



Section 2

Leadership and Governance

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LEADERSHIP AND GOVERNANCE

2.1 Chairperson's Statement

Introduction

On behalf of the Board of Directors of the Road Accident Fund ("RAF"), I am pleased to present the organisation's Integrated Annual Report and the Annual Financial Statements for the financial year ending 31 March 2013.

Integrated Reporting

According to the King Report on Governance for South Africa 2009 ("King III"), "Integrated reporting should be focused on substance over form and should disclose information that is complete, timely, relevant, accurate, honest and accessible and comparable with past performance ... It should also contain forward-looking information."

We trust that the Integrated Annual Report 2013 provides a holistic and integrated representation of the RAF's performance in terms of both its finances and its sustainability for the 2012/13 financial year.

South African Economy

As with any other business, the RAF is affected by general economic conditions and other environmental factors, and by the extent to which it manages its costs effectively.

According to the South African Reserve Bank, "real economic growth picked up moderately in the final quarter of 2012 to an annualised rate of 2.1%, roughly double the pace recorded in the third quarter when severe unrest in the mining sector had taken its toll. The lacklustre economic growth in 2012 was accompanied by subdued job creation. While the numbers of workers in the public sector continued to rise, this was not always the case in the private sector. The National Budget presented

The Fund has maintained an impressive governance track record with King III and the applicable legislative requirements being attended to in a substantive manner, and not merely as a 'tick box' exercise.

in February 2013 provided for marginally larger fiscal deficits over the next three fiscal years than earlier projections, recognising the present need for further countercyclical support to the economy, but steering towards a significantly smaller deficit and stabilisation of the ration of government debt to Gross Domestic Product ("GDP") in the outer years. To this end, expenditure plans were trimmed over the medium term. A process has started to firmly align government's budget priorities with the National Development Plan.³

³ SA Reserve Bank Quarterly Review March 2013.

Fuel consumption for road use increased by 2.2% to 18,258 megalitres⁴ in the 2012 calendar year from 17,874 megalitres in the previous calendar year. The 10% increase in foreign visitor arrivals to the country, totalling 13.8 million⁵ during the 2012 calendar year from 12.5 million in the previous calendar year, also contributed to improved economic activity. The implied net fuel consumption experienced by the RAF showed a decrease of 6.6% to 19,8 megalitres based on the average net fuel levy income received, divided by an average levy in cents per litre.

We trust that the recovery of the South African economy and an increase in economic activity will allow the RAF to continue to process as many claims as possible within the confines of the available resources.

Performance Environment and Context

The challenges faced by the Fund have been extensively documented. A fundamental challenge that the Fund and its predecessors have faced for decades has been the financial unsustainability of the scheme of compulsory motor vehicle insurance, due largely to a failure since the implementation of the scheme more than 60 years ago to link income to expenditure and to the absence of any funding arrangement focused on the non-current liability.

The unsustainability of a fixed fuel levy, income-based scheme providing (in most instances) unlimited compensation was recognised by government and resulted in amendments being effected to the RAF Act on 1 August 2008. Through these amendments, universal limits and thresholds were placed on the Fund's liability.

Despite these positive amendments, the current scheme, being based on fault, insurance principles and common law, remains inequitable, wasteful and open to abuse. A transformation of the scheme is urgently needed, not only to better meet the needs of the public, but also to ensure sustainability of the scheme and appropriate utilisation of public funds.

The socio-economic role of the Fund augments its legal mandate and frames the important position the Fund occupies in the provision of contributory social insurance within the social security environment. This socio-economic role is to re-integrate victims of road accidents back into society from a health and economic perspective and to protect wrongdoers and their families from financial ruin.

While South Africa strives to achieve a reduction in road traffic accidents and, by extension, a reduction in road traffic fatalities and injuries, many thousands of peoples will continue to suffer losses due to death or injury on our roads. The Fund frequently is all that stands between the victims and their families and a descent into poverty, as many victims are unable to afford medical aid or private insurance cover.

In light of the profound negative impacts that victims of road traffic accidents suffer from a health, vocational and social perspective, they not only require, but deserve to have their claims against the Fund assessed and finalised in a speedy and efficient manner. Delays in claims finalisation prejudice victims, and also serve to increase the Fund's liability as historical trends have shown that generally the later a claim is finalised, the higher the liability of the Fund. The Fund recognises that its most pressing performance areas at present are to reduce the number of claims where no compensation has been paid and to actively promote and fulfil direct claiming.

Some of our programmes and approaches that were previously aimed at achieving the Fund's strategic outcomes have, with time, proven to be unsustainable and/or ineffective. The operating environment and strategic requirements have changed. Recent developments, such as the conversion of the New Operating Model ("NOM") and the winding down of the Fineos Claims Application, as well as an extensive organisational re-alignment process, necessitated modifications to the manner in which the Fund intends to attain its strategic outcomes.

Operationally, the Fund has taken proactive and decisive steps to render its business operations more efficient. The NOM has been converted into a simpler series of actions, which will see efficiency gains and effective results. In place of the NOM, the Board has approved that:

⁴ South African Petroleum Industry ("SAPIA") and Department of Minerals and Energy ("DME"), estimated fuel levy based on CSIR report CR-2002/79, which recommended that 98% of all petrol sales and 70% of all diesel sales should be allocated for road use purposes.

⁵ Statistics SA – Tourism 2012, Report No. 03-51-02.

- The organisational structure be aligned to current and future service requirements;
- Human capital management be prioritised;
- The national service footprint be expanded; and
- Functional areas be segregated and regional offices be empowered to perform.

The optimised organisational structure enhances the Fund's ability to operate in a more effective, efficient and customer-centric manner.

RAF Performance

The RAF returned a steady performance during the current financial year, driven by a 3% growth in revenue compared to the previous financial year. Total revenue at R17.6 billion was R0.50 billion higher than the revenue in the previous financial year of R17.1 billion, mostly as a result of an 8 cents per litre increase in the RAF Fuel Levy during the financial year, as well as constrained increases in volumes of fuel sold during the period under review.

Despite lower claims finalisation, actual claims expenditure increased by 21% over the previous year owing to the higher cost of claims, with the average settlement per claim increasing by 20% to R65,844 in 2013 from R54,808 in the previous financial year. With the introduction of the Amendment Act in August 2008, which, among others, seeks to reduce frivolous claims by persons who are barely injured in car accidents, the RAF expected a reduction in reported claims. In fact, this figure decreased by 13% to 150,312 during the 2013 financial year from 172,859 claims in the previous financial year.

The number of claims where compensation or legal cost payments are still to be made increased to 279,912 in this financial year compared to 264,579 in the previous financial year. The 15,333 (5.8%) increase year-on-year relates to a concerted drive by the operational team, which saw the number of claims awaiting legal costs increase by 67,827 as more compensation payments were made.

Towards a New Dispensation

On 7 September 2011, Cabinet approved the Policy on the Road Accident Benefit Scheme ("RABS") that has set the scene for the implementation of a no-fault, fixed-benefit scheme. Such a scheme of arrangement will address many of the challenges facing the Fund that are constraining the organisation's ability to deliver on its mandate in an effective and efficient manner. In addition, a no-fault, fixed-benefit scheme will ensure a smooth alignment to the Comprehensive Social Security System ("CSSS") that will be implemented by government.

The Fund is fully appreciative of the fact that the power and authority to drive the legislative process to bring about the legislative transformation of the scheme rest with the Department of Transport ("DoT"). However, the Fund recognises that it is uniquely positioned to recommend to the Minister of Transport amendments to existing legislation and to contribute to the process to amend existing legislation that is so urgently needed. In achieving indicators and targets that relate to regulatory amendments, the Fund will work closely with the DoT and is of the view that through a joint and concerted effort, legislation to provide for a no-fault benefit scheme can be enacted during the next two years (2013–2015).

The Fund, DoT and National Treasury agreed to expedite the implementation of the RABS and the RABS Bill, which clearly articulates the RAF's role, has been published for public comment.

Governance Matters

The Fund has maintained an impressive governance track record with King III and the applicable legislative requirements being attended to in a substantive manner, and not merely as a 'tick box' exercise.

Whilst the Board was fully constituted during the year under review, it is noted that the term of office of Board Members will end in 2013/14. With continuity management in mind, timeous alerts were issued to the Minister on the need to make Board appointments and advice on the skills required for Board Members of the RAF were also communicated.

Board and Committee terms of reference, work plans and checklists were developed and approved to ensure that the governance requirements of the Board were effectively discharged.

Declarations of interest and a code of conduct were continuously maintained. In addition, the Fund has worked on developing an Ethics Policy and Framework in conjunction with the Ethics Institute of South Africa, which should be finalised early in the 2013/14 financial year.

