

# Corporate Governance

The Company is being managed ethically and in compliance with legislation and best practices

## Corporate Governance Statement

The Board members, management and employees of Zurich Insurance Company South Africa Limited (the Company) fully support and are committed to compliance with the JSE Limited (JSE) Listings Requirements and the King II Report on Corporate Governance, in terms of which its shareholders and stakeholders are assured that the Company is being managed ethically and in compliance with legislation and best practices.

## Board of Directors

### (i) Composition

There is a clear procedure for appointments to the Board. Such appointments are formal and transparent and a matter for the Board as a whole. There is a clear division of responsibility to ensure a balance of power, such that no single individual has unfettered powers of decision-making. At 31 December 2008, the Board comprised seven Non-Executives and one Executive Director who, with their experience, knowledge and skill, add to the successful operation of the Company. Four of the Non-Executive Directors are independent.

### (ii) Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate.

The Chairman, JPG de Rauville, provides firm and objective leadership to the Board of Directors. The Chairman presides over Directors' and Shareholders' meetings and ensures the smooth functioning of the Board in the interest of good governance.

The Chief Executive Officer, NV Beyers, provides leadership to the Executive Committee in running the business and coordinates proposals developed by the Executive Committee for consideration by the Board.

### (iii) Shareholder representation

Zurich Financial Services (73.6% controlling shareholder)

Board	CJ Cron JPM Deiss
Audit Committee	JPM Deiss
Asset and Liability Matching	
Investment Committee (ALMIC)	JPM Deiss M Christen/J Werner although they are not Board members S Samiei although he is not a Board member
Nominations Committee	CJ Cron
Remuneration Committee	CJ Cron R Schaetzel although he is not a Board member

Royal Bafokeng Finance (Pty) Limited (10% BEE partner)

Board	DS Phiri
Transformation Committee	DS Phiri KP Seopela although she is not a Board member G Kettaneh although she is not a Board member
Remuneration Committee	DS Phiri

### (iv) Functions

As the Board is ultimately accountable and responsible for the performance and affairs of the Company, it is the Board's responsibility to adopt strategic plans, monitor operational performance and management, ensure an effective risk management strategy is in place and ensure compliance with applicable legislation and ethical business practices by the Company.

The role and responsibility of the Board is recorded in the Board Charter.

### (v) Meetings

The Board of Directors meets at least quarterly. All Board members receive a comprehensive Board pack with all the relevant documents in good time for Board members to study in order to make informed decisions.

Attendance register 2008	22 Feb	12 May	27 Aug	12 Nov
NV Beyers	Present	Present	Present	Present
DM Burton <sup>#</sup>	Present	Present	–	–
CJ Cron	Present	Present	Present	Absent
JPM Deiss	Present	Absent	Present	Present
JPG de Rauville	Present	Present	Present	Present
MN Mbekeni	Present	Present	Present	Present
DD Mokgatle	Present	Present	Present	Present
SG Morris	Present	Present	Present	Present
DS Phiri	Absent	Present	Present	Present
CN Zungu <sup>#</sup>	Present	Present	–	–

### Resignations<sup>#</sup>

DM Burton resigned on 21 May 2008  
CN Zungu resigned on 21 May 2008

### New appointments

None

## Executive Management Committee

The Executive Management Committee assists the Chief Executive Officer, to whom the daily running has been delegated by the Board, to efficiently and effectively manage the Zurich Group of Companies (the Group) and to implement strategic plans as approved by the Board.

The Committee consists of the Executive Director/Chief Executive Officer, the Chief Financial Officer, the Chief Underwriting Officer and the Chief Administration Officer, as well as seven General Managers who represent the main business and operational units in the Company, and the Group Company Secretary/General Counsel.

The main objective of the committee is to assist the Chief Executive Officer to guide and control the overall direction of the business of the Group and to act as a medium of communication and coordination between the various business units. As the Committee members attend the Board meetings, direct reporting and feedback is given to the Board of Directors.

Executive Committee meetings are held weekly.

## Board Committees

### Audit Committee

#### (i) Composition

SG Morris (Chairman, Independent Non-Executive Director)

DD Mokgatle (Independent Non-Executive Director)

JPM Deiss (Non-Executive Director)

The Chief Executive Officer as well as management representation, attends the Audit Committee meetings.

#### (ii) Function

The objective of the Audit Committee is to assist the Board in discharging its duties relating to the safeguarding of assets, operation of adequate systems, control processes and the preparation of accurate financial reports and statements in compliance with all applicable legal requirements and accounting standards.

