



Contents

Foreword	3
Results.....	5
General information	6
Board of Directors.....	8
Governance arrangements.....	12
Operational/market environment	15
Chief Executive Officer	16
Taxes	18
Other issues	19
Contacts	20

“Namibia is a key place to source economic growth and our hope is that good governance practices spur this growth to greater heights.”



Foreword

It is with great pleasure that we present the findings of our **second** survey on corporate governance in Namibia. The aim of the survey is to collate and analyse data regarding the policies, procedures and practices followed by Namibian companies to adhere to corporate governance.

It should be noted that this survey covers both public and private entities and our aim is to be a catalyst to discussions on governance practices in the country.

Strong governance structures are a necessity to ensure that the strategic mandate and direction of the company are achieved. This can stem from strong boards of directors providing the necessary guidance and monitoring to management teams and strong moral codes that encompass honesty, transparency and fairness.

The survey received responses nationally, from public and private sectors. Respondents' designations comprised:

- Chief Executive Officers and Managing Directors;
- Chief Financial Officers;
- Company Secretaries;
- Directors; and
- Heads of Governance and Compliance;

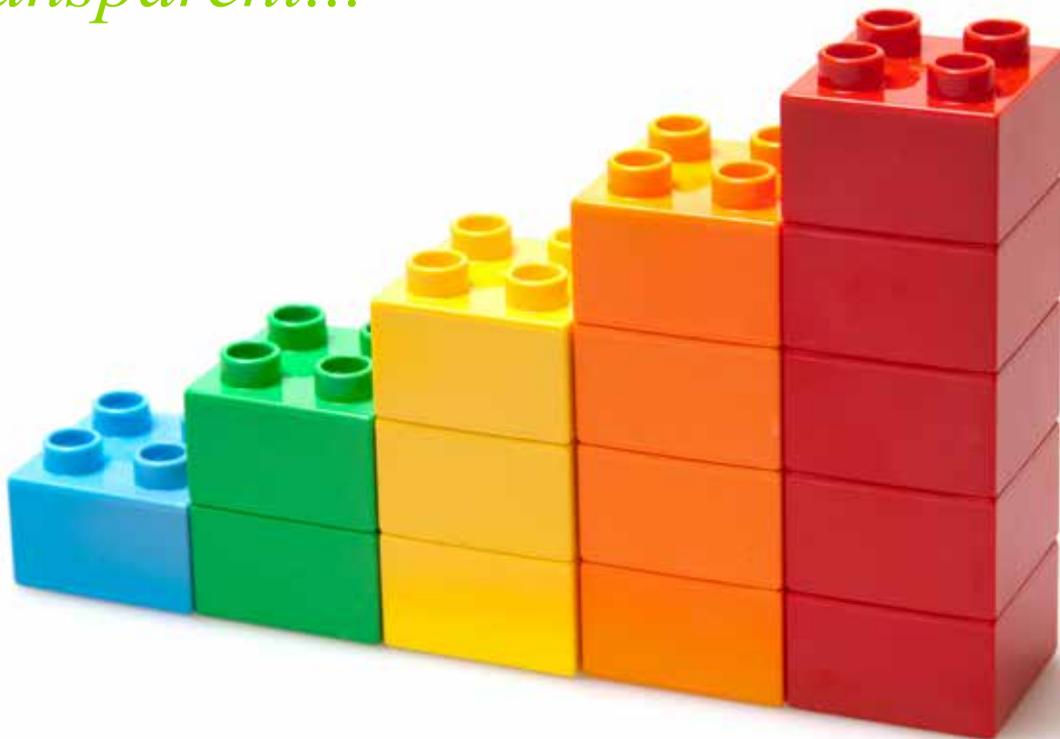
The information upon which the survey was based was obtained through the completion of electronic survey questionnaires.

Consistent with the first edition, given the qualitative and quantitative nature of the responses, we have taken care to ensure that information presented in our survey is, to a large extent, anonymous and a fair reflection of the responses received.

Once again, we would like to extend our appreciation to the participants for the time and enthusiasm devoted to providing comprehensive responses.

Namibia is a key place to source economic growth around our hope is that good governance practices spur this growth to greater heights.

“ This result is not surprising given that public entities should be seen to be more transparent...”



