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# **Background: SOE Service Delivery Context**



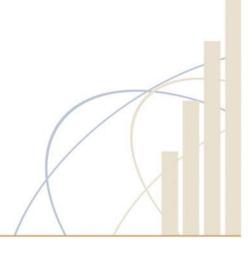
# Aligning the SOI, NDP & the MTDP Strategic Priorities

### Statement of Intent **MTDP Strategic Priorities** NDP Ch3. Economy and employment 1. Rapid, inclusive and sustainable economic growth, the promotion of ch4. Economic infrastructure fixed capital investment and industrialization, job creation. transformation, livelihood support, land reform, infrastructure Ch5. Ensuring environmental sustainability and an Strategic Priority 1: Inclusive growth and development, structural reforms and transformational change, fiscal equitable transition to a low-carbon economy sustainability, and the sustainable use of our national resources and iob creation endowments. Ch6. An integrated and inclusive rural economy Macro-economic management must support national development Ch8. Transforming human settlement and the national goals in a sustainable manner. space economy Ch9. Improving education, training and innovation 4. Investing in people through education, skills development and affordable quality healthcare. Ch10. Promoting health Strategic Priority 2: Reduce Poverty and 2. Creating a more just society by tackling poverty, spatial inequalities, food security and the high cost of living, providing a social safety net, Ch11. Social protection tackle the high cost of living improving access to and the quality of, basic services, and protecting workers' rights. 8. Strengthening social cohesion, nation-building and democratic participation, and undertaking common programmes against racism, Ch15. Transforming society and uniting the country sexism, tribalism and other forms of intolerance. 5. Building state capacity and creating a professional, merit-based, corruption-free and developmental public service. Restructuring and improving state-owned entities to meet national development goals. 3. Stabilising local government, effective cooperative governance, the Ch13. Building a capable and developmental state assignment of appropriate responsibilities to different spheres of government and review of the role of traditional leadership in the Strategic Priority 3: A capable, ethical and governance framework. Strengthening law enforcement agencies to address crime, corruption Ch12. Building safer communities developmental state and gender-based violence, as well as strengthening national security Ch14. Fighting corruption capabilities. 8. Foreign policy based on human rights, constitutionalism, the national interest, solidarity, peaceful resolution of conflicts, to achieve the Ch7. Positioning South Africa in the World African Agenda 2063, South-South, North-South and African cooperation, multilateralism and a just, peaceful and equitable world.

# **Good Corporate Governance: Promoting Ethical Culture**



- Promote the rights and equitable treatment of shareholders and key ownership functions
  - ✓ Shareholder step in rights
  - ✓ Access to information
  - √ Value creation through significant investments
  - ✓ Set out the responsibilities of the board of directors
- Foster transparency and accountability
  - Disclosure of material information
  - ✓ Consideration of sustainability risks and opportunities
  - ✓ Executive remuneration
  - ✓ Board Performance Evaluation
- Promote access to finance
  - ✓ Reduce reliance on fiscus
  - Attract investors capital markets
- Promote innovation and entrepreneurship
  - ✓ Economic transformation
  - ✓ Sustainable development
  - ✓ Adaptability and Resilience



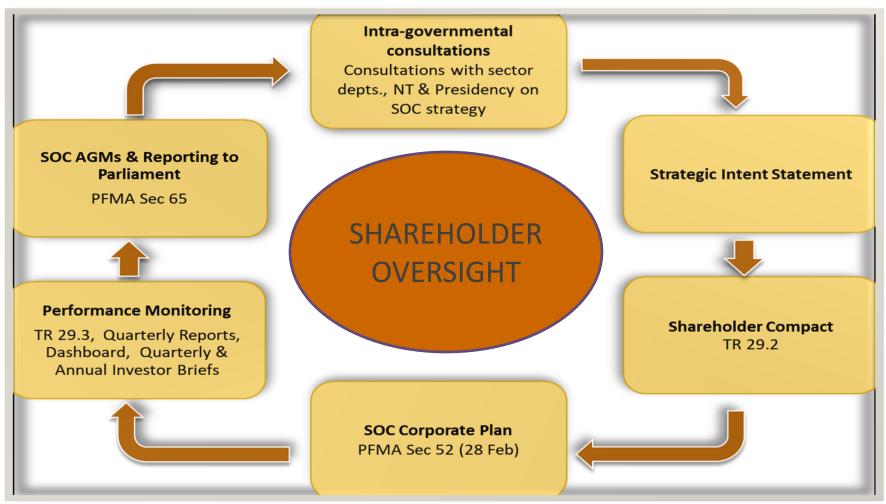
# **Shareholder and Board Relationship**



Governance Partners		Key Responsibilities
Shareholder	<ul> <li>PFMA and Treasury Regulation</li> <li>Companies Act (MOI)</li> <li>King Codes</li> <li>Protocol on Corporate Governance</li> </ul>	<ul> <li>Appointment and removal of board (incl. concurring on CEO and CFO)</li> <li>monitor and evaluate performance</li> <li>Approve remuneration of directors and remuneration policy</li> <li>Regulate major transactions</li> <li>Approve appointment and removal of auditors</li> </ul>
Board of Directors	<ul> <li>Shareholder Compact - Performance Contract</li> <li>SMF - Delegation of Authority</li> </ul>	<ul> <li>Accountable for the performance of the SOE to the shareholder</li> <li>Appoint (in concurrence with shareholder) the CEO and CFO</li> <li>Strategic plan and corporate policies</li> <li>Monitor management's implementation of strategy and compliance with policies</li> <li>Ensure SOE's compliance with prescripts and government policy</li> </ul>

### **Overview of the SOE Governance Model**





# **Oversight Role**



**Technical** 

Environmental Policy Alignment

Financial

Transformation and skills

Legal Governance and Risk

The entity oversight teams execute their functions following the Department's Logical, Planning, Monitoring And Evaluation Framework.

