

**AN ANALYSIS OF INTEGRATED REPORTING ON THE
GOVERNANCE OF SELECTED STATE-OWNED
ENTERPRISES (SOEs)**

By

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Abstract

The research investigated how integrated annual reports (IARs) can enhance the governance of state-owned enterprises (SOEs). Governance of SOEs is crucial to achieving the country's socio-economic objectives. The SOEs listed on Schedule 2 of the Performance Finance Management Act (PFMA), Act No. No.1 of 1999, as amended in March 2017, represents, among many, the electricity, transportation, and telecommunication sectors. This study analysed the integrated reporting (IR) governance of selected schedule 2 of PFMA SOEs.

The researcher adopted the qualitative approach for the study. Firstly, the analysis was to identify and describe the governance disclosures as evident in IARs using the King IV principles. Secondly, the study analysed the reporting trends associated with governance practices over 2018 – 2020. Integrated reports from Eskom, Transnet, and Telkom were selected for three years.

Relevant concepts discussed in the literature review include corporate governance, King reports on corporate governance, King IV principles, the principle of materiality on governance disclosures, corporate reporting, integrated reporting, integrated thinking, benefits of integrated reporting, theoretical underpinnings of the study, and a conclusion.

The disclosures were summarised per year and SOE per King IV principle, resulting in nine (9) excel spreadsheets, which were combined excel spreadsheets sorted into a logical structure based on coding to keep track of the source data sequence. The data was systematically manually coded using Ose's (2016) Microsoft Word and Excel method. Findings included seven themes which were ethics, irregular expenditure, internal controls, accountability, governance structures, reputation, and sustainability. Themes were transferred to subtopics for comparative analysis to assess trends and the SOEs' governance disclosures.

The results found that all three SOEs have disclosed using King IV principles guided by the 2013 International Integrated Reporting Council's (IIRC) framework. All SOEs disclosed their governance in their reports and practice explained. There are noticeable differences, Eskom and Transnet are solely government-owned, and Telkom is partially privatised and run privately as the majority holding is mostly private.

Eskom and Transnet reflected more similarities in terms of their operational and financial challenges, whereas Telkom operates in a more competitive environment and is run as a private

company which is portrayed to be profitable and restricted to Johannesburg Stock Exchange (JSE) requirements. Disclosures indicate progress on material matters and links associated with functional areas such as strategy and risks. Materiality is a guiding principle in the IIRC framework, which assist discloses information that significantly affects the organisation's ability to create value over time. The similarities in all three SOEs include challenges in retaining competent and ethical leaders, which is critical for enhancing good governance.

The study recommended how the integrated report can be viewed as a management and accounting tool for the governing body and stakeholders to focus on drivers that create value and consider drivers that erode or preserve value. This feedback may assist in informing strategy, business model, and decision-making for the governing body to set governing structures that support the organisation to create sustained value.

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List of Abbreviations

ARC – Audit and Risk Committee

BTC – Board Tender Committee

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CGNC – Corporate Governance and Nominations Committee

CIO – Chief Information Officer

COO – Chief Operating Officer

DPE – Department of Public Enterprises

DoA – Delegation of Authority

DTPS – Department of Telecommunications and Postal Services

ESG – Environmental, Social, and Governance

ETC – Executive Tender Committee

GCE – Group Chief Executive

GCS – Group Company Secretary

GLT – Group Leadership Team

ICT – Information and Communication Technology

IT – Information Technology

IoDSA – Institute of Directors in Southern Africa

IIRC – International Integrated Reporting Council

IAR – Integrated Annual Report

IR – Integrated Reporting

IRCSEA – Integrated Reporting Committee of South Africa

JSE – Johannesburg Stock Exchange

MENA – Middle East and North Africa

PFMA – Performance Finance Management Act

PGC – People and Governance Committee

POPIA – Protection of Personal Information Act

PPSA – Public Protector South Africa

REMSEC – Remuneration, Social and Ethics Committee

SA – South Africa

SESC – Social, Ethics, and Sustainability Committee

SIU – Special Investigating Unit

SOE – State-Owned Enterprise

TGF – Telkom Group Forensic

Chapter 1: Introduction

1.1 Role of State-Owned Enterprises in South Africa

The government independently establishes state-owned enterprises (SOEs) to perform the country's strategic socio-economic purposes to use private-sector efficiencies to deliver and maintain affordable service to the public (Mutize and Tefera, 2020). Matsiliza (2017) says SOEs are an example whereby the government uses business principles of efficiency for public goods and services. The government implements other developmental and transformational policies and strategies using SOEs as a vehicle to contribute to economic growth (Thomas, 2012). Most services like electricity and transportation are provided by the SOEs and offered at an affordable price to benefit the needs poor (Mutize and Tefera, 2020).

Most major SOEs with a strategic role in the country are listed on Schedule 2 of the Public Finance Management Act (PFMA) No.1 of 1999 (Republic of South Africa, 1999). The SOEs listed on Schedule 2 of PFMA represent, amongst many, the electricity, transportation, and telecommunication sectors. These sectors provide for most economic growth and are the main drivers of the formal sector economy (Thomas, 2012). This study focused on Eskom, Transnet, and Telkom as the sample for major public entities listed in Schedule 2 of PFMA (Republic of South Africa, 1999). These three SOEs have been considered as the vehicle for contributing to the country's economy, hence consistent over the years in complying with non-financial reporting (DPE, 2020; DTPS, 2021). The government solely owns Eskom (Eskom, 2019) and Transnet (Transnet, 2019); Telkom is a Johannesburg Stock Exchange (JSE) listed company but is also classified as an SOE with 40% government shareholding (Telkom, 2019).

According to a recent annual report from the Department of Public Enterprises (DPE), Eskom's mandate includes generating, transmitting, and distributing electricity throughout the country; 45% of the electricity is used in Africa, and 95% is used within South Africa (DPE, 2020). It is responsible for ensuring sustainable development becomes a reality by providing sustainable electricity solutions to grow its economy (Eskom, 2021). Transnet is responsible to provides rail, infrastructure, ports, and pipelines throughout Africa, making it the largest freight company on the continent (DPE, 2020). The other significant role of SOEs in the transportation sector is facilitating the country's competitiveness, specifically in the freight transport system, to encourage industrial growth (DPE, 2020). According to the Department of

Telecommunications and Postal Services (DTPS), Telkom provides information and communications technology (ICT) services, which existed as a government department before 1991 (DTPS, 2021). Telkom offers fixed-line, mobile, and data and information technology services (DTPS, 2021). Telkom is a private-public partnership that manifests partial privatisation believed to enhance accountability and transparency (Gumede and Dipholo 2014). The selection of these three SOEs may provide different aspects of government practices since Telkom is not solely government-owned; a diverse perspective may offer a different perspective beneficial to the study.

SOEs must be effective and efficient to achieve their objectives and fulfil their strategic role based on their importance in the country. Without electricity, transportation, and telecommunications, many sectors may not function effectively, especially in the manufacturing industry, which depends on electricity, transportation, and telecommunications sectors for their operations and facilitation of goods trade between foreign and domestic companies.

1.2 Corporate governance of state-owned enterprises in South Africa

The governance of SOEs involves the government and the board of directors; both parties make final decisions about the selection and retention of board members and the allocation of resources (McGregor, 2014). According to Kikeri (2019), processes governing the relationship between an SOE and the government as a shareholder overcrowd some SOEs, leading to operational and financial challenges. Undue political interference has been one of the challenges that SOEs face, as the Minister in charge of Public Enterprises is responsible for appointing the governing board of SOEs (Bhorat, Buthelezi, Chipkin, Duma, Mondli, Peter, Qobo, Swilling, and Friedman (2017; Mutize and Tefera, 2020). The appointment of the board members is alleged to promote political agendas, thereby impacting the governance and management of SOEs (Corrigan, 2014; Mutize and Tefera, 2020).

Kana (2020) highlighted that the state capture exposed some of the SOEs' governance failures, reflecting historically poor governance. Bhorat et al. (2017) explain state capture as systematic and well-organised political corruption by individuals with established relations involving repeated transactions. According to the Public Protector's report on state capture (PPSA, 2016) and the portfolio committee report on public enterprises, alleged governance inquiry (PPSA, 2016) into allegations of governance practices have negatively affected the financial

sustainability of some of the country's SOEs. Poor governance of some SOEs has led to a financial crisis, resulting in heavy borrowings and lower credit ratings, which further weakens the governance of SOEs (Kikeri, 2019). The resulting debt necessitates a government bailout and demonstrates a lack of internal controls (Mutize and Tefera, 2020).

Some SOEs face most challenges accelerated by governance failures and corruption, irregularities affecting operational and financial stability (DPE, 2020), which resulted from irregular expenditures incurred in the past (Matsiliza, 2017). All these challenges raise concerns about the governance of SOEs in South Africa. The alleged poor governance of SOEs undermines the government's purpose; hence good governance is critical. According to Kanyane and Sambo (2021), SOEs are companies that encompass public interest as public resources fund them. They operate like companies that need to practice proper corporate governance as they require to account to the public on how public resources are utilised (Corrigan, 2014). Grossi, Papenfuß, and Tremblay (2015) posit that resources allocated for SOEs can be effectively and efficiently realised with proper governance and management.

The King Committee in South Africa published the first report on Corporate Governance (King 1) in 1994, revised to King II in 2002, King III in 2009, and now to King IV, adopted in 2016 (Rossouw, 2019). The King IV report on corporate governance is the current code of conduct that guides good corporate governance in private, public, and non-profit organisations (Kanyane and Sausi, 2015). The release of the King IV report positioned South Africa as one of the world leaders patterning to corporate governance (Chauke, 2019). King IV report on corporate governance puts the governing body responsible for the organisation's governance (Kana, 2020). The purpose of the King IV report on corporate governance is to inspire ethical and effective leadership of the governing body to encourage good corporate governance (IoDSA, 2016).

Most SOEs operate under the Companies Act No. 71 of 2008 (Republic of South Africa, 2008), the PFMA's legal policy framework, and the King IV Code on corporate governance (Thomas, 2012). The Companies Act No. 71 of 2008 requires SOEs to promote development that will not compromise human rights to make a profit (Kana, 2020). SOEs are also required to have social and ethics committees to address corruption and social, economic, and environmental issues to promote transparency and high standards of corporate governance (Kana, 2020).

1.3 Corporate governance reporting

According to Maniora (2017), companies still prepare their corporate reports by combining financial statement and environmental, social, and governance (ESG) report into the annual report. Clayton, Rogerson, and Rampedi (2015) noted that the sustainability report was disconnected from the organisations' financial reports and could not show the connection between organisational strategy and its financial performance. The inclusion of ESG issues in annual reports commenced through the second King code on corporate governance in 2002 (Atkins and Maroun 2015).

The aim was to move from siloed reporting toward a holistic reporting approach consistent with the sustainable market system (IoDSA, 2016). Governance reporting is crucial for informing all stakeholders about how the organisation responds to external factors, including environmental and social factors (Aras and Crowther, 2008). Governance reporting communicates how the organisation balances economic and social benefits and creates sustainable value (Aras and Crowther, 2008).

The King IV report on corporate governance identifies the integrated reporting (IR) process as an outcome of integrated thinking; the governing body provides accountability for organisational performance concerning value creation over time (IoDSA, 2016; Surty, Yasseen, and Padia, 2018). The integrated annual report (IAR) is viewed to build an internal understanding of disclosures related to governance practices. Surty et al. (2018) alluded that it may answer an entity's alleged good or poor governance and be viewed as an aid to improve its business (Surty et al., 2018).

The IARs are, therefore, valuable resources for considering governance approaches within organisations. Due to the strategic role played by the SOEs, it is critical to apply the King IV Code on corporate governance to contribute to exemplary corporate governance (IoDSA, 2016; Surty et al., 2018). The governance disclosures required under the King IV report on corporate governance are aligned and can be achieved by applying the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework (Surty et al., 2018).

According to Kana (2020), the underpinning philosophy of King IV incorporates sustainable development, corporate citizenship, and stakeholder inclusiveness. An integrated report is a medium for communicating with the stakeholders and building an internal understanding of governance practices. Stakeholder involvement is increasingly becoming effective in holding leaders to account for their responsibilities and duties; this puts pressure on companies to

perform and be ethical to restrict reputational damage, reflecting the effectiveness of integrating ethical values within the company (Kana, 2020). The organisation's IR process is an interactive part of its overall strategy and can help make the SOE's operational and financial decisions (Beck, Dumay, and Frost, 2017).

The IIRC underlines the relevance of the IR process and adoption by management and the governing board, making IARs of SOEs relevant for the research since they include governance matters of the SOEs and their functions. In this way, organisations are directed towards ethical behaviour, "protecting trust in the organisation, their reputation, and legitimacy" (Corvino, Doni, Martini, and Bianchi, 2020, p. 2). Maniora (2017) says IR is a process that has transformational effects internal and external to the organisation due to the ethical reporting manifested through management practices and focuses on the organisation's business model. Internal effects are manifested through reporting and governance practices; external influences refer to products and materials developed by internal effects like material or cultural products adopted by those who created them (Maniora, 2017). There are limited studies on integrated reports in the public sector; SOEs need to be as transparent as possible in disclosing financial and non-financial information since they are publicly traded organisations (Montecalvo, Farneti, and de Villiers, (2018).

1.4 This study's main aims and objectives

Eskom, Transnet, and Telkom adopted the King IV code and IIRC's framework within their organisations. All three SOEs mentioned in their IARs for 2018 – 2020 that they consider disclosure guidelines of the King IV report on corporative governance and the IIRC's framework (Eskom, 2018, 2019, 2020; Telkom, 2018, 2019, 2020; Transnet, 2018a, 2019a, 2020a). Their IARs may be used as resources to understand the SOEs' governance practices. This research investigated how integrated reports can enhance the governance of SOEs and how the SOEs are handling governance challenges and historical failures, such as allegations of governance failures that resulted from corruption and irregularities. It is crucial for SOEs to be effective and efficient to achieve their objectives and fulfil their strategic role based on their importance and contribution to the country's economy. The research aimed to analyse and assess the IARs of the selected SOEs to understand governance reporting by identifying and describing governance disclosures as well as identifying and assessing reporting trends from 2018 – 2020. These outcomes may provide a governance perspective in terms of lessons learned to improve the governance of SOEs.

Governance forms the basis of this study's investigation and hopes to contribute to the body of knowledge about SOE's governance, specifically the reporting of governance considerations. These reports could be relevant resources to analyse and provide a governance perspective on the SOEs considered in this study. Therefore, the research aimed to analyse and assess the integrated reports from Eskom, Transnet, and Telkom to identify evidence of governance reporting and understand factors that can improve these SOEs' governance. The sub-objectives of the study included identifying and describing governance disclosures (as required by King IV) to understand governance practices within the sample organisations. Secondly, the reports helped to compare and assess the SOEs' reporting trends associated with governance indicators between the financial years 2018 and 2020. Finally, recommendations are made on how SOEs can use IR to enhance their governance practices and communication.

Chapter 2: Literature review

2.1. Introduction

In this session, key concepts include corporate governance, King reports on corporate governance, King IV principles, the principle of materiality on governance disclosures, corporate reporting, integrated reporting, integrated thinking, benefits of integrated reporting, theoretical underpinnings of the study, and a conclusion.

2.2. Corporative governance

Simpson (2014, p. 239) defines corporate governance as “the mechanisms by which organisations are directed and managed to be accountability and improve performance”. Chauke and Sebola (2018) say corporate governance is an innovation to self-police and entails forming structures and processes to disseminate roles and responsibilities. Gumede and Dipholo (2014) posit that governance in the public sector has to do with exercising power in decision-making. According to Chauke and Sebola (2018), there is a relationship between good corporate governance and compliance with the law.

Gumede and Dipholo (2014) assert that observing the rule of law may embed good governance. McGregor (2014) alluded that a combination of structures, systems, processes, and regulatory certainty may yield good corporate governance. Applying these regulatory tools through structures, systems, and processes guides leaders in conducting company affairs to instil an ethical base for staff to fulfil corporate responsibilities (Chauke and Sebola, 2018). The SOEs must subscribe to legislation and the regulatory framework that governs the country's public finances (Kanyane and Sambo, 2021).

The objective of the PFMA is to regulate public finances to ensure that the revenue and expenditure of SOEs are managed efficiently and effectively (Republic of South Africa, 1999). All SOEs are required to account for the provisions of PFMA, including all financial statements, records, and required reports that need to be presented (Republic of South Africa, 1999). Closely linked to this assertion of fiduciary duties is the notion of accountability. It is critical for all stakeholders in SOEs to be accountable in general and specifically for using public financial resources (Kanyane and Sambo, 2021). SOEs tend to have more responsibilities in terms of accountability than private companies because they account to the public concerning how government resources are utilised (Corrigan, 2014).

Sambo and Kanyane (2020) flagged ethics and accountability as critical pillars of governance. These authors say accountability for utilising public resources relates to ethics, which involves behaviour. Public accountability influences public trust that government can account for allocating and using resources according to acceptable standards that reflect ethical behaviour (Sambo and Kanyane, 2020). One governing body's governance roles and responsibilities include accounting for organisational performance (IoDSA, 2016). Therefore, it is crucial to monitor organisational performance to account for all stakeholders, including investors.

Accountability determines the extent to which the organisation can be trusted, which affects the organisation's public perception (Sambo and Kanyane, 2020). Tuan (2014) posits that trust and ethics can assist in building effective corporate governance in the organisation. The organisation is responsible for promoting an ethical culture within the organisation to influence the behaviour of the employees (Sambo and Kanyane, 2020). Corrigan (2014) maintains that any business's extensive growth and success depend on organisational ethics and accountability. Good governance requires competent management to account for the use of state resources (Gumede and Dipholo, 2014). Closely linked to good governance, Chauke (2019) posits that it starts with the character of those responsible for governance which determines their accountability.

There is a relationship between corporative governance and ethical leadership, and it is the governing body's responsibility to provide ethical leadership to influence SOE performance (Matsiliza, 2017). Mbo and Adjasi (2017) say strong boards and resource availability positively affect SOE performance. It is crucial to identify strengths and weaknesses so that the SOE is sufficiently resourced with a balance of stakeholder representation (Mbo and Adjasi, 2017).

Rossouw (2019) says ethics governance focuses on the board's roles and responsibilities for their ethical conduct and decision-making for the company or organisation they govern. An internal approach focuses on how individuals are expected to conduct themselves as employees (Rossouw, 2019). Kanyane and Sausi's (2015) internal approach includes internal controls that involve managerial practices and the board of directors for oversight. Internal controls affect the organisational performance associated with corporate governance. Good corporate governance is related to good corporate performance (Kanyane and Sausi, 2015).

An external approach focuses on the company's role and responsibilities regarding the external environment in which the organisation operates, such as initiatives focusing on corporate social responsibility (Rossouw, 2019). The governance of ethics should be expressed in both internal and external environments of the organisation through policies and procedures guided by corporate governance codes and practices (Rossouw, 2019). Kana (2020) say the strengths and effectiveness of ethical leadership will improve the governance of SOEs.

2.3. King reports on corporate governance

The King report on corporate governance commenced with releasing the first King code on corporate governance in 1994, the first comprehensive corporate governance report in South Africa (Ramalho, 2019). The release of the King report put South Africa as one of the leading countries to promote corporate governance principles (Corvino et al., 2020). King IV report on corporate governance recommends standards of conduct by boards and directors of companies, which is a requirement for JSE-listed companies but can be applied by private, public, and non-profit organisations (Kanyane and Sausi 2015). The recommended standards include financial and non-financial aspects like regulatory, social, and environmental, promoting an integrated approach inclusive of all stakeholders (Kanyane and Sausi, 2015). Adopting or applying the King code of conduct principles is not compulsory for SOEs, and it is a requirement for JSE-listed companies. Still, it is recommended that SOEs endorse a corporate governance regime to ensure long-term success (Kanyane and Sambo, 2021). Chauke (2019) maintains that the King IV report principles start with the character of those responsible for promoting governance without focusing on rules and procedures.

The first King report focused on financial and regulatory aspects and advocated the involvement of all stakeholders; in 2002, King II emphasised non-financial issues (Natesan, 2020). The revision of King II meant to measure performance to be outcome-based using a scorecard and considering intranational trends in corporate governance and South African law (Natesan, 2020). King II's revision resulted in the new Companies Act No. 71 of 2008 and the King III report in 2009. King III included governance and sustainability issues and encouraged all entities, including public, private, and non-profit organisations, to adopt King III's principles using the "apply or explain" (Natesan, 2020). King IV report established in 2016 reduced 75 principles in King III to 17 principles in King IV, in which the 17th principle applies to only investors (IoDSA, 2016). In 2016, King IV moved from "apply or explain" to "apply and explain," encouraging organisations and governing boards to move away from the checklist approach to the outcomes approach looking beyond compliance (Natesan, 2020).

The evolution of the various King reports culminated in King IV, which guides good governance and recommends standards of conduct for the ultimate decision-makers, which is the board of directors (IoDSA, 2016). The King IV report defines corporate governance as “the exercise of ethical and effective leadership by governing body towards achieving ethical culture, good performance, effective control, and legitimacy” (IoDSA, 2016, p. 20). The view to define corporate governance as an exercise emanates from the fact that the governing board needs to lead effectively (Natesan, 2020). The purpose of King IV is to promote high standards of corporate governance in organisations by inspiring governing boards to lead ethically and effectively toward good or positive outcomes (IoDSA, 2016). King IV recommends and mentions that personal characteristics and values contribute to ethical and effective leadership behaviour (Ramalho, 2019).

2.3.1 King IV principles

The application of King IV principles symbolises the goal towards good governance and contributes to good exemplary corporate governance (IoDSA, 2016; Surty et al., 2018). The information disclosed on the King IV application is recommended in each principle in the King IV report as guidance, and the organisation decides how to use the guidance (IoDSA, 2016). The governance practices applied in an organisation are demonstrated through applying principles, and explanation gives stakeholders information to make decisions (IoDSA, 2016). Principles 1 – 3 deal with leadership, organisational ethics, and corporate citizenship; 4 – 5 deal with strategy, performance, and reporting; 6 – 10 deal with governance structures and delegation of authority; 11 – 15 deal with governance functional areas; 16 deals with the relationship with stakeholders, and 17th deals with investors (IoDSA, 2016).