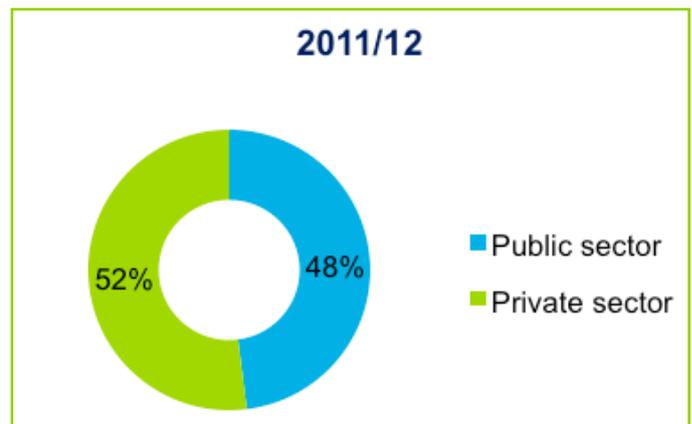
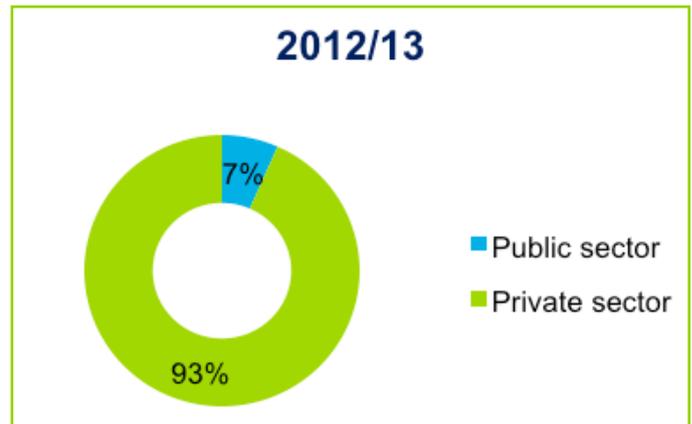
Results

We have not verified the accuracy or completeness of the information provided by the respective respondents. We have relied upon the respondents' self-assessments and their responses have been presented with no modification or adjustment in an attempt to preserve the integrity of the responses provided.

We have kept our core set of questions the same to monitor and understand the trends. We have, however, added some relevant topical questions in this edition.

Overall, our respondents were moderately familiar with corporate governance reforms.

93% of respondents in this edition were from the private sector compared to last year's 52% in this sector. 54% of the private sector companies were public companies with the remaining being proprietary limited or privately owned. This result is not surprising given that public entities should be seen to be more transparent given their interaction with the public at large.



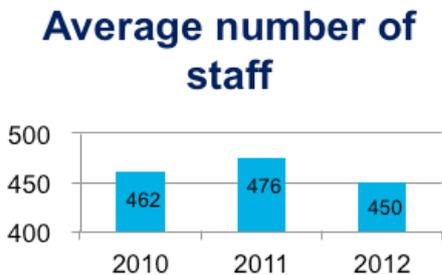
General information

The separation of ownership from control in organisations is the core issue of corporate governance reforms. A fundamental aspect of best governance practices is that boards of companies are independent and that they have the full powers and authority vested in them to direct companies.

From the results, we have noted an accelerated drive towards resource stewardship, integrated reporting and good governance.

“Change is not a destination, just as hope is not a strategy.” – Rudy Giuliani

- *Average number of staff*



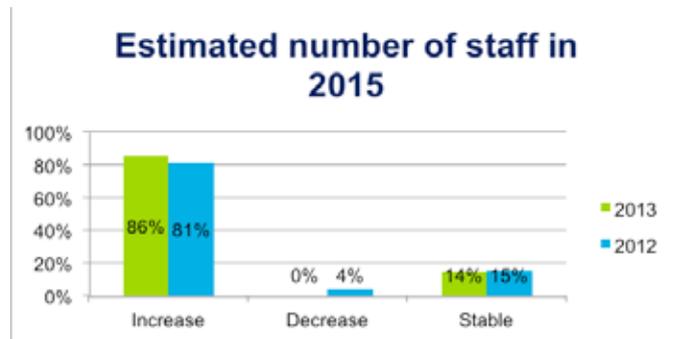
Last year’s results saw an increasing average number of staff from 2010-2011. The 2012 staff numbers decreased, with some respondents having had a reduction in their workforce.

