever Star Industries (Pty) Limited, in terms of the sale of the SGIP business during the previous financial year, to China Construction Bank – Johannesburg Branch.

The Group acquired the 28,5% shareholding in Sg fleet (Australia) from Dufour Investment Holdings Limited, the previous minority shareholder. Following this transaction the Group disposed of 45,22% of the preference shares and 41,36% of the ordinary shares to funds managed by Champ Ventures (Pty) Limited. An additional 8,54% of the ordinary shares were disposed of to the senior management of Sg fleet (Australia). With these partners, the Group is confident that this business will go from strength to strength.

A key part of the Group's strategy is the acquisition of niche businesses within its core Supply Chain business and the acquisition of additional dealerships. In line with this, the Group acquired the businesses of two dealerships, Fourways Motors, an award winning Land Rover Dealer in Vereeniging, and Express Motors, a Volkswagen and Audi Dealer in Rustenburg. The business of Haulcon, a transporter of dry bulk powder, was acquired effective 1 July 2011. There are additional opportunities that the Group is currently evaluating in respect of the acquisition of businesses.

During the period to December 2010, the Group settled all the outstanding term loans to the value of R237,7 million from cash resources generated from operations. This settlement took place almost two years before the final contractual repayment date. The Group is continuing to negotiate with the Banking Consortium to cancel the Banking Agreement entered into in 2009 and resume more standard banking relationships.

There were no changes to the composition of the Board during the financial year. Dr Enos Banda was appointed as an Independent Non-Executive Director on 1 July 2011.

Fluxmans Attorneys, a director-related entity, was appointed to assist Super Group with corporate law advisory services relating to the restructuring of the minority shareholding in Sg fleet (Australia), the acquisition of Haulcon, and several other corporate and labour matters. During the year the Group paid Fluxmans Attorneys R2,8 million for general legal services of which approximately 12% is in respect of disbursements paid by Fluxmans on behalf of Super Group.

Issues of corporate governance, including the requirements of the Companies Act No 71 of 2008, as amended ("the Companies Act"), will continue to receive the Board's attention, consideration and refinement will be made where necessary in order for the Group to remain compliant with current practices in corporate governance and with the changes arising from the South African Corporate Law reformation process. Sound corporate governance remains one of the top priorities of the Board and executive management.



Corporate Governance Report continued

Board of directors

Corporate governance within Super Group is managed and monitored by a unitary Board of directors and several sub-committees of the main Board. The Board's responsibilities and terms of reference are detailed in the Board charter. This charter has been developed to enable the directors to maintain effective control over strategic, financial and compliance matters of Super Group. This Charter is reviewed and updated annually. During this year a second update was made to bring the Charter in line with the requirements of the Companies Act.

The Board is accountable to the stakeholders for exercising leadership, integrity and judgement in directing Super Group to achieve profitability by ensuring the necessary balance between entrepreneurship and conformance with best business and corporate governance practices. The Board's primary functions include:

- approving the strategic direction of Super Group;
- confirming strategic objectives and key policies and ensuring communication of these to applicable management levels;
- monitoring the implementation of management's plans and strategies;
- reviewing and approving overall policies and processes to maintain the integrity of the Group's risk management and internal controls;
- determining and defining investment and performance criteria;
- reviewing and approving the annual business plan and budget and monitoring performance against budget;
- identifying and continually reviewing key risks, as well as the mitigation thereof by management, against a background of economic, environmental and social issues;
- monitoring financial and internal control development;
- continually rating the Group's own performance relative to budgets, competitors and prevailing economic conditions;
- approving major capital expenditure programmes, significant acquisitions and disposals;
- approving investment, divestment, refinancing and restructuring transactions;
- reviewing and approving the Group's half year and full year results;
- reviewing and approving the Integrated Report;
- developing and implementing employment equity plans;
- developing and implementing employee development and remuneration plans, including share scheme management;
- appointing the Chief Executive Officer (CEO) and monitoring the succession plan;
- evaluating the performance of all directors;
- reviewing and approving the Group's environmental and Occupational Health and Safety plans; and
- reviewing and approving the Group's plan for community based development, sponsorship and donations.

A key aspect of the Group's governance philosophy is that no one individual has unaffected powers of decision-making. During the year under review, the Board comprised of five non-executive directors and two executive directors and was chaired by a Non-Executive Chairman. The non-executive directors exert significant influence at meetings. From time to time the non-executive directors meet without the executive directors present. In considering the composition of the Board, competency in respect of the Group's affairs carries as much weight as independence. The roles of CEO and Chairman are also split.