The responsibilities include the review of the full year's financial statements prior to submission to the Board. The Audit Committee ensures that the annual financial statements of Zurich Insurance Company South Africa Limited and its subsidiary companies are a true and fair presentation of the financial position at year-end.

Reports on the results of the operations, changes in equity and cash flows for the year-end are all prepared in accordance with International Financial Reporting Standards (IFRS).

The functions of the Committee include the following:

- Monitor corporate risk assessment processes.
- Review internal control systems.
- Oversee the performance of the internal audit function.

- Review internal and external audit reports to ensure that, where major deficiencies or breakdown in controls and procedures have been identified, appropriate and prompt remedial action is instituted.
- Review the nomination, appointment, independence, performance and remuneration of the external auditor.
- Review theft and fraud, and monitor procedures designed to ensure that the Company's fraud control plans are being implemented.
- Review and monitor compliance with taxation responsibilities, legal, regulatory and industry code responsibilities.
- Review and monitor compliance with Company policies and thereby promote an ethical business culture.

#### (iii) Meetings

The Audit Committee meets quarterly with the internal and external auditors and management to review the effectiveness of internal controls. All members are financially literate and no relationships exist that could interfere with the members' independence from management.

Attendance register 2008	21 Feb	7 May	26 Aug	11 Nov
JPM Deiss	Absent	Present	Present	Present
DD Mokgatle	Present	Present	Present	Present
SG Morris	Present	Present	Present	Present

### Remuneration Committee

#### (i) Composition

SG Morris (Chairman, Independent Non-Executive Director)

CJ Cron (Non-Executive Director)

DS Phiri (Non-Executive Director)

R Schaetle (Zurich Financial Services representative) although he is not a Board member

The Directors endorse and are of the opinion that the Group adheres to the Code of Corporate Practices and Conduct set out in the second King Report on Corporate Governance for South Africa (King II) in all material respects. While there is not a majority of Independent Directors on the Committee as promoted by King II, its composition is considered appropriate by the Directors in light of shareholders' requirements.

#### (ii) Functions

The Remuneration Committee establishes a transparent procedure, policy and approach for the determination of remuneration packages for Directors and Senior Executives, taking cognisance of market-related packages, skill and experience.

The financial statements include the details of Executive and Non-Executive Directors' remuneration and other benefits in accordance with the requirements of the Companies Act 1973 and the JSE Listings Requirements. For details of Directors' emoluments, refer to page 122 of this report.

### **(iii) Meetings**

The Committee meets when necessary, and such meetings normally coincide with the Board meetings.

## **Asset and Liability Matching Investment Committee (ALMIC)**

### **(i) Composition**

JPG de Rauville (Chairman, Independent Non-Executive Director)

JPM Deiss (Non-Executive Director)

NV Beyers (Executive Director)

M Christen (Zurich Financial Services representative) although he is not a Board member

J Werner (as an alternate to M Christen) although he is not a Board member

Management attends ALMIC meetings.

### **(ii) Functions**

The ALMIC ensures that appropriate and timely decisions are taken on the investment of Company funds. The Committee sets the guidelines and principles for the Company to follow and takes advice where appropriate from outside investment professionals.

### **(iii) Meetings**

The Committee meets quarterly, with a direct reporting function to the Board.

## **Transformation Committee**

### **(i) Composition**

MN Mbekeni (Chairman, Independent Non-Executive Director)

DS Phiri (Non-Executive Director)

G Kettaneh (Royal Bafokeng Finance representative) although she is not a Board member

KP Seopela (Royal Bafokeng Finance representative) although she is not a Board member

DA Roussouw (Zurich Executive Committee member) although she is not a Board member

MT Neille (Zurich Executive Committee member) although he is not a Board member

CN Zungu (Zurich Executive Committee member) although he is not a Board member

### **(ii) Functions**

The purpose of the Committee is as follows:

- Define the Company's social responsibility strategy in accordance with the Financial Sector Charter and Codes of Good Practice on Broad-Based Black Economic Empowerment.
- Define the Company's transformation strategy to align the Company with the Financial Sector Charter and Codes of Good Practice on Broad-Based Black Economic Empowerment.
- Help set or review the annual action plans and other steps for advancing these strategies, which include defining proposals and project plans.
- Monitor and measure progress in executing the strategy and each year's action plan.
- Accounting for the spend of moneys from the Company on projects as approved by the Board.