A minimum of 8 employees was recorded, with a maximum of 1 820 staff over the years.

- *Percentage of current expenditure allocated to personnel costs (salaries, benefits etc.)*

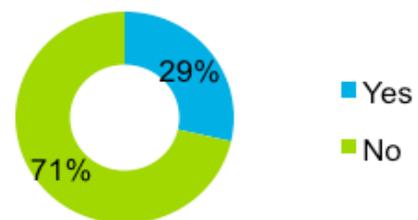
On average, 50% of expenditure is allocated to personnel costs compared to last year’s 41%. This implies that half of an entity’s expenditure is spent on its workforce. A minimum of 13% and maximum of 70% was recorded. From this could be interpreted that some companies have increased their workforce spending.

- *Estimated number of personnel by year 2015*



Of the respondents, 86% (2012:81%) believe that their staff complement will increase by 2015, whilst 0% (2012:4%) expects the staff complement to decrease. Once again, this suggests overwhelming optimism about the future of the Namibian economy.

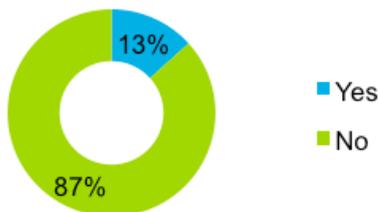
- *Does the Company have published procurement practices relating to Black Economic Empowerment (BEE)?*



It is evident that a vast majority of the respondents do not have BEE published procurement practices. With the introduction of The New Equitable Economic Empowerment Framework (“NEEEF”) policy, businesses will be expected to proactively embrace transformation and to participate in the envisaged transformation. NEEEF is based on “voluntary business practice” and consists of policies designed to encourage the private business sector to become more equitable and to make a greater contribution towards national economic empowerment and transformation.

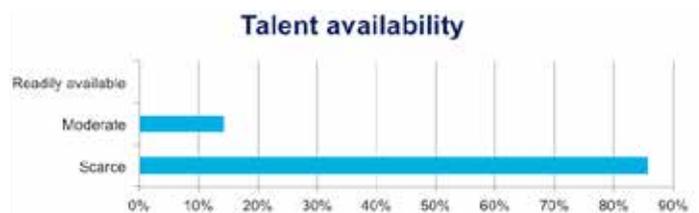
There have also been announcements about changes to the public procurement requirements, with much of these requirements stemming from the principles established in NEEEF. Therefore, the pro-active embrace of BEE will become a business imperative for companies that have business dealings with Government and the public sector.

- *Is the entity listed on the stock exchange?*



None of the public sector companies are listed on the stock exchange, an area which we believe should be explored to assist with the funding of public infrastructure projects with private sector funds. Listing of a company provides exclusive privileges to securities and enhancing the status (including financial) of the company. However, there is increased public accountability.

- *A source of growth, what is the level of talent availability in your organisation?*



None of our respondent population has indicated that talent is readily available. Skill shortage in the country is an area requiring significant attention at a national level. It is no surprise that given this statistic, companies should place emphasis on the imparting of general business skills to their personnel as part of their sustainability efforts. Technical skills are a key aspect in executing the strategies and initiatives that ensures sustainability. Technical and business skills are complementary in accelerating sustainability.

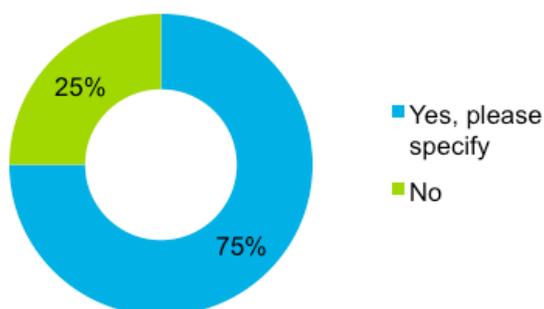
Conversely, one may also conclude that companies are not investing appropriately in their workforce such as workforce planning, modeling and training.

Board of Directors

Companies have an average of seven (7) members on the board of directors. Executives average three, whilst non-executives average five (5). The number of executive and non-executive directors is consistent with that of last year. Overall, this practice complies with the King Code on Governance, which recommends the majority of directors to be non-executive directors, and at least two executive directors.