2.3.1.1 Leadership, ethics, and corporate citizenship

Principles emphasise that the governing body should set the tone individually and collectively by cultivating integrity, competence, responsibility, accountability, fairness, and transparency and exhibit them in their conduct” (Chauke, 2019; Esser and Delport, 2018; IoDSA, 2016 p. 43; Rossouw, 2019). The governing body should lead ethically and effectively through organisational policies and practices (IoDSA, 2016). Ramalho (2019) emphasised that exercising ethical and effective leadership involves internal mindsets and attitudes as they influence behaviour.

Principle 2 deals with organisational ethics; the governing body should govern ethics so that ethical culture is established and cultivated within the organisation (Chauke, 2019; IoDSA, 2016). Balbuena (2014) refers to ethics as the cornerstone of good corporate governance, which should reflect the top and tone of the board and go beyond the conduct of executives, employees, and other stakeholders. Principle 3 states that “the governing body should ensure that the organisation is seen to be a responsible corporate citizen (IoDSA, 2016, p. 45). The practices and efforts of the organisation’s responsible corporate citizenship include compliance with its codes of conduct and overseeing, as well as monitoring the organisation’s core purpose and values (Esser and Delport, 2018; IoDSA, 2016). Rossouw (2019) outlined that the focus of principle 3 is in line with the mandate of the social and ethics committee. Good corporate citizenship is a critical element in corporate governance that requires organisations to balance the triple bottom line (Chauke and Sebola, 2018), which is also reflected in corporate reporting that considers the environmental, social, and economic performance communicated to an organisation’s stakeholders.

2.3.1.2 Strategy, performance, and reporting

In principle 4, “the governing body should appreciate that the organisations’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process” (IoDSA, 2016, p. 47). Practices involve approving strategies that set short, medium, and long-term direction, and the performance criteria is set towards the economic, social, and environmental context (Esser and Delport, 2018).

Principle 5 deals with disclosing reports that should enable stakeholders to make an informed decision based on a performance assessment of the organisation and its ability to create value over time (Esser and Delport, 2018). According to de Villiers and Dimes (2021), the ultimate governing body’s role is to drive the organisational strategy and monitor the planning and implementation of policies to enhance accountability. The shareholder, Minister for DPE, appoints the governing body and expresses policy and strategy against the statement of intent, which should align with the SOE’s corporate plan (Adebayo and Ackers, 2022).

2.3.1.3 Governing structures and delegation

Principle 6 requires that the governing body be the focal point and accountable for corporate governance in the organisation (IoDSA, 2016). This principle involves governing body giving direction and providing oversight of the implementation of organisation strategy demonstrated through disclosures (Esser and Delpont, 2018). Disclosures should reflect how governance structures “support organisational strategic objectives, risk management, and remuneration approach” (Stent and Dowler, 2015, p. 107). Principle 7 stipulates that “the governing body should have a balance of skills mix, experience, diversity, and independence when doing its governance role and responsibilities and should be objective and effective” (Esser and Delpont, 2018; IoDSA, 2016, p. 50). Balbuena (2014) emphasise the importance of ensuring transparent and consistent procedures for board nominations and appointment. The practice recommends majority of members of the governing body should be independent non-executive directors and the appropriate mix of executive and non-executive (Esser and Delpont, 2018). Principle 8 says, “the governing body needs to arrange for its delegation within its structures and promote independent judgment while discharging its duties” (IoDSA, 2016, p. 54). It is recommended that the delegation of duties, roles, and responsibilities is formally documented using terms of reference, approved, and reviewed annually (Esser and Delpont, 2018). Principle 9 involves “the governing body evaluating its performance and that of its committees, its chair, and its members for at least every two years” (Esser and Delpont, 2018; IoDSA, 2016, p. 58). Principle 10 involves “the governing body ensuring that the appointment and delegation to management contribute to role clarity and effective of authority and responsible” (IoDSA, 2016, p. 58). The related practices include, amongst others, the roles of the Chief Executive Officer (CEO) and the company secretary (Esser and Delpont, 2018). Simpson (2014) emphasise that its crucial for the members of the governing body to possess a wide range of skills since they are decision makers and deal with strategy organisational issues.

2.3.1.4 Governance of functional areas

Principle 11 requires “the governing body to govern risk in a way that supports the organisation to achieve its strategic objectives” (IoDSA, 2016, p. 65). The disclosures related to risk include actions taken to ensure that risk management is effective and outcomes addressed (IoDSA, 2016). According to International Finance Corporation, enhancing risk management practices help improve monitoring and mitigation within the organisation (IFC, 2010). Principle 12 deals with the governance of information and technology (IoDSA, 2016).

The governing body is expected to give direction and monitor the execution of effective information and technology management, such as the integration of information and technological processes across the organisation and the monitoring of intelligence (IoDSA, 2016). Complying with applicable laws and ensuring that the organisation adheres to non-binding rules, codes, and standards are stated under principle 13 (IoDSA, 2016). Disclosures need to outline the effectiveness of compliance management, how outcomes were addressed, and the non-compliances with the law (IoDSA, 2016).

Principle 14 requires that governing body monitor that the organisation remunerates fairly, responsibly, and transparently (IoDSA, 2016, p. 68). The recommended practice includes, amongst others, the reporting of all commissions, allowances, and fees of non-executive governing body members (IoDSA, 2016). Principle 15 ensures the “assurance services and functions enable an adequate and internal effective control environment for internal decision making and external reporting” (IoDSA, 2016, p. 72). Carlson and Bussin (2020) say remuneration needs to be balanced by the SOE's performance and the available skills in the market – all within the SOE's specific industry.

The King code recommends that disclosures on remuneration be fair and responsible and bring balance between the remuneration of the executives and the employees on the lesser pay scale (IoDSA, 2016). The executive remuneration of some of the SOEs is not in line with the specialisation and requirements to do the job (Matsiliza, 2017). King IV recommends providing information on performance measures and targets, which lead to awarding governing board and executive remuneration (IoDSA, 2016).

2.3.1.5 Stakeholder relationships

Principle 16 recommends that the governing body adopt a stakeholder-inclusive approach to balance stakeholders' expectations of the organisations' interests (Esser and Delpont, 2018). King IV advocates that directors owe their fiduciary duties to the company, representing the interests of shareholders, employees, consumers, the environment, and the community (Esser and Delpont, 2018; IoDSA, 2016). Matsiliza (2017) says disclosing strengthens stakeholder confidence in corporate governance, enhancing trust and integrity between government and stakeholders. Disclosures promote transparency, an important aspect of good governance, as it is in the stakeholder's interest to access reliable information about how the organisation creates value (PwC, 2006).

For example, disclosures are important for investors to monitor and evaluate the relationship between the organisation and the nearby communities. Principle 17 applies to institutional investors should “ensure responsible investment is adhered to by the organisation in promoting good governance and create value for the organisation in which it invests” (IoDSA, 2016, p. 77).

2.4. Principle of materiality

Materiality is a guiding principle in the IIRC framework, which assists in disclosing information that significantly affects the organisation’s ability to create value over time (IIRC, 2013). According to Eccles and Youmans (2016), determining materiality is ultimately the governing board's responsibility in consultation with the stakeholders. Disclosing accurate and reliable information about the organisation's material matters enhances accountability, improving communication between stakeholders and the governing board (PwC, 2006). According to the International Reporting Council of South Africa (IRCSA), the governance disclosures mainly include the governing body’s approach to governance and integrated thinking.

The governance disclosures use material information, including the organisation’s assurance process, actions, focus areas, and connectivity to value creation. This approach helps link information to other functional areas like performance against strategic objectives, risks, and opportunities (IRCSA, 2021). For example, Matsiliza (2017) posits that Eskom failed to implement strategic risk assurance by not providing long-term solutions for energy shortages in the country, and energy-saving could have been prioritised. King IV encourages understanding negative and positive risks, which may be realised as potential opportunities, considering that some opportunities may not emanate from current risks (IoDSA, 2016).

2.5. Corporate reporting

Dumay, Bernardi, Guthrie, and Demartini (2016) conducted a literature review on IR; one of the findings indicated that many companies realised the need for reporting that responds to financial and governance issues that need to address pressures from the external environment. The issues emanating from the external environment include, but are not limited to, technology innovations, changing global competitions, and social aspects (Dumay et al., 2016). Flower (2015) added, saying reporting was not adequate for stakeholders to assess the company’s past and future performance.

Traditional reporting focused on the shareholders and did not incorporate an inclusive stakeholder approach (Dumay et al., 2016). Corporate reporting in South Africa transformed into voluntary IR that provides information, transparency, and accountability to respond to stakeholder aspects (Dumay et al., 2016). The evolution from traditional reporting started with “triple bottom line reporting was seen as a solution to traditional financial reporting” (Dumay et al., 2016, p. 166).

Many companies have used the IIRC framework as a normative guide to corporate reporting; some international regulations require disclosures similar to the elements of IARs to be included in their annual reports (Adams, 2015). Montecalvo et al. (2018) studied the potential impact of IR on the sustainability reporting of SOEs; they found IR can enhance sustainability reporting because it improves the visibility of non-financial issues in corporate reporting. Although Flower (2015) argues that IR may have little impact on corporate reporting due to the absence of force, organisations often voluntarily adopt IR.

Providing non-financial information has been emphasised in corporate reporting in general; otherwise, it gives the current and future business prospects (Maniora, 2017). The increasing number of companies operating in the global market has necessitated new market requirements due to unethical corporate behaviour and reputation (Maniora, 2017). The market requirements are the reporting of financial and non-financial information, which supports the integrated sustainable approach to creating value. Some corporate reporting has been replaced by IAR, especially those companies listed with the JSE.

2.6. Integrated reporting

The concept of IR aimed to overcome the challenge of producing several reports, including a financial report and a sustainability report, in a more efficient and cohesive approach (Stent and Dowler, 2015). The integrated report communicates both financial and non-financial information that affects value creation. According to the IIRC’s framework, IR aims to give insight into how organisations use resources to create value over time and interact with the external environment (IIRC, 2013). The IIRC has developed an integrated reporting framework to guide corporate reporting, which is principle-based and can be applied by private and public sectors adapted to suit the sector (IIRC, 2013).

The IIRC's framework aims to "enhance accountability and stewardship within organisations for broad base capitals (financial, manufactured, intellectual, human, social and natural), which promotes understanding of their interdependencies" (IIRC, 2013, p. 3). It is noted that the revised IIRC framework (IIRC, 2021b) was published in January 2021. Still, for this research, the previous framework (IIRC, 2013) was used as it aligned with the sample SOEs' reporting periods between 2018 and 2020.

Integrated reporting is a holistic and well-organised approach to corporate reporting and communicates factors that create value for the organisation over time. IR is concerned with enhancing accountability (Stent and Dowler, 2015) and aims to give insight into how organisations use resources to create value over time and interact with the external environment (IIRC, 2013). The IR is viewed as building an internal understanding of governance practices and response to external factors (Maniora, 2017). In this way, the integrated report's information allows the entity to communicate how the organisation sustains value in achieving strategic objectives critical to public accountability. According to the King IV report on corporate governance, IR is a disclosure requirement (IoDSA, 2016).

2.7. Integrated thinking

Integrated reporting is founded on integrated thinking based on the relationship between operations and functional units and capitals that an organisation uses to create value (IIRC, 2013). Integrated thinking results in integrated decision-making, creating value over time (IIRC, 2013). The integrated thinking approach emphasises playing a critical role in mainstreaming business practices and encouraging innovation through reporting (IIRC, 2016).

King IV report considers IR a mechanism for companies to account for performance, not only the providers of financial capital but all stakeholders and future forecasts (Rossouw, 2019). King IV states that "the ability of the organisation to create value for itself depends on its ability to create value for others," thereby benefitting society (IoDSA, 2016, p. 23). In this way, IR may be viewed as a management and accounting tool to assist the governing body and investors in monitoring drivers of value creation. According to a survey conducted by the South Africa Institute for Chartered Accountants (SAICA), IR driven by integrated thinking improved information generated for decision-making (SAICA, 2015).

The understanding of various capitals (financial, manufactured, intellectual, human, social, and natural) and their interdependencies (IIRC, 2013) enhance information gathering, which influences internal management practices and organisational performance (Barnabè, Giorgino, and Kunc, 2019). These authors emphasised that integrated thinking is a crucial skill for governance (Barnabè et al., 2019). The findings also indicated that risk management had improved owing to the scope through which risks were considered, like a holistic view of the entire value chain rather than looking at legal boundaries only (SAICA, 2015). The improved risk management process may assist in identifying opportunities emanating from those risks (IoDSA, 2016). In this way, the IR contributes to business management through better decision-making.

Another finding indicated that the organisation adopting the inclusive culture embedded in integrated thinking has helped employees feel empowered, thereby improving governance processes (SAICA, 2015). Barnabè et al. (2019) say IR communicates value creation drivers and engages with stakeholders about value creation itself, promoting the relationship with leaders and stakeholders. In this way, stakeholders may develop trust in the engagement process. Through integrated thinking, the emphasis shift from managing for stakeholders to managing with stakeholders (Barnabè et al., 2019).

2.8. Benefits of integrated reporting

According to the IIRC's framework, the IR process aims to provide creative ways of using allocated capital to produce financial stability and sustainability (IIRC, 2013). Abeywardana, Azam, and Low (2021) alluded that the performance of an organisation depends on its use of resources and capabilities. The various forms of resources include capital as inputs transformed into outputs (Abeywardana et al., 2021). Beck et al. (2017) say the benefit of IR speaks to information tailored around the business and its stakeholders rather than giving information to comply with guidelines or frameworks. The IR presents the relationship the organisation uses for its value-creation process and the relationship between external factors and resources (Soriya and Rastogi, 2021). The governing body may use IR as an accounting and monitoring tool to account for resource utilisation and monitor and manage drivers of value creation to inform management actions. Governing board needs resources to continue to create value for the organisation and respond to the external environment.

Integrated reporting triggers behaviour towards transparency, focusing on governance and performance areas that contribute to creating value and giving a reputation through business practices (IIRC, 2016). In this way, the organisation may feel obliged to be transparent and account for the governance practices that impact or influence the organisation’s reputation. Maniora (2017) alluded that the IR process incorporates ethics and enhances the organisation’s corporate governance by improving its leadership structures and practices (Corvino et al., 2020). Integrated reporting benefits stakeholders interested in how the organisation creates value over time (IIRC, 2013).

The revised 2021 IIRC framework considers value creation, preservation, and or erosion of value (IIRC, 2021b). The other difference from the 2013 framework to 2021 is that outcomes are considered negatively and have the opportunity to erode value, and positive results tend to increase value (IIRC, 2021b). The integrated thinking and the reporting cycle benefits long-term organisational success (IIRC, 2016). This way, feedback on drivers eroding value is known, informing the corporate strategy, risks, and business model (Adams, 2015).

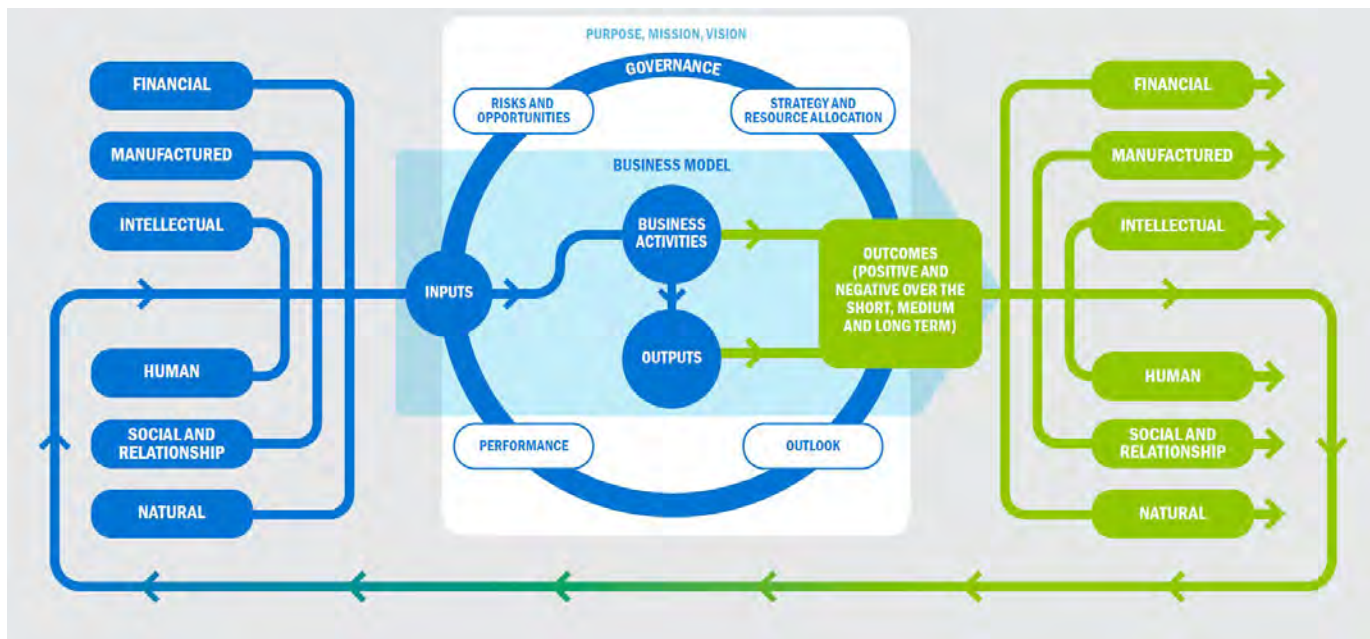


Figure 1: Value creation, preservation, or erosion over time (IIRC, 2021b)

The feedback on the value created and eroded, shown in Figure 1, may enhance corporate governance by informing those in charge of governance to set appropriate structures to support the organisation to create value (IIRC, 2021b). The feedback gives information on areas that erode value and optimise value creation over time and assist in strategic decision-making. Dumay et al. (2016) say IR informs the providers of financial capital; also influences corporate

and investor behaviour (CGMA, 2014). The organisation's ability to create value increases the chances of financial returns, which attract investors and shareholders (IIRC, 2013). Efficient reporting requires integrated thinking, leading to a better understanding of business elements and reinforcing information connectivity between strategy, business model, and value creation (CGMA, 2014).

Understanding the business model leads to better governance and performance, sustaining value (CGMA, 2014). Reporting reflects the link between long-term thinking and long-term investment (CGMA, 2014). Benefits to stakeholders include improved organisational communication to meet different needs to create sustaining value (CGMA, 2014). The organisation's accountability to stakeholders increases communication and understanding of organisation governance practices.

2.9. Theoretical underpinnings

According to Barnabè et al. (2019), combining IR and the resource-based view supports organisational decision-making. It is crucial to understand which corporate resources link to capital and drivers of value creation (Barnabè et al., 2019). The resource-based theory is the underpinning theory that applies to this study. According to Barney (1991), this theory suggests that an organisation sustains a competitive advantage through internal resources. The implementing strategies should "exploit internal strengths by responding to environmental opportunities while counteracting external threats and circumventing internal weakness" (Barney, 1991, p. 99). For the organisation to gain sustained competitive advantage, it must possess valuable, rare, inimitable, and non-substitutable resources (Barney, 1991, p. 105). Mbo and Adjasi (2017) maintain that resource-based theory can assist SOEs in identifying their strengths and weaknesses to be allocated resources to improve performance.

McGregor (2014) recommends that the quality of corporate governance of SOEs depends on resources such as capacity, experience, and skills that the governors possess in the organisation's interest and all stakeholders. The incapacities in government, in general, undermine the objective of the SOEs (McGregor, 2014). Madhani (2019) raises the board characteristics, such as the knowledge and experience of the board members, as resources that may be harder for competitors to imitate and substitute because of their tacit knowledge that may contribute to organisational performance.

Phaladi and Ngulube (2022) support that SOEs need to invest in knowledge management practices that are valuable, rare, imitable, and non-substitutable, which contributes to the performance and sustainability of the organisation. The board plays a strategic role in the organisation and is involved with management in formulating and implementing strategic tasks that contribute to organisational performance (Madhani, 2019). How an organisation uses financial resources is critical in governance as they confirm adequate financial reporting (Barnabè et al., 2019).

Organisational resources are valuable if the strategies exploit opportunities and neutralise internal weaknesses (Barney, 1991). The governance structure and board composition are resources that can add value to the organisation (Madhani, 2019). James and Joseph (2015) say the board monitors and ensures the organisation achieves sustainable competitive advantage through corporate governance. The authors emphasise that the board also plays a role in facilitating resource acquisition for organisational performance (James and Joseph, 2015). Good corporate governance is related to proper management and is critical to evaluating the performance and sustainability of the organisation (James and Joseph, 2015).

The SOE's role, among many, is to facilitate the country's competitiveness: however, it is critical to apply the King IV Code on corporate governance to contribute to its exemplary corporate governance (IoDSA, 2016; Surty et al., 2018). The SOEs must account to the stakeholders how resources are utilised to provide services to ensure a competitive environment for local development, create jobs, and contribute to the country's economic development. The IAR is the disclosure requirement under the King IV report (IoDSA, 2016), achieved by applying the IIRC's framework (Surty et al., 2018). The governance disclosures are viewed as a communication tool to stakeholders on how government resources are used in the short, medium, and long term.

These integrated annual reports are valuable information on how internal resources are used to respond to the external environment giving answers to an entity's alleged good or poor governance and being viewed as an aid to improve the entity's business (Surty et al., 2018). This research investigated how IARs can enhance the governance of SOEs. Governance of SOEs is crucial to achieving the county's socio-economic objectives. Governance formed the basis of this study's investigation and contributed to the body of knowledge about SOEs governance.

There are possible lessons learned on how the SOEs alleged past governance failures could enhance the governance of SOEs going forward. Improving the governance of SOEs benefits both the public and private sectors as SOEs provide services unavailable to the private sector, like electricity.