The Way Forward

The primary objective of recent modifications is to see the business closely aligned to the Fund's mandate and the attainment of its strategic objectives, i.e:

- A legislative dispensation that is aligned to the principles of social security;
- A solvent, liquid and sustainable organisation;
- A customer-centric, operationally efficient and effective organisation by 2017; and
- A transformed and capacitated organisation by 2017.

Over the medium term, the RAF strategy will be anchored on these four main pillars.

In facilitating legislative alignment, the RAF will be responsible for motivating and proposing amendments to the current legislation and supporting legislative processes that the DoT embarks on, as well as participating in relevant structures. The RAF will further provide support to the DoT in respect of the process to enact legislation aligned to the RABS Policy, as well as government's CSSS plans.

The Fund will focus on financial sustainability and may seek options to capitalise the organisation. The RAF will continue to actively engage with National Treasury and the DoT to determine annual RAF Fuel Levy allocation increases. Furthermore, the organisation will commence with the process of developing strategies for reducing legal and operating costs through internal cost management initiatives.

Acknowledgements

On behalf of the Board of the RAF, I wish to extend our sincere gratitude to the Minister of Transport, Mr Dikobe Ben Martins, and the Deputy Minister, Ms Sindisiwe Chikunga, as well as the entire DoT team for their unstinting support during the 2012/13 financial year. Furthermore, we would like to thank the Portfolio Committee on Transport ("PCOT"), together with our partner stakeholders, for the assistance and guidance afforded to the RAF during this financial year.

In addition, we would like to thank the Chief Executive Officer, Dr Eugene Watson, for his invaluable contribution to the RAF despite the challenges faced by the Fund. Finally, our thanks go to the Management and staff of the RAF for their ongoing loyalty and dedication.



Dr Ntuthuko Bhengu

Chairperson of the Board

Date: 31 July 2013



2.2 Overview by the Chief Executive Officer

Introduction

The Road Accident Fund's ("RAF's") Integrated Annual Report 2013 is centred on the principles and recommendations of King III and National Treasury's Regulations. The report focuses on putting the financial results in perspective by reporting on how the Fund has impacted, both positively and negatively, on the socio-economic life of all users of South African roads.

Financial Performance

Total revenue for the year grew by 3%, from R17.1 billion to R17.6 billion, as a result of an 8 cents per litre increase in the RAF Fuel Levy and a moderate increase in the volume of fuel sold over the previous calendar year. Net fuel levies accounted for more than 99% or R17.4 billion of total revenue. The Fund recorded a deficit of R5.1 billion in the financial year under review compared to a deficit of R16.5 billion in the previous year. The deficit is directly related to the provision for outstanding claims, which increased from R54 billion (2012) to R60 billion in the current year. The improvement in the deficit as a result of a significantly smaller increase in the provision for claims incurred is positive.

The Statement of Financial Position reflects the extent to which the Fund remains under-capitalised. A net deficit of R51.5 billion (2012: R46.4 billion) was recorded for 2012/13. It remains noteworthy that the RAF has been technically insolvent for over three decades, yet it continues to honour its obligation to claimants. This is so because non-current liabilities have not been funded at any point in the scheme of arrangements' existence.

During the previous financial year, there was a change in accounting policy with regard to the provision for outstanding claims. The liability

Total revenue for the year grew by 3%, from R17.1 billion to R17.6 billion, as a result of an 8 cents per litre increase in the RAF Fuel Levy and a moderate increase in the volume of fuel sold over the previous calendar year.

is now split into a provision for outstanding claims amounting to R60.3 billion and a contingent liability of R22.5 billion. The total liability is R82.8 billion and its year-on-year growth, which is substantially smaller than in prior years, is driven by an interest factor and legislative changes.

Claims expenditure (excluding the increase in the provision for outstanding claims) has increased by 25% to R15.2 billion (2011/12: R12.2 billion). During the year under review, 87% of fuel levy income was used to pay claims expenditure, compared to 74% in 2011/12 – reflecting an efficiency gain.

Total expenditure for the year, excluding the increase in the provision for outstanding claims, increased by R3 billion to R16.4 billion

(2011/12: R13.2 billion). Actual cash claims expenditure of R15.2 billion accounted for 93% of total expenses, with the balance being made up of employee costs, i.e. 5%, and administration and other costs, i.e. 2%.

The Fund recorded cash reserves of R6.1 billion on its balance sheet at year-end (R2 billion growth versus R3 billion in the previous year), but we consider this to be of a temporary nature as the cause relates to the nature and volume of claims received and processed. Management interventions have been implemented to optimise claim payments, efficient business processes are in place, additional staff have been provided for and alternative claim administration measures are being implemented.

During the financial year, the Fund extended an invitation to plaintiff attorneys to submit claims and relevant evidence for settlement well in advance of trial dates, in order to prevent lengthy court procedures and to bring about savings in respect of legal costs. To date, the response has not been overly positive, but we are confident that this initiative will gather momentum. The Fund has received numerous compliments from plaintiff attorneys in regions where this intervention produced the intended results.

As government continues to mould the basis for its Comprehensive Social Security System ("CSSS") plans, there is an increased need for the RAF to fulfil its socio-economic mandate, whilst pursuing financial sustainability. Unlike other public entities which serve as pillars of our nation's social security framework, the RAF operates in an environment where:

- Funding, or contributions via the RAF Fuel Levy are not associated with claim frequencies and costs;
- The beneficiary base is not constituted by past, present or future contributors to the RAF Fuel Levy;
- The benefit available to beneficiaries or claimants is not defined and in some instances is not limited to a maximum value; and
- Social security is not limited to protecting income, lending support or funding healthcare needs, but extends to all three key elements of social security.

The inappropriate allocation of economic resources continues under the current compensation arrangement. Of the R15 billion paid out towards claims:

- Approximately R1.1 billion was paid in medical costs;
- Over R3.7 billion was spent on legal and expert costs;
- Over R4 billion was paid in general damages – primarily to persons not seriously injured; and
- Over R6.2 billion was paid for loss of earnings and support.

Success fees (contingency fees) paid to attorneys were estimated to be in the region of R5.7 billion, exacerbating the hardship victims of accidents suffer. In addition, the average time taken to settle a claim still ranged between 12 and 60 months for non-hospitalised claims, primarily because of the need to prove fault and the subjectivity in determining loss of earnings and support benefits.

During the year under review, the RAF was able to reduce the backlog of outstanding claims where no payments were made. The number of claims where compensation had not been paid reduced significantly to 212,085 from 248,024 in the previous financial year.

Achievements

The RAF declared 2012 and 2013 'The Year of the Customer' and 'Our Year to Shine', respectively. The ultimate focus of these declarations was aimed at galvanising all areas of the organisation, including its personnel, towards ensuring improved service delivery, increased visibility and accessibility – and more importantly – assistance to victims of road accidents and their dependants.

Early success is already visible and many more positive changes are taking place as the organisation prepares itself for the Road Accident Benefit Scheme ("RABS"), which will simplify the claims process by removing the burden to prove guilt or contributory fault on the part of another driver. Access to emergency healthcare, support and rehabilitation will be immediate and not dependent on an investigation as to how the accident occurred and who was to blame; thus speeding up the process of settling claims and delivering the social benefit to claimants.

The Constitutional Court, in the matter of *Mvumvu and Others vs. Minister of Transport and another 2011 (2) SA 473 (CC)*, declared specified parts of section 18 of the RAF Act unconstitutional. However the declaration of invalidity was suspended for 18 months

to enable parliament to cure the defect in the impugned provisions. Immediately after the order, the RAF commenced to provide support to the Department of Transport (“DoT”) to draft a Bill to address the order. The order was issued on 17 February 2011 and the period of suspension would have lapsed on 17 August 2012. It was not possible for the Bill to go through the various stages necessary for passing legislation within the period of 18 months provided for in the order, hence the RAF supported the DoT to launch an urgent application for the order to be varied and extended. The Constitutional Court on 14 August 2012 granted an order extending the suspension order for a further period of six months. This extension allowed parliament and the Minister to finalise and put into force with effect from 13 February 2013 the Road Accident Fund (Transitional Provisions) Act, 2012.

The RAF successfully managed a number of litigated claims where the interpretation of Regulation 3 and the entitlement to claim general damages were at issue. The Supreme Court of Appeal in the matters of *Road Accident Fund vs. Oupa William Lebeko (802/11) [2012] ZASCA 159* and *Road Accident Fund vs. Duma 202/2012 and three related cases (Health Professions Council of South Africa as Amicus Curiae) [2012] ZASCA 169* confirmed a number of important principles, first and foremost being that it is not for the court to determine whether the injury is serious.