Averages of six (6) board members come from the private sector.

- Are the procedures for appointments to the board formal and transparent?



In the responses received, 25% (2012: 21%) of the respondents indicate that there is no transparency in the appointment of board members.

Yes responses (sector):

Procedure	Private	Public
Board	20%	-
Minister	-	100%
Nominations Committee	20%	-
Private company principles	20%	-
Shareholder	40%	-
	100%	100%

The mere existence of a formal appointment to the board could imply that there is governance discipline. Based on the responses, it is evident that the King III guidelines in respect of the appointment of board members are not highly regarded. A definite trend remains that the shareholder appoints the directors, a practice dominant in the private sector.

- Does the Board regularly review its mix of skills and experience and other qualities to ensure effectiveness of the board as a whole?

55% (2012:54%) of respondents confirmed that the board does not regularly review its mix of skills and experience. Information technology (IT), retail and industry specific skills were lacking from the mix of skills required.

The right mix, the right skills and the right attitudes are an essential aspect for any board to function effectively in the development and execution of its strategy.

Sufficient and collective knowledge and experience is necessary for a board in order to give a broad perspective, open dialogue and useful insights to the entity. It is for this reason that a constructive and collaborative relationship between a board and the CEO/MD should be maintained.

- Board sub-committees active at your Company

Board sub-committees



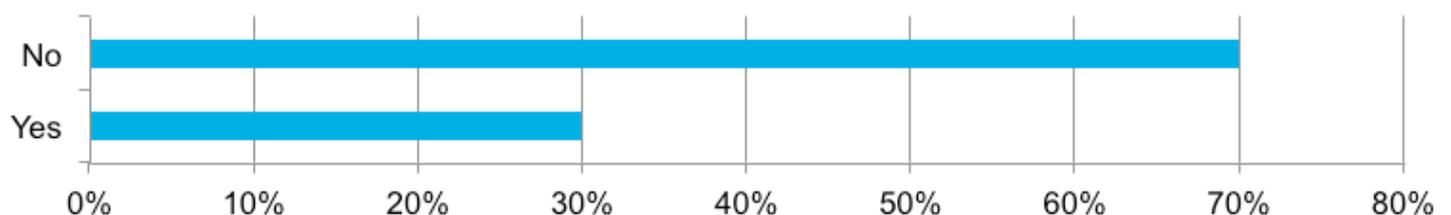
None of the respondents had an Investment committee in place. King III requires public companies and state-owned enterprises (SOEs) to have an audit committee in place, comprising of independent non-executive directors. Private companies and not for profit companies should voluntarily appoint an audit committee. There is still an evident trend that entities value the existence of an audit committee as part of their risk management processes.

Note: Percentages do not add up to 100 percent as many respondents indicated more than one answer.

- Does your Board have formally signed performance agreements for its Board members?



- Are the Board members regularly evaluated as to their performance and effectiveness?



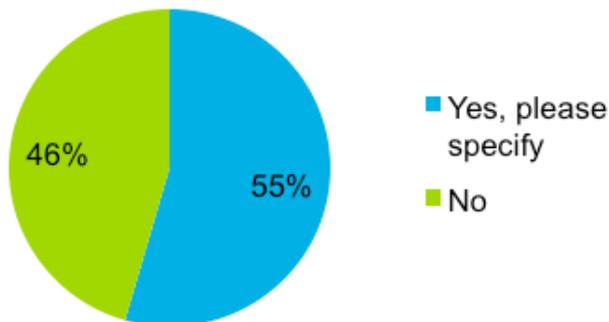
Board of Directors (continued)

The King Code on Governance prescribes yearly performance appraisals of individual directors, to provide the basis for identifying future training needs. The nomination for re-appointment of directors should not be an automatic process and should only occur after proper evaluation of their performance.

The absence of regular performance appraisals at 70% of the respondents raises some eyebrows. Structures relating to performance and evaluation of board members need to be strengthened.

- Are there Board members who are not remunerated?

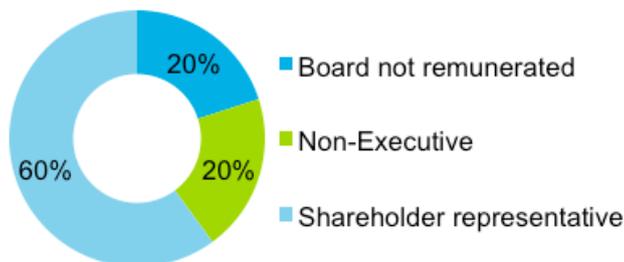
Remuneration of board members



This trend barely changed in comparison to last year.