2.10. Conclusion

This Chapter provided a discussion of the relevant concept related to the study. Corporate governance was defined based on different perspectives, i.e., private and public sectors. The origin of the King's report on corporate governance and the associated principles of King IV were also discussed. The principles of materiality provided the basis for understanding the importance of governing body to disclosing governance practices aligned to the framework for integrated reporting. The reporting concepts include corporate reporting, integrated reporting, integrated thinking, and benefits associated with integrated reporting. Finally, the Chapter discussed the theoretical underpinnings associated with the study.

Chapter 3: Research Methodology

3.1 Introduction

This Chapter outlines the research methodology used, how data was collected, analysed, and interpreted, and ethical concerns.

3.2 Research aim

The research aimed to analyse and assess Eskom, Transnet, and Telkom's IARs to compare and understand how SOEs' governance be enhanced. To address the aim, the objectives of this study were to:

- Identify and describe governance disclosures (as required by the King IV code) to understand governance practices within the sample organisation;
- Compare and assess the SOEs' reporting trends associated with governance indicators between 2018 and 2020; and
- Make recommendations on how SOEs can use IR to enhance their governance practices, communication, and reporting

3.3 Ontology and epistemology

The research was conducted with critical realism as the ontological assumption which assumes the existence of reality. The study seeks to understand the subject matter's reality as close as possible, although imperfectly (Guba and Lincoln, 1994). The study used post-positivism as a research paradigm (Guba and Lincoln, 1994); it assumes the possibility of point-by-point comparisons because all the three SOEs sampled apply the King IV principles in their IARs.

3.4 Research method

The qualitative approach was adopted for the research. In addressing the study's aim and objectives, the thematic analysis was used to identify and describe governance disclosures and themes found in the data set (Braun and Clarke, 2006). Thematic analysis is useful for generating insights and summarising large data sets (Nowell, Norris, White, and Moules, 2017). The 16 principles for King IV were used as an instrument to source data from the IARs. Each IARs was summarised based on each principle per SOE per year,

The reporting trends were assessed to find commonalities and differences within an SOE by comparing the disclosures for the three years and between the three SOEs. Hyde (2000) says studies that confirm propositions from theory improve confidence in the study's validity.

3.5 Sample

According to Campbell, Greenwood, Prior, Shearer, Walkem, Young, Baywaters, and Walker (2020), purposive sampling is relevant in a qualitative study that moves away from selecting any random sample. Given the aim of the study, Eskom, Transnet, and Telkom are major SOEs that had IARs available for three consecutive years after King IV was published. The purposive method supports the selection of a specific sample to increase the depth and understanding of the study's objectives (Campbell et al., 2020). Some SOEs did not have IARs for three consecutive years, making it challenging to serve the purpose and aim of the study. The three selected SOEs for the study produce detailed IARs supporting the analysis and comparing the governance practices and reporting trends over the three years (2018 – 2020). The three years sampled start from March 2018 to March 2020 for the three SOEs.

3.6 Data collection

The study sourced data from publicly available IARs from the three SOEs' internet websites. The focus was on applying the 16 principles of the King IV report on corporate governance, which became effective in South Africa on 1 April 2017 (IoDSA, 2016). The summarised governance disclosures were recorded on an Excel spreadsheet reflecting the name and year of each SOE report based on the applied 16 principles of the King IV report. After collection, nine sheets were ready for coding; three for Eskom, three for Transnet, and another three for Telkom for 2018 – 2020.

3.7 Data analysis and interpretation of results

Pearse (2019) describes thematic analysis as coding driven by theory, which helps simplify and focus on specific data characteristics. The themes identified capture important matters relating to governance practices within the three SOEs (Braun and Clarke, 2006). Nine (9) Microsoft Excel spreadsheets (one per SOE per reporting year) were prepared for coding and sorting for analysis and combined into one spreadsheet. Appendix 1 is the combined Excel spreadsheet sorted into a logical structure based on coding to keep track of the source data sequence.

The data was systematically manually coded using Microsoft Word and Excel by Ose (2016). The coding method provides a step-by-step guide on coding qualitative data and sorting to prepare data for analysis using basic functions in Microsoft Excel. After coding, the data was moved to a Microsoft Word document, where the researcher transformed it into themes. According to Riege (2003), using specific procedures for coding and analysing assist in ensuring transferability. Sorting data into a logical structure based on codes All the themes were transferred to subtopics for comparative analysis to assess trends and the SOEs' governance disclosures.

Keeping a manual code generated provides a trail of evidence for the study's credibility (Nowell et al., 2017). All records collected and analysed in Microsoft Excel and Word are stored electronically to allow access which enhances confirmability (Riege, 2003) and review upon request.

3.8 Ethical considerations

No significant ethical concerns were expected for research data available in the public domain. Although discussed with Rhodes University ethics coordinators, it was unnecessary to apply to the Ethics Committee for formal approval considering the public nature of the data. To enhance credibility, the summarised IARs were sorted into a logical structure based on coding to keep track of the source data sequence (Campbell et al., 2020). No raw data was used from secondary sources, and the researcher only used data from published IARs.

3.9 Conclusion

The study followed a qualitative approach. Purposive sampling was used to select the data to serve the study's objective. The research was carried out within the post-positivism paradigm. Secondary data (IARs) was used for the research, and the 16 principles of the King IV report on corporate governance were used to summarise the governance disclosures. Summaries were prepared on Microsoft Excel spreadsheets for coding and sorting for analysis and combined into one spreadsheet. Appendix 1 is the combined Excel spreadsheet sorted into a logical structure based on coding to keep track of the source data sequence. No significant ethical concerns were expected for research data available in the public domain.

Chapter 4: Results

4.1 Introduction

The following Chapter outlines the findings from the IARs of the three sample SOEs as listed in section 3.5. Findings were reported using nine (9) excel spreadsheets for all the IARs per SOE for the three years) which were combined into one excel spreadsheet (see Appendix 1). The IARs were summarised using the King IV 16 principles, and trends were compared and assessed using the themes that emerged during coding as stipulated in Chapter 3 under data collections. Below are findings presented through the King IV principles and themes.

4.2 Overview of the sample SOEs

The three SOEs sampled were Eskom, Transnet, and Telkom. All three SOEs already apply the King IV code in their IARs. The current study covers 2018 – 2020 from 1 April to 31 March of the following year. Eskom's IAR started with the chairperson of the board's statement, which highlighted the year, including governance-related issues, followed by the board activities reports and the executive management reports. Transnet's IAR started with the chairperson's statement giving a snapshot of what happened during the year, including governance matters. The next section deals with the organisation's executive management reports and then the report on the governing board activities. Additional to the IAR, Transnet has the governance report produced separately from their IAR. Telkom's IAR started with an overview of the organisation, including the five business units within the organisation, followed by the chairperson's report, including board focus areas. A section on transparency and accountability reports all governance matters, including board activities.

4.3 Analysis of governance disclosures

All the integrated annual reports had icons to easily identify King IV disclosures, including the number reflecting the principle applied, which assisted in navigating the data in the IAR. Eskom has a section in its IAR that deals with the King IV application, where it gives feedback on implementing the 16 governance principles. Appendix 2 shows the section of Eskom's King IV application with icons that guide the reader to access further information. Appendix 2 also shows Telkom's icon that assisted in navigating the King IV application in 2018, 2019, and 2020 IARs.

In other reports, a section discloses all the applications of King IV's principles. Transnet published a separate governance report, as well as its IAR (see Appendix 2). Where detailed information is available beyond what was disclosed, reference was available directing further sourcing details. All SOEs disclosed their governance in their reports and practice explained. The disclosures were summarised per year and SOE and arranged per the theme and King IV principles (section 4.3.1).

4.3.1 King IV principles

The 16 King IV principles were used to extract and summarise the governance disclosures. The said principles are embedded in Appendix 1 under the annexure for summaries of the IARs. The following sections are findings on the governance disclosure based on the sixteen (16) King IV report, which includes principles 1 – 3 deal with leadership, organisational ethics, and corporate citizenship; 4 – 5 deal with strategy, performance, and reporting; 6 – 10 deals with governance structures and delegation of authority; 11 – 15 deals with governance functional areas; and 16 deals with the relationship with stakeholders

4.3.1.1 Leadership, organisational ethics, and corporate citizenship

All the SOEs' disclosures on leadership and organisational ethics dominated the ethics theme (see Table 1). The disclosure of issues relating to corporate citizenship is spread out in all the themes except the governance structures theme.

Table 1: Leadership, organisational ethics, and corporate citizenship

Principles	Ethics	Irregular expenditure	Internal control	Accountability	Governance structures	Reputation	Sustainability
1. Leadership	Eskom (2018 – 2020) Transnet (2018, 2020) Telkom (2018, 2019)		Transnet (2019)		Telkom (2020)		

Principles	Ethics	Irregular expenditure	Internal control	Accountability	Governance structures	Reputation	Sustainability
2. Organisational ethics	Eskom (2018, 2020) Telkom (2018 – 2020)	Transnet (2018, 2019)	Eskom (2019)			Transnet (2020)	
3. Corporate citizenship	Transnet (2018, 2020)	Telkom (2020)	Telkom (2018)	Eskom (2018) Telkom (2019)		Transnet (2020)	Eskom (2019, 2020)

4.3.1.2 Strategy, performance, and reporting

The most prevailing theme under the disclosures for strategy and performance is sustainability for all the SOEs (see table 2). For reporting principle, Eskom (2018 – 2019) and Telkom’s (2018 – 2020) reports also appeared under sustainability, while Eskom’s 2020 and Transnet’s (2018 – 2020) reports were embedded under the accountability theme.

Table 2: Strategy, performance, and reporting

Principles	Ethics	Irregular expenditure	Internal control	Accountability	Governance structures	Reputation	Sustainability
4. Strategy & performance			Eskom (2020)				Eskom (2018, 2019) Transnet (2018, 2019) Telkom (2018, 2019, 2020)
5. Reporting				Eskom (2020) Transnet (2018 – 2020)			Eskom (2018, 2019) Telkom (2018, 2019, 2020)

4.3.1.3 Governance structures and delegation

Table 3 shows that the accountability and governance structures themes were dominated by issues relating to roles and responsibilities, specifically Eskom and Telkom 2019 – 2020 reports and Eskom (2018) and Transnet (2018, 2020), respectively. The practices relating to the composition of the governing body were dominated by the accountability theme (Eskom 2018 – 2019; Transnet 2018 and Telkom 2018 – 2020), followed by the sustainability theme, which Eskom (2020) and Transnet (2019) reported. The governance structures theme prevailed for the disclosures dealing with committees of the governing body for all the SOEs (Eskom 2018 – 2020; Transnet 2018 and Telkom 2019). Telkom’s report for 2018 & 2020 appeared under accountability, and Transnet’s (2019 – 2020) was shown (Table 3) under internal control.

The performance and evaluation of the governing body and its committees for all SOEs for 2019 – 2020 were reported under the accountability theme. The 2018 disclosures for Eskom and Telkom were under internal control, and Transnet’s under the sustainability theme. The appointment and delegation principle was mostly reported under the governance structure (Eskom 2019 – 2020 and Transnet 2018, 2020) and accountability (Eskom 2018, Transnet 2019, and Telkom 2018 reports) theme. The 2019 report for Telkom appears (Table 3) under sustainability, and the 2020 report is shown under the ethics theme.

Table 3: Governance structures and delegation

Principles	Ethics	Irregular expenditure	Internal control	Accountability	Governance structures	Reputation	Sustainability
6. Roles & responsibilities			Telkom (2018)	Eskom (2019, 2020) Telkom (2019, 2020)	Eskom (2018) Transnet (2018, 2020)		Transnet (2019)
7. Composition of the governing body				Eskom (2018, 2019) Transnet (2018) Telkom (2018, 2019, 2020)	Transnet (2020)		Eskom (2020) Transnet (2019)

Principles	Ethics	Irregular expenditure	Internal control	Accountability	Governance structures	Reputation	Sustainability
8. Committees of the governing body		Transnet (2019, 2020)		Telkom (2018, 2020)	Eskom (2018, 2019, 2020) Transnet (2018) Telkom (2019)		
9. Performance of the governing body and its committees			Eskom (2018) Telkom (2018)	Eskom (2019, 2020) Transnet (2019, 2020) Telkom (2019, 2020)			Transnet (2018)
10. Appointment & delegation	Telkom (2020)			Eskom (2018) Transnet (2019) Telkom (2018)	Eskom (2019, 2020) Transnet (2018, 2020)		Telkom (2019)

4.3.1.4 Governance of functional areas

Table 4 shows the most prevalent governance practices reported for risk under the reputation theme is Transnet for all three years, along with Eskom in 2018. Reporting on the governance of technology and information is shown for Transnet's 2018 and 2020 disclosures under reputation, for Eskom and Telkom both in 2018 disclosed under the governance structures theme. For the governance of compliance issues, the accountability theme showed (Table 4) Eskom and Transnet's reports, with internal control dominated by Eskom and Telkoms' and Transnet, along with Telkom's, practices appeared under the reputation theme. For remuneration issues, Eskom (2020) and Telkom (2018 – 2020) reports were under the sustainability theme, and reports for Eskom (2018 – 2019) and Transnet (2018 – 2020) appeared under accountability. Assurance services dominated all the SOE's reports (Eskom 2019, Transnet 2019 – 2020, and Telkom 2018, 2020) embedded under the internal control theme, followed by Transnet's 2018 and Eskom's 2018 & 2020 disclosures under the accountability theme.

Table 4: Governance of functional areas

Principles	Ethics	Irregular expenditure	Internal control	Accountability	Governance structures	Reputation	Sustainability
11. Governing risk			Telkom (2019)	Eskom (2019, 2020)	Telkom (2018, 2019)	Eskom (2018) Transnet (2018, 2019, 2020)	
12. Governing technology and information			Transnet (2019)	Eskom (2020)	Eskom (2018) Telkom (2018)	Transnet (2018, 2020)	Eskom (2019)
13. Compliance			Eskom (2019) Telkom (2019)	Eskom (2018, 2020) Transnet (2018)	Telkom (2018)	Transnet (2020) Telkom (2020)	Transnet (2019)
14. Remuneration				Eskom (2018, 2019) Transnet (2018, 2019, 2020)			Eskom (2020) Telkom (2018 – 2020)
15. Assurance services			Eskom (2019) Transnet (2019, 2020) Telkom (2018, 2020)	Eskom (2018, 2020) Transnet (2018)	Telkom (2019)		

4.3.1.5 Stakeholder relationships

Table 5 shows the stakeholder relationship of Eskom (2019) and Transnet (2019 & 2020), which appeared under reputation and accountability themes. Telkom (2018 – 2020) and Eskom (2020) were dominant under the sustainability theme.

Table 5: Stakeholder relationship

Principles	Ethics	Irregular expenditure	Internal control	Accountability	Governance structures	Reputation	Sustainability
16. Stakeholder relationship				Eskom (2019) Transnet (2019, 2020)		Eskom (2018) Transnet (2018)	Eskom (2020) Telkom (2018, 2019, 2020)

4.4 Governance reporting trends

The analysis of disclosures was put per theme in the following section in assessing and comparing the reporting trends. Each IAR gave highlights at a glance at the beginning of the report to reflect on the year. There is a general improvement in governance practices; for example, in all of Eskom’s IAR, there was an update on governance clean-up progress. There is an update on commitments that were indicated in the previous year. All the sample reports of the SOEs showed recurring themes over the three years and similarities and differences in approach to governance practices.

Through thematic analysis of the sample disclosures, the following seven (7) themes emanated from the IARs are discussed below: ethics, irregular expenditure, internal controls, accountability, governance structures, and sustainability. The researcher found these themes recurring within the dataset and relevant to the research or investigation. The researcher also found these themes were often used in all the datasets for the three SOEs and addressed matters related to governance practices.

4.4.1 Theme 1: Ethics

a) Eskom

In the 2018 IAR, the new board reported that the focus is on restoring culture and promoting good governance through ethics training and educating employees and their suppliers on ethics management (Eskom, 2018). The shareholder, represented by the Department of Public Enterprises (DPE), “expects the board to restore ethical culture, good governance, accountability, and transparency within the company” (Eskom, 2018, p. 16). This pressure to restore ethical culture and good governance emanated from the parliament’s portfolio

committee report on public enterprises on an alleged inquiry investigating governance practices of some of the SOEs, which resulted in the appointment of the new board in January 2018 (Eskom, 2018). The 2018 IAR indicated that Eskom was implicated in the allegations of governance failure, resulting in the resignation of some of its executive managers and board members. Measures to monitor and improve unethical conduct included, but were not limited to, upgrading reporting systems overseeing employee and supplier declaration of interest, implementing a code of ethics, and instituting disciplinary actions against transgressors. The independently managed reporting system ensured the integrity and confidentiality of the process; as a result, “36 employees were found to have business interests in suppliers doing business with Eskom for the past two years” (Eskom, 2018, p. 17). The “250 cases reported through whistle-blowing channels being investigated which some resulted to disciplinary process” (Eskom, 2018, p. 17).

In 2019 Eskom, there was new executive management appointed, which was welcomed by stakeholders (Eskom, 2019). The IAR demonstrated the move by the chairman of the board by saying, “appointment of Group Chief Executive (GCE), Chief Financial Officer (CFO) and Chief Operating Officer (COO) has increased investor confidence and improved ability to get funding” (Eskom, 2019, p. 4). There was an increase of whistle-blowing incidents reported in 2019 under investigation, and the organisation believes that it is progressing towards restoring the culture of ethics as per the board’s objective is to return the company to “financial and operational stability, stabilise management, and restore trust and business confidence” (Eskom, 2019, p. 9). Executive suspensions were pending external investigation; some executives resigned after serving with the charge sheet. Former employees suspected of corruption were charged criminally and handed to relevant authorities for further investigation (Eskom, 2019).

Any incidents that needed further investigation were referred to the assurance and forensic unit for action. About 40% of the cases reported through whistle-blowing channels resulted in sanctions such as disciplinary action (Eskom, 2019). Investigations for 2018 and 2019 concluded that employees avoid procurement and supply chain management policies and procedures, and management overrides existing internal controls in many instances (Eskom, 2019, 2018). The focus in 2019 and 2020 was to strengthen the organisational ethics through “consequence management, implementing independent lifestyle and conflict of interest audits” (Eskom, 2019, p. 11), which led to the termination of some supplier contracts and instituting disciplinary charges (Eskom, 2020).

b) Transnet

The 2018 IAR reported the appointment of a new board to focus on the corporate governance challenges that needed urgent attention, including but not limited to “accusations of mismanaging the supply chain management processes relating to 1064 locomotives contracts” (Transnet, 2018a, p. 7). The company established an ethics management programme that applies to employees, executive management, non-directors, and suppliers through the contract. Challenges of the new board included board skills mix, composition, increasing PFMA issues, and media allegations (Transnet, 2018a).

An independent service provider manages an anonymous tip-off hotline, and investigations are conducted by internal audits, operating decisions, and specialist units (Transnet, 2018a). Transnet’s governance report indicated that the governing board initiated “an independent forensic investigation to address the alleged corporate governance breaches on contracts between 2014 and 2016” (Transnet, 2018b, p. 20). The board indicated that the focus is on “improving efficiencies in consequence management addressed through stringent measures and suspension of employees to avoid lengthy disciplinary processes and excessive costs” (Transnet, 2018b, p. 22).

In 2019 the SOE “identified fraud, corruption, and procurement irregularities as the significant risk that grows in the organisation” (Transnet, 2019a, p. 73). The 2019 IAR reflected “39% incidents relating to procurement irregularities, 31% is related to corruption and fraud, 19% related to misuse of resources, and 11% was due to non-compliance” (Transnet, 2019a, p. 73). In 2019 Transnet’s focus was to improve consequence management regarding fraud and corruption allegations that resulted in the suspension of senior executives (Transnet, 2019b).

In 2020, Transnet “adopted the global platform for intellectual property governance assessment to monitor how the SOE has applied the King IV principles” (Transnet, 2020b, p. 4). Board challenges include filling board vacancies, the delayed appointment of key executives, “increasing PFMA reportable issues and media allegations against the company’s alleged procurement irregularities, transgression of procedures and the code of ethics by executives, and prolonged suspensions of executives” (Transnet, 2020b, p. 20).

c) Telkom

Telkom reviewed the code of ethics and supplementary policies in 2018; the ethics office focused on “improving the communication and enforcement of the internal declaration process and system for employees involved in evaluating tenders” (Telkom, 2018, p. 97). Telkom conducts an ethics survey every two years, and the outcomes inform the development of further interventions (Telkom, 2018). The focus in 2019 was on reviewing the code of ethics and the supplementary policies to ensure uniformity across the company (Telkom, 2019).

The chairperson's declaration of interest was updated regarding the financial interest to an external service provider subcontracted by Telkom’s supplier (Telkom, 2019). The 2019 IAR indicated that the declaration was in “transparency and accordance with good governance” (Telkom, 2019, p. 95). In 2020, the code of ethics and its related policies were replaced by the revised ethics handbook to enhance ethics governance (Telkom, 2020, p. 104). The SOE postponed the ethics maturity assessment due to budget constraints and operational requirements (Telkom, 2020).

4.4.2 Theme 2: Irregular expenditure

a) Eskom

Most irregular expenditure matters were reported as part of restoring organisational ethics through governance clean-up progress. The company received a qualified audit for the three financial years 2018 – 2020 due to processes to ensure the completeness of irregular expenditures reported (Eskom, 2020, 2019, 2018). In 2018 the board detected irregular expenditure and financial management allegations implicating some senior executives; the board noted the cause as the ineffectiveness of internal control and systems (Eskom, 2018).

Irregular expenditure for the 2019 reporting year remains high; 80% is attributable to issues already detected the previous year, and the remaining 20% is new transgressions (Eskom, 2019). The focus in 2020 was on implementing remedial actions under the supply chain recovery programme to monitor compliance with relevant legislation (Eskom, 2020).

b) Transnet

The company received a qualified audit for the three financial years 2018 – 2020 due to the lack of evidence to qualify that the disclosure of irregularity was accurate and complete (Transnet, 2020a, 2019a, 2018a). In 2018 the board observed “ineffectiveness of supply chain management relating to controls which resulted to irregular expenditure; inadequate controls prevail within procurement environment” (Transnet, 2018b, p. 6). In 2019, Transnet reported that funders waived the SOE because it managed to resolve audit qualifications on loan covenants (Transnet, 2019a).