Other important litigation being managed by RAF concerns the issue of ‘common law’ contingency fee agreements. The South Gauteng High Court on 11 February 2013 in the matter of *SAAPIL vs. the Minister of Justice and Constitutional Development and the Road Accident Fund* and the North Gauteng High Court on 13 February 2013 in the matter of *De la Guerre vs. Ronald Bobroff and Partners Inc, the Law Society of the Northern Provinces and the RAF* declared so-called ‘common law’ contingency fee agreements that do not comply with the Contingency Fees Act, 1997 (Act. No. 66 of 1997) invalid. Application for leave to appeal is being opposed by the RAF.

The 2012/13 financial year saw a conscious improvement in customer-centricity, with initiatives such as the ‘RAF on the Road’ leading the push. RAF employees took to the road to bring the organisation’s core service offering directly to disadvantaged communities across the country. This involves educating customers about the RAF and assisting them to lodge claims directly with the organisation, checking the status of existing claims, making settlement offers, issuing medical undertakings certificates and settling funeral cost claims. At the last 2012/13 ‘RAF on the Road’ campaign in Mthatha, direct claims worth more than R18.6 million were settled in a single day with the highest claimant (a 57-year-old former schoolteacher left paralysed in a taxi accident) receiving R3.9 million. By the end of March 2013, 15 communities and more than 8,000 claimants had been serviced and settlement offers to the value of R102 million were made at these outreach campaigns.

The Fund used numerous platforms to bridge the gap between the organisation and its claimants by meeting the faces behind claim files and families who have been affected by motor vehicle accidents – more specifically, vulnerable road user groupings, such as pedestrians, cyclists, runners, public transport users, etc. These activities include participation in major sporting and cultural events, such as the Comrades Marathon, the Old Mutual Two Oceans Marathon, the Cape Argus Cycle Tour, visits to taxi ranks, mall activations, roadblocks, and many others.

These activities have also contributed to the RAF’s endeavours to promote road safety in support of the United Nation’s Decade of Road Safety 2011–2020 and our Shareholder’s efforts to reduce the endless carnage on our roads.

The RAF intensified its Patient Outreach Programme (“POP”), which provides care to road accident victims who have suffered permanent injuries and require medical attention for life. This programme provides, among other services, regular home visits to assess victims’ needs, caregivers for quadriplegic and paraplegic accident victims, home renovations to accommodate victims and wheelchairs, prostheses and other necessities.

During the 2012/13 financial year, the organisation embarked on the expansion of its geographic footprint, which will see an RAF office located in every province. A Nelspruit office was established and is fully operational. In the next financial year, offices will be established in the North West, Northern Cape, Limpopo and Free State provinces.

A great deal of work went into enhancing the Fund’s claims processing capability and overall performance. Some of the noteworthy outputs associated with this work are listed below:

- Streamlined business processes were designed, documented and implemented;
- Dynamic leadership platforms such as the Change Champions Network, Talent Forums and Leadership Meetings were established;

- A new organisational structure was designed and implemented;
- Quicker turnaround times for the settling of claims was recorded;
- The average number of capital (or compensation) payments and finalisations per claims handler improved;
- A standard operating procedure for the management of writs of execution was developed and implemented, with the early results already showing marked improvement in fruitless and wasteful expenditure;
- A fully fledged customer service centre was implemented in Nelspruit as a blueprint for optimal direct claim processing;
- A full review of all claim files was undertaken and the staging of all open claims is now known;
- Additional resources were allocated to the Procurement Unit and contract and bid templates were developed to ensure efficient tender processes;
- Positive media relationships were fostered, and a successful media briefing took place in September 2012;
- Social media was successfully deployed and the Fund now has popular Twitter and Facebook handles and pages;
- Various regulations to the RAF Act were published, providing for improved performance and better service to claimants;
- Recruitment processes were reviewed, enabling the Fund to make over 200 appointments in the year under review;
- Compliance with existing policies and procedures was appraised and the outcomes acted upon;
- Performance management received a great deal of attention throughout the year, with positive performance officially being recognised and sub-optimal performance being managed swiftly and firmly;
- The Fund's risk management methodology and systems were reviewed, evaluated and changed successfully;
- Over 40 internal audit findings in relation to control weaknesses and deficiencies were resolved;
- Reporting at a strategic and operational level was inculcated and has seen the Fund move rapidly towards implementing an automated business intelligence tool; and
- In 2011/12, the Fund achieved 53% of its Annual Performance Plan targets. Impressively, in the 2012/13 financial year, the Fund achieved 86%.

Not limited to the confines of our borders, the RAF has now signed a multilateral agreement with three Motor Vehicle Accident Funds (Botswana, Swaziland and Namibia) in the Southern African Development Community ("SADC") region with the objective of formalising relationships and enabling efficient cross-border claims processing.

The RAF is committed to improving capacity, introducing cost-efficient and cost-effective measures and ultimately reducing the claims backlog. The Fund and its employees recognise that great effort will need to continue being assigned to the fulfillment of the strategic objectives, if the Fund is to succeed in fulfilling its mandate.

Challenges

As has been the case in prior years, the Fund faced a significant assortment of challenges – including internal and external challenges as a result of the operating environment. In all instances, the team ensured that the challenges were identified, assessed and mitigated in a manner which would protect the Fund from operational, financial and reputational damage. Regular and transparent reporting on all challenges took place in order to ensure that the Board of Directors was always able to discharge its duty of care effectively. Challenges were also communicated to the DoT and the Minister and the Portfolio Committee on Transport ("PCOT").

The key challenges faced during the course of the financial year and the responses to each are summarised below:

- The number of claims where compensation and legal cost payments were still required
 - The Fund responded to this challenge by enhancing activity and performance, assessing the effectiveness of current business processes and enhancing claims processing capacity. In the short term, it will appear that claims awaiting legal cost payments increased, because of the heightened processing of compensation payments. Structured block settlements with plaintiff attorneys were held in an effort to see more claims finalised and management of the RAF's panel of attorneys was enhanced;
- The growing liability for claims incurred
 - Management responded by improving claims processing and finalisation, curtailing the re-opening of claims previously classified as finalised and introducing quarterly actuarial appraisals by both the Statutory Actuary and independent actuaries;

- The large amounts of money spent on legal costs
 - It is untenable that 25% of total payments (an improvement on 29% in the prior year) is spent on legal fees. Worse still, is the fact that the average legal fees per claim payment exceed the average compensation payment (i.e. R69,000 versus R66,000). Management implemented new processes in the claims environment. Whilst it is noted that 90% of claims are represented by attorneys and are subjected to a litigious finalisation process, the team considered solutions in the year under review. A new Panel of Attorney contract was developed with improved service level provisions and a clearer set of remedial actions which the Fund could apply where performance by its Panel was sub-optimal. By means of Litigation units established in each of the regional offices, the Fund maintained its presence in courts where matters were being heard and enhanced the management of the current Panel of Attorneys; and
- The settlement of direct claims
 - Direct claims are those claims where claimants elect to claim directly from the Fund, without the use of any legal services. The Fund's marketing of direct claiming has yielded great demand and capacity has been enhanced in this regard. However, in the year under review, the processing of direct claims was sub-optimal. Direct claiming is a strategic imperative and the Fund cannot see direct claimants subjected to slow claims processing. In response, the Fund documented new business processes for direct claims processing, increased the capacity of the direct claims teams and enhanced management oversight.

Strategic Focus

Moving into the next financial year, attention will be placed on the identification of funding mechanisms, which are related to the benefits provided by the Fund, clarifying what benefits are available to claimants and determining who may claim for compensation. This is necessary to ensure that the RAF and the commitment of government to support and compensate victims of road accidents remain sustainable.

The publication of the RABS Bill and the inherent proposal to move to a no-fault benefit scheme is welcomed, as this will best meet the needs of the South African public by providing a reasonable, equitable, affordable and sustainable scheme that focuses on medical requirements and rehabilitation.

In light of the profound negative impacts that victims of road traffic accidents suffer from a health, vocational and social perspective, they not only require but deserve to have their claims against the Fund assessed and finalised in a speedy and efficient manner.

The RAF's Strategy, as approved by the Board of Directors, is anchored on the following four main pillars:

- A legislative dispensation that is aligned to principles of social security;
- A solvent, liquid and sustainable RAF by 2017;
- A customer-centric, operationally effective and efficient RAF by 2017; and
- A transformed and capacitated RAF by 2017.

All efforts will go into ensuring that these strategic pillars are fulfilled.

The RAF will continue to provide support to the DoT in respect of the process to enact legislation aligned to the RABS Bill, as well as government's CSSS plans.

The Fund will focus on financial sustainability and will seek feasible options to adequately capitalise the organisation. Furthermore, the organisation will also commence with the process of developing strategies for reducing legal and operating costs through internal cost management initiatives, regulatory changes and more efficient litigation management.