Details to the Yes response:

Non-remunerated board members



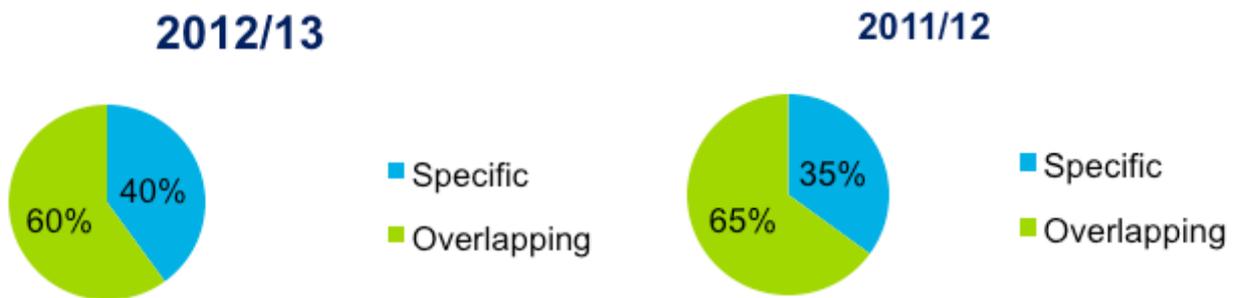
It is not clear whether the shareholder representative board members are remunerated at shareholder level. In principle, board members should be remunerated for their time and effort towards the objectives of the company they represent.

- What is the average sitting fee (in N\$) of a Board member?

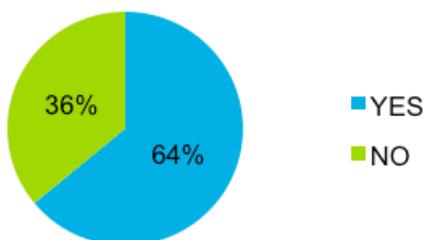
Fee per sitting:

Amount	%
Nil	24%
N\$0-2 000	24%
N\$2 001-4 000	13%
N\$4 001-6 000	13%
N\$6 001-10 000	13%
>N\$25 001	13%

- Does each Board member have specific terms of office and do the terms of office of Board members overlap?



- Have Board members received formal training in corporate governance affairs, including directors' duties?



This trend has remained the same. Director development helps encourage governance practices within the board. Mentorship by experienced directors is encouraged.

Governance arrangements

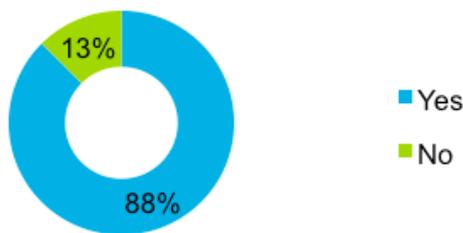
- Does the board have full and effective control over the Company by monitoring performance and ensuring the implementation of the Company plans and strategies?

There has been an improvement in this regard. All respondents answered Yes compared to 93% in 2012.

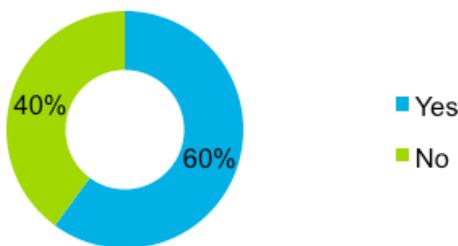
- If your organisation has an established system to raise concerns/whistle blowing, what type of system has been implemented?

All respondents to this question have indicated that they have a dedicated website in this regard. In addition, 33% have indicated the use of suggestion boxes and 67% have indicated the use of independent whistle blowing anonymous lines, intranet and fax.

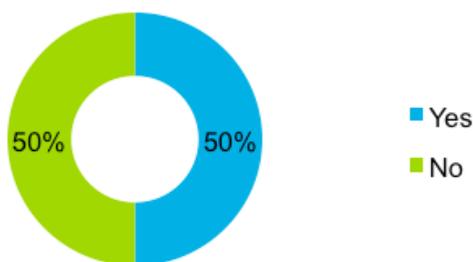
- Does the company differentiate between what the board can do and what managers and employees of the company can do?