The Board considered the suitability of Phillip Vallet as Chairman. The Board unanimously agreed that although the appointment of Phillip Vallet as Chairman is not fully compliant with the provisions of King III (as he is not considered an independent director), the Board is of the opinion that as a result of his corporate knowledge of the many issues faced by the Group historically, as well as his key role in leading the restructuring of the Group and developing the Group's strategy, he is presently the best person to lead the Board as the Group continues to implement its strategy. As a result of this decision, John Newbury was appointed Lead Independent Director of the Board in compliance with King III.



The Board is pleased to report the appointment of Dr Enos Banda to the Board effective from 1 July 2011. The Board is confident that Enos Banda's skills and experience will contribute to the effective functioning of the Board and the Group. The Board does not foresee an increase in the number of directors.

While retaining overall accountability and subject to matters reserved to itself, the Board has delegated to the executive directors authority to run the day-to-day affairs of the Group. The executive directors are held accountable through regular reports to the Board and are measured against agreed performance criteria and objectives appropriate to the current stage in the business cycle and the prospects in each business unit. The executive directors meet and interface with senior executives regularly. The objective of these meetings is to assist the CEO in guiding and controlling the overall direction of the Group and to act as a medium of communication and coordination between operating divisions and the Board.

Each of the directors brings to the Board a wide range of expertise, commercial and technical experience and business acumen that allows them to exercise independent judgement in Board deliberations and decisions. Non-executive directors have unrestricted access to management.

Board meetings are held at least quarterly and additional meetings are convened when necessary should a particular issue demand attention. Board meetings are convened by formal notice incorporating a detailed agenda supported by relevant written proposals and comprehensive reports. Management aims to disseminate meaningful, relevant and complete information in a timely manner prior to Board meetings. Where necessary, decisions are taken between Board meetings by written resolution as provided for in the company's Memorandum of Incorporation.

Details of attendance by directors of Board and committee meetings for the year under review are set out below:

	Board Committee	Group Audit Committee	Risk Committee	Remune- ration Committee	Deal Committee
Number of meetings during the year	6*	4	3	3	7
Meetings attended					
C Brown	6	4	3	NM	6
V Chitalu	5	NM	NM	2	NM
N Davies	6	4	3	2/2	6/6
P Mountford	6	4	3	3	7
J Newbury	5	2/2	NM	3	6
D Rose	5	4	3	NM	1/1
P Vallet	6	4	3	3	7

NM – Non member

* Includes one strategy session

Members of the Board have unlimited access to the Group Company Secretary. Where appropriate, advice of independent professionals may be sought by any Board member, the cost of which is borne by the company.

The non-executive directors have no fixed terms of appointment. Peter Mountford, the CEO, has a written letter of appointment which endures indefinitely and is subject to termination on one month's notice. Colin Brown, the Chief Financial Officer (CFO), has a written letter of appointment which endures indefinitely and is subject to termination on two months' notice. Both executives have change of control clauses in their letter of appointment. One third of the non-executive Board members is required to retire by rotation every year and, if eligible, is considered for reappointment at the annual general meeting. Any new appointment is considered by the Board as a whole. Interim Board appointees are required to retire at the next general shareholder meeting where they make themselves available for election by the shareholders.



Corporate Governance Report continued

Group Audit Committee

Members: David Rose (Chairman), Neill Davies, Phillip Vallet (resigned 16 August 2011) and Enos Banda (appointed 16 August 2011)

In terms of the Companies Act, the members of the Group Audit Committee are directly elected at the Annual General Meeting by the shareholders. The Audit Committee Charter has been amended and approved by the Board to comply with this requirement. The first election of the members of the Group Audit Committee by the shareholders will take place in November 2011.

In terms of King III, Phillip Vallet as Chairman of the Board should not be a member of the Group Audit Committee. It was decided that as a result of his long involvement in the Group it was necessary for him to remain a member of the committee while the final historical issues of the Group were resolved. Effective from 1 May 2011, the Companies Act does not allow a member of the Audit Committee to have held an executive position within the company during the last three years. Phillip Vallet was the acting CEO for a four month period during 2009. Technically, the Group was in contravention of the Act. However it was decided that Phillip Vallet would remain a member of the committee until August, to enable him to complete the financial year as a member of the committee. On 16 August Phillip Vallet resigned from the committee and Enos Banda was appointed by the Board to the committee.