Operational interventions will be introduced and completed in order to provide a seamless and appropriate customer experience. The Fund will implement measures to address legal costs and the backlog by restructuring its current claims administration processes. In addition, our national footprint will be expanded to ensure that the total experience for the customer is accessible, available and of a consistently high standard.

The Board and employees of the RAF are committed to successfully executing the mandate of the RAF, operating at improved efficiency levels, implementing Ministerial priorities and ensuring that the RAF contributes meaningfully to the improvement of the lives of people who have been adversely affected by motor vehicle accidents.

There is still work to be done, but we can safely say that the RAF has been successful in ensuring that 2012 was truly 'The Year of the Customer'. We have no doubt that with the support of our Shareholder and other stakeholders, 2013 will be 'Our Year to Shine'.

Acknowledgements

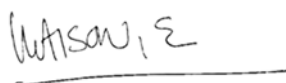
I wish to express a heartfelt word of thanks to the Minister of Transport, Mr Dikobe Ben Martins, and the Deputy Minister, Ms Sindisiwe Chikunga, for their ongoing assistance in seeking solutions to the challenges faced by the RAF during the period under review; as well as the outgoing Director-General, Mr George Mahlalela, and the officials at the DoT.

Our gratitude is also extended to the Chairperson and members of the PCOT for the candid guidance provided throughout the year.

I extend a warm message of thanks to the Chairman, Vice-Chairman and the Directors of the Board of the RAF for the unfettered guidance, leadership, enthusiasm and dedication they have exemplified throughout the year under review.

A word of appreciation also goes to the RAF Executives and staff for their continued support, loyalty and diligence. In 2012 the team showed that it will not cower in the face of challenge, that it will do the work which is required to ensure that the Fund delivers unprecedented operational outputs and that the key focus must be on ensuring that the Fund's mandate is delivered EXCELLENTLY!

In conclusion, we recognise those who have lost their lives, been injured or who have lost a loved one in a motor vehicle accident in the financial year under review. Our responsibility going forward is to excellently address the suffering which has arisen and continues to result from motor vehicle accidents.



Dr Eugene Watson

Chief Executive Officer

Date: 31 July 2013

2.3 Board and Executive Profiles

2.3.1 Board Profiles



Dr NM Bhengu (Chairperson of the Board)

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:

MBChB (University of Natal), Diploma in Anaesthetics (College of Medicine of South Africa), MBA (Wales University, Cardiff), Master of Public Health, Healthcare Management (Harvard University)

Major Directorships Held:

Nestlé South Africa (Pty) Ltd, SA Nuclear Energy Corporation SOC Ltd ("Necsa")

Current Employment:

Clinix Health Group



Mr V Mahlangu (Vice-Chairperson of the Board)

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:

Diploma in Public Relations (Damelin), National Certificate in Business Administration (Technikon SA), Small Business Development Programme (Unisa), Certificate in Public Sector Governance (Unisa), Certificate in Management Studies (MANCOSA), MBA (General) (MANCOSA)

Major Directorships Held:

None

Current Employment:

Match Commissioner: Confederation of African Football ("CAF")



Mr JN Masekoameng

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:

BCom (University of the Witwatersrand (Wits)), Higher Diploma in Tax Law (University of Johannesburg), Certificate in Labour Law (Unisa), MBL (Unisa School of Business Leadership)

Major Directorships Held:

Ditsebi Solutions

Current Employment:

Chief Executive Officer: Ditsebi Solutions



Mr T Moyo

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:

BCom (Accounting) University of Lesotho; Roma; Lesotho, Post-graduate Diploma in Strategic Management (Baruch College City University of New York), MBA (Finance) (Cardiff Business School, Wales University), Risk Management (University of Stellenbosch), Graduate Diploma in Company Direction (Graduate Institute of Management), Executive Development Programme (Harvard Business School), Institute of Risk Management South Africa

Major Directorships Held:

Orion SA (Pty) Ltd, Yokoyo Investments (Pty) Ltd, Alpha Tours Africa (Pty) Ltd, Innovida SA Dubai (Pty) Ltd, Innovida South Africa (Pty) Ltd, Push Umlozi (Pty) Ltd

Current Employment:

Chairperson and Chief Executive Officer: Yokoyo Investments (Pty) Ltd, Innovida South Africa (Pty) Ltd and Alpha Tours Africa (Pty) Ltd



Adv. DS Qocha

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:

BA (Law) (National University of Lesotho), LLB (National University of Lesotho), Strategic Leadership Programme (GIBS), Broadcasting Policy and Regulation (LINK Centre, Wits), Telecoms Policy Regulation and Management (LINK Centre, Wits) and General Intellectual Property Course (WIPO)

Major Directorships Held:

None

Current Employment:

Deputy Executive Director: National Association of Broadcasters ("NAB")



Ms NZ Qunta

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:

BAdmin (University of Zululand), BCom (Hons) (University of Pretoria), MCom (Economics) (University of Pretoria), MBA (University of Oxford Brookes, UK) and Corporate Governance Certificate (Unisa)

Major Directorships Held:

Mintek, KwaZulu-Natal Tourism Authority

Current Employment:

Chief Executive Officer: ZBQ Consulting



Adv. MJ Ralefatane

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:

BProc (UNIN), LLB (UNIN), LLM (Labour Law) (RAU), Certificate in Labour Relations (University of Pretoria) and Certificate in Human Rights (University of Pretoria)

Major Directorships Held:

None

Current Employment:

MJ Ralefatane & Associates CC



Mr DK Smith

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:

BSc (University of Stellenbosch) FASSA, International Senior Management Programme (Harvard Business School)

Major Directorships Held:

Sanlam Ltd, Mediclinic International Ltd, and Reinsurance Group of America (SA)

Current Employment:

Director of Companies



Ms A Steyn

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:

BSc (Physio) (University of Stellenbosch)

Major Directorships Held:

None

Current Employment:

Private Practitioner



Mr LED Hlatshwayo

Date of Appointment as Non-Executive Director: 1 October 2011

Qualifications:

BCom (University of Zululand), BCompt (Unisa), BCompt/CTA (Hons) (Unisa), CA (SA), MBA (Potchefstroom University)

Major Directorships Held:

Central Energy Fund

Current Employment:

Chief Investment Officer: Jobs Fund, Development Bank of Southern Africa



Mr T Tenza

Date of Appointment as Director-General's Representative on the Board: 1 January 2010

Qualifications:

Secondary Teachers Diploma (Indumiso College), BCom (Unisa), BCom (Hons) (Unisa), Master of Arts in Applied Economics (University of Michigan, USA), Executive Development Programme, (Vaal University of Technology)

Major Directorships Held:

None

Current Employment:

Chief Director: Research and Innovation (DoT)

2.3.2 Executive Profiles



Dr EA Watson

Position: Chief Executive Officer (from 1 July 2012)

Qualifications:

MBChB (Wits)

Major Directorships Held:

None



Mr A Gernandt

Position: Chief Operations Officer

Qualifications:

BCom (Accounting) (University of Pretoria), BCom (Hons) CTA (University of Pretoria), CA (SA), Executive Leadership Programme Certificate (Unisa), Executive Development Programme (GIBS)

Major Directorships Held:

None



Ms LJ Fosu

Position: Chief Financial Officer

Qualifications:

BCom (Accounting) (University of the North), Post-graduate Diploma in Management (Financial Accounting) (University of Cape Town), BCom (Hons), CTA (Unisa), CA (SA)

Major Directorships Held:

Limpopo Corridor Mining Resources (Pty) Ltd



Mr DJ Hlabangane

Position: Executive: Human Capital (from 1 April 2012 to 15 August 2012)

Qualifications:

BAdmin (University of the North), Employee Relations Diploma (Wits Business School), Executive Development Programme (GIBS)

Major Directorships Held:

None



Mr RHS Matabane

Position: Executive: Human Capital (from 1 September 2012 to date)

Qualifications:

BA (Unisa), Management Advancement Programme (Wits), Diploma in Labour Law (Graduate Institute of Management and Technology), Graduate Diploma in Company Direction (Graduate Institute of Management and Technology), Management Development Programme (GIBS), Executive Development Programme (University of Stellenbosch Business School)

Major Directorships Held:

Special Investigating Unit ("SIU")



Mr SS Ramessur

Position: Chief Information Officer (from 1 April 2012 to 6 March 2013)

Qualifications:

BSc Computer Science (University of Natal), Certificate in Accounting (Heriott Watt), Certificate in Strategic Information Systems Planning (Heriott Watt), Executive Development Programme (GIBS)

Major Directorships Held:

None



Ms LM Steele

Position: Executive: Legal and Compliance (from 1 April 2012 to 31 December 2012)

Qualifications:

BA LLB (Wits)

Major Directorships Held:

None



Ms NA Jafta

Position: Executive: Marketing and Communications

Qualifications:

BA (Communications) (University of Fort Hare), Psychology (Hons) (University of Fort Hare), Management Advanced Programme (Wits Business School), Advanced Diploma in Marketing (IMM) (dissertation pending), Effective Leadership Programme (Wharton University)

Major Directorships Held:

None

**Mr MI Mvelase**

Position: Executive: Customer Service Network (from 1 July 2012 to 10 October 2012)
Chief Strategy Officer (from 11 October 2012)

Qualifications:

Bachelor of Law (University of Zululand), Post-graduate Diploma in Marketing (Unisa),
Diploma in Financial Management (Damelin)

Major Directorships Held:

None

**Mr A Ramavhunga**

Position: Acting Executive: Customer Service Network (from 19 October 2011 to
30 June 2012)

Qualifications:

BSc (Mathematics and Computer Science) (Wits), BSc (Hons) (Computer Science) (Wits),
MBA (GIBS)

Major Directorships Held:

None

**Ms EL Janse van Rensburg**

Position: Acting Executive: Benefit Administration Unit (from 30 January 2012 to
31 October 2012)

Qualifications:

BProc (University of Pretoria)

Major Directorships Held:

None

2.4 Corporate Governance

2.4.1 Introduction

Good governance, according to King III, rests on the four fundamental principles of fairness, accountability, responsibility and transparency. Fairness means that the interests of all stakeholders must be taken into account. Within the context of the RAF, 'stakeholders' are defined as persons, groups or organisations that have a direct stake in our business because they can affect or be affected by our activities, objectives and policies. Accountability refers to the ability of a Board to explain and justify its actions, while responsibility refers to the obligation of the Board to take good care of the assets, investments and interests of the stakeholders. Transparency implies disclosure of the organisation's financial, risk, social and environmental performance.

The philosophy underlying King III is concerned with three principles:

- Effective leadership characterised by the four fundamental principles, as well as the concept of Ubuntu, a South African concept that includes mutual support and respect, interdependence, unity, collective work and responsibility;
- Sustainability, which implies conducting an entity's operations in such a manner that existing needs are met while taking into consideration the impact of its operations on future generations. An entity is expected to be a responsible citizen that must, in an integrated manner, take social, environmental and economic issues into consideration when formulating strategy, risk and performance. The entity must therefore not only report on sustainability, but its performance must be sustainable; and
- Corporate citizenship, based on the Constitution, which imposes responsibilities on individuals and corporate entities alike, to ensure that people can rely on the realisation of fundamental rights.

King III applies to all entities and not only listed companies, but acknowledges that it is almost impossible for one set of rules to apply equally to all the variants of corporate life. Accordingly, King III follows an 'apply or explain' approach where a Board may decide not to follow a principle in particular circumstances, yet still achieves standards of good corporate governance. The starting point for the Board, however, is always to ensure that legal requirements are met.

King III is a stakeholder-centric model which is based on the precept that, in taking the legitimate interests of stakeholders of the entity into consideration, the best interests of the entity are served. As such, success is defined in terms of the long-term positive impact on all stakeholders. Stakeholders, therefore, need to assess the sustainability of the entity, including aspects such as brand, goodwill, quality of management and risk management and whether sustainability issues have been taken into consideration. This report, accordingly, provides sufficient information for stakeholders to make informed decisions.

2.4.2 Board Structure

The Board of the RAF consists of 11 Non-Executive Directors, including a representative of the Department of Transport ("DoT"). The Road Accident Fund Act, 1996 (Act No. 56 of 1996) ("RAF Act") provides that the Minister of Transport, who exercises control over the RAF on behalf of the Government of the Republic of South Africa, appoints the Chairperson, Vice-Chairperson and Non-Executive Directors to the Board. The Minister also appoints the Chief Executive Officer ("CEO") on such terms and conditions as may be determined by the Board.

The standard term of a Non-Executive Director is three years. Non-Executive Directors are eligible for re-appointment for a further two terms. The Executive Management team is appointed by the CEO, after consultation with the Board. Executive Management is employed on the basis of a fixed-term contract. The maximum duration of fixed-term contracts is five years. The Board is required to meet as often as the business of the RAF requires, but at least four times a year.

Directors have unrestricted access to the advice and services of the Corporate Secretary. In addition, the Directors are entitled to obtain independent, professional advice at the RAF's expense, where they deem it necessary.

Directors receive ongoing training as they attend relevant courses throughout the year, as presented by various service providers including the Institute of Directors.

2.4.3 Composition of the Board

The current Board was appointed on a three-year term, which commenced on 1 October 2010. The Members of the Board, including their profiles, are presented under 2.3.1 above.

2.4.4 Powers and Functions of the Board

According to section 11 of the RAF Act:

- (1) "The Board shall, subject to the powers of the Minister, exercise overall authority and control over the financial position, operation and management of the Fund, and may, *inter alia*:
 - (a) Make recommendations to the Minister in respect of:
 - (i) The annual budget of the Fund;
 - (ii) Any amendment to this Act;
 - (iii) Entering into an agreement with any institution referred to in section 9;
 - (iv) (This sub-paragraph was deleted by section 4 of Act No. 19 of 2005 with effect from 31 July 2006);
 - (v) Any regulation to be made under this Act.
 - (b) Terminate the appointment of any agent and determine conditions on which such appointment is effected or terminated;
 - (c) Approve the appointment, determination of conditions of employment and dismissal by the Chief Executive Officer ("CEO") of staff of the Fund on management level;
 - (d) Approve internal rules and directions in respect of the management of the Fund;
 - (e) Approve loans made or given by the Fund;
 - (f) Approve donations for research in connection with any matter regarding injuries sustained in motor vehicle accidents;
 - (g) Determine guidelines in relation to the investment of the money of the Fund; and
 - (h) Delegate or assign to the Chief Executive Officer and any member of the staff of the Fund any power or duty of the Board as it may deem fit, but shall not be divested of any power or duty so delegated or assigned, and may amend or withdraw any decision made by virtue of such delegation or assignment.
- (2) The Board may report to the Minister of Transport as often as it deems necessary, but shall at least once during a financial year, or when requested by the Minister to do so, report to the Minister regarding matters dealt with during that year, or as requested by the Minister.
- (3) A quorum for any meeting of the Board shall be a majority of its voting members.
- (4) The Board shall meet as often as the business of the Fund may require.
- (5)
 - (a) The Members of the Board referred to in section 10(1)(a) shall be reimbursed by the Fund for all reasonable expenses incurred in attending meetings of the Board.
 - (b) Members of the Board shall be remunerated by the Fund for services rendered as such Members, and reimbursed for all reasonable expenses incurred in attending meetings of the Board, provided that the Chairperson of the Board may receive such higher remuneration than that of the other Members, as may be determined by the Board.
- (6)
 - (a) Resolutions of the Board shall, whenever practicable, be taken on the basis of consensus.
 - (b) If consensus cannot be reached and except where otherwise expressly provided, all matters before the Board shall be decided by a majority of the votes cast."

2.4.5 The Board: Duties and Responsibilities

The Board is governed by the RAF Corporate Charter, which details the roles, structures and functions of the Board, its various Board Sub-Committees, Chairs and CEO. The Board is responsible for determining the overall direction of the RAF. This is guided by a five-year Strategic Plan and Annual Performance Plan, which were submitted to the Executive Authority, the Minister of Transport, by the end of January 2012, as prescribed in terms of National Treasury Instruction Note No. 33. The Board is also responsible for formulating and implementing policies that are necessary to achieve the RAF's strategic goals and maintain good governance.

In line with King III, the Board is tasked with providing ethical leadership, managing the organisation's ethics effectively and ensuring that the entity is not only a responsible citizen, but is manifestly so. Corporate governance principles should be adhered

to while fully appreciating that strategy, risk, performance and sustainability are integrated. Broadly speaking, the Board is expected to act in the best interests of the entity.

The Board is responsible for ensuring that an effective and independent Audit Committee exists that must conduct risk-based internal audits. The Audit Committee must consist of independent Non-Executive Directors and the Chairman may not serve as the Chairman of the Board. The Board is also responsible for compliance by the entity with all laws and codes and the integrity of the sustainability report, based on the principles of transparency and accountability.

Issues that receive the Board's particular attention include IT governance, which should be aligned with the objectives of the RAF in terms of performance and sustainability. As part of the Board's responsibility for risk governance, the Board pre-determines the acceptable levels of risk and monitors that risks taken are within set parameters. The Audit and Risk Management Committee assists the Board in carrying out this function.

The Board is tasked with monitoring the efficiency and effectiveness of Management and renders support to Management in implementing the strategies and policies of the Board. The onus to provide effective, compliant corporate governance is collectively assumed by the Board.