Therefore, the board does not anticipate difficulties accessing funding since credit rating assigned a stable outlook for the SOE (Transnet, 2019a). The reported irregular expenditure in the current year relates to previous contracts, which suggests improvement in the procurement control processes (Transnet, 2019a). In 2020, significant challenges reported included a “lack of contract management which exposes the company to recurrence of irregular expenditure transactions” (Transnet, 2020b, p. 22).

c) Telkom

Telkom Group Forensic (TGF) assists in mitigating potential fraudulent activities like ‘conflict of interest’ matters (Telkom, 2020). The outcomes include contract termination, dismissals, and to some extent, recovery of losses and arrest of those implicated (Telkom, 2020). Corrective actions from forensic investigations resulted in “11 employee dismissals, another 11 received warnings, and ten suspensions without pay, and others resigned due to investigations against them” (Telkom, 2020, p. 105). Telkom recovered the funds of the implicated employees, and some “contracts were terminated as a result of fraud and irregular conduct” (Telkom, 2020, p. 105).

4.4.3 Theme 3: Internal controls

a) Eskom

The report mentioned that the main problem with the allegations is not the failure of internal controls but that “in many instances, its management overrides the internal controls” (Eskom, 2019, p. 11, 2018, p. 19). The overall risk of non-compliance within the company is high; to some extent, it results in PFMA reportable matters (Eskom, 2019). The focus was on strengthening internal controls to improve the compliance understanding and maturity of various areas (Eskom, 2019).

All measurable penalties imposed against the company due to non-compliance are disclosed in the financial statements as required by PFMA (Eskom, 2019). Assurance and forensics concluded that Eskom's internal controls and risk management systems during the March 2019 reporting year and that internal financial controls are adequate (Eskom, 2019). The gap is in implementing or applying internal controls that are partially effective and require improvement in the control system relating to compliance (Eskom, 2019). The conclusion considers information from external auditors on the external audit results (Eskom, 2019).

In 2020, Eskom "established a turnaround management office working with the result management office to manage the strategy implementation and turnaround plan" (Eskom, 2020, p. 19). The executive committee considers the monthly reports about non-compliance and performance; the executive committee, audit, and risk committee (ARC), and the board review quarterly reports to the shareholder (Eskom, 2020).

b) Transnet

Transnet introduced a step-up programme to improve internal controls and emphasised instituting consequence management (Transnet, 2019b). The reported breakdown in internal controls within procurement resulted in "weakened governance structures and reputational damage, which impacted customer confidence, growth potential, the SOE's ability to raise cost-effective funding, and employee morale" (Transnet, 2019a, p. 7).

Transnet minimises the risk of recurrences, strengthens internal controls, and stimulates both form and substance of governance systems and controls (Transnet, 2019a); "improving corporate governance includes lifestyle audits" (Transnet, 2019a, p. 42). The company experienced a ransomware outbreak incident and cloning of the company's net website in 2019; this required the strengthening of the incident response process (Transnet, 2019a).

Challenges encountered by the audit committee, among many, include irregular expenditure, qualified audit reports, and threats to the company's loan covenant (Transnet, 2019b). There was also a significant increase in PFMA reportable incidents resulting from the drive to improve SOE's reporting (Transnet, 2019a). In 2020 the board assessed the company's internal controls systems and effectiveness according to the risk-based audit function (Transnet, 2020a). New risks emerged from the COVID-19 context that required additional attention and scenario planning, monitoring adherence to a compliance framework, and evaluating significant investments and expenditures to ensure appropriate cost control (Transnet, 2020a).

c) Telkom

The 2018 Telkom IAR indicated fraud and risk assessments are performed for each business unit to address all code of ethics violations, and management intervened with the relevant controls to mitigate the risks (Telkom, 2018). The group appointed the chief risk and compliance officer to play the role of group oversight to strengthen the control environment (Telkom, 2018). Internal controls and the information technology (IT) environment are reviewed continuously for adequacy; as a result, all fraudulent agreements cancelled and initiated legal to recover funds (Telkom, 2018).

More attention was on increasing cyberattacks and threats (Telkom, 2018). The focus of the compliance function was to strengthen the compliance function under the corporate code of ethics in line with the reviewed operating model (Telkom, 2018). Telkom had to focus on improving customer experience due to the majority of complaints related to poor internal administrative processes and billing systems (Telkom, 2018).

Telkom operates in a changing technological industry, making it difficult to balance risk and reward (Telkom, 2019). Due to the shift and change in customer needs, the executive committee reprioritised the group's critical risk in areas that will increase the value proposition due to threats related to the competitive environment and customer demand (Telkom, 2019). The key focus areas included "standardised risk and compliance methodology followed in the business units to obtain consistency and improve quality and trained compliance employees on the Protection of Personal Information (POPI) Act No 4 of 2013 requirement" (Telkom, 2019, p. 32).

The fight against economic crimes was coordinated through economic forums and internal assurance providers (Telkom, 2020, 2019). The outcomes of the internal assurance providers resulted in "contract terminations, dismissals, recovery of losses, and arrests of those implicated" (Telkom, 2020, p. 105). The extensive face-to-face awareness program bore fruits through more reports of employee misconduct through the hotline and work of TGF (Telkom, 2020).

4.4.4 Theme 4: Accountability

a) Eskom

The board, assisted by the ARC, is ultimately responsible for ensuring compliance with regulatory requirements throughout the organisation; the ARC assists in overseeing implementation and execution delegated to the executive committee (Eskom, 2020, 2019, 2018). The board's charter sets board roles and responsibilities and constitutes committees to assist it with its oversight role (Eskom, 2018). The set targets are used to evaluate the GCE and set targets for executive committee members (Eskom, 2018). There was no annual board evaluation due to numerous changes to the board before the current year (Eskom, 2018). The new board was appointed in January 2018; the assessment will be after a year in the office (Eskom, 2019).

Eskom conducted an external assessment in May 2017; areas for improvement include

- a lack of accounting skills among board members,
- separating ARC into two separate (audit and risk) committees as required by King IV
- lack of leadership stability in the SOE observed, and
- alignment with King IV's principles concerning ethics policy (Eskom, 2018).

The shareholder conducted an independent board evaluation, and improvement plans have been initiated to respond to recommendations (Eskom, 2020, 2019). Eskom's strategy is embodied in its corporate plan and the DPE's strategic intent statement; financial and operational performance was measured against the shareholder compact and quarterly reports submitted to DPE (Eskom, 2020, 2019, 2018). Eskom uses the delegation of authority (DoA) framework, which allows the board to delegate powers and authority to employees and its committees, but reserves other specific matters for itself, which are recorded in the memorandum of incorporation (Eskom, 2020, 2019, 2018).

In 2019, the SOE focused on ensuring the implementation of the DoA, assisted by the group company secretary (GCS) (Eskom, 2019). Implementing the DoA framework "is central to governance, compliance, and administration by promoting integrity and accountability in the organisation, providing the board with guidance and advice on ethics" (Eskom, 2019, p. 8). The SOE aligns executive remuneration practice with the DPE guidelines (Eskom, 2019, 2018).

The alignment will improve governance, ensure fair, responsible, and transparent remuneration, and balance performance measures with value creation (Eskom, 2019). Eskom has standardised and streamlined governance processes to build and maintain sustainable stakeholder relationships to cultivate accountability and encourage value creation (Eskom, 2019).

Quarterly feedback stakeholder engagement the executive committee and the board for oversight, reflecting challenges impacting the SOE's operating license (Eskom, 2019). For 2019, Eskom cited financial and operational challenges for not meeting the expected performance (Eskom, 2019).

Eskom emphasised that the reporting enables stakeholders to make informed assessments of the SOE's performance for decision-making (Eskom, 2020). The ARC and Social, Ethics, and Sustainability Committee (SESC) review the externally published IARs within the mandate and recommend the board's approval (Eskom, 2020, 2019, 2018). One of the board's functions was to "provide guidance and oversight by setting the organisation's strategic direction and ensuring accountability for the organisation's performance" (Eskom, 2020, p. 20).

The executive committee's effort to improve accountability for risk includes implementing a quarterly risk workshop throughout the organisation (Eskom, 2020). The SOE links its risks to decision-making across governance structures by requiring decisions to be supported by a risk assessment (Eskom, 2020).

b) Transnet

Transnet indicated that its strategic focus is "evolving and should be aligned to integrated thinking to ensure organisational responsiveness to stakeholders' concerns" (Transnet, 2018a, p. 3). The board is satisfied with the independency of its non-executive directors; the appointment of two additional directors addressed the board's skill mix (Transnet, 2018b). The SOE believes compliance links with accountability; the compliance function independently monitors high-priority regulatory requirements (Transnet, 2018b). The key challenges for the acquisitions and disposal committee were PFMA reportable matters concerning the contract deviations and exemptions; managers need to account for compliance related to their specific areas (Transnet, 2018a).

There was no annual board assessment for 2018 since the SOE board commenced in May 2018; an independent evaluator will evaluate the current board in the next reporting year (Transnet, 2019a). The board used the 2019 evaluation findings to formulate action plans, monitored through the Corporate Governance and Nomination Committee (CGNC) (Transnet, 2020a). The shareholder directive required the internal review biannually (Transnet, 2020a). Transnet aligns its executive remuneration practice to DPE's guidelines (Transnet, 2019a), and there were no annual increases in executives in 2019 and 2020 (Transnet, 2020a, 2019a).

The DoA framework is reviewed annually, which defines how individuals make financial decisions (Transnet, 2019a). The approach "ensures checks and balances in the decision-making process and that there is no abuse of authority, specifically in the acquisition and procurement-related transactions" (Transnet, 2019a, p. 84). The remuneration, social, and ethics committee (REMSEC) resolved to conduct a multi-stakeholder perception survey every two years to measure how its stakeholders perceive the organisation independently (Transnet, 2020a, 2019a, 2018a). The 2017 multi-stakeholder perception survey highlighted a lack of proactive stakeholder engagement, which affects SOE's transparency and accountability (Transnet, 2018a). The SOE has developed an implementation plan for improving stakeholder engagement, including focus areas to enhance accountability (Transnet, 2020a). The SOE emphasizes that it "aligns material aspects to performance, strategy, risks, and opportunities and discloses material stakeholder impacts and concerns raised during the year" (Transnet, 2020a, p. 3).

c) Telkom

The annual work plan guided the Telkom board, the memorandum of incorporation, the Companies Act No. 71 of 2008, King IV, JSE listings requirements, and accountability for effective and ethical leadership in addressing all required matters (Telkom, 2020, 2019, 2018). The focus areas for the board included, among many, approving the group's governance framework, improving customer experience, boosting performance, and ensuring King IV compliance (Telkom, 2020, 2019, 2018). Telkom uses DoA to delegate responsibilities or authority through governance channels; any person assigned authority is held accountable for the performance of that responsibility (Telkom, 2018). The DoA is reviewed whenever necessary for applicability; currently, the board is satisfied that the DoA framework is effective and adequate (Telkom, 2018).

The board and its committees' evaluations were biennially (every two years) to establish and improve operational effectiveness (Telkom, 2018). The interval is enough to address issues and improve areas (Telkom, 2018). Telkom appointed an independent service provider to evaluate the board and its committees (Telkom, 2019). The findings included areas of improvement and interventions recommended to enhance board operations (Telkom, 2019). One of the areas includes monitoring performance to align with the organisational and strategic objectives (Telkom, 2019).

The GCS advises the company of its statutory duties regarding corporate governance and effective board processes (Telkom, 2020, 2019, 2018). The board and its committees annually review its composition and are content that it has the mix of knowledge, skills, experience, and independence appropriately (Telkom, 2020, 2019, 2018). However, the board raised the challenge of male-dominated non-executive directors in 2019 and will focus on recruiting female non-executive directors (Telkom, 2019).

The board is ultimately responsible and accountable for performance, responsible use of the SOE's six capitals, and producing financial results (Telkom, 2020, 2019, 2018). In 2020, the board approved 2020/2021 training plans to include topics that drive ethical culture change from the top (Telkom, 2020).

4.4.5 Theme 5: Governance structures

a) Eskom

The shareholder appoints the board members, including the ARC and SESC, as statutory committees set by the Companies Act No. 71 of 2008; non-executive directors chair all board committees (Eskom, 2020, 2019, 2018). The board constitutes committees with their terms of reference to assist in its oversight role; these committees may obtain external professional advice when they need to fulfil their duties (Eskom, 2019, 2018). The tender board committee (BTC) oversees procurement activities mainly on acquiring goods and services as the cornerstone of the SOE operations (Eskom, 2018). The board delegates the ARC and executive committee for governance oversight and responsibility for technology and information (Eskom, 2018). These information technology (IT) governance structures oversee and monitor the use of information technology and respond appropriately IT related matters such as cyber-attacks (Eskom, 2020, 2019, 2018).

The people and governance committee (PGC) manage remuneration aspects, aligning them with DPE guidelines and ethics management and ensuring the alignment of organisational activities with the ethics programme, policies, and procedures (Eskom, 2020, 2019, 2018). The PGC also recommends identified skills and qualifications needed to achieve organisational objectives to the shareholder (Eskom, 2018). The SESC assisted the board in overseeing the management of organisational ethics and sustainability matters (Eskom, 2020, 2019, 2018).

The SES committee was responsible for developing, revising, and implementing policies and procedures such as the code of ethics and declaration of interest procedures (Eskom, 2020, 2019, 2018). The responsibility of ARC included overseeing the recovery plan, the integrity of the consolidated annual financial statement, and disclosing sustainability issues (Eskom, 2020, 2019, 2018). The executive and tender committee (ETC) roles include approval strategies and transactions between 500m and 750million; “ETC recommended procurement of more than R750m to the executive committee for approval” (Eskom, 2019, p. 11). The executive committee approves transactions between R750 million and R1.5 billion (Eskom, 2019).

The ARC handled “prior-year irregular expenditure and proactive monitoring to ensure compliance with procurement and other legislation” (Eskom, 2019, p. 12). Reviewing the contracts has been extended to include contracts awarded from December 2012 to March 2017 (Eskom, 2019). By 2020 the committee reviewed contracts awarded for three years (Eskom, 2020). Some money had been recovered from those suppliers whose contracts have been irregular; this improvement in cleaning historic irregular expenditure, the balance sheet reflects additional irregular expenditure identified and reported by March 2019 (Eskom, 2020).

The revision of DoA included the dissolution of BTC, changes to the organisational structure, and reinstatement of the investment and finance committee to oversee decisions related to investment, procurement strategies, and other transactions over R1.5 billion (Eskom, 2020, 2019). The DoA will be reviewed again to facilitate the restructuring of the SOE by separating it into three divisions (Eskom, 2020).

b) Transnet

The shareholder appoints the board members, including the audit and social and ethics committee, in line with the Companies Act No. 71 of 2008 (Transnet, 2020a, 2019a, 2018a). The board delegates responsibility to committees, and quarterly performance reports, including reporting on PFMA matters, are submitted to the shareholder (Transnet, 2020b, 2019b, 2018b). The board delegate mandate to committees using the DoA framework and hold committees accountable for performance which is assessed annually through the board evaluation process (Transnet, 2020a, 2019a, 2018a). The remuneration, social, and ethics committee is responsible for annual reviews of the declaration of interest forms and consequence management in response to fraud and corruption incidents (Transnet, 2020a, 2019a, 2018a).

Additional to statutory committees, others include:

- Investment and finance committee,
- Corporate Governance and Nominations Committee (CGNC),
- Risk committee,
- Chief Information Officer (CIO) council constitutes Group Leadership Team (GLT), who manages, directs, controls, and measures ICT activities and processes (Transnet, 2018b).

The instability of leadership structures was identified as one of the root causes of risks (Transnet, 2020a). The incident where the website of the SOE was hijacked by illegal hackers and used in the gambling website required improved monitoring capabilities and incident response process, and ICT continuity management strategies (Transnet, 2020a). The report raised the need to monitor technology assets, IT governance, and information security as the new work practices presented by COVID-19 increase technology and data management risks (cybersecurity elevated to critical priority) (Transnet, 2020a).

c) Telkom

The social and ethics committee handled the SOE's activities concerning regulation and codes of best practice (Telkom, 2020, 2019, 2018). There were plans to "re-establish the SESC, a subcommittee of the executive committee dealing with ethics, governance, human resource, and sustainability matters" (Telkom, 2018, p. 97). The GCS handled the conflict of interest for all directors and disclosed them to the governance structures; this ensures the connection between responsibility and accountability (Telkom, 2020, 2019, 2018).

The board has six committees; each has terms of reference to guide them in executing duties delegated by the board; they include:

- Audit Committee
- Risk committee
- Nominations Committee
- Remunerations committee
- Investment and transactions committee
- Social and ethics committee (Telkom, 2020, 2019, 2018).

The board and its committees were satisfied with fulfilling their duties as per the Companies Act, terms of reference, and board charter for all three years (Telkom, 2020, 2019, 2018).

4.4.6 Theme 6: Reputation

a) Eskom

Eskom's indicated that the absence of effective governance in the past impacted the organisation's reputation (Eskom, 2018). Issues that have led to investigating governance practices include, but are not limited to, corruption and misconduct resulting in legal proceedings; evidence of challenges to governance practices within the company (Eskom, 2018). Eskom has been scrutinised by lenders and media for poor historic governance, resulting in a loss of trust and confidence and impacting its organisational reputation (Eskom, 2019, 2018). The impact of reputational damage resulting from prior audit qualifications and governance issues weakened the ability of the SOE to secure funding for domestic and foreign markets (Eskom, 2018).

b) Transnet

Information Technology places cybersecurity as a top priority and further guards against adverse publicity and reputational damage resultant from social media risks (Transnet, 2020a, 2018a). The result of the 2017 multi-stakeholder perception survey includes the compromised SOE's reputation because of a lack of proactive stakeholder engagement, which affects SOE's transparency and accountability (Transnet, 2018a). Transnet incurred reputational damage due to procurement failures, which have affected the good image held for years (Transnet, 2019a). Non-compliance to regulatory requirements may cause loss of operating license and reputational damage (Transnet, 2020b).

c) Telkom

Throughout the three years (2018 – 2020), the SOE reported the risk of possible changes to legislation and regulatory requirements concerning the spectrum, which may negatively impact revenue growth and financial stability (Telkom, 2020, 2019, 2018). The changes to legislation and regulatory requirement could result in non-compliance with laws, damaging the SOE's reputation and incurring penalties (Telkom, 2020). "Ineffective management of information and cybersecurity could lead to reputational damage, loss of customers, and revenue loss" (Telkom, 2020, p. 31).

4.4.7 Theme 7: Sustainability

a) Eskom

All significant financial ratios have weakened, and rating agencies downgraded the company to sub-investment grade (Eskom, 2018). Market and competition risks include reduced demand for electricity and increased competition for end users resorting to renewable energy (Eskom, 2018). Unreliable supply drives away customers to look for reliable alternatives, thereby decreasing sales and declining levels of long-term profitability (Eskom, 2018).

The inability to build a transmission line quicker to support capacity increase, which leads to stranded assets, is also a sustainability issue (Eskom, 2018). Saturating the borrowing capacity and credit rating downgrades pose financial risks (Eskom, 2018). Sustainability challenges also include not meeting climate change mitigation targets and impacting the SOE's license to operate (Eskom, 2018). The lack of investment in transmission infrastructure impacts extending services north of the country's borders. Regional demand cannot be currently met (Eskom, 2018). The SOE's concern was the sustainability risks to financial reporting concerning progress on cost containment efforts (Eskom, 2018).

The financial viability model boosted market access, improving liquidity (Eskom, 2019). The industrial action in 2019 impacted service delivery, and unexpected infrastructural damage hampered organisational performance (Eskom, 2019). Challenges that impact on financial and operational sustainability of the SOE also include alleged historic poor governance practices (Eskom, 2019). So far, 95% of cases relating to procurement breaches and 10% resulted in employee exits; the special investigating unit (SIU) investigates 12% of these cases (Eskom, 2019).

The board decided to reduce employee benefits costs (a significant cost element) by reviewing the executive structure, which reduced 21 to 9 executive positions (Eskom, 2019). The restructuring aims to build the SOE into a sustainable path; separating SOE into three divisions will also reflect full accountability for profit and loss to return to profitability (Eskom, 2020, 2019). The board operated with some vacancies this year, and a lack of succession planning hampered the board's work (Eskom, 2020). To maintain the stakeholder-inclusive approach, the SOE developed and implemented standardised and streamlined governance processes to build a sustainable relationship with stakeholders (Eskom, 2020).

b) Transnet

To ensure sustainability, the board needed to deal with challenges like mitigation plans for managing cyber threats and “credit rating assessments and their impact on its funding requirements” (Transnet, 2018a, p. 126). Other challenges include reputation risk due to allegations of governance failures and PFMA transgressions. The board ensured the implementation of the company's strategy and sustainably created value within the economic, social, and environmental context in which the SOE operates (Transnet, 2018a). The risk committee has updated “risk reporting through integrated reporting to ensure effective oversight of the company's business” (Transnet, 2019b, p. 27). In 2020, the board's chairperson raised a long-term sustainability challenge related to competent, capable, ethical leadership and a successful plan for executives; this emanates from the exposure of historic governance failures (Transnet, 2020b).

c) Telkom

Telkom is facing revenue pressures; therefore, more focus was on increasing the new generation revenue stream (Telkom, 2020, 2019, 2018). The market environment that the SOE operates in is very competitive with new competitors in the market, which continues to put pressure on the company (Telkom, 2020, 2019, 2018). There were plans to follow a measured and phased approach to the proposed divisionalisation, to be implemented after agreed upon between all stakeholders (Telkom, 2018). The board indicated that the outcomes of the divisionalisation might positively impact the group's efficiency (Telkom, 2018). The SOE mentioned that it needed to differentiate on strategic roles and growing business areas to value employees' contribution when it comes to remuneration because it operates in a competitive environment (Telkom, 2020, 2019, 2018).