Each major operating division has an established divisional audit committee comprised of members that are independent of divisional management, chaired by the Group CFO, which reports to the Group Audit Committee. The Group Audit Committee is notified of all divisional audit committee meetings and committee members are entitled to attend. At least one member of the committee was present at each of the divisional audit committee meetings. Minutes of the meetings of the divisional audit committees are made available to members of the Group Audit Committee.

The Group Audit Committee identifies and evaluates exposure to financial risks, reviews the appropriateness and adequacy of the systems of internal financial and operational control, reviews accounting policies, evaluates the appropriateness and integrity of financial reporting, reviews and approves external audit plans, findings, reports and fees, sets the principles for and evaluates the appropriateness of using external auditors for non-audit services and provides effective communication between directors, management and the internal and external auditors.

The committee is responsible for reviewing and recommending to the Board the interim and year-end financial statements and the Integrated Report. In addition, the committee deliberates on the independence of the external auditors.

The Board is provided with regular reports and copies of the minutes of the meetings of the committee. The Group Head: Audit Services, internal and external auditors have unrestricted access to the Chairman of the committee and meet with the Chairman regularly.

The committee meets at least four times a year. Meetings are attended by invitees, including the CEO, CFO, Group Head: Audit Services, Group Legal Manager, senior employees of the finance department and the external and internal auditors.

The Group Company Secretary acts as the committee secretary.

The committee meets annually with the external auditors, without the attendance of Group Management.

During the year John Newbury stood down as alternate to Phillip Vallet.



Board sub-committees

The Board has created various sub-committees to enable it to properly discharge its duties and responsibilities and to effectively fulfil its decision-making process. The Board and its committees are supplied with relevant and timely information enabling them to discharge their responsibilities. The directors have access to all company information, records and documents.

The following committees have been formally constituted:

- Deal Committee
- Remuneration Committee
- Group Risk Committee
- Group Social and Ethics Committee

Each Board sub-committee acts within formalised terms of reference which have been approved by the Board. These are reviewed annually and updated where necessary. These set out the purpose, membership, duties and reporting procedures. The sub-committees are subject to regular evaluation by the Board with regard to performance and effectiveness.

Deal Committee

Members: John Newbury (Chairman), Phillip Vallet, Peter Mountford and Colin Brown

This committee meets when required to review and approve all acquisitions and disposals within preset levels of authority. Acquisitions and disposals outside the Board-approved mandate are reviewed and the appropriate recommendation is then made to the Board for its consideration and approval. Meetings are attended by invitees, including senior employees of the finance department.

The Group Company Secretary acts as the committee secretary. The minutes of the meetings of the Deal Committee are distributed to Board members for consideration and approval when required.

During the year Peter Mountford replaced Neill Davies as a member of the committee. Colin Brown was appointed to the committee.

Remuneration Committee

Full details of the Remuneration Committee are set out on in the Remuneration Report set out on pages 43 to 49 of the Integrated Report.

Group Risk Committee

Members: Neill Davies (Chairman), David Rose, Peter Mountford and Colin Brown

The Group Risk Committee assists the Board in discharging its duties in relation to the management of risk across the Group. The committee seeks to ensure that sound risk management principles are embedded in the day-to-day management of every business unit throughout the Group, as well as at a strategic level. The duties of the Group Risk Committee relate to assisting the Board in recognising all material risks to which the Group is exposed and ensuring that the requisite risk management responses, culture, practices, policies, resources and systems are progressively implemented and effective.

The risk management process has been integrated into strategic processes including acquisitions, due diligence reviews, system implementations and disaster recovery. The committee meets at least four times a year, however, as the full Board met frequently in the second and third quarters of the year and considered all risk issues, two meetings of the committee were cancelled. Meetings are attended by invitees, the Group Legal Manager and the Group Risk Manager. The Group Risk Manager oversees the process from the perspective of strategic direction, ongoing improvement in methodology and process,



Corporate Governance Report continued

and technical assistance. The Group Risk Manager has unrestricted access to the Chairman of the Group Risk Committee.

The Group Company Secretary acts as the committee secretary.

During the year Peter Mountford replaced Phillip Vallet as a member of the committee. Colin Brown was appointed to the committee.

Group Social and Ethics Committee

Members: David Rose (Chairman), Peter Mountford, Colin Brown, Nigel Redford, Graeme Barnard, Graeme Watson, Kamogelo Mmutlana and Philip Smith

This committee was constituted by the Board in August 2011. A Charter for the committee has been drafted and has been referred to the committee by the Board for comment. The final Charter will be approved by the Board in November 2011.

The Group Company Secretary acts as the committee secretary.