The RAF reviews its processes and practices on an ongoing basis to:

- Ensure compliance with legal obligations;
- Ensure the maintenance of appropriate internal controls and risk management policies and practices;
- Ensure the use of RAF funds in an economical, efficient and effective manner;
- Ensure adherence to good corporate governance practices that are continually benchmarked; and
- Assess the impact of the RAF's operations on society, the economy and the environment.

The processes and practices are underpinned by the principles of transparency, integrity and accountability and an inclusive approach that recognises the importance of all stakeholders and of managing stakeholder relationships and perceptions to ensure the viability and sustainability of the RAF.



2.4.6 Committees of the Board

The Corporate Charter of the RAF outlines the functions of the Committees of the Board, including the composition, role and responsibilities, delegated authority and meeting requirements in respect of each of the Committees. The Board has established the following Committees: Audit Committee; Risk Management Committee; Operations Committee; Remuneration and Human Resources Committee; IT Committee and Chairperson's Committee (ad hoc). The Operations Committee replaced the Claims and Transformation Committees.



The Board retains full and effective control over the operations of the organisation and has delegated some of its powers to Committees, the CEO and Executive Management through a Delegation of Authority framework. The Delegation of Authority does not dilute the duties, responsibilities and accountability of the individual Directors and the Board as a whole.

2.4.6.1 Audit Committee

Audit Committee Members (Board)	Role
LED Hlatshwayo	Chairperson
T Moyo	Member
MJ Ralefetane	Member
JN Masekoameng	Member
NZ Qunta	Member
DK Smith	Member
T Tenza	(DG's representative)

In compliance with the Public Finance Management Act, 1999 (Act No. 1 of 1999) ("PFMA"), as well as the Treasury Regulations issued in terms of the PFMA, the Board, as the Accounting Authority, has established an Audit Committee. The Committee consists of six Non-Executive Directors and the Director-General's representative. The Chairperson is appointed by the Board and is an independent Non-Executive Director of the Board. The majority of current Audit Committee Members are deemed to be independent. The Chairperson of the Board is not eligible to chair the Audit Committee. The Audit Committee meets at least four times a year, but may meet more frequently when necessary. The Committee may invite the Chairperson of the Board, the CEO, the Chief Financial Officer, external auditors, Chief Audit Executive, or any other person, to attend meetings. The Committee meets with Internal Audit, the Auditor-General of South Africa or Management, at least quarterly to ensure that there are no unresolved issues of concern.

The Board has taken cognisance of the recommendations contained in King III that the Audit Committee should entirely consist of independent Non-Executive Directors, and possess a broader range of skills and experience collectively with regard to integrated reporting, internal controls, external and internal audit processes, corporate law, risk management, sustainability issues, IT governance and governance processes. The Members elected collectively represent the skills base required. Augmentation of skills takes place by means of ongoing training, presented by various institutions.

The Audit Committee Charter is reviewed annually and approved by the Board.

The overall objective of the Audit Committee is to assist the Board of the RAF in ensuring that Management has created and maintained effective risk management, and an effective internal control environment in the organisation, and that Management demonstrates and stimulates the necessary respect of the internal control and governance structures for the achievement of the objectives and goals of the organisation, as well as the management of risks to an acceptable level. The Audit Committee further accepts responsibility for the Integrated Annual Report.

The Committee satisfies itself of the level of expertise and resources of the Finance Department. The Chairman of the Audit Committee formed part of the interview panel to appoint the Chief Financial Officer ("CFO").

The Audit Committee Report, on page 146 of the Annual Financial Statements, provides a full description of its remit. The report includes commentary on internal financial controls, external audit, going concern, risk management, internal audit, sustainability reporting and the expertise of the CFO and the finance function.

2.4.6.2 Remuneration and Human Resources Committee

REMCO Members (Board)	Role
DS Qocha	Chairperson (as from 1 August 2012)
MJ Ralefatane	Member (Chairperson until 31 July 2012)
V Mahlangu	Member
T Moyo	Member
NZ Qunta	Member
A Steyn	Member
T Tenza	DG's representative

The Remuneration and Human Resources Committee ("REMCO") consists of six Non-Executive Directors and the Director-General's representative. The CEO is an *ex officio* member of the Committee. The Chairperson is appointed by the Board and is an independent Non-Executive Director. The Committee meets twice a year, or as often as necessary.

REMCO is responsible for developing and implementing a competitive Human Capital ("HC") Strategy to ensure that the RAF is able to attract, retain and develop the best possible talent to support superior business performance. The objective is to create an organisational culture, structure and processes to support the development of people and the optimisation of their potential. The HC Strategy forms part of the strategic plan and REMCO is responsible for enforcing, monitoring and auditing development and progress.

The functions of REMCO include, but are not limited to, the following:

- Overseeing the setting and administration of remuneration at all levels in the RAF;
- Ensuring that there is a Remuneration Policy in place, which promotes the achievement of the RAF’s strategic objectives and encourages individual performance;
- Reviewing the outcome of the implementation of the Remuneration Policy to ensure that the set objectives are being achieved;
- Ensuring that a mix of fixed and variable pay meets the RAF’s needs and strategic objectives;
- Satisfying itself as to the accuracy of recorded performance measures that govern the vesting of incentives;
- Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- Considering the results of the performance evaluation of the CEO and Executives in determining remuneration;
- Selecting an appropriate comparative group when comparing remuneration levels;
- Developing appropriate HR Policies for the RAF;
- Monitoring the implementation of the RAF’s HC Strategy, Employment Equity (“EE”) Policy and Skills Development Plan; and
- Overseeing the preparation and recommending to the Board the Remuneration Report, to be included in the Integrated Report, with specific reference to accuracy, completeness and transparency. The Committee is required to ensure that the report provides a clear explanation of how the Remuneration Policy has been implemented.

2.4.6.3 Transformation Committee

Transformation Committee Members (Board)	Role
JN Masekoameng	Chairperson
V Mahlangu	Member
T Moyo	Member
LED Hlatshwayo	Member
NZ Qunta	Member
DK Smith	Member
T Tenza	DG’s representative

The Transformation and Claims Committees were amalgamated on 26 July 2012 and replaced by the Operations Committee.

The Transformation Committee consisted of six Non-Executive Directors and the Director-General’s representative. The CEO was an *ex officio* member of the Committee. The Chairperson was appointed by the Board and was an independent Non-Executive Director. The Committee meets twice a year, or as often as necessary. Executives attended meetings of the Transformation Committee as and when required.

The functions of this Committee included, but were not limited to, the following:

- Providing strategic direction and overseeing the implementation of the New Operating Model (“NOM”) as provided for in the RAF’s organisational blueprint (“the diagnostic”);
- Oversight of the implementation of change-management interventions;
- Financial monitoring of all transformation activities;
- Monitoring and evaluation of the implementation progress and effectiveness of the NOM in achieving organisational strategic objectives;
- Any other efforts that support transformation;
- Performing an ongoing cost-benefit analysis in order to ensure a return on investment in the NOM; and
- Providing assistance to the CEO in devising strategies that will ensure efficient and cost-effective service delivery and streamlining of activities under the NOM.

2.4.6.4 Claims Committee

Claims Committee Members (Board)	Role
DK Smith	Chairperson
V Mahlangu	Member
JN Masekoameng	Member
DS Qocha	Member
A Steyn	Member
T Tenza	DG's representative

The Transformation and Claims Committees were amalgamated on 26 July 2012 and replaced by the Operations Committee. The Claims Committee consisted of five Non-Executive Directors and the Director-General's representative. The CEO was an *ex officio* member of the Committee. The Chairperson was appointed by the Board and was an independent Non-Executive Director. The Committee meets four times a year, or as often as necessary. The Chief Operations Officer ("COO") and other Executives attended meetings of the Claims Committee as and when required.

The functions of the Committee included, but were not limited to, the following:

- The setting up of appropriate policies and procedures relating to all aspects of claims administration;
- Approving strategies relating to the streamlining of activities in the claims operations environment and improvement of service delivery;
- Monitoring the performance of the claims operations of the RAF;
- Monitoring settlement of claims in excess of R5 million;
- Recommending the valuation of the outstanding claims liability to the Board for approval; and
- Overseeing the legislative amendments pertaining to the RAF Act.

2.4.6.5 Operations Committee

Operations Committee Members (Board)	Role
JN Masekoameng	Chairperson
V Mahlangu	Member
DK Smith	Member
A Steyn	Member
DS Qocha	Member
T Tenza	DG's representative

The Operations Committee consists of five Non-Executive Directors and the Director-General's representative. The CEO is an *ex officio* member of the Committee. The Chairperson is appointed by the Board and is an independent Non-Executive Director. The Committee meets twice a year, or as often as necessary. The COO and other Executives attend meetings of the Operations Committee as and when required.