- Is there an independent internal audit function within the company?



- Does the organisation have an established system to raise concerns/whistle blowing?



State-Owned Enterprises

One cannot discount the importance of state owned enterprises in enabling the government to enhance the lives of Namibians. It is therefore important that these entities are governed effectively and ethically, to ensure that they contribute to the achieving of the country's development goals. In recent times, the actions of the boards of directors of some SOEs have raised concerns among Namibians.

In light of the above, the following questions may come to mind:

- Are the Boards of SOEs adequately skilled?;
- Do the Boards follow best practices on Governance?; and
- More importantly, do the Directors understand their role on the Boards of these SOEs?

SOEs are governed by the SOE Governance Act of 2006, as amended in 2008, regarding the regulation, governance, control and restructuring of SOEs' finances and related aspects. Governance is an ever evolving phenomenon. As such, it is imperative that SOEs adhere to the current governance best practices as outlined in the King Code on Governance.

An observation is that some of the Boards of Directors get involved in operational matters of the entities under their control. The concern that comes with their involvement is as follows:

- Do they have access to all information required to make operational decisions?;
- Do they have time to assess the operational issues to the same extent as the executive directors?; and
- Do they have the required technical skills to understand the technical issues within the entity?

To put it into perspective with regard to the above questions, would each board member involved in operational matters meet the criteria/profile outlined should the entity require the services of a CEO/MD?

It is important to draw a distinction between the responsibilities of the Board and that of the executive management.

The Board should have oversight accountability which should be limited to the following: providing direction, leadership, guidance, independence, objectivity, external experience, strategy, review, monitor and oversee. On the other hand, the executive team has management accountability, which includes to execute, do, deliver, manage, evaluate, implement, run operations, etc.

SOEs function differently to private companies due to the differences in the mandates. However, the King Code on Governance has moved to encourage private companies to consider the needs of all stakeholders of companies and thus aim to a certain extent to encourage private entities to achieve the same ideals as those of SOEs.

It is the responsibility of the Board to ensure that the entity under their control has competent management. Mechanisms need to be put in place to hold management accountable, which may entail a clear outline of the objective to be achieved whether financial or non-financial, with periodic reviews of the objectives.

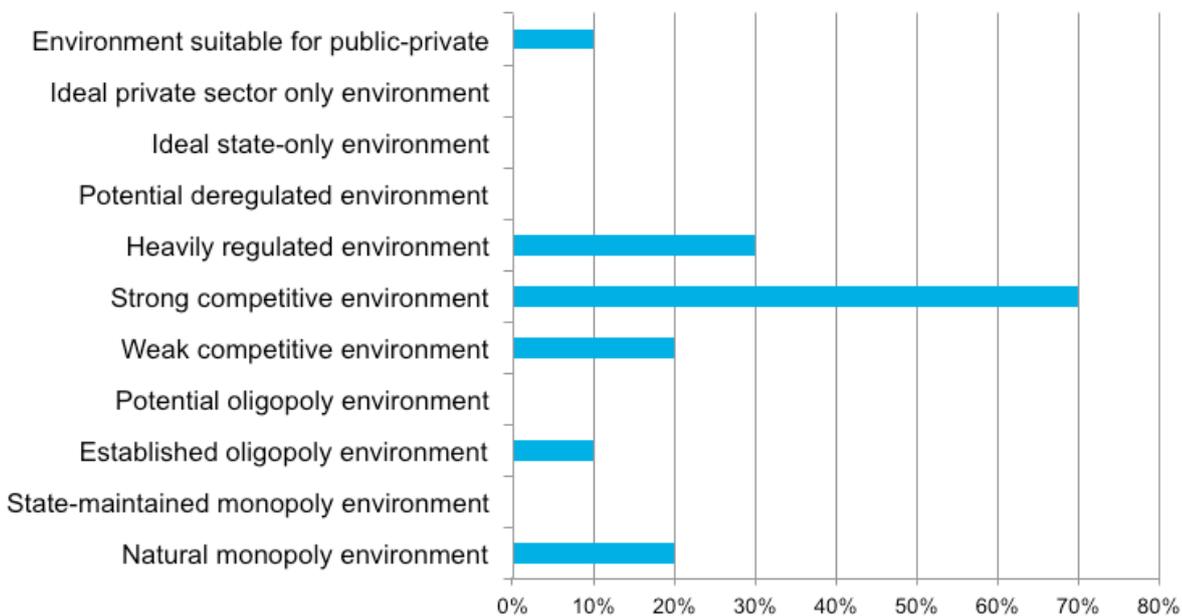
Another matter requiring caution is the proliferation of SOEs in the last 5 years. From a number of only 42 in 2009, this has now grown to 72 SOEs at the end of May 2013. SOEs should only be established for key infrastructure and service industries such as water, energy, development financing, etc. They should exist only where particular basic services required cannot be provided by the private sector as a result of significant infrastructure and capital requirements where these services are of critical importance to the well-being of all citizens. This proliferation of new SOEs, and the number of SOEs should be reviewed against the key criteria of whether these SOEs are providing essential services/products and which the private sector cannot or is not providing.