Accountability

The directors are responsible for the Group's system of internal controls. Whilst no system can provide absolute guarantees and protection against material loss, the systems are designed to give the directors reasonable assurance that problems can be identified promptly and remedial action taken as appropriate. The Board reviews the effectiveness of internal controls on an ongoing basis. The key features of the internal control system include:

1 Organisational structure

The structure of the Group is designed to minimise as far as possible the complexity of the reporting arrangements commensurate with the commercial demands made on the Group. The structure focuses on the core businesses of the Group, with an executive director and management committee member having direct line management responsibility for one or more of these activities. Certain of the Group's key functions, including taxation, secretarial, internal audit, treasury and insurance are undertaken centrally.

2 Financial reporting

The Group operates a comprehensive financial reporting and evaluation system with the performance of each operating business unit being monitored against both budget and prior period performance through regular reviews with management. This monitoring allows effective and prompt action to be taken as the need arises.

3 Internal audit

The internal audit department at Group level is an independent appraisal function, the primary mandate of which is to examine and evaluate the appropriateness and effectiveness of the internal control systems applicable to the operational activities of the business units of the Group. During the financial year, the Group appointed an internal audit team and phased out the outsourced internal audit services from Ernst & Young.

The purpose, authority and responsibility of the internal audit function are formally defined in an internal audit charter that has been approved by the Board and is consistent with the requirements of King III. The Group Audit Committee reviews the scope and coverage of the internal audit function annually and approves the work plan.



The Group Risk and Internal Audit Manager currently has responsibility for the management of internal audit and reports directly to the Group Audit Committee in this regard. The Group Risk and Internal Audit Manager attends all Group Audit Committee meetings and reports at these meetings on progress made in terms of internal audit plans as well as on key findings and trends identified. He has unrestricted access to the Group Audit Committee Chairman.

The internal audit plan, which is of a rolling three year nature, is based on the assessed strategic and operational risks of each operational business unit and support function. As risk is continually re-assessed, significant changes in profile, together with issues highlighted by the Group Audit Committee and senior management are also addressed in the internal audit work.

The internal audit team also carries out special investigations and assists with due diligence reviews on potential acquisitions.

4 External audit

The external auditor expresses an independent opinion on the Annual Financial Statements. The external auditor is appointed by the Board on the recommendation of the Group Audit Committee and the appointment is ratified by shareholders. The external auditor's performance and independence are regularly monitored by the Group Audit Committee. During the year the external auditor provided certain non-audit services. The extent of the non-audit work performed is not significant and is not deemed to impact on the external auditor's independence.

5 Business continuity and technology recovery

A process has been put in place to allow the critical business processes to continue operations at an alternate business location in the event of a large scale incident disrupting business activity. Testing of the business recovery capability occurs on a cyclical basis.

6 Information Technology

The Group placed an increased focus on the importance of Information Technology (IT) on governance and sustainability during the financial year. A complete review of the IT Governance and IT internal control was performed by an external auditing firm, identifying areas of improvement. Projects to implement these recommendations gained significant momentum during the year, with over eighty percent of items being implemented by 30 June.

Subsequent to year end, the Group established an Information Steering Committee consisting of technical and business representatives from across the Group, and chaired by the Group CFO. The committee reports to the Group Exco, and will provide feedback to the Group Risk Committee, Group Audit Committee and the Board on a regular basis. Primary focus areas of the committee include an alignment of the function's activities to the Group's business requirements, implementation of sound IT strategies, practices and methodologies, and good governance.

Evaluation of the Board

The Chairman and the Lead Independent Director have carried out an evaluation of the Board, its committees and the directors, including an assessment of the independence of the independent directors. They have concluded that the Board and its committees are operating effectively. All the directors have contributed their time and skills to the functioning of the Board. The Chairman recommends that all directors who are nominated for re-election at the annual general meeting are competent and dedicated to serving the Group and looking after the interests of the stakeholders.



Corporate Governance Report continued

Fraud hotline

Good corporate governance requires companies to implement mechanisms to combat theft, fraud and other unethical practices. Amongst other initiatives, the fraud hotline acts as both a passive and an active tool in the combating of unethical behaviour.

The Group's fraud hotline is managed as an independent reporting mechanism in partnership with an experienced external service provider. Whistle-blowers are able to register tip-offs anonymously via telephone, fax, email or the service provider's website. The tip-offs are relayed to the Group CFO and the Group Risk Department for investigation and disposition.

The hotline enforces the Group's approach of zero tolerance to crime and unethical behaviour. From time to time, internal communication campaigns are undertaken to stimulate awareness of the hotline and to communicate its anonymity benefits.