# **Setting the Tone on Ethical Culture**



### **PFMA Section 50 – Board Fiduciary Duties**

- Exercise utmost care to protect company assets and records.
- Act with fidelity, honesty, integrity, in the best interests of the company, in managing the financial affairs of the company.
- Disclose to the executive authority all material facts, including those reasonably discoverable, which in anyway may influence the decision of the executive authority.
- Must not use position for personal gain, or to improperly benefit another person.
- Must disclose direct or indirect interests.

# Companies Act Section 76 – Director Duties and Responsibilities

- Perform duties in good faith, in the best interest of the company and with care, skill and diligence that may reasonably be expected of a person carrying out such functions and having the same skill and experience of that director (i.e., the reasonable man/woman test).
- Disclosure of material information.
- Use position and information for company's benefit.
- Disclose any conflict of interest (Section 75).

# **Setting the Tone on Ethical Culture**



### The Companies Act, No. 71 of 2008

- SOE must constitute a Social and Ethics Committee ("the Committee") in accordance with Regulation 43 of the Companies Regulations.
- Key Responsibilities of the Social and Ethics Committee are to monitor SOE's activities with regards to:
  - ✓ Social and economic development.
  - ✓ Good corporate citizenship.
  - ✓ Environment, health and public safety.
  - ✓ Consumer relationships.
  - ✓ Labour and employment.
  - ✓ Ensure SOE has and maintains an effective anti-corruption and fraud prevention system.
  - ✓ Report matters within its mandate to the Board and to the company's shareholders at the AGM each year.

# **Setting the Tone on Ethical Culture**



### **King IV Report on Corporate Governance**

- The board of a SOE must ensure effective leadership based on an ethical foundation.
  - ✓ The exercise of ethical and effective leadership is exemplified by achieving an ethical culture, good performance, effective control, and legitimacy
- Companies should create an ethical culture that allows the organisation to meet the *legitimate expectations* of its stakeholders.
- Ethics accountability and responsibility: The degree to which employees are held accountable for their conduct and decision-making and whether fair and transparent sanctions are enforced for unethical conduct.
- Ethics talk: The degree to which an environment is created where employees can openly discuss ethics and ethical consequences of actions and business decisions.
- Ethical treatment of people: The degree to which employees feel they are treated with respect, dignity and fairness in the organisation.
- Ethics awareness: The degree to which employees are aware that ethics is important for business.



"Trust is blind, but when it sees, it gains sharp vision...it neither forgives mistakes nor accepts excuses.

The loss of trust is worse than the loss of people...it is not betrayal that hurts, but the feeling of foolishness that follows.

It is not disappointment that makes us cry, but the blind trust placed in the one who caused".

Mar English

# **Elephant in the Room**



Pathology of Perfectionism vs Ethical Sustainability

# **Reforms: Transparency and Accountability**



Risk and Sustainability Reporting

- Lack of Standardised Reporting
- •Integration between Risk and Performance Management
- Decentralised Operations
- Information Integrity
- •Reliance on Fiscus
- Training on Policies and Procedures

- Outcome-Based Performance Management
- Corporate Plan Multi-Year Projected Risk Exposure
- Risk Mitigation Board vs Shareholder Role
- Ethical Sustainability

Conflict of Interest

- Board Tender Committees
- Assurance Value Chain
- Financial Disclosures
- Contractor Probity Checks
- Financial Disclosure
- Procurement (Emps, Boards)
- ·Who knows who factor!
- Employment Opportunities

- Memorandum of Incorporation
- · Fin Disclosures (Directors and Emps)
- · Sub-contractor probity checks
- Business Partners (PEPs, Family, Emps, Family Members)
- · Restraint of trade
- Prohibitions: Donations, Gifts, Loans, Remunerated Work, Contract Award

Vetting, Background Checks, Integrity Assessments

- Integrity of Procurement Decisions
- •Security Clearances (Backlog, Classification, SSA)
- Personnel fitness to hold office
- Poor Whistle-Blower (WB) Protection
- Repurposing of WB Processes
- Backlog on WB Reports
- Maladministration reporting to SH Inadequate

- Independent DDA
- Business Partners (Anti-Corruption Policies, Previous Records, Pending Cases, Vulnerability to Bribery, Fin. Position, Functional Capability(SOE vs State vs BP))
- Emps (Security Clearances, Periodic Checks, Proactive Disclosures, Sensitivity of Position)
- · Organograms Reviewed
- Case management standards
- Referrals (SIU, CIPC, Professional Bodies, Central db on emps)
- · Board Evaluation (Ethics KPIs)
- National State Enterprises Bill

# INTEGRIT

# THERE ARE MANY THINGS TO WHICH WE MIGHT COMMIT OURSELVES.

A case can be made for the arbitrary and even meaningless nature of any given commitment, given the plethora of alternatives, given the corruption of the systems demanding that commitment.



When you face a challenge, you grapple with the world and inform yourself. This makes you more than you are. It makes you increasingly into who you could be.

@Jordan.B.Peterson ------- Jordan B. Peterson -

But the same case cannot be made for the fact of commitment itself:

THOSE WHO DO NOT CHOOSE A DIRECTION ARE LOST. IT IS FAR BETTER TO BECOME SOMETHING THAN TO REMAIN ANYTHING BUT BECOME NOTHIN

@Jordan.B.Peterson

THIS IS DESPITE
ALL THE GENUINE
LIMITATIONS AND
DISAPPOINTMENTS
THAT BECOMING
SOMETHING ENTAILS.

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