“Competition drives productivity...”

Operational/market environment

- Phrases which best describe the operational/market environment the Company functions in?



Operational/market environment

It is still not surprising that a strong competitive environment took the bulk of the responses. Competition drives productivity and in turn performance, in addition to efficient allocation of resources.

Note: Percentages do not add up to 100 percent as many respondents indicated more than one answer.

- SOE SPECIFIC QUESTION:** Does this SOE compete directly or indirectly with other SOEs?

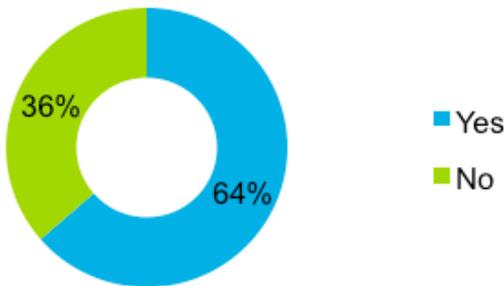
The respondents to this specific question do not compete with any other SOE.

Chief Executive Officer

- Who appoints the CEO / Managing Director?

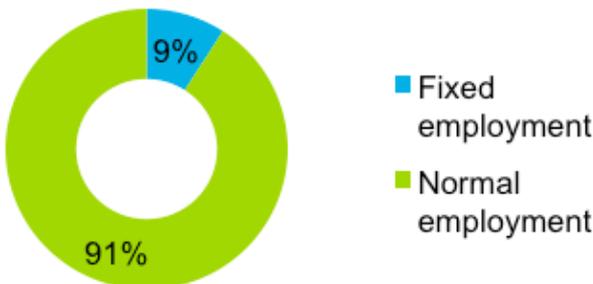
Appointed By:	%
Board	56%
Chairman	11%
Shareholders	33%

- Does the board formally appraise the performance of the CEO at least annually?



Yes - 2012:76%

- Does the Company have a fixed term contract or normal employment contract with the CEO?

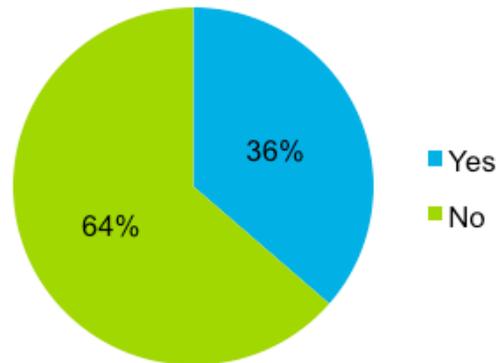


Fixed - 2012:62%

Fixed employment term (2 respondents)

5 Years	50%
Reciprocal notice period	50%

- Is there a CEO succession plan in place?



It is surprising that organisations are not investing sufficient resources to ensure that there is adequate management capacity to provide a bridge between current and future management of an organisation in a manner that provides for an orderly and smooth transition. Although succession planning is not a simple process, there is a need for an effective succession plan to be in place for the CEO and/or other senior management positions.

Of the Yes respondents, 100% are private companies, with public companies respondents having no succession plan in place. It is therefore evident that succession planning is high on the agenda of privately owned organisations.

Succession involves various business disciplines. Some obstacles as to why organisations do not have a succession plan in place range from financial prospects concerns, diminished or abdicated responsibility and the reluctance to relinquish control.