The functions of this Committee include, but are not limited to, the following:

- The setting up of appropriate policies and procedures relating to all aspects of claims administration;
- Approving strategies relating to the streamlining of activities in the claims operations environment and improvement of service delivery;
- Monitoring the performance of the claims operations of the RAF;

- Monitoring settlement of claims in excess of R20 million; and
- Overseeing legislative amendments pertaining to the RAF Act.

2.4.6.6 Risk Management and Ethics Committee

Risk Management and Ethics Committee Members (Board)	Role
T Moyo	Chairperson
JN Masekoameng	Member
DS Qocha	Member
A Steyn	Member
MJ Ralefatane	Member
LED Hlatshwayo	Member
T Tenza	DG's representative

The Board of the RAF has an established Risk Management and Ethics Committee in compliance with the PFMA, as well as the Treasury Regulations issued in terms of the PFMA. The Committee consists of six Non-Executive Directors appointed by the Board and the Director-General's representative. The Chairperson is an independent Non-Executive Director of the Board. The CEO is an *ex officio* member of the Committee. The Committee Chairperson has the requisite business, financial and leadership skills. This Committee meets at least twice a year, but may meet more frequently when necessary. The Committee may invite the Chairperson of the Board, the CFO, or any other person to attend meetings.

Risk management remains an integral part of RAF operations. The Risk Management and Ethics Committee is satisfied that during the 2013 financial year, the risks were managed adequately by the Board and that sufficient monitoring, reporting and controls exist to ensure that risks are effectively managed.

The roles and responsibilities of the Risk Management and Ethics Committee include:

- Ensuring that the RAF has implemented an effective policy and plan for risk management that will enhance the RAF's ability to achieve its strategic objectives;
- Ensuring that disclosure regarding risk is comprehensive, timely and relevant;
- Overseeing the development and annual review of a policy and plan for risk management to recommend to the Board for approval;
- Monitoring implementation of the Risk Management Policy and Plan by means of risk management systems and processes;
- Ensuring that the Risk Management Plan is widely disseminated throughout the organisation and integrated in the day-to-day activities of the RAF;
- Monitoring the quality, integrity and reliability of the organisation's Risk Management Framework;
- Reviewing and assessing that the integrity of risk control systems and strategies are in place and are effectively managed;
- Making recommendations to the Board concerning the levels of tolerance and appetite, as approved by the Board;
- Ensuring that risk management assessments are performed on a continuous basis;
- Ensuring that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensuring that Management considers and implements appropriate risk responses;
- Ensuring that continuous risk monitoring by Management takes place; and
- Monitoring external developments relating to the practice of corporate risk accountability and the reporting of specifically associated risks, including emerging external risk trends and their impact on the RAF.

In line with King III, the Risk and Ethics Committee reviews its mandate on a regular basis to ensure its responsibilities are adequately addressed.

The Committee ensures that its processes assist Management to consider all risk areas in any decisions or recommendations made to the Board, and ensures that subsequent risks that may arise from time to time are considered and reviewed. In addition, the Committee:

- Reviews the reinsurance protection of the RAF, including type of cover, limits and deductibles, and ensures that the Board is apprised of uninsured and uninsurable risks;
- Together with the RAF's Legal and Compliance Services, reviews any legal matters that could have a significant impact on the organisation's business and monitors the decision-making processes within the RAF;
- Reviews information to be provided in the Integrated Annual Report of the organisation related to risk management and makes recommendations to the Board to ensure that the disclosure regarding risk is comprehensive, timely and relevant;
- In carrying out its responsibilities under these terms of reference and via the co-ordinating official, is authorised to investigate any activity within its terms of reference and may, as and when required, obtain independent professional and legal advice, or appoint any advisers or consultants to assist in executing its duties;
- Ensures that all decisions support and promote the RAF's Risk Management Strategy;
- Conducts a self-assessment of its performance and effectiveness at least once a year and evaluates the performance of the Chief Strategy Officer;
- Liaises closely with the Audit Committee to exchange information relevant to risk;
- Provides a formal opinion to the Board on the effectiveness of the risk management system and processes; and
- Reviews reporting pertaining to risk management to be included in the Integrated Annual Report with regard to relevance, comprehensiveness and timeliness.

A Risk Management Policy and Risk Management Framework have been approved and are supported by strong risk management methodologies overseen by the Risk Management Committee. The Chief Strategy Officer oversees the operational aspects of risk management within the RAF.

On an annual basis, the Board undertakes a risk assessment whereby the top risks of the organisation are identified. A full Risk Strategy is then developed to address the identified risks. The top six risks identified by the Board are as follows:

- Financial management;
- People management;
- Fraud and corruption;
- Regulatory framework;
- Service delivery; and
- Stakeholder pressure.

Details on these risks and the systems put in place by the RAF to manage the risks are disclosed in Section 3 of this report.

2.4.6.7 Chairperson's Committee

The Chairperson's Committee is an ad hoc Committee that meets as and when required by the Board to deal, among other issues, with matters of emergency that cannot be dealt with through special Board meetings. Three meetings were held during the year under review.

Chairperson's Committee Members (Board)	Role
NM Bhengu	Chairperson
V Mahlangu	Vice-Chairperson
LED Hlatshwayo	Chairperson – Audit Committee
DS Qocha	Chairperson – Remuneration and Human Resources Committee
T Moyo	Chairperson – Risk Management Committee
JN Masekoameng	Chairperson – Operations Committee
NZ Qunta	Chairperson – IT Committee

2.4.6.8 IT Committee

IT Committee Members (Board)	Role
NZ Qunta	Chairperson
V Mahlangu	Member
T Moyo	Member
LED Hlatshwayo	Member
T Tenza	DG's representative

The Board of the RAF established an Information Technology ("IT") Committee on 26 July 2012. This Committee consists of four Non-Executive Directors and the Director-General's representative. The CEO is an *ex officio* member of the Committee. The Chairperson is appointed by the Board and is an independent Non-Executive Director. The Committee meets four times a year, or as often as necessary. Executives attend meetings of the Information Technology Committee as and when required.

The functions of this Committee include, but are not limited to, the following:

- Overseeing the cultivation and promotion of an ethical IT governance and management culture and awareness (measured through levels of governance, management skills and competencies) and of a common IT language;
- Providing the required leadership and direction to ensure that the RAF's IT function and infrastructure achieves, sustains and enhances the RAF's strategic objectives. IT governance should not be regarded as an isolated discipline, but as an integral part of overall corporate governance;
- Focusing on the governance of information as well as the governance of technology;
- Ensuring that an IT internal control framework is adopted and implemented and that the Board receives independent assurance thereof;
- Taking the necessary steps to ensure that there are processes in place to ensure complete, timely, relevant and accessible IT reporting, firstly from Management to the Committee, and secondly by the Board in the Integrated Annual Report;
- Ensuring that IT is aligned with the performance and sustainability objectives of the RAF;
- Delegating to Management the responsibility for the implementation of an IT governance framework;
- Monitoring and evaluating significant IT investments and expenditure;
- Ensuring that IT forms an integral part of the RAF's risk management;
- Ensuring that information assets are managed effectively; and
- Ensuring that the Risk Management and Ethics Committee, as well as the Audit Committee, assist the Board in carrying out its IT responsibilities.



2.4.7 Attendance of Meetings

Board Attendance

Board Members	26 April 2012	27 July 2012	27 August 2012	13 September 2012	29 October 2012	28 November 2012	29 January 2013	Total of 7
NM Bhengu	✓	✓	✓	✓	✓	✓	✓	7
V Mahlangu	✓	✓	✓	✓	✓	✓	✓	7
JN Masekoameng	✓	✓	✓	✓	✓	✓	✓	7
T Moyo	✓	✓	✓	✓	✗	✓	✓	6
DS Qocha	✓	✓	✓	✗	✓	✓	✓	6
NZ Qunta	✓	✓	✓	✓	✓	✓	✓	7
MJ Ralefatane	✓	✓	✓	✗	✓	✗	✓	5
DK Smith	✓	✗	✓	✗	✓	✓	✓	5
A Steyn	✓	✓	✓	✓	✓	✓	✓	7
LED Hlatshwayo	✓	✓	✓	✓	✓	✓	✓	7
T Tenza	✓	✓	✓	✗	✓	✓	✓	6
CEO (<i>Ex officio</i>)	✓	✓	✓	✓	✓	✓	✓	7

Board Attendance of Preparation and Special Meetings

Board Members	23 May 2012 (pre)	24 May 2012	6 July 2012	26 July 2012 (pre)	15 March 2013	Total of 5
NM Bhengu	✓	✗	✓	✓	✓	4
V Mahlangu	✓	✓	✓	✓	✓	5
JN Masekoameng	✓	✓	✓	✓	✓	5
T Moyo	✓	✓	✓	✓	✓	5
DS Qocha	✗	✓	✓	✓	✓	4
NZ Qunta	✓	✓	✓	✓	✓	5
MJ Ralefatane	✓	✗	✓	✓	✓	4
DK Smith	✗	✗	✓	✓	✗	2
A Steyn	✓	✓	✓	✓	✗	4
LED Hlatshwayo	✓	✓	✓	✓	✓	5
T Tenza	✗	✓	✓	✓	✓	4
CEO (<i>Ex officio</i>)	n/a	✓	n/a	✓	✓	3

* Apologies were tendered for meetings not attended.