In 2019, the focus was to increase new revenue streams and drive performance across business units, serving small and medium business customers (Telkom, 2019). Telkom believed that the small and medium market segment was underserved, and these businesses played a role in recovering the country's economy (Telkom, 2019). Telkom's main challenge remains to retain executive leadership with extensive experience as the market expands; it needs to attract new talent, which requires new and growing business areas, technology, and increases in the customer value proposition (Telkom, 2019). The focus area remained the customer experience, and high data costs were a concern for customers (Telkom, 2019).

In 2020, the impact of risk on regulation relating to spectrum, which is the mobile industry's lifeblood, may negatively impact revenue progress and financial stability (Telkom, 2020). The possible non-compliance could damage the SOE's reputation and incur penalties (Telkom, 2020). Extreme weather conditions (floods), power outages, and load-shedding interrupted service delivered to the customer (Telkom, 2020). The focus was also on improving cash flows and strengthening the balance sheet to reduce and monitor financial risks (Telkom, 2020). One of the main challenges was closely monitoring the succession plan for executive committee roles so that it assists in retaining top leadership and key senior executives for at least a minimum of two to three years (Telkom, 2020). The sustainability of the business was a concern, given the reduction of prices by other competitors and the imminent release of the spectrum (Telkom, 2020).

4.5 Conclusion

Findings were presented first by providing an overview of the data collected. Summaries of the governance disclosures sourced using the 16 King IV principles were presented in an excel spreadsheet as Appendix 1. Findings included seven themes which were ethics, irregular expenditure, internal controls, accountability, governance structures, reputation, and sustainability. All the themes were presented per SOE for all three years to be discussed in the next Chapter.

Chapter 5: Discussion and Conclusion

5.1 Introduction

The discussion focuses on analysing the findings in Chapter 4 concerning the literature in Chapter 2. All three SOEs provided updates and information concerning applying the King IV principles and the IIRC's framework. The IARs provided updates on the progress of matters reported in the three years (2018 – 2020) as per the research objectives.

5.2 Governance disclosures

Governance disclosures required under the King IV report on corporate governance are aligned and achieved by applying the IIRC's framework (Surty et al., 2018). The sample SOEs indicated that the 2013 IIRC framework was used to reflect the governing body applying integrated thinking toward using the capital over time, as alluded to by IRCSA (2021). It is through the disclosures that the governance practices of each SOE's governance approach are understood.

In all the sample IARs, SOEs reflected material issues which seemed to reflect the most important information that affects the organisation's ability to create value, as alluded to by the 2013 integrated framework (IIRC, 2013) and Eccles and Youmans (2016). Eskom's "material issues were ranked as high, medium, or low, seeing the impact the issue has or could have on its ability to achieve objectives and create value" (Eskom, 2020, 2019, p. 46, 2018, p. 38). Eskom and Transnet's prominent issues between 2018 – 2020 IARs include governance, leadership, corruption, liquidity, and financial sustainability.

Transnet's move towards change, driven by new technologies and business models to meet customer requirements, was one of the issues mentioned in the IARs for 2019 and 2020 as a priority (Transnet, 2020a, 2019a). For three years (2018 – 2020), Telkom has consistently mentioned regulating the environment, intense competitive landscape, customer expectations, and experience as top material issues that affect its ability to create sustained value (Telkom, 2020, 2019, 2018).

5.2.1 King IV principles

All three SOEs under this research disclosed their governance practices as required in the King IV report on corporate governance. Implementing codes of governance can assist in promoting good governance within SOEs and ensure that SOEs operate independently from the government as a shareholder (Balbuena, 2014). It should be noted that this research was not meant to be a compliance exercise but rather a tool to extract some governance practices and challenges that may assist in enhancing good corporate governance.

Applying the principles of the King IV report on corporate governance is exemplary for the SOEs boards because it aims to encourage leading ethically and effectively and contributes to good corporate governance, as alluded by (IoDSA, 2016; Surty et al., 2018). In the following sections below, the disclosure analysis is based on the sixteen (16) King IV report, as per the findings in Chapter 4.

5.2.1.1 Leadership, organisational ethics, and corporate citizenship

Observing Eskom and Transnet's IARs for 2018, 2019, and 2020, the governing boards' focus has been on restoring ethical culture, good governance, and transparency within the organisation lost during the historic governance failures. These historic governance challenges are reflected in both the chairperson's statement within the 2018 – 2020 IARs for Eskom and Transnet; governance issues were linked to affecting the operational and financial sustainability of Eskom and Transnet.

Table 1 reflects the ethics theme dominating the disclosures relating to leadership and organisational ethics (principles 1 and 2), which aligns with Balbuena (2014), that ethics is reflected in the board's tone. The disclosures relating to the organisation's corporate citizenship is reflected in most of the themes (see Table1), which reflects views by Esser and Delport (2018) and IoDSA (2016) that efforts should be seen through implementing codes of conduct and to monitor organisation's core purpose and values. All the IARs reflect on the importance of good corporate governance practices from the chairpersons' statements. Based on the governance practices, transparency, accountability, and disclosure, which are linked to ethics, are cited as priority areas for SOEs (Balbuena, 2014).

5.2.1.2 Strategy, performance, and reporting

The ultimate role of governing body is to drive organisational strategy, which enhances accountability, as evident in Table 2 that sustainability and accountability themes were dominant. The finding is consistent with de Villiers and Dimes (2021), saying driving strategy enhances accountability, and Esser and Delport (2018), saying reporting performance informs decision-makers on the organisational ability to sustain value creation over time. Balbuena (2014) observed that good governance practice has the planning, monitoring, and evaluation cycle (Figure 2) for adequate transparency and disclosure at the organisational level. The shareholder compact against the shareholder compact assessed through SOE's corporate plan aligned to the DPE's strategic intent statement; both the statement of intent and corporate plan are incorporated into the shareholder compact as alluded to by (Adebayo and Ackers, 2022). Eskom and Transnet's performances are measured through the shareholder compact, an agreement between shareholders represented by the Minister of DPE and the board chairperson (Adebayo and Ackers, 2022). Quarterly reports are submitted to DPE to monitor operational and financial performance. Such practice is consistent with Balbuena's (2014) cycle of planning, monitoring, and evaluation in Figure 2.

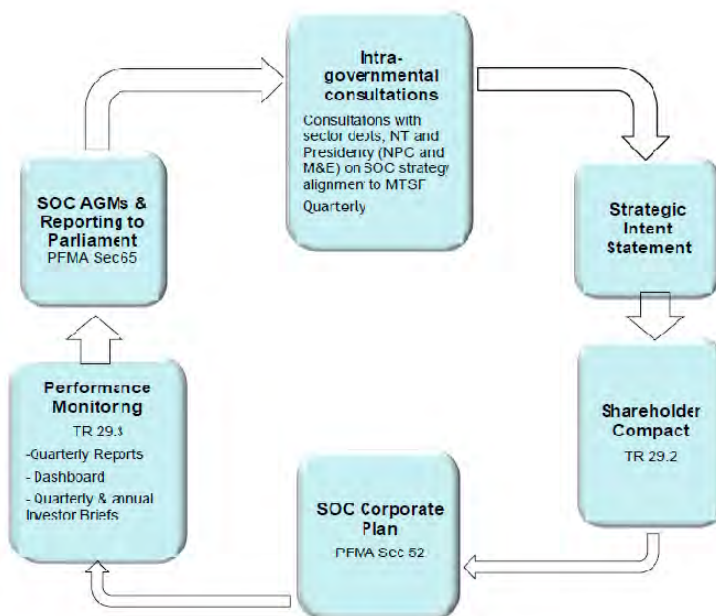


Figure 2: Planning, monitoring, and evaluation cycle (Balbuena, 2014)

SOEs use performance contracts to manage performance as per performance targets, and remedial actions are taken where there are non-performance and incentive systems where performance targets are met. Unlike Eskom and Transnet, which are solely government-owned entities, the government owns about 40% of the shareholding of Telkom, which must comply with JSE requirements as a listed company. There are views that JSE-listed SOEs are better regulated as they are subject to capital market discipline (Adebayo and Ackers, 2022).

Telkom is run like a private company, and it has a group strategy for all its five business units, whereby all business units have their strategic objectives supporting them. The view of privatising SOEs has generally had mixed views; Gumede and Dipholo (2014) say that private-public partnership that manifests partial privatisation is believed to enhance accountability and transparency. Since Telkom is partially privatised, profitability has increased, putting pressure on the government to consider privatising other SOEs (Ncopo, 2018). But other views see privatisation as increasing profitability only, neglecting national objectives such as economic growth (Ncopo, 2018).

Due to the poor performance of SOEs and inefficiencies, rating agencies marked SOEs as one of the biggest risks to the South African economy, with Eskom being the biggest liability requiring a government bailout (Writer, 2017). Profitability reports show (Figure 3) that Telkom was more profitable than Transnet and Eskom amid allegations of state capture, which has resulted in irregularities (Writer, 2017).

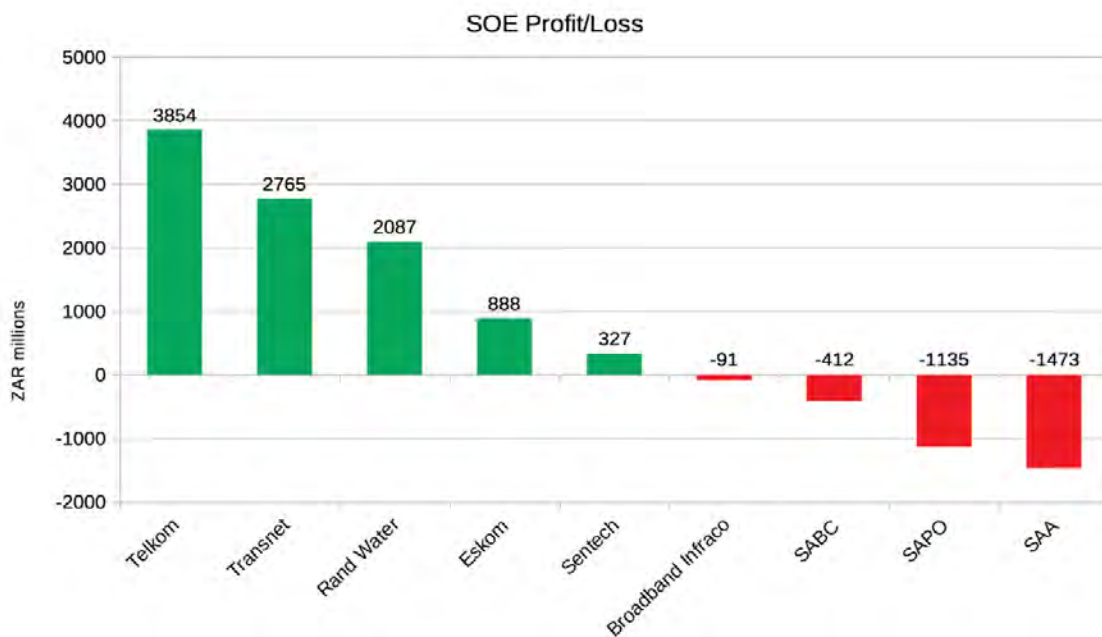


Figure 3: SOE Profit/loss (Writer, 2017)

5.2.1.3 Governance structures and delegation

The governing body is ultimately responsible for the SOE's performance as part of fiduciary duty through delegation to board committees of governance structures (IoDSA, 2016); these committees for all three SOEs annually review the terms of reference attached to assist the board with an oversight role. The practice aligns with Esser and Delpont (2018), that delegating duties, roles, and responsibilities is formally documented through terms of reference, approved, and reviewed annually. All three SOEs' board composition consisted of most directors that are independent non-executives, with only the GCE and CFO being executive directors. The practice aligns with Balbuena (2014), saying that "independent boards of directors and its committees are key in ensuring reporting, disclosure, and code compliance" (p. 20). For Eskom and Transnet, the shareholder, represented by the Minister of DPE, appoints non-executive directors to serve for not more than three years with the cabinet's approval. Nomination of board members by politicians tends to promote political agendas that impact SOEs' governance and management (Bhorat et al., 2017; Corrigan, 2014; Mutize and Tefera, 2020).

Looking at Table 3 in Chapter 4, most of the IARs dominate the accountability and governance structures themes, which is linked to Eskom and Transnet's lack of succession plan raised in the disclosures related to governance structures and delegation. Both SOEs have flagged the lack of a succession plan, which impacts the organisation in terms of competent, capable, and ethical leadership. To some extent, sustainability challenges emanate from historic governance failures, as reflected under the sustainability theme in Chapter 4. Telkom raised challenges in monitoring its succession plan and pressures to retain experienced executive leadership and attract new talent as it requires business growth and an increase in revenue. According to the Organisation for Economic Co-operation and Development (OECD) guidelines, a remuneration policy that reflects market conditions is key to attracting and motivating directors with the necessary organisational skills (OECD, 2015).

5.2.1.4 Governance of functional areas

The governing body can govern functional areas through management, such as risk, compliance with applicable law, technology, and information to ensure that the SOE achieves its strategic objectives (IoDSA, 2016). Telkom's material matters include regulating the environment, competitive landscape, and customer experience, reflecting the most significant aspect that can affect its creation of value (IIRC, 2013).

To remain profitable, the company leveraged new revenue streams that look at serving small and medium business customers; these businesses play a role in recovering the country's

economy. The initiative shows that Telkom links material aspects to functional areas by increasing performance to strategic economic objectives and associated risk (IIRC, 2021a).

Table 4 in the session reflects accountability as the dominant theme, followed by reputation and internal control. The observation emphasises the importance of understanding positive and negative risks, which may assist in realising opportunities emanating from those risks, as alluded to by (IoDSA, 2016). If such risk management practices were active in implementation within Eskom, energy shortages would have been provided before they manifested or prioritised energy-saving initiatives (Matsiliza, 2017), and enhanced risk management to improving monitoring and mitigation within the organisation as alluded to by (IFC, 2010). Improvements in integrating risk were evident in 2019 when Transnet mainstreamed risk reporting through IR to ensure effective oversight of the SOE, which is aligned to enforce connectivity of strategy, business model, and value creation (CGMA, 2014). To improve accountability, in 2020, under the accountability theme in Chapter 4, Eskom mentioned that it links risks to decision-making, an improvement that reflects the benefits of integrated thinking, which enhances risk assessment (SAICA, 2015). Integrated thinking is viewed as a critical skill for governance Barnabè et al. (2019), as it leads to better understanding and governance of the organisation (CGMA, 2014).

5.2.1.5 Stakeholder relationships

Stakeholder relations matters are key to the success of SOE governance; OECD corporate governance guidelines recommend that stakeholder rights be formally established either through law or agreements and be reported for (Balbuena, 2014). Transnet had an inadequate stakeholder relation which resulted in reputational damage reflecting a lack of transparency and accountability under the reputation theme in Chapter 4. Balbuena (2014) also says stakeholder relations are important to ensure that SOE is sustainable in its operations and finances. Stakeholder engagement and communication can be strengthened during the material determination process because governance disclosures use material information (IRCSA, 2021). Therefore, material matters are believed to improve accountability, thereby enhancing corporate governance (Matsiliza, 2017; PwC, 2006). Eskom made an effort to build a relationship with stakeholders by streamlining its governance processes under the sustainability theme, consistent with Barnabè et al. (2019)'s proposed shift from managing for stakeholders to managing with stakeholders.

The findings in Chapter 4 under stakeholder relationship (Table 5) showed that sustainability, reputation, and accountability themes are related. King IV advocated for directors to fulfill their fiduciary duties to the company, which represents the interests of shareholders, employees, consumers, the environment, and the community to adopt a stakeholder-inclusive approach to balance stakeholders' expectations and organisational interests (Esser and Delpont, 2018; IoDSA, 2016). Disclosures promote transparency, an important aspect of good governance, as it is in the stakeholder's interest to access reliable information about how the organisation creates value (PwC, 2006). For example, disclosures are important for investors to monitor and evaluate the relationship between the organisation and the nearby communities.

5.3 Assessment of integrated reporting

The researcher observed the recurring themes from the combined IARs in the dataset (Annexure 1), reflecting the sample SOEs' reporting trends from 2018 – 2020. Disclosures indicate progress on material matters and links associated with functional areas. Eskom and Transnet's material issues mentioned through the three years include governance, leadership, and corruption. For example, Eskom and Transnet are expected to report progress in dealing with historic governance failures. The themes include ethics, irregular expenditure, internal controls, accountability, governance structures, reputation, and sustainability. The themes are consistent with the concept of corporate governance in general; the ultimate purpose of King IV is to promote and inspire ethical and effective leadership of the governing body to enhance good corporate governance (IoDSA, 2016).

5.3.1 Ethics

According to the Southern African SOE's corporate governance guidelines, ethics are the cornerstone for good corporate governance, which needs to go beyond management, employees, and all stakeholders associated with the SOEs (Balbuena, 2014). It is evident in the ethics theme in Chapter 4 that Eskom's challenges to restore an ethical culture and good governance remain a concern throughout the reporting period 2018 – 2020. Despite the poor performance on ethical culture and governance, the IARs exhibit good transparency and accountability for these continued problems, which aligns well with King IV requirements (IoDSA, 2016) and IIRC reporting considerations (IIRC, 2013).

According to Adebayo and Ackers (2022) and the International Finance Corporation, keeping track of governance concerns and then publicly reporting on these can assist an organisation in

improving its governance practices and promote a more honest, open, and ethical culture within the organisation (IFC, 2010). Although there are views that SOEs listed on the stock exchange are perceived as more transparent and accountable as they are subjected to better capital market discipline (Adebayo and Ackers, 2022; Mutize and Tefera, 2020). In 2019 IAR, Telkom's transparency was reflected by disclosing that the chairperson's declaration of interest was updated regarding the financial interest to an external service provider subcontracted by Telkom's supplier. Telkom's practice promotes transparency as it is in the stakeholder's interest to access reliable information (PwC, 2006).

5.3.2 Irregular expenditure

Transnet and Eskom reported continuous improvement throughout 2018 – 2020 IARs in dealing with historic governance failures and procurement bridges which resulted in implicating senior executives, as indicated in the findings on irregular expenditure in Chapter 4. Despite the lack of contract management at Transnet and the ineffectiveness of internal controls at Eskom, which resulted in the recurrence of irregular expenditure, both SOEs implemented consequence management and remedial action against those implicated. For example, in 2019, Eskom reported that 80% of irregularities were from previous years, reflecting an update on progress in dealing with irregularities. These irregularities affected the operational and financial stability of Eskom and Transnet in previous years, which aligns with DPE (2020) and Matsiliza (2017). Telkom also discovered fraudulent activities which led to irregularities and acted upon them.

As a result, disclosures for all three sample SOEs reflected details of employees dismissed due to fraudulent activities and incidents relating to corruption and irregularities indicated under the irregular expenditure theme in Chapter 4. These actions against irregularities are consistent with SOEs' need to account to stakeholders how it responds to the external environment and report how resources allocated were utilised to continue to create sustained value (IIRC, 2013; IoDSA, 2016; PwC, 2006).

5.3.3 Internal controls

The drive to restore ethical culture included consequence management or taking remedial actions through internal policies and procedures for Transnet and Eskom. Telkom focused on maintaining ethics and raising governance standards through good governance practices, like revising the code of conduct to enhance ethical governance.

This observation is consistent with Rossouw's (2019) that organisational ethics are expressed through internal policies and procedures, which form part of internal controls. Corrigan (2014) maintains that organisational success depends on ethics and accountability. Taking remedial action and consequence management may, in turn, inspire ethical behaviour within the organisation, promoting good governance practices consistent with the purpose of the King IV report on corporate governance (IoDSA, 2016).

De Villiers and Dimes (2021) link internal controls to governance structures. Alrazi, de Villiers, and van Staden (2015) say internal controls are better understood when engaged, specifically, reasons related to Eskom's finding of management overriding existing internal controls; and Transnet's breakdown of internal control, which resulted in irregularities. Telkom's complaints are reported to be associated with poor internal administration, which reflects poor internal controls that impact the organisation's reputation. Telkom's challenge reflects customer demand and experience as a driver for value creation (IIRC, 2013). More so because customer experience was reflected as the most significant aspect in creating value for the SOE, which enhances accountability, and improves communication between stakeholders and the governing board (PwC, 2006).

Eskom and Transnet's internal controls have been cited as one of the causes of historic governance failures; as such, both SOEs have been dealing with irregular expenditures, resulting in qualified audits for three consecutive years (2018 – 2020). Drawing from the corporate governance success stories in the Middle East and North Africa (MENA), upgrading the role of internal audit is crucial to ensuring independence in the organisation (IFC, 2010).

The impact of ethical culture expressed through internal policies and procedures tends to influence the external environment, as explained by Rossouw (2019). Eskom and Transnet governing boards resumed duties after their appointment in January 2018. Tasks were associated with restoring ethical culture and dealing with procurement bridges, including irregular expenditures.

In 2019, Transnet managed to resolve audit qualifications on loan covenants which influenced investor behaviour (CGMA, 2014) because credit rating assigned a stable outlook for the SOE. In this way, IR proved to be an important resource for communicating governance practices within the SOE and regaining trust from funds to allocate capital to continue to create value over time (IIRC, 2013).

The IARs can be viewed as a monitoring and accounting tool for SOEs to account for progress made on clearing historic irregular expenditures, thereby giving a better understanding of governance practices and performance (CGMA, 2014; IIRC, 2021a). The SOEs can also use the IAR as a communication tool for employees to learn lessons from remedial actions instituted to those employees implicated, hoping to influence employee behaviour towards promoting ethical culture (Sambo and Kanyane, 2020). Tracking progress on clearing historic irregular expenditures may be used to curb corruption to promote transparency and accountability linked to ethics.

5.3.4 Accountability

Reflecting on the accountability theme in Chapter 4, Telkom reports that it annually reviews its board's appropriate skill mix and experience, which are also referred to as internal resources, consistent with Madhani (2019). These internal resources are critical to enhancing good governance.

