

SHAREHOLDER MANAGEMENT MODEL: STATUS REPORT & WAY FORWARD

PRESENTATION TO PORTFOLIO COMMITTEE ON PUBLIC ENTERPRISES

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public enterprises

Department:
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Outline of Presentation

- SOE context
- Shareholder Management: Historical
- Shareholder Management: Current
- Rationale for SOE
- Current Classification
- Strategic Intent
- Shareholder Reserved Rights
- Board Appointment & Remuneration
- Accountability to Parliament
- Planning & Reporting Schedule
- Shareholder Status & Capacity
- Shareholder Management Model
- Process Forward



SOE context

COMPANIES IN GENERAL

COMPANIES ACT

MEMORANDUM OF ASSOCIATION (company specific founding document, basis for corporate structure, nature & scope of company, exclusion of powers)

ARTICLES OF ASSOCIATION (company specific, sub-ordinate to MoA, rights, duties & powers of shareholders, directors & AGM, manner in which affairs are to be managed & administered)

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STATE OWNED ENTERPRISES

CONSTITUTION (individual & collective accountability of Members of the Cabinet to Parliament)

PUBLIC FINANCE MANAGEMENT ACT (PFMA) (transparency, accountability & sound management of revenue, expenditure, assets & liabilities of eg. Public Entities)

ENABLING LEGISLATION (not required and not provided in all cases, served to corporatize SOEs & define powers, functions & duties)



SOE context



Shareholder Management: Historical

- Historical perspective:
 - Parastatal era: no shareholder-enterprise distinction, exclusive state ownership, governance (performance management & accountability) weak, unaccountable interference by executive
 - Corporatization era: shareholder-enterprise role distinction & corporate governance introduced but slow assumption of shareholder control rights & loss of mechanisms to align commercial direction with strategic intent of the state
 - PFMA era: mainly focused at improvement in financial management (accountability & sound management of revenue, expenditure, assets & liabilities)
 - Privatization of some enterprises: different models ranging from complete privatization to minority shareholding by the state (eg Aventura, Safcol, Telkom); strategic interest of state not always aligned with corporate structure

Shareholder Management: Current

- Challenge is focused at shareholder empowerment:
 - Rationale for state ownership
 - Classification of SOE
 - Definition of state's intent with shareholding in an SOE & transparent communication of intent
 - Definition of shareholder reserved decision-making & Updating Shareholder Agreements, Memoranda & Articles
 - Alignment of Board of Directors composition & remuneration with enterprise mandate
 - Improvement of Board accountability
 - Improved accountability to Parliament
 - Integrity of reporting & decision-making at shareholder & enterprise level
 - Status & capacity of shareholder oversight entities

Rationale for SOE

- Natural Monopoly
- Market Failure
- Developmental requirements

Where shareholding is purely for financial returns consideration may be given to shareholding via vehicles such as IDC or disposal