* n/a – Not a member at the time of the specific meeting.

Audit Committee Attendance

Audit Committee Members	26 April 2012	24 May 2012	27 July 2012	25 October 2012	25 January 2013	Total of 5
LED Hlatshwayo (Chairperson)	✓	✓	✓	✓	✓	5
T Moyo	✓	✓	✓	✓	✓	5
MJ Ralefetane	✓	✗	✓	✗	✗	2
JN Masekoameng	✓	✓	✓	✓	✓	5
NZ Qunta	✓	✓	✓	✓	✓	5
DS Qocha (Until 26 July 2012)	✗	✓	n/a	n/a	n/a	1
DK Smith	✓	✗	✓	✓	✓	4
T Tenza (DG's representative)	✓	✓	✗	✗	✗	2
CEO (<i>Ex officio</i>)	✓	✓	✓	✓	✓	5

Remuneration and Human Resources Committee Attendance

REMCO Members	24 April 2012	27 June 2012	18 July 2012	26 July 2012	22 August 2012	26 September 2012	29 October 2012	14 February 2013	Total of 8
NZ Qunta (As from 26 July 2012)	n/a	✓	✓	✗	✗	✓	✓	✗	4
MJ Ralefetane (Chairman until 31 July 2012)	✓	✓	✓	✗	✗	✓	✓	✓	6
DS Qocha (Chairman as of 1 August 2012)	✗	✓	✓	✓	✓	✓	✓	✓	7
T Moyo	✓	✓	✓	✓	✓	✓	✓	✓	8
V Mahlangu	✓	✓	✓	✓	✓	✓	✓	✓	8
A Steyn	✓	✓	✗	✓	✓	✓	✓	✓	7
T Tenza (DG's Representative)	✓	✗	✗	✗	✗	✓	✗	✗	2
CEO (<i>Ex officio</i>)	✓	✓	✓	✓	✓	✓	✓	✓	8

Transformation Committee Attendance

Transcom Members	19 April 2012	Total of 1
JN Masekoameng	✓	1
V Mahlangu	✓	1
T Moyo	✓	1
LED Hlatshwayo	✓	1
NZ Qunta	✓	1
DK Smith	✗	0
T Tenza (DG's Representative)	✓	1
CEO (<i>Ex officio</i>)	✓	1

* Apologies were tendered for meetings not attended.

* n/a – Not a member at the time of the specific meeting.

Claims Committee Attendance

Claims Committee Members	8 June 2012	Total of 1
DK Smith (Chairperson)	✓	1
V Mahlangu	✓	1
JN Masekoameng	✓	1
DS Qocha	✓	1
A Steyn	✓	1
T Tenza (DG's representative)	✓	1
CEO (<i>Ex officio</i>)	✓	1

Operations Committee Attendance

Operations Committee Members	7 November 2012	26 February 2013	Total of 2
JN Masekoameng	✓	✓	2
V Mahlangu	✓	✓	2
DK Smith	✓	✓	2
A Steyn	✓	✓	2
DS Qocha	✗	✓	1
T Tenza (DG's Representative)	✓	✗	1
CEO (<i>Ex officio</i>)	✓	✓	2

Risk Management and Ethics Committee Attendance

Risk Management and Ethics Committee Members	14 June 2012	27 September 2012	18 January 2013	19 March 2013	Total of 4
T Moyo	✓	✓	✓	✓	4
J Masekoameng	✓	✓	✓	✓	4
DS Qocha	✓	✓	✗	✓	3
A Steyn	✓	✓	✓	✓	4
MJ Ralefatane	✓	✓	✗	✓	3
LED Hlatshwayo	✓	✓	✓	✗	3
T Tenza (DG's representative)	✓	✓	✗	✓	3
CEO (<i>Ex officio</i>)	✓	✓	✓	✓	4

* Apologies were rendered for meetings not attended.

* n/a – Not a member at the time of the specific meeting.

Chairperson's Committee Attendance

Chairpersons' Committee Members	12 September 2012	24 October 2012	28 January 2013	Total of 3
Dr NM Bhengu	✓	✓	✓	3
V Mahlangu	✓	✓	✓	3
LED Hlatshwayo	✓	✓	✓	3
JN Masekoameng	✓	✓	✓	3
T Moyo	✓	✓	✓	3
Adv DS Qocha	✓	✓	✓	3
NZ Qunta	✗	✓	✓	2

IT Committee Attendance

IT Committee Members	2 October 2012	15 November 2012	Total of 2
NZ Qunta	✓	✓	2
V Mahlangu	✓	✓	2
T Moyo	✓	✓	2
LED Hlatshwayo	✓	✗	1
T Tenza (DG's Representative)	✓	✗	1
CEO (<i>Ex officio</i>)	✓	✓	2

* Apologies were rendered for meetings not attended.

* n/a – Not a member at the time of the specific meeting.

2.4.8 Remuneration of Directors

The Minister of Transport determines the remuneration of RAF Directors, taking cognisance of National Treasury guidelines, as well as the RAF's ability to attract and retain the leadership necessary for the turnaround of the organisation. National Treasury annually determines a cost of living increment.

Directors' as well as Executives' emoluments are set out in Note 30 of the Annual Financial Statements.

2.4.9 Performance Assessment

A formal evaluation of the Board, its Committees and the individual Directors was performed during the current financial year and the results thereof have been reported to the Shareholder.

2.4.10 Performance Agreement

The RAF concludes, on an annual basis, a Performance Agreement ("the Agreement") with its Executive Authority, the Minister of Transport. The Agreement documents the key performance indicators ("KPIs") to be attained by the RAF, as agreed between the Board and the Minister. The Agreement serves to promote and encourage good governance practices within the RAF by clarifying the respective roles and responsibilities of the Board and the Minister. The Agreement provides the Minister with a mechanism to direct the activities of the RAF in line with the national strategic objectives of government.

The performance objectives agreed with the Minister for the current financial year are reflected on pages 129 to 141.

The RAF's performance against these objectives was audited by the Auditor-General of South Africa, whose report is contained on pages 144 and 145.

2.4.11 The Public Finance Management Act, 1999

The PFMA provides strong guidance to public entities on good corporate governance. The Board developed a dedicated capacity to ensure compliance with the PFMA. The responsibilities of the Board, as defined in section 51 of the PFMA, include taking appropriate action to ensure:

- Effective, efficient and transparent systems of financial and risk management and internal control;
- That a system is maintained for properly evaluating all major capital projects prior to a final decision on each project;
- The implementation of appropriate and effective measures to prevent unauthorised, irregular or fruitless and wasteful expenditure, expenditure not complying with legislation, or losses from criminal conduct;
- That all revenues due to the RAF are collected;
- The economical and efficient management of available working capital; and
- The definition of objectives and the allocation of resources in an economical, efficient, effective and transparent manner.

2.4.12 Code of Conduct and Ethical Standards

The responsibility of building and sustaining an ethical corporate culture is shared equally by the Board and Management.

An approved Code of Conduct, which should be read in conjunction with the Conflict of Interest Policy, defines the RAF's organisational values and requires adherence by Directors, employees and contractors to the RAF in accordance with the ethics prescribed in these documents. The purpose of the Code of Conduct and the Conflict of Interest Policy is to set ethical standards and values applicable to all Directors, employees and contractors of the RAF. These documents are intended to assist in fostering adherence to the highest ethical standards within the RAF and to clarify issues, policies and protocols relating to fraud, corruption and unacceptable conduct.

The Board has established effective procedures in terms of the Code of Conduct and Conflict of Interest Policy to enable the Board and Management to manage and address issues related to the declaration and management of conflict of interests pertaining to financial and business interests, recruitment and selection, procurement, as well as dealings with stakeholders. Related matters dealt with include the use of the organisation's assets, protection of confidentiality and obligations of Management and the Board.

The Code of Conduct prescribes the mechanisms in place to deal with deviant behaviour.

The Audit Committee receives and deals with any concerns or complaints, whether from within or outside the RAF, relating to the accounting practices and internal audit of the RAF, the content or auditing of the RAF's Financial Statements, the internal financial controls and related matters.