In 2018 Eskom mentioned challenges of lack of accounting skills among board members, lack of leadership stability as well as alignment with King IV concerning ethics policy. Good governance requires competent management to account for the use of state resources (Gumede and Dipholo, 2014). Corrigan (2014) maintains that any business's extensive growth and success depend on organisational ethics and accountability. Tuan (2014) posits that trust and ethics can assist in building effective corporate governance in the organisation. Eskom and Transnet's effort to improve accountability is reflected under accountability in Chapter 4, where they both mainstream risk aspects to reporting and decision-making. Such improvement is consistent with the integrated thinking approach as alluded to by the (IIRC, 2013).

5.3.5 Governance structures

Madhani (2019) says governance structure and board composition are resources that can add value to the organisation. All three SOEs' board governs organisations by delegating responsibilities to their committees, as alluded to by Chauke and Sebola (2018). These board committees also referred to as governance structures, have their terms of reference to assist in their oversight role, ensuring that organisations are following regulatory requirements and best governance practices. The terms of reference for board committees are reviewed annually, and the director's skills and experience are considered when constituting these committees because it's an important resource for the organisation, as alluded to by Madhani (2019).

As part of their responsibilities, board committees ensure IARs reflect progress in material matters, such as in governance clean-up for Eskom and Transnet. The improvement in governance practices is reflected in IARs within the SOEs, allowing the board, through its committees, to find ways to self-police themselves to be transparent and accountable, as suggested by (Chauke and Sebola, 2018). In this way, the IR process integrates ethics and enhances corporate governance practice, as suggested by Maniora (2017) and Corvino et al. (2020).

5.3.6 Reputation

Ethics are also linked to reputation; Eskom and Transnet's alleged historic governance failures damaged both SOEs' reputations, which aligns with Maniora (2017) saying unethical behaviour impacts organisational reputation. Accountability determines the extent to which the organisation can be trusted, which affects the organisation's public perception (Sambo and Kanyane, 2020); hence the response to restore governance is critical to regaining trust.

Eskom and Transnet lost trust due to the investigations of alleged governance practices on misconduct and corruption, which impacted organisational reputation by weakening the ability of both SOEs to secure funding in 2018. Reputational damage impacts public trust; stakeholders that are not satisfied could impact the organisation by shifting to other alternative suppliers, or investors could withdraw their investment, affecting the organisation's financial performance (Alrazi et al., 2015).

The progress reported on governance clean-up improved investor confidence and the ability to get funding for Eskom and Transnet. The view is consistent with the view that IR triggers behaviour toward transparency enhancing governance practices and organisational performance that create value (IIRC, 2016).

5.3.7 Sustainability

Eskom's rising debt is also influenced by municipal arrear debt, reduced electricity demand, and increased competition demand for end-users, as reported in Chapter 4 under the sustainability theme – which impacts long-term profitability. The reporting process also allows the governing body to consider negative aspects that erode value and positive aspects that create value (IIRC, 2021a). This way, feedback on the drivers eroding and creating value is known, informing decision-making strategy, risks, and business model (Adams, 2015).

The benefit of reporting such information assists in reflecting long-term thinking and long-term investment aligns with CGMA (2014). Eskom hopes to build a sustainable path through restructuring; separating SOE into three divisions will reflect full accountability and transparency for profit and loss to return to profitability (Sambo and Kanyane, 2020), although stakeholders are still uncertain about the restructuring.

Market and competition risks, including reduced electricity demand and competition, put risk on financial and operational stability as end users resort to renewable energy. Eskom's financial sustainability and operational stability were the most important material matters over the three years; if not managed properly, they may negatively impact Eskom's ability to create value over time (IIRC, 2013). The benefits of using IARs as monitoring and accounting tool can assist governing bodies and investors assess value-creation drivers. The organisation's ability to create value increases the chances of financial returns, which attract investors and shareholders (IIRC, 2013).

All three SOEs raised the need to attract and retain competent, capable, ethical leadership with the necessary knowledge and skills to contribute to SOE performance and sustainability (Phaladi and Ngulube, 2022). Board knowledge and experience may be harder to imitate and substitute since tacit knowledge contributes to SOE performance, as alluded to by Madhani (2019). A lack of a succession plan may risk the organisation's sustainability, threatening SOE's ability to create value over time. A succession plan that is managed properly ensures knowledge creation and transfer, as suggested by Phaladi and Ngulube (2022). The need to balance SOE's performance and the available skills in the market is relevant and consistent with SOE's specific industry, as alluded to by Carlson and Bussin (2020).

5.4 Recommendations

The following are recommendations to enhance SOEs' governance practices and public communication and reporting on these practices.

The researcher observed that applying the principles of the King IV report on corporate governance is exemplary for the SOEs boards because it aims to encourage leading ethically and effectively and contributes to good corporate governance, as suggested by Surty et al. (2018) and IoDSA (2016). It is recommended that SOEs, even though it is not compulsory to apply King IV principles, apply their practices as they start by focusing on the character of those responsible for promoting corporate governance, which ensures long-term success

(Kanyane and Sambo, 2021). The improvement on Eskom and Transnet's historic governance failures is evident in the outcomes intended by the King IV code on corporate governance. SOEs must realise the benefits of transparent governance disclosures. By reporting progress on governance clean-up, Transnet and Eskom managed to regain investor confidence and secure funding, which promotes transparency and enhances good governance and performance that create value (IIRC, 2016), instill and inspires ethical behaviour as alluded to by CGMA (2014) and Sambo and Kanyane (2020).

All three SOEs report the material aspects that significantly affect their ability to create and sustain value, which enhances accountability and communication between the board and stakeholders (PwC, 2006). It is therefore recommended that SOEs clearly report their material aspects that are accurate and reliable to promote transparency and accountability, and the response from stakeholders has an effect on governance. The disclosure of these material aspects aligns with IIRC (2013), which reflects communication of value creation drivers to stakeholders, thereby enhancing understanding of governance practices within the SOEs.

Another recommendation is related to linking material information with functional areas, which enhances integrated thinking and enhances connectivity to value creation (IRCSA, 2021). Some risks keep recurring over the years, but the benefits of integrated thinking are evident and need to be optimised, specifically to improve risk management. For example, there was an improvement for Eskom in 2020 and Transnet's 2019 IAR under the accountability theme; they started to mainstream risk in reporting and decision-making process, enforcing connectivity of strategy, business model, and value creation as suggested by CGMA (2014). Such improvements reflect the benefits of integrated thinking, which enhances risk assessment and gives a holistic view of the value chain rather than focusing on legal compliance only, which aligns with SAICA's (2015). In this way, the integrated thinking approach is optimised through the IR process (IIRC, 2013).

SOEs need to view integrated thinking as a critical skill needed to improve governance (Barnabè et al. 2019), as it encourages innovation through reporting (IIRC, 2016) and optimises opportunities provided through reporting cycle, which considers outcomes that both erode or drive value creation (IIRC, 2021b).

SOEs must invest in board knowledge, skill mix, experience, and competency of the board as they are considered internal resources that can assist in value creation, which may be harder to

imitate and substitute by competitors Madhani (2019). Such investment can enhance corporate governance by improving leadership structures and practices (Corvino et al., 2020). The board is ultimately responsible for the governance of the SOE but delegates roles and responsibilities to its committees; therefore, it is critical to select directors possessing the relevant knowledge and experience, aligning with Chauke and Sebola (2018). Maniora (2017) hinted that the IR process incorporates ethics and enhances the organisation's corporate governance by improving its leadership structures and practices.

5.5 Limitations and future research

Without ignoring the research findings, this should be read by acknowledging some inherent limitations of the research methodology. The research used purposive sampling, which supports the researcher in selecting any random sampling (Campbell et al., 2020). Eskom, Transnet, and Telkom are major schedule 2 SOEs with IARs for three consecutive years of study (2018 – 2020), which most SOEs did not have.

The other limitation of the research is that the only data used for the research is in the public domain, so the reader should receive findings with caution. Specifically, the view that ethics are the cornerstone for good corporate governance goes beyond management employees and all stakeholders, as explained by Balbuena (2014). Ethical culture is expressed through organisational policies and procedures (Rossouw, 2019). As Alrazi et al. (2015) put it, to get a better understanding of internal aspects like policies and procedures, an organisation needs to be engaged.

Future research from this study may include assessing governance disclosures for all Schedule 2 SOEs listed in the PFMA to share governance successes and failures. Another possible future research includes investigating the benefits of privatisation of the SOEs. Since Telkom is partially private and seems more profitable than Eskom and Transnet, it would be interesting to see if SOEs could be profitable and achieve the national objectives in the country.

5.6 Conclusion

The research attempted to fill the gap related to corporate governance practices of SOEs and public communication and reporting. It focused on annual disclosures related to governance, as required by King IV, to understand governance practices. It also assessed and compared the reporting trends associated with governance indicators between 2018 and 2020 (three years). A literature review related to concepts enlightened the research relevant to corporate governance, King reports on corporate governance, King IV principles, the principle of

materiality on governance disclosures, corporate reporting, integrated reporting, integrated thinking, benefits of integrated reporting, and theoretical underpinnings of the study. This research contributes to how IARs can assist in enhancing corporate governance of SOEs and be viewed as mechanisms to communicate, monitor, and be a management tool.

As a result, achieving the first research objective, identifying disclosures related to governance practices, provides insights into how the SOEs report their governance practices within IARs. All SOEs indicated that they follow the guideline provided by the 2013 IIRC framework, and the King IV principles on corporate governance were used to summarise governance practices from IARs. Determining materiality in the IR is ultimately the governing body's responsibility. The information on materiality reflects the most important information that affects the organisation's ability to create value. The governing body and the stakeholders are both involved in the materiality determination process is central to identifying drivers of value creation. The materiality of information links to functional areas like reflecting on performance against strategic objectives and associated risk.

To achieve the second research objective, which was to assess reporting trends to compare and contrast similarities and differences in the reporting of the SOEs. The research identified seven themes consistent with corporate governance literature, promoting and inspiring ethical and effective leadership of the governing body. These themes include ethics, irregular expenditure, internal controls, accountability, governance structures, reputation, and sustainability. The King IV report on corporate governance aims to promote and encourage ethical and effective leadership of the governing body, which enhances good corporate governance. Ethics are linked to curbing corruption, which promotes transparency and accountability. Unethical behaviour impacts organisational reputation, which impacts the organisation's sustainability. There has been a general improvement in the details of the disclosures over the years in pursuing good corporate governance. The SOEs operate in a competitive environment where they must optimise internal resources, including attracting and retaining competent, capable, ethical leadership with the necessary knowledge and skills.

Lastly, the third objective of the research was reached by making recommendations on how SOEs can use the IARs to enhance their governance practices and communication. These recommendations relate to linking the IAR to sustainability issues. Another recommendation relates to viewing IR as an accounting tool that governing bodies and stakeholders to know the

drivers of organisational value creation, which may help improve corporate governance of SOEs. Constant monitoring and analysis of the external environment improve risk management practices; the King IV report on corporate governance encourages consideration of negative and positive risks, which may be realised as potential opportunities.

Using the 2021 IIRC's framework as a guide to consider adverse outcomes that erode value creation, with the hope to inform strategy, business model, and business practice. The last recommendation focus on optimising internal resources such as leadership knowledge, experience, and skills that may be harder to imitate and substitute by competitors; therefore, SOEs need to be well-resourced with such.

In conclusion, the corporate governance of SOEs and IR provides opportunities for researchers to investigate further ways of enhancing good corporate governance. The SOEs sector is interesting because the South African nation expects these organisations to be efficient and effective as organisations in the private sector and deliver affordable services with limited resources sometimes. At the cornerstone, ethics, among all the operational and financial challenges, like any organisation, as alluded to by the King IV report on corporate governance, SOEs need effective and ethical leadership to create sustained value.

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Appendix 1 – Summaries of the Integrated Annual Reports

Code names	Code numbers
<u>Ethics</u>	1
<u>irregular expenditure</u>	2
<u>internal control</u>	3
<u>Accountability</u>	4
<u>governance structures</u>	5
<u>Reputation</u>	6
<u>sustainability</u>	7

Name of SOE/year		Headings and Summaries of King IV's principles		
		<u>Ethics</u>	1	0
Eskom 2018	1	Leadership – the governing body should lead ethically & effectively (Eskom 2018_1	1	1
Eskom 2018	2	<p>The report indicated the absence of effective governance in the past impacted Eskom's reputation. The Minister's expectations from the board include restoring ethical culture, good governance, accountability, and transparency at the SOE. The outcomes of the new board acting on allegations emanating from the parliament's public enterprises committee alleged state capture inquiry investigating governance practices resulted in the resignation of several executive level managers. Eskom has been under scrutiny from lenders, civil and government organisations, and the media for poor governance, which has resulted in a loss of trust and confidence, impacting Eskom's reputation. There are many issues have led to investigating governance practices within the SOE, including, among many, allegations of impropriety, corruption, and misconduct, which are evidence of governance contraventions that resulted in legal proceedings – these are evidence of challenges to governance practices existing within the SOE. The allegations resulted due to the management override of existing internal controls. The current board plans to transform governance by “strengthening the internal ethics and fraud framework, with a specific focus on:</p> <ul style="list-style-type: none"> • Consequence management; • Implementing independent lifestyle and conflict of interest audits on senior management and other levels, as deemed necessary; • Terminating all irregular supplier contracts and work; • Enhancing the commercial governance process to ensure robust scrutiny and strengthening the delegation of authority framework; and • Instituting disciplinary charges and taking legal action, if required. <p>The report mentioned that these efforts to transform governance might restore investor confidence so that Eskom re-establish credibility to access financial markets. Improvement process to address irregular expenditure – Eskom received a qualified audit opinion for the financial year ended 31 March 2017, as the external auditors could not rely on the processes to ensure the completeness of the irregular expenditure reported. Eskom established and implemented an improvement process to address shortcomings identified by ensuring adequate systems and processes to monitor and report all irregular expenditures, as well as taking the necessary corrective actions to address the audit qualification. The ARC oversees the progress of the recovery plan. By year-end, Eskom had reviewed about 98% of 205 contracts over R1 billion and 91% of 6 998 contracts under R1 billion awarded over three years to ensure compliance with procurement and other relevant legislation and various internal policies and procedures. The contract review originally included all contracts awarded since 1 April 2015. Eskom had included all contracts since December 2012 in the scope, as that was when Eskom's earlier exemption from the relevant</p>	1	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		regulations ceased. The review of the remaining contracts is due to this process, and irregular expenditure reported has increased significantly. The auditors have again qualified the completeness of the information disclosed in the PFMA relating to irregular expenditure, fruitless and wasteful expenditure, and losses due to criminal conduct in the 2018 annual financial statements. (Eskom 2018_2		
Eskom 2018	3	Organisational ethics (Eskom 2018_3	1	1
Eskom 2018	4	Eskom's fraud prevention and whistle-blowing policies set out a zero-tolerance approach towards dishonesty and fraud and enable all employees to report unlawful or irregular conduct in good faith and a proper manner. An independent service provider manages the reporting system to ensure the integrity and confidentiality of the process. Implementing the existing code of ethics and conflict of interest policy found that 36 employees had business interests in suppliers doing business with Eskom. Remedial actions have commenced, and sanctions of only three remain outstanding. There are almost 250 cases under investigation reported through whistle-blowing channels operated by an independent service provider; about a third of those cases were completed by March 2018, and some resulted in a disciplinary process. The PGC oversees the ethics management and monitors the organisation's activities to ensure they align with the SOE's ethics program, policies, and procedures. Those policies and procedures apply to both employees and contractors. Adherence to policies and procedures forms part of contractual agreements with suppliers. (Eskom 2018_4	1	1
Eskom 2019	1	Leadership – the governing body should lead ethically & effectively (Eskom 2019_1	1	1
Eskom 2019	2	Chairman's statement note that "appointing the GCE, CFO & COO has increased investor confidence and has improved the ability for SOE to get funding." The financial viability model enhanced access to markets and improved liquidity. SOE's industrial action resulted in loading shedding rapid and unexpected deterioration of generation plant performance and decline in liquidity due to rising costs for servicing municipal debt and resulting to SOE's weak balance sheet". Governance clean-up progress includes restoring the SOE's reputation, which assists the SOE in achieving financial and operational sustainability. The report provided evidence that suggests that a culture of ethics is being restored which is the increase in total whistle-blowing incidents reported and those under investigation. There are 341 cases related to fraud, corruption, and irregularities that are active and under investigation. The board has elevated the decision-making for the single source and emergency to procurement to executive management, and the board provides oversight. Eskom "managed to clean up irregular suppliers' contracts," which is part of the response to governance challenges. Money from suppliers whose contracts were irregular has been recovered. Former employees who were implicated in cases suspected of corruption have been charged with criminal charges and handed to relevant authorities for further investigation. The ARC oversees the progress of the recovery plan. The focus has been on dealing with prior year irregular expenditure & proactive monitoring to ensure compliance with procurement & other relevant legislation and internal policies & procedures. Despite good progress in closing out the reported irregularities, Eskom depends on external investigations and the outcome of court cases. Several disciplinary & investigative processes against senior & executive management ultimately led to the departure of 18 executives & senior managers. Criminal cases were reported to the relevant authorities; the board is waiting for the conclusions of these cases. (Eskom 2019_2	1	1
Eskom 2020	1	Leadership – the governing body should lead ethically & effectively (Eskom 2020_1)	1	1
Eskom 2020	2	The leadership focused on restoring culture and promoting good governance practices. During the reporting year, the SOE deployed online ethics training which was believed to have improved accessibility, awareness, and education of employees on ethics requirements. Measures to monitor and improve organisational ethics include instituting disciplinary action against employees	1	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		who have transgressed ethical requirements and upgrading systems used to oversee employee and supplier declarations of interest to enable proactive monitoring of unethical conduct and provide enhanced reporting (Eskom 2020_2		
Eskom 2020	3	Organisational ethics (Eskom 2020_3	1	1
Eskom 2020	4	“The SESC assists the board in overseeing the management of organisational ethics, which includes the development, revision, and implementation of ethics policies and procedures, such as the code of ethics, conflict of interest policy, and declaration of interest procedure. Ethics policies and procedures also apply to the board and are guided by Eskom’s values”. (Eskom 2020_4	1	1
Transnet 2018	1	Leadership – the governing body should lead ethically & effectively (Transnet 2018_1	1	1
Transnet 2018	2	“It was reported that the new board has taken steps to engage forensic specialists to review the reports prepared relating to the 1 064 locomotives contract, where Transnet has been accused of mishandling the supply-chain management process”. The company is in the process of establishing an ethics management programme. The company’s code of ethics binds all employees through their contracts, as well as non-executive directors and suppliers, to uphold standards of ethical behaviour. Responses to continuing board challenges include the board skills mix, composition & the resultant memorandum of incorporation clause amendment, increasing PFMA issues, media allegations against Transnet & issues raised by the parliamentary committee. A step-up program has been introduced to enhance internal controls and emphasize instituting consequence management. Transnet has also instituted “independent forensic investigations to address the alleged corporate governance breaches on contracts between 2014 and 2016 and the prevailing media allegations”. The focus for the 2018/19 financial year includes the amendment of the memorandum of incorporation clause relating to the composition of the board, monitoring of PFMA violations, strengthening of internal control measures, emphasis on consequence management, investigations of media allegations, and appointment of additional board members and their induction. The board indicated that the focus is on “improving efficiencies in consequence management addressed through stringent measures and suspension of employees to avoid lengthy disciplinary processes and excessive costs” (p. 22 GR). (Transnet 2018_2	1	1
Transnet 2018	5	Responsible corporate citizenship (Transnet 2018_5	1	1
Transnet 2018	6	The company’s tip-off anonymous hotline enables employees, customers, and trade partners, to report concerns about unethical or unlawful behaviour. The hotline is managed independently; all cases reported are investigated through an established forensics investigation process. (Transnet 2018_6	1	1
Transnet 2019	5	Responsible corporate citizenship (Transnet 2019_5	1	1
Transnet 2019	6	The SOE has identified fraud, corruption, and procurement irregularities as significant organisational risks. Transnet continues to root out such behaviour and has implemented proactive analytics to identify these irregularities. “In 2019, incidents relating to procurement irregularities remained high at 39%. 31% related to corruption and fraud, 19% related to the misuse of resources, while 11% related to non-compliance to policy or legislation”. Progress from remuneration, Social, and Ethics Committees include <ul style="list-style-type: none"> • Actions required in terms of suspensions and appointments of senior executives in light of widespread corruption allegations; • Measures to address employee and public safety and fatalities; • Improvement of employee equity across the organisation; and • The need to improve consequence management in terms of fraud and corruption matters (Transnet 2019_6 	1	1
Transnet 2020	1	Leadership – the governing body should lead ethically & effectively (Transnet 2020_1	1	1