- Serve as a regular platform for discussing, coordinating and advancing the work in areas of each of the various functions represented on the Committee.
- Serve as a sounding or consultative board for specific corporate responsibility issues.
- Advise, consult and help prepare decisions for appropriate decision-makers in specific areas. It can also make decisions in such areas as may be agreed upon with the Board.

### **(iii) Meetings**

The Committee meets quarterly, with a direct reporting function to the Board.

Management attends Transformation Committee meetings.

## **Nominations Committee**

### **(i) Composition**

JPG de Rauville (Chairman, Independent Non-Executive Director)

SG Morris (Independent Non-Executive Director)

CJ Cron (Non-Executive Director)

NV Beyers (Executive Director)

The Directors endorse and are of the opinion that the Group adheres to the Code of Corporate Practices and Conduct set out in the second King Report on Corporate Governance for South Africa (King II) in all material respects. While there is an Executive Director on the Nominations Committee, its composition is considered appropriate by the Directors as this Committee is responsible for the appointment of both Non-Executive Directors and Senior Executives.

### **(ii) Functions**

The Company has established a Nominations Committee that makes recommendations to the Board on all new Board appointments. This Committee reviews the balance and effectiveness of the Board. In addition, it identifies the skills and individuals who might best be able to provide them. The Nominations Committee is a mechanism for ensuring that the Board remains effective and focused.

### **(iii) Meetings**

The Nominations Committee consists of not less than three Directors appointed by the Board, the majority of whom are Non-Executive Directors. Meetings are held as appropriate, but at least once a year.

## **Risk and Control Committee**

The Committee comprises members of Executive Management, Group Audit, Risk Management and Legal and Compliance. The Committee meets quarterly and reports to the Board.

The Risk and Control Committee has the duty of identifying corporate accountability and associated risks in terms of management and reporting. The Committee enforces risk control policies and strategies and has an accompanying evaluation function.

The Committee monitors external developments relating to its functions, identifies if any emerging or prospective impacts exist and deals with them appropriately.

## Accounting and Auditing

### External Audit

The external auditors, PricewaterhouseCoopers Inc., are responsible for reporting on whether the financial statements are fairly presented in conformity with International Financial Reporting Standards. The external auditors offer reasonable, but not absolute, assurance on the accuracy of financial disclosures. The preparation of the financial statements is the responsibility of management. Consultation occurs between external and internal auditors to effect an efficient audit process. The Audit Committee sets the principles for recommending the use of the external auditors for non-audit services.

The following non-auditing services were provided by other external auditors:

- IFRS training and advice.
- Review of current accounting policies in light of IFRS.
- Income tax and VAT consulting.

### Group Audit

The function of the Group Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve Zurich's operations. It helps Zurich to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Group Audit is independent from management and is staffed by qualified and experienced individuals, with the head of the department reporting directly to the Chief Executive Officer and the Audit Committee. Group Audit submits reports to and attends the Audit Committee meetings.

The Group Audit Department determines whether the organisation's network of risk management, control and governance processes, as designed and represented by management, is adequate and functions effectively.

Group Audit liaises closely with the external auditors in the planning, execution and communication of the results of their work.

## Directors' Responsibility

The Directors acknowledge their responsibility for the preparation of the annual financial statements, adherence to applicable accounting policies and standards and the presentation of related information that fairly presents the state of affairs and the results of the Company, as well as for the effectiveness of risk management and the internal control environment.

## Going Concern

Based on the annual financial statements as set out on pages 37 to 123, the Directors have every reason to believe that the Company has adequate resources in place to continue operations for the foreseeable future.

## Code of Business Conduct

The Company has a formal Code of Business Conduct, which incorporates a Code of Ethics. The Code applies throughout the Group and ensures that best business practices are applied on a constant basis. The Code is distributed to all employees of the Company and its subsidiaries and prescribes the ethical standards required of employees in their interaction with one another and all stakeholders.

The Company also subscribes to the Industry Code of Conduct and Ethics, which was published by the South African Insurance Association.

## Communication

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

The Board encourages shareholders to attend its forthcoming Annual General Meeting, the notice of which is contained in this annual report. This provides the opportunity for shareholders to ask questions of the Board.

## Disclosure

The annual report deals adequately with disclosures pertaining to financial statements, auditors' responsibility, accounting records, internal control, risk management, accounting policies, adherence to accounting standards, going-concern issues and adherence to codes of governance as well as the JSE Listings Requirements.