Succession is vital for the long-term survival of any organisation. Assistance from various stakeholders and networks such as board members, business consultants and advisors should be considered.

A disturbing trend we have seen in the SOE sector in Namibia is the number of CEOs/MDs who have been put on suspension or dismissed in the last 2 years. What is most worrying is that a number of these CEOs are offered compensation by the Boards. The question that arises is whether formal performance evaluations and performance management processes are instituted before these suspensions.

The above debate should be viewed against good governance practice as espoused by the Companies Act, 2004 which in Section 235 states that a company must not make payments to any director as compensation for loss of office unless full particulars have been disclosed and the payment has been approved by special resolution of the company.

Further, King III recommends that employment contracts should not commit companies to pay on termination arising from an executive director's or CEO's failures.

Where termination benefits are paid to executives, it is usually for breach of contract by the company through the directors who suspended or dismissed the executive unprocedurally or unlawfully.

In Namibia, especially in the SOE sector, the above actions by the directors have never been debated in the context of the Liability of Directors. It is accepted that a director of a company is held liable for any loss, damages or costs sustained by a company as a consequence of any breach by the director of his duties, including the duty to act with care, skill, experience, intelligence and honesty to the advantage of the company. The intention of the legislature is clear – to encourage directors to act honestly and bear responsibility for their actions.

The question has never been asked whether the actions by the directors in suspending or dismissing a CEO unprocedurally or unlawfully is reckless, and instead of the company paying the suspended CEO, if the directors should personally be responsible. It is unfair that the companies/SOEs should be held liable to pay for the reckless actions of individual directors.

Taxes

- *Is this Company responsible for paying taxes, levies and/or dividends to a state body?*

100% of respondents in the private sector are responsible for paying taxes, as indicated below.

Those responsible for paying taxes incur the following taxes:

Type of tax	Private	Public
Income Tax	100%	0%

Other issues

Optional question.

Table 1. Profits recorded

Profit	2010	2011	2012
N\$0-10m	40%	60%	60%
N\$11-20m	40%	-	-
N\$21-100m	-	20%	20%
N\$101-150m	20%	20%	20%

A public company (limited) in the private sector topped the highest earnings for all three years. The majority of the respondents recorded increasing profits over the three-year period. Our economy has endured short yet significant recession. However, the results confirm that the recession of 2008/2009 may be over and that the future outlook appears optimistic.

None of the respondents to this optional question reported losses in any year.

Equity	2010	2011	2012
N\$0-50m	50%	50%	50%
N\$51-100m	25%	-	-
N\$101-500m	-	25%	25%
N\$501-1000m	25%	25%	25%

How long after year end was the annual report finalised?

Number of months	2010	2011	2012
2	37%	24%	43%
3	37%	50%	43%
4	-	-	14%
9	13%	-	-
10	-	13%	-
12	-	13%	-
24	13%	-	-

In 2010, one public sector company took the longest - 24 months - to finalise its annual report, whilst the rest of the public companies finalised their annual reports within three months.

In 2011, there was a significant improvement in this public sector company to 12 months.

In respect of private sector companies, they produced their annual reports within 3 months for all three years, with the exception of one ranging between 4-10 months.

Issues regarded as challenges to good governance in Namibia (by respondents):

- Corruption
- Competence and effectiveness of ministries
- Clarity of communications from GRN/Ministry and clarity of requirements/timeline, etc for SOEs
- Timing of payment of grants
- Timing of date when final grant is known - very late making it extremely difficult to properly plan

CONTACTS

Deloitte Building
Maerua Mall Complex

Jan Jonker Road
P. O. Box 47
Windhoek
www.deloitte.com/na



Junius Mungunda
Managing Partner

Partner – Business and Financial Advisory Services
Tel: 061 – 285 5012
Email: jmungunda@deloitte.co.za



Simeon Shaanika

Manager – Business and Financial Advisory Services

Tel: 061 – 285 5025
Email: sshaanika@deloitte.co.za



Zenaune Kamberipa

Manager – Assurance

Tel: 061 – 285 5035
Email: zkamberipa@deloitte.co.za

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200 000 professionals, all committed to becoming the standard of excellence.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2012 Deloitte & Touche. All rights reserved. Member of Deloitte Touche Tohmatsu Limited