Name of SOE/year		Headings and Summaries of King IV's principles		
Transnet 2020	2	The "board has adopted The Global Platform for Intellectual Property's Governance Assessment Instrument to monitor the extent to which the Company has applied the King IV principles". (Transnet 2020_2	1	1
Telkom 2018	1	Leadership – the governing body should lead ethically & effectively (Telkom 2018_1	1	1
Telkom 2018	2	The company believes the board leads by example, and the right culture and ethical conduct cascade throughout the group from the top. Several processes and policies encourage and foster behaviours that support organisational culture, ethics, and values, which, in turn, support the purpose and vision of the group. Through these, Telkom holds its directors, employees & other stakeholders to account. (Telkom 2018_2	1	1
Telkom 2018	3	Organisational ethics (Telkom 2018_3	1	1
Telkom 2018	4	Telkom reviewed the code of ethics and supplementary policies in 2018, which focused on communication and enforcing the internal declaration process and system for employees involved in evaluating tenders. Other supplementary policies include a conflict of interest policy, prevention of fraud and corruption, and a whistle-blowing policy (Telkom 2018_4	1	1
Telkom 2019	1	Leadership – the governing body should lead ethically & effectively (Telkom 2019_1	1	1
Telkom 2019	2	Following good governance and in the spirit of transparency, shareholders were advised that the board chairman's declaration of interest was updated due to direct beneficial financial interest in one of the service providers contracted by Telkom. The board agreed on an additional process that will be implemented to manage potential conflicts of interest over and above the approved policies and processes; this is managed through the audit committee. (Telkom 2019_2	1	1
Telkom 2019	3	Organisational ethics (Telkom 2019_3	1	1
Telkom 2019	4	Going forward, Telkom plans to perform an ethics maturity assessment, which will inform future initiatives and ethics training initiatives. The findings from the assessment will form the baseline that will be reviewed in the 2020 financial year to measure the maturity of Telkom's ethics programme. (Telkom 2019_4	1	1
Telkom 2020	3	Organisational ethics (Telkom 2020_3	1	1
Telkom 2020	4	Telkom reviewed its business code of ethics and related policies and replaced them with the ethics handbook to enhance ethics governance. The planned ethics maturity assessment and revised strategy were deferred due to operational requirements and budgetary constraints. (Telkom 2020_4	1	1
Telkom 2020	19	appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities (Telkom 2020_19	1	1
Telkom 2020	20	The GCS monitors declarations to ensure no conflicts are present when matters are tabled for deliberation or when executing business activities. Where conflicts exist, affected directors or persons do not receive papers for the related matter and are recused from such deliberations. Telkom's conflict of interest policy forms part of the group ethics handbook. The board and executive committee's commitment to comply with the group ethics handbook forms part of the annual ethics leadership pledge. The declaration of interest form was enhanced in the 2020 financial year to detail ownership of Telkom securities and disclosure requirements in directors and prescribed officers dealing in Telkom securities as security, guarantee, collateral, or otherwise according to the new JSE listings requirements (Telkom 2020_20	1	1
		irregular expenditure	2	0
Transnet 2018	3	Organisational ethics (Transnet 2018_3	2	1
Transnet 2018	4	The board has noted the ineffective supply chain management-related controls, which have resulted in significant irregular expenditure in the PFMA. Transnet obtained a qualified audit opinion concerning the incompleteness of the compliance audit. A report from the ethics committee indicated that management had implemented more stringent measures for instituting consequence	2	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		management and the suspension of employees to avoid lengthy disciplinary processes and high costs. (Transnet 2018_4		
Transnet 2019	3	Organisational ethics (Transnet 2019_3	2	1
Transnet 2019	4	The impact of the prior year's audit qualification on loan covenants has been resolved, with all affected funders providing a waiver to Transnet. The directors have considered the impact of the current year audit qualification and, due to the nature of the qualification being similar to that of the prior financial year (related to the accuracy and completeness of reported irregular expenditure), do not expect any impact on the going concern ability of Transnet. The chairperson indicated that the credit rating agencies had a stable outlook for the organisation. The board does not anticipate difficulty accessing the debt capital markets for the required funding. (Transnet 2018_4	2	1
Transnet 2019	15	Committees of the governing body (Transnet 2019_15	2	1
Transnet 2019	16	During the year under review, management made a significant effort to improve and establish adequate controls to maintain complete and accurate records of irregular expenditures. Most of the irregular expenditure reported in 2019 relates to contracts entered into in prior years, which is believed to indicate an improvement in the current procurement control environment. The external auditors have issued a qualified opinion specific to the completeness and accuracy of the reported irregular expenditure, as required by the PFMA. (Transnet 2019_16	2	1
Transnet 2020	15	Committees of the governing body (Transnet 2020_15	2	1
Transnet 2020	16	Audit committee challenges include the lack of contract management and Transnet's exposure to the recurrence of irregular expenditure transactions (Transnet 2020_16	2	1
Telkom 2020	5	Responsible corporate citizenship (Telkom 2020_5	2	1
Telkom 2020	6	The reports from TGF assist in monitoring fraudulent activities, such as conflicts of interest, in reducing corruption. These initiatives, among others, led to action being taken against service providers, employees, customers, and syndicates. These actions include contract terminations, dismissals, recovery of losses, and arrests of those implicated. In the 2020 financial year, the reported corrective actions stemming from forensic investigations include: 11 employees fired, 11 received various warnings, including an alternative to dismissals, and ten were suspended without pay; six employees resigned due to investigations being instituted against them. Telkom recovered or withheld fraud losses from the pension funds of six employees; two service provider contracts were terminated due to fraud or irregular conduct, and one employee's contract was not renewed due to the investigation outcome. As of 31 March 2020, four employees and two service providers were under suspension based on the allegations of fraud or irregular conduct reported to TGF. Criminal acts cases were reported to the relevant authorities. They are investigating various criminal cases, and others are pending in court. Where Telkom suffered fraud losses, appropriate legal remedies were used to recover loss amounts from implicated parties. (Telkom 2020_6	2	1
		internal control	3	0
Eskom 2018	17	Performance of the board and its committees (Eskom 2018_17	3	1
Eskom 2018	18	An external assessment was conducted in May 2017, covering 31 March 2017. Areas for improvement identified included <ul style="list-style-type: none"> • a shortage of accounting skills among board members, • separating the audit and risk committees into two separate committees as required by King IV, • the leadership instability in Eskom, 	3	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		<ul style="list-style-type: none"> alignment with the principles of King IV, and concerns around the ethics policy. <p>Some improvements had already been addressed by appointing a new board and its actions since being appointed. Due to numerous changes to the board over recent years, a performance evaluation was not always performed annually. (Eskom 2018_18</p>		
Eskom 2019	3	Organisational ethics (Eskom 2019_3	3	1
Eskom 2019	4	All employees are required to perform a declaration of interest annually or as soon as circumstances changes. Through the audit process, remedial action has been taken against 25 employees identified as having business interest in suppliers doing business with Eskom; 7 cases have resulted in employee exit, and others have renounced their business interests. In many instances, management overrides the existing internal controls. The new board, acting on allegations of corruption & misconduct, took immediate measures to strengthen governance in Eskom, resulting in several executive-level suspensions and resignations. (Eskom 2019_4	3	1
Eskom 2019	25	compliance with applicable laws and adopted, non-binding rules, codes, and standards (Eskom 2019_25	3	1
Eskom 2019	26	Given the complex compliance universe, the overall risk of non-compliance is assessed as high; the focus remains on improving the overall compliance understanding and maturity of various areas. Non-compliance will place Eskom at risk and may result in PFMA reportable matters. Transgressions are dealt with in terms of normal disciplinary processes, including civil and criminal action, where appropriate. All penalties imposed against the organisation due to non-compliance are disclosed in the financial statements. (Eskom 2019_26	3	1
Eskom 2019	29	assurance services (Eskom 2019_29	3	1
Eskom 2019	30	“Assurance and Forensics have concluded, based on a formal documented review of Eskom’s systems of internal controls and risk management during the year ended 31 March 2019, that its internal financial controls system is considered adequate. However, the implementation or application thereof is only partially effective and requires improvement in the control system relating to compliance. This conclusion considers information and explanations provided by management and discussions with the external auditors on the results of the external audit”. The key focus area for 2019 was to review the effectiveness of the “company’s internal financial and other controls and business risk management systems, and the adequacy of the consequence management relating to investigations and disciplinary action, to ensure that corruption is addressed sustainably” (Eskom 2019_30	3	1
Eskom 2020	7	Strategy and performance (Eskom 2020_7	3	1
Eskom 2020	8	Eskom established a turnaround management office, collaborating with the results management office to oversee the implementation of our strategy and turnaround plan. Furthermore, Eskom submits a quarterly report to the shareholder; after being reviewed by the executive committee, ARC & the board. Eskom’s performance against the shareholder compact is regularly discussed with the shareholder & National Treasury (p.19). (Eskom 2020_8	3	1
Transnet 2019	1	Leadership – the governing body should lead ethically & effectively (Transnet 2019_1		
Transnet 2019	2	It is believed that the breakdown in internal controls within procurement resulted in weakened government structures and reputational damage impacting customer confidence, customer growth potential, our ability to raise cost-effective funding, and employee morale. The SOE implemented strong structures and processes to minimise the risk of recurrence. The focus was on identifying the organisation’s failings and taking the required remedial actions to reposition the business while strengthening our internal controls – specifically, fortifying the form and substance of our governance systems and controls. Improving corporate governance, including lifestyle audits and acting on the forensic reports commissioned by Transnet. (Transnet 2019_2	3	1

Name of SOE/year		Headings and Summaries of King IV's principles		
Transnet 2019	23	govern technology and information (Transnet 2019_23	3	1
Transnet 2019	24	Transnet reported incidents of ransomware outbreaks and cloning of the organisation's net website. The incident necessitated the strengthening of the incident response process and ICT continuity management. (Transnet 2019_24	3	1
Transnet 2019	29	assurance services (Transnet 2019_29	3	1
Transnet 2019	30	Transnet has reinstated assurance committees at the operating divisions to deal with PFMA transgressions as they arise. A step-up program was introduced to tighten internal controls and to give more emphasis on consequence management. (Transnet 2019_30	3	1
Transnet 2020	29	assurance services (Transnet 2020_29	3	1
Transnet 2020	30	The board assessed the effectiveness of internal controls according to a risk-based audit function. New risk sets emerging from the Covid-19 context required additional vigilance and scenario planning. Monitoring adherence to Transnet's compliance framework and applicable legislative and regulatory requirements and evaluating significant investments and expenditures to ensure appropriate cost control. (Transnet 2020_30	3	1
Telkom 2018	5	Responsible corporate citizenship (Telkom 2018_5	3	1
Telkom 2018	6	Fraud risk assessments are performed for each business unit and cover all types of fraud risks and violations of Telkom. Management assists with the relevant controls to mitigate the risks. The fight against economic crimes was coordinated through economic forums and internal assurance providers. The outcomes of the internal assurance providers resulted in contract terminations, dismissals, recovery of losses, and arrests of those implicated. The extensive face-to-face awareness program bore fruits through more reports of employee misconduct through the hotline and work of TGF. An ethics survey is conducted every two years. The previous survey was done in 2016, and the outcomes informed the development of further interventions; this is supported by Telkom's prevention of fraud and corruption policy, whistle-blowing policy, and its independent crime hotline – Telkom Crime Hotline. (Telkom 2018_6	3	1
Telkom 2018	11	Primary role and responsibilities of the governing body (Telkom 2018_11	3	1
Telkom 2018	12	The charter defines the board's roles and responsibilities and requirements for its composition and meeting procedures. An annual work plan guides the board in addressing all the required matters within the year. In fulfilling its duties, the board is further guided by the company's memorandum of incorporation, the Companies Act, King IV, JSE Listings Requirements, and all other relevant legislation. The group has codes and policies governing directors' conduct and management of conflicts of interest. It is according to such codes and policies that our directors are held accountable for effective and ethical leadership. Some of the board's key focus areas were, among others, approving the group's governance framework, improving customer experience, exploring innovative ways to improve performance & ensuring King IV compliance. In the 2019 financial year, the board plans to ensure management adequately implements the governance framework across the group, enhancing effective control and ensuring that the group is aligned from a governance perspective. It will also continue focusing on customer service to improve the overall customer experience, as our customers are the base of our company. In light of the revenue pressures facing the group, there will be more focus on increasing the new generation revenue stream (Telkom 2018_12	3	1
Telkom 2018	17	Performance of the board and its committees (Telkom 2018_17	3	1
Telkom 2018	18	Board and its committee conduct an evaluation biennially to establish and improve the operating effectiveness. The interval provides sufficient time to address any concerns and areas of improvement established or expressly stated in the results of the evaluations.	3	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		One of the key matters emanating from the evaluation results was that although there had been much focus on internal controls, further improvements should be made, given the change in the operating model and its impact on the control environment processes. (Telkom 2018_18		
Telkom 2018	29	assurance services (Telkom 2018_29	3	1
Telkom 2018	30	As part of Telkom's endeavours to strengthen the control environment, <ul style="list-style-type: none"> • the SOE appointed a chief risk and compliance officer responsible for group oversight; • reviewed the mandate and role of internal audit as a centralised group audit function; • are continually reviewing the internal controls and the IT environment for adequacy and have ensured that all agreements entered fraudulently were cancelled. Legal proceedings to recover funds are in process. (Telkom 2018_30 	3	1
Telkom 2019	21	Govern risk (Telkom 2019_21	3	1
Telkom 2019	22	Telkom operates in a technological and rapidly changing industry which makes it difficult but critical to maintain an appropriate balance between risk and reward. Due to an industry shift in focus from voice calls to video and data, the executive committee re-reviewed and reprioritised the group's critical risks to focus decision-making on areas that will immediately increase Telkom's value proposition to shareholders, customers, and employees. (Telkom 2019_22	3	1
Telkom 2019	25	compliance with applicable laws and adopted, non-binding rules, codes, and standards (Telkom 2019_25	3	1
Telkom 2019	26	Key compliance focus areas in 2019 financial included: Standardised risk and compliance methodology followed in the business units to obtain consistency and improve quality. Compliance training by staff on the requirements of the POPI Act. (Telkom 2019_26	3	1
Telkom 2020	29	assurance services (SOE3 2020_29	3	1
Telkom 2020	30	The board acknowledges its responsibility for the integrity of Telkom's integrated report. It confirms that it collectively reviewed the integrated report's contents and leveraged the assurance obtained from its various internal and external assurance providers, including assessments of risk and internal controls (Telkom 2020_30	3	1
		<u>Accountability</u>	4	0
Eskom 2018	5	Responsible corporate citizenship (Eskom 2018_5	4	1
Eskom 2018	6	Eskom's strategic direction is embodied in its corporate plan and the DPE's Strategic Intent Statement. Performance is measured against the shareholder compact, and a quarterly report is submitted to DPE detailing our performance against the shareholder compact, as well as providing an overview of financial and operational performance and any other relevant matters. (Eskom 2018_6	4	1
Eskom 2018	13	Composition of governing body (Eskom 2018_13	4	1
Eskom 2018	14	Most directors are independent non-executives, with only the GCE and the CFO being executive directors. The shareholder appoints directors with the approval of the Cabinet; non-executive directors have reviewed annually at the annual general meeting. The PGC, a board subcommittee, assists the shareholder by identifying the necessary skills, qualifications, and experience required by the board to achieve Eskom objectives (Eskom 2018_14	4	1
Eskom 2018	19	appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities (Eskom 2018_19	4	1
Eskom 2018	20	Eskom operates by an approved DoA framework that sets out the powers and authorities delegated by the board. It sets out the scope, conditions, and parameters within which the powers can be exercised by directors, employees, and committees. The performance of the GCE is evaluated in terms of the targets set by the board, while the GCE sets the targets for the executive committee members. Although the board has delegated authority to employees and committees, it has reserved specific matters for deliberation and conclusion.	4	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		These matters are recorded in the memorandum of incorporation. (Eskom 2018_20		
Eskom 2018	25	compliance with applicable laws and adopted, non-binding rules, codes, and standards (Eskom 2018_25	4	1
Eskom 2018	26	The board is ultimately accountable for the SOE's compliance with regulatory requirements according to the compliance charter; this is effected through the ARC – overall, the responsibility for implementing and executing compliance management is delegated to the executive committee. (Eskom 2018_26	4	1
Eskom 2018	27	Remuneration (Eskom 2018_27	4	1
Eskom 2018	28	The SOE has aligned its remuneration practice with guidelines for the remuneration and incentives for SOEs issued by DPE. (Eskom 2018_28	4	1
Eskom 2018	29	assurance services (Eskom 2018_29	4	1
Eskom 2018	30	The ARC provides independent oversight of the effectiveness of the organisation's assurance functions and services, focusing on combined assurance arrangements, including external assurance service providers, internal audit, risk management, and the finance function. (Eskom 2018_30	4	1
Eskom 2019	11	Primary role and responsibilities of the governing body (Eskom 2019_11	4	1
Eskom 2019	12	The board is fully committed to good corporate governance & recognises its key role in successfully executing Eskom's strategy. The board charter, reviewed annually, sets out the board's role, responsibilities, membership requirements, and procedural conduct. In addition, the board has constituted various committees that assist the board with its oversight role. (Eskom 2019_12	4	1
Eskom 2019	13	Composition of governing body (Eskom 2019_13	4	1
Eskom 2019	14	The South African Government is the sole shareholder of Eskom, represented by the Minister of DPEs. All directors are appointed at the discretion of the shareholder. The shareholder considers independence and diversity across race, gender, age, and skills when appointing directors. The shareholder will determine the development of a succession plan. The board consists of 10 independent non-executive directors and two executive directors, the GCE, and the CFO. The PGC identifies and recommends additional skills and diversity needs to the shareholder. (Eskom 2019_14	4	1
Eskom 2019	17	Performance of the board and its committees (Eskom 2019_17	4	1
Eskom 2019	18	Since most of Eskom's current directors were only appointed in January 2018, the previous year's evaluation was postponed until all directors had been in office for a year. The board evaluation process for the 2018/19 financial year is currently taking place and is being conducted by an external service provider. Contracted services supplemented the board's access to independent professional guidance on corporate governance. (Eskom 2019_18	4	1
Eskom 2019	21	Govern risk (Eskom 2019_21	4	1
Eskom 2019	22	The board, supported by ARC, provides oversight of Eskom's strategic and business risks and opportunities by delegating this responsibility to management. The board has delegated the implementation and execution of the risk management plan to management, which is included in the performance contracts of all group executives. Nevertheless, the board oversees the risk management process, its maturity model, and performance against the risk management plan every quarter. (Eskom 2019_22	4	1
Eskom 2019	27	Remuneration (Eskom 2019_27	4	1
Eskom 2019	28	Eskom is aligning its executive remuneration practice to the remuneration & incentives guide for SOEs issued by DPE. The proposed policy will improve governance and ensure fair, responsible, and transparent remuneration and that it balances performance measures with value creation. Board decided to reduce employee benefits costs (which is the most significant cost element), intending to build the organisation into a sustainable path. The process of restructuring Eskom resulted in the voluntary separation of eight executives. The number of executive positions was reduced from 21 to 9 by combining or regarding roles. Group executives for generations, distribution, transmission, and Capital report	4	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		to the COO – reflecting full accountability for the profit and loss of each division with intentions to return to profitability. (Eskom 2019_28		
Eskom 2019	31	stakeholder engagement (Eskom 2019_31	4	1
Eskom 2019	32	The board directs the organisation's stakeholder relationships through the stakeholder relations policy and matrix. Standardised and streamlined governance processes have been developed and implemented across the business to build and maintain sustainable relationships with stakeholders. Regular engagement with stakeholders enables the proactive cultivation of relationships that can serve as a valuable resource during challenging times. Collaboration and regular interaction with all stakeholder groups are essential for Eskom's long-term resilience and for building trusting relationships. Quarterly feedback on stakeholder engagement is submitted to the executive committee and the board for oversight, highlighting challenges that could impact Eskom's operating license. (Eskom 2019_32	4	1
Eskom 2020	9	Reporting (Eskom 1 2020_9	4	1
Eskom 2020	10	The reporting aims to enable stakeholders to make an informed assessment of the SOE performance to support decision-making. The basis for preparing the annual & interim financial statements and the integrated report are following international standards and South African legislation. ARC and SES review these externally published reports within their mandate and recommend approval to the board. (Eskom 2020_10	4	1
Eskom 2020	11	Primary role and responsibilities of the governing body (Eskom 2020_11	4	1
Eskom 2020	12	The board functions within a well-established governance framework. It provides guidance and oversight by setting the organisation's strategic direction, which includes approving policy and strategy and ensuring accountability for the organisation's performance. The board's roles and responsibilities, membership requirements, and procedural conduct are set out in the board charter (Eskom 2020_12	4	1
Eskom 2020	17	Performance of the board and its committees (Eskom 2020_17	4	1
Eskom 2020	18	An external service provider was appointed to undertake a full independent evaluation of the board for the 2019 financial year from July to August 2019; the results have been shared with the shareholder. An internal board evaluation for the 2020 financial year is underway. The board acknowledges the independent evaluation report. In response, a board improvement plan has been developed to address key recommendations across several areas. (Eskom 2020_18	4	1
Eskom 2020	21	Govern risk (Eskom 2020_21	4	1
Eskom 2020	22	The board sets the policy & direction for functional governance areas to support the organisation in achieving its strategic objectives. The board has delegated responsibility for overseeing risk, technology & information, compliance & assurance to ARC. In contrast, oversight of remuneration is delegated to the PGC per their respective terms of reference. The executive committee provides quarterly updates and progress on the risk management plan to ARC through a risk report, which includes strategic, business, and emerging risks and opportunities, as well as feedback on resilience initiatives. Furthermore, risk management is included in the performance contracts of all group executives. During the year, the executive committee implemented a quarterly risk workshop to improve accountability for risk throughout the organisation. (Eskom 2020_22	4	1
Eskom 2020	23	govern technology and information (Eskom 2020_23	4	1
Eskom 2020	24	The information technology governance structures ensure the alignment of information technology and operational technology within Eskom's strategy. (Eskom 2020_24	4	1
Eskom 2020	25	compliance with applicable laws and adopted, non-binding rules, codes, and standards (Eskom 2020_25	4	1