Relationships and reporting Employee participation

The Group has adopted a variety of participating structures on issues that affect employees, including, *inter alia*, the establishment of various consultative forums, training programmes, regular communication through email, divisional in-house magazines, regular meetings and through the Group human resources forum. These structures are designed to achieve good employer/employee relations by encouraging open communication, consultation and by identifying and resolving sensitivities and conflicts.

Employment equity

The directors believe that economically viable and self-sustaining employment equity is an essential and integral part of corporate governance within all Group businesses. Accordingly, the Board has approved a Group employment equity policy. In compliance with the Group policy, management of the various business units has initiated various employment equity programmes. Super Group has retained its BBBEE Level 3 rating and Fleet Africa has a BBBEE Level 1 rating.

Code of conduct

Super Group is committed to high standards of honesty, integrity, behaviour and ethics in dealing with all stakeholders. All directors and employees of the Group are encouraged to subscribe to the Super Group code of ethics and business conduct, which requires them to maintain high personal ethical standards and to act in good faith and in the best interests of the Group. The code also addresses conflicts of interest, particularly relating to directors and management. This ensures that the Group's business practices are conducted in an equitable manner.

No director or employee of the Group may deal, either directly or indirectly, in the company's shares whilst having knowledge of unpublished price-sensitive information regarding its business or affairs. No director or officer of the company may trade in the company's shares during the closed embargo periods determined by the Board in terms of a formal policy implemented by the Group Company Secretary. Any trading in shares by directors must be approved in writing by the Chairman or a nominated director of the Board, prior to any such trade taking place.

Periods of embargo are from the end of a reporting period to the announcement of financial results and from the date of a cautionary announcement until a terms announcement. A register of directors and officers is available for inspection at the company's registered office in Sandton, South Africa.

Occupational health and safety

The directors acknowledge their statutory and moral responsibility to employees and the public to comply with occupational health and safety standards. The Board is responsible for ensuring the



adequacy and effectiveness of the application of the overall health, safety and environmental policies of the Group. The Group Health and Safety Manager, who reports to the CFO, is tasked with, *inter alia*, conducting compliance audits across all operating sites controlled by the Group, and reports thereon to the relevant levels of management who are obliged to undertake any required remedial actions within agreed timeframes. Through an established interdivisional forum, managers tasked with implementing compliance with the Occupational Health and Safety Act share best practice and other information.

Third-party management

No part of the Group's business was managed during the 2011 financial year by any third party in which any director had an interest.

Communication with stakeholders

Communication to the public and shareholders embodies the principles of balanced reporting, clarity, openness and substance over form. Positive and negative aspects of both financial and non-financial information are provided.

The Group is committed to communicating updated financial information on a regular basis to shareholders, the investment community and the public. Detailed interim and annual results are issued in the form of written reports, profit announcements in national newspapers and updates on SENS. Investors also have access to updated financial information on the investor relations page on the Group website. An Investor Relations programme encourages ongoing dialogue between senior management and the investment community and media through regular meetings, site visits, financial results presentations, trading updates and one-on-one discussions.

Super Group recognises the need for full, equal and timely disclosure to all stakeholders as prescribed by the JSE Listings Requirements and guidelines. The Board considers the continuation of a dialogue with major institutional investors to be a very important activity in the Group's development. The Board considers these communications as positive and mutually beneficial. It is the Board's intention to ensure that these arrangements, wherever practical, and subject to regulatory limitations, continue and are developed in a way designed to be helpful and constructive to both the Group and its major shareholders.

Insurance

The Group has a comprehensive insurance programme to protect against a wide variety of insurable risks. The terms and levels of each facility are reviewed annually to ensure that satisfactory cover is in place.

The Group uses specialist insurance financial intermediaries, where necessary, to consider known insurable risks and recommend any risk mitigation activities that the Group could undertake. The financial intermediaries also assess whether risks are insurable, insured or not insured and whether the Group has adequate insurance in place to cover estimated potential losses. Areas where the Group is not insured or under-insured are investigated and addressed as appropriate. An important element of the insurance programme is certain retained (i.e. self-insured) risk which is carefully monitored.

Efforts are made to identify, prevent and mitigate uninsurable risks.

Annual general meeting

All necessary information and facilities are made available to shareholders to enable them to attend the annual general meeting, submit proxy forms and receive announcements and circulars in accordance with the JSE Listings Requirements. The Chairman of the Board and Chairmen of its committees and the external auditors are available to answer questions at the annual general meeting.



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