Name of SOE/year		Headings and Summaries of King IV's principles		
Eskom 2020	26	The board is accountable for compliance and governs this through the Compliance Charter and compliance policy. Through ARC, the board oversees organisational compliance. (Eskom 2020_26	4	1
Eskom 2020	29	assurance services (Eskom 2020_29	4	1
Eskom 2020	30	ARC provides independent oversight of the effectiveness of the organisation's assurance functions, focusing on combined assurance arrangements, including external assurance service providers, internal audits, forensic and technical investigations, controls, risk management, compliance, and the finance function. (Eskom 2020_30	4	1
Transnet 2018	9	Reporting (Transnet 2018_9	4	1
Transnet 2018	10	Transnet's reporting evolves as the Company's strategic focus, operational priorities, and organisational thinking become more integrated, enabling the organisation to remain strategically aligned with and responsive to stakeholders' concerns. (Transnet 2018_10	4	1
Transnet 2018	13	Composition of governing body (Transnet 2018_13	4	1
Transnet 2018	14	The board is satisfied with the independency of its non-executive and the balance of knowledge, skills, experience, and diversity, enabling the objective & effective discharge of its duties. The shareholder appointed two additional directors, both chartered accountants, to address the board's skills mix. (Transnet 2018_14	4	1
Transnet 2018	25	compliance with applicable laws and adopted, non-binding rules, codes, and standards (Transnet 2018_25	4	1
Transnet 2018	26	Transnet, through the shareholder Minister, adheres to the prescribed requirements for the composition, election, appointment & remuneration of the board. The Corporate Governance & Nominations Committee is responsible for the board's succession planning, based on the related skills requirements and skills matrix, for recommendation to the shareholder Minister. The compliance policy forms the foundation of the compliance framework, which sets out the standards for reviewing Transnet policies. The compliance function identifies, assesses, and monitors critical controls associated with regulatory requirements, statutory licenses, codes, and standards applicable to the company. The risk committee is mandated with the review and approval of the Company's Compliance Plan, which details procedures for identifying regulatory risks and monitoring compliance with applicable regulatory requirements. Managers are responsible for ensuring compliance as it relates to their areas of accountability. Compliance is implemented through a risk-based approach using a decentralised model, with compliance officers appointed within operating divisions and corporate centre functions. The compliance function independently monitors and reports on compliance controls relating to high-priority regulatory requirements. It also assists and supports the board and management in discharging compliance responsibilities. (Transnet 2018_26	4	1
Transnet 2018	27	Remuneration (Transnet 2018_27	4	1
Transnet 2018	28	The shareholder appoints non-executive directors for a three-year term. The shareholder considers the non-executive director's performance before re-election (Transnet 2018_28	4	1
Transnet 2018	29	assurance services (Transnet 2018_29	4	1
Transnet 2018	30	In line with the DoA framework, certain policies are reserved for approval by the board and its committees. Policies are reviewed every five years or as and when required. Internal Audit reports compliance with approved policies to the board. (Transnet 2018_30	4	1
Transnet 2019	9	Reporting (Transnet 2019_9	4	1

Name of SOE/year		Headings and Summaries of King IV's principles		
Transnet 2019	10	Transnet believes the significant increase in PFMA reportable incidents is mainly due to the concerted drive to improve SOE reporting. The 2019 IAR covers the financial reporting period from 1 April 2018 to 31 March 2019. The IAR is published annually and approved by the board. The previous IAR for the period 1 April 2017 to 31 March 2018 was approved by the board on 10 August 2018. (Transnet 2019_10	4	1
Transnet 2019	17	Performance of the board and its committees (Transnet 2019_17	4	1
Transnet 2019	18	There was no board assessment in 2018 since the new board was appointed in May 2018. The board and committee induction sessions (including site visits) were held between May and July 2018 for the newly appointed directors. The induction of directors is ongoing to familiarise the board with the business of Transnet. In the year under review, the training activities conducted were by both internal and external training service providers. (Transnet 2019_18	4	1
Transnet 2019	19	appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities (Transnet 2019_19	4	1
Transnet 2019	20	Transnet reviewed its DoA framework, which was approved by the board on 29 January 2019. The review's objective was to craft and implement a DoA framework, which defines the parameters within which individuals can make financial decisions on behalf of the SOE. This approach would ensure that there are checks and balances in the decision-making process and no one individual with superior powers, which results in abuse of authority, particularly in the acquisition or procurement-related transactions. The review of the DoA takes cognisance of Transnet's strategic objectives. The framework is reviewed annually for adequacy and completeness and approved by the board. (Transnet 2019_20	4	1
Transnet 2019	27	Remuneration (Transnet 2019_27	4	1
Transnet 2019	28	Transnet aligns its executive remuneration practice to DPE's guidelines (Transnet 2019_28	4	1
Transnet 2019	31	stakeholder engagement (Transnet 2019_31	4	1
Transnet 2019	32	The Remuneration, Social and Ethics Committee (REMSEC) resolved that Transnet conducts a multi-stakeholder perception survey every two years to measure how the organisation is perceived by its stakeholders independently (Transnet 2019_32	4	1
Transnet 2020	7	Strategy and performance (Transnet 2020_7	4	1
Transnet 2020	8	Transnet aligns material aspects to performance, strategy, risks, and opportunities and discloses material stakeholder impacts and concerns raised during the year (Transnet 2020_8	4	1
Transnet 2020	9	Reporting (Transnet 2020_9	4	1
Transnet 2020	10	The board acknowledges that reference to 'value creation' in this report includes the concepts of 'value preservation' and 'value diminution'. The 2020 IAR covers the financial reporting period from 1 April 2019 to 31 March 2020. The previous IAR for the period 1 April 2018 to 31 March 2019 was approved by the board on 26 September 2019. (Transnet 2020_10	4	1
Transnet 2020	17	Performance of the board and its committees (Transnet 2020_17	4	1
Transnet 2020	18	The board used the 2019 evaluation findings to formulate action plans, monitored through the Corporate Governance and Nomination Committee (Transnet 2020_18	4	1
Transnet 2020	27	Remuneration (Transnet 2020_27	4	1

Name of SOE/year		Headings and Summaries of King IV's principles		
Transnet 2020	28	There were no annual increases for executive management in 2020. (Transnet 2020_28	4	1
Transnet 2020	31	stakeholder engagement (Transnet 2020_31	4	1
Transnet 2020	32	The 2017 multi-stakeholder perception survey highlighted a lack of proactive stakeholder engagement, which affects SOE's transparency and accountability (Transnet IR, 2018). The SOE has developed an implementation plan for improving stakeholder engagement, including focus areas to enhance accountability. This initiative is based on the 2017 multistakeholder perception survey (Transnet 2020_32	4	1
Telkom 2018	13	Composition of governing body (Telkom 2018_13		
Telkom 2018	14	The nominations committee annually reviews the board's composition to ensure that it reflects the appropriate mix of knowledge, skills, experience, diversity, and independence. The board is satisfied that its composition reflects these metrics appropriately. The board's commitment to diversity extends beyond the boardroom (Telkom 2018_14	4	1
Telkom 2018	15	Committees of the governing body (Telkom 2018_15	4	1
Telkom 2018	16	The nominations committee annually reviews the board's composition to ensure it reflects the appropriate mix of knowledge, skills, experience, diversity, and independence. Each committee follows the provisions of the Companies Act, King IV, and the JSE Listings requirements and considers additional criteria agreed to by the board. Each committee has approved terms of reference that stipulate its roles and responsibilities, and those terms of reference are reviewed annually by the board (Telkom 2018_16	4	1
Telkom 2018	19	appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities (Telkom 2018_19	4	1
Telkom 2018	20	Telkom uses DoA to delegate responsibilities or authority through proper governance channels of the group. Any person assigned authority was held accountable for the performance of that responsibility. The delegation of authority framework for the group is continuously reviewed and updated as circumstances change to ensure relevance, applicability, and group-wide alignment. The board believes that the arrangements for delegation of authority are effective and adequate (Telkom 2018_20	4	1
Telkom 2019	5	Responsible corporate citizenship (Telkom 2019_5	4	1
Telkom 2019	6	The economic crimes forum was established to coordinate and align economic crime-fighting strategies for Telkom. The forum comprises group forensics, security, revenue assurance & fraud management, credit management, and business unit representatives. The economic crimes forum ensured that cases reported through the Telkom hotline were addressed. (Telkom 2019_6	4	1
Telkom 2019	11	Primary role and responsibilities of the governing body (Telkom 2019_11	4	1
Telkom 2019	12	The board assumes ultimate responsibility and accountability for the protection and responsible use of Telkom's six capitals; this includes ensuring that the organisation maintains effective, efficient, and transparent risk management processes by setting the risk appetite and tolerances levels and monitoring the risk and opportunity performance. Its governance structures are designed to ensure responsibility and accountability are clearly defined & connected. (Telkom 2019_12	4	1
Telkom 2019	13	Composition of governing body (Telkom 2019_13	4	1
Telkom 2019	14	Based on the current board representation of race and gender, it is evident that the gender dynamics have marginally deteriorated over the period due to the appointment of male non-executive directors. The board will focus on recruiting female non-executive directors (Telkom 2019_14	4	1
Telkom 2019	17	Performance of the board and its committees (Telkom 2019_17	4	1
Telkom 2019	18	The recommendations from the independent board evaluation process were tabled at various board governance structures. These informed the review of board and committee composition, areas of improvement, and the required training plans and development activities. The board is generally satisfied that it	4	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		is effective in setting the organisation's strategic direction, approving the required policies to effect the approved strategy, delegating to and having management oversight, and ensuring accountability through disclosure and reporting. (Telkom 2019_18		
Telkom 2020	11	Primary role and responsibilities of the governing body (Telkom 2020_11	4	1
Telkom 2020	12	The roles and responsibilities of directors are articulated in the Companies Act and the board charter. The board is satisfied that it has fulfilled its mandate regarding its board charter. To regulate its work, the board approves the annual work plan, compiled against its charter and the committee's terms of reference, and divides it into quarterly activities. (Telkom 2020_12	4	1
Telkom 2020	13	Composition of governing body (Telkom 2020_13	4	1
Telkom 2020	14	The nominations committee, in consultation with the remuneration committee, manages succession planning to ensure the balance of independence is maintained and that successors are appointed to the board in a manner that promotes knowledge transfer to ensure continuity. (Telkom 2020_14	4	1
Telkom 2020	15	Committees of the governing body (Telkom 2020_15	4	1
Telkom 2020	16	The board has delegated some of its activities to duly constituted committees to assist it in discharging its duties. The board has six committees, each guided by terms of reference. The board committees are satisfied that they have fulfilled their roles and responsibilities in the approved terms of reference. These terms of reference are reviewed annually or as and when the need arises and taken through the governance structures for consideration. In terms of the group governance framework, the committees fulfill the statutory compliance role for the group where required. The terms of reference of each committee were last approved in April 2020, and the changes to that were following the JSE Listings Requirements, reviewed DoA, and the newly implemented group governance framework. Through the group company secretariat, all incoming members of the board committees were inducted to assist with onboarding processes (Telkom 2020_16	4	1
Telkom 2020	17	Performance of the board and its committees (Telkom 2020_17	4	1
Telkom 2020	18	Telkom monitors director tenure and conducts an independent test on the appearance and judgment of long-standing directors to ensure an independent board. The board and committee compositions are reviewed annually to ensure that the skills representation supports the group's strategy, suits the current business, and responds to the external environment. The board and its committees were assessed for the skills required to support and deliver the group's strategy for value creation. The board-approved training plans for FY2020 and FY2021 aim to embed governance outcomes as part of Telkom's ways of working on the relevant training topics delivered during the year under review, including cybersecurity, IT, and information systems governance, as well as driving ethical culture change from the top. (Telkom 2020_18	4	1
		<u>governance structures</u>	5	0
Eskom 2018	11	Primary role and responsibilities of the governing body (Eskom 2018_11	5	1
Eskom 2018	12	The board constitutes committees to assist in its oversight role; these committees may obtain external professional advice when they need to fulfill their duties. (Eskom 2018_12	5	1
Eskom 2018	15	Committees of the governing body (Eskom 2018_15	5	1
Eskom 2018	16	Formal terms of reference are established and approved for each committee; these are reviewed annually. All members of the board may attend any meeting of the board committees. In some instances, evidence of committees reporting to the board was not always available, or minutes were not signed timeously. (Eskom 2018_16	5	1
Eskom 2018	23	govern technology and information (Eskom 2018_23	5	1
Eskom 2018	24	The board has delegated its governance oversight and responsibility for technology and information to the ARC and the executive committee, respectively. IT governance structures are in place to oversee and monitor	5	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		effective information technology use and prevent, detect and respond appropriately to cyber-attacks. (Eskom 2018_24		
Eskom 2019	15	Committees of the governing body (Eskom 2019_15	5	1
Eskom 2019	16	Formal terms of reference are established and approved for each committee; these are reviewed annually. All members of the board may attend any meeting of the board committees. (Eskom 2019_16	5	1
Eskom 2019	19	appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities (Eskom 2019_19	5	1
Eskom 2019	20	The DoA was reviewed to dissolve the BTC & changes to the organisational structure. (Eskom 2019_20	5	1
Eskom 2020	15	Committees of the governing body (Eskom 2020_15	5	1
Eskom 2020	16	All board committees, which comprise only independent non-executive directors, are chaired by an independent non-executive director. During the year, there were several changes to the chairmanship and membership of board committees due to resignations, and a new board strategy committee was established. These changes ensured that the committees could discharge their duties effectively despite the current board vacancies. No external advisors were invited to committee meetings during the year. The GCE, CFO, COO, and senior management from various functional areas are invited to attend committee meetings as officials when required. (Eskom 2020_16	5	1
Eskom 2020	19	appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities (Eskom 2020_19	5	1
Eskom 2020	20	The DoA and materiality frameworks were revised to reinstate the mandate for the investment and finance committee to provide oversight of investment decisions, procurement strategies & transactions within its delegation. Furthermore, the authority levels of power station managers were revised to increase their responsibility over the appointment of critical staff & approval of transactions to improve operational oversight at power stations and thereby improve plant performance. (Eskom 2020_20	5	1
Transnet 2018	11	Primary role and responsibilities of the governing body (SOE2 2018_11	5	1
Transnet 2018	12	Transnet's governance structure was derived from its memorandum of incorporation. The board was tasked with ensuring that the organisation is sustainable and capable of achieving its objectives. The board also delegates powers to its committees and ensures that committee members are specialists in their respective fields and areas of governance. The meeting attendance of the GLT and the board was reported to the shareholder every quarter in the PFMA reports. (Transnet 2018_12	5	1
Transnet 2018	15	Committees of the governing body (Transnet 2018_15	5	1
Transnet 2018	16	In line with the requirements of the Companies Act, the shareholder Minister appointed the audit committee and confirmed the Social and Ethics Committee as statutory committees. The Audit Committee's constitution, functioning, and reporting further adhere strictly to the PFMA requirements. In addition to these statutory committees, the following committees have been constituted to assist in achieving the Company's objectives: <ul style="list-style-type: none"> • Investment and finance committee; • Corporate Governance and Nominations Committee; • Risk Committee The board and its committees' mandates are aligned with the provisions of the PFMA, the Companies Act, the memorandum of incorporation, and the DoA framework. The board delegates powers to its committees, of which committee members are specialists in their respective fields and areas of governance. The board also delegates powers to the GCE to direct the business strategically and to provide adequate direction to the SOE's operations to ensure that the strategy is successfully implemented. The GLT assists the GCE in delivering specific mandates based on the DoA framework. (Transnet 2018_16	5	1

Name of SOE/year		Headings and Summaries of King IV's principles		
Transnet 2018	19	appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities (Transnet 2018_19	5	1
Transnet 2018	20	The roles of the chairperson and the GCE are separate; the chairperson is an independent non-executive director responsible for leading the board and ensuring its effectiveness. The GCE was responsible for executing Transnet's strategy and the day-to-day business. The GCE was supported by the GLT, who is the chairperson. The new board has undertaken a process to review the DoA framework. Some statutory duties of the GCS are to provide individual non-executive directors and the board with induction, guidance on duties, responsibilities, and powers, and the impact of regulatory developments. In consultation with the chairperson, the GCS ensures that the contents of the agenda are relevant to the board's decision-making and communicates the board's resolutions throughout the company in a timely and appropriate manner (Transnet 2018_20	5	1
Transnet 2020	11	Primary role and responsibilities of the governing body (Transnet 2020_11	5	1
Transnet 2020	12	Transnet's governance structures operate following their respective mandates, powers, and authority and under the DoA framework approved by the board. The board delegates powers to its committees, whose members are specialists in their respective fields. The GCE assists the GCE in delivering on specific mandates based on the DoA framework. The company's governance structures operate within the approved board and committee mandates, with clear authority and delegation levels. The performance of the governance structures is assessed annually through the board of directors' independent evaluation process and self-assessments. The digitisation of meeting packs has introduced the real-time availability of information in preparation for meetings. (Transnet 2020_12	5	1
Transnet 2020	13	Composition of governing body (Transnet 2020_13	5	1
Transnet 2020	14	The SOE's existing memorandum of incorporation provides that the board shall consist of a minimum of six and a maximum of 14 directors, comprising not less than four non-executive directors and two executive directors, provided that the board shall at all times consist of a majority of non-executive directors. As of 31 March 2020, the board comprised 12 directors, 10 of whom are non-executive, including the chairperson. The non-executive directors are free from any business relationship that could hamper their objectivity or judgment in terms of the business and activities of the company as far as possible. Any potential conflict is managed through systems and processes which are in place. All non-executive directors have unrestricted access to the company's information, documents, records, and property to fulfill their fiduciary duties and responsibilities. The non-executive directors contribute skills, business acumen, independent judgment, and experience on various issues, including strategy, corporate governance, performance, and general leadership. In contrast, the executive directors provide an operational understanding of the company's strategies and management skills. (Transnet 2020_14	5	1
Transnet 2020	19	appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities (Transnet 2020_19	5	1
Transnet 2020	20	The roles of the chairperson and the GCE are separate, with their responsibilities clearly defined. The chairperson is an independent non-executive director responsible for leading the board and ensuring its effectiveness. The GCE is responsible for executing the company's strategy and the day-to-day management of the business, supported by the group executive committee. The board is satisfied that the DoA framework records the nature and extent of the authorities delegated by the board to the GCE and specified governance structures (Transnet 2020_20	5	1
Telkom 2018	21	Govern risk (Telkom 2018_21	5	1

Name of SOE/year		Headings and Summaries of King IV's principles		
Telkom 2018	22	Considering the board's increased obligations regarding the management and oversight of information and technology, as echoed in King IV, and given the increase in cyberattacks and threats, the risk committee is devoting more attention to this aspect. The terms of reference were updated to articulate the increased responsibility. The technology and information governance charter was approved as part of the committee's responsibilities for overseeing technology and information. (Telkom 2018_22	5	1
Telkom 2018	23	govern technology and information (Telkom 2018_23	5	1
Telkom 2018	24	The board mandated the risk committee to focus on IT and information security risks and governance. The committee has incorporated King IV governance principles into its charter, with specific governance dashboards for technology. Cybersecurity focus areas include three key elements for successful future integration: completing the Information Security Management program initiatives so that planned security processes, people, and technologies are fully operational; deploying cybersecurity incident detection and response capability to detect better and deflect active cyberattacks; and delivering a cyber and information security assurance capability to monitor Telkom's cybersecurity operational environment (Telkom 2018_24	5	1
Telkom 2018	25	compliance with applicable laws and adopted, non-binding rules, codes, and standards (Telkom 2018_25	5	1
Telkom 2018	26	Compliance during the reporting period was achieved through processes that identified the applicable requirements (as per laws, regulations, and codes), assessed the state of compliance, and assessed the risks and potential costs of noncompliance. The complex and fluid compliance environment, along with the changes in the operating model, required Telkom to implement a multi-faceted approach. (Telkom 2018_26	5	1
Telkom 2019	15	Committees of the governing body (Telkom 2019_15	5	1
Telkom 2019	16	The board receives regular group updates on numerous subjects, enabling it to explore issues and developments within its mandate in detail. The board, through the activities of the social and ethics and its risk committees, dealt with matters related to customer service and related complaints. Improving customer experience was driven by a campaign focusing on people, processes, and systems to simplify customer journeys through the value chain to ensure consistent delivery. The board and its committees are satisfied that the company complied with the provisions of the Companies Act and its memorandum of incorporation, and they have discharged their duties following the board charter and the committee terms of reference during the 2019 financial year (Telkom 2019_16	5	1
Telkom 2019	23	govern technology and information (Telkom 2019_23	5	1
Telkom 2019	24	Telkom continuously assesses threats to its information and upgrades and enhances information security and cybersecurity systems for appropriate and effective detection, prevention, and protection against various cyberattacks and cybercrime. (Telkom 2019_24	5	1
Telkom 2019	29	assurance services (Telkom 2019_29	5	1
Telkom 2019	30	The audit and risk committees, respectively, oversee the implementation of the combined assurance framework, combining, coordinating, and aligning assurance activities across the lines of defense. They oversee that the scope of combined assurance was informed by the risks and opportunities that materially affect the group's ability to create value. (Telkom 2019_30	5	1
Telkom 2020	1	Leadership – the governing body should lead ethically & effectively (Telkom 2020_1	5	1
Telkom 2020	2	The GCS manages the conflict of interest process. All directors must disclose any conflict of interest to the governance structures under the Companies Act. Telkom has additional processes to manage potential, perceived, and actual conflicts of interest. The annual declarations of interest are submitted to the group company secretariat for filing post tabling through the governance structures; these are updated as and when necessary during the year (Telkom 2020_2	5	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		Reputation	6	0
Eskom 2018	21	Govern risk (Eskom 2018_21)	6	1
Eskom 2018	22	The ability to secure funding in domestic and foreign markets has been influenced by insufficient cash flow to service debt, the impact of the prior year's audit qualifications and governance-related issues, and the appointment of permanent executive management. The appointment of a new board in January 2018 presented the investor with some level of comfort, resulting in an increased appetite for investment. The SOE's reputation has been caused by mostly the historic unethical behaviour by the leadership and senior management, which impacted the company's multiple levels (poor governance and leadership instability, coupled with possible corruption and the prior year's audit qualification on irregular expenditure). (Eskom 2018_22)	6	1
Eskom 2018	31	stakeholder engagement (Eskom 2018_31)	6	1
Eskom 2018	32	The SOE is mandated to support SA's growth and developmental aspirations, with a significant role in the country's socioeconomic development. The continued validity of its social license to operate relies heavily on the SOE's willingness to be inclusive and how stakeholder engagement is handled in material matters – this impact SOE's reputation. (Eskom 2018_32)	6	1
Transnet 2018	21	Govern risk (Transnet 2018_21)	6	1
Transnet 2018	22	Reputation risk is based on media allegations and PFMA transgressions, matters which were elevated to the board level for comprehensive oversight (Transnet 2018_22)	6	1
Transnet 2018	23	govern technology and information (Transnet 2018_23)	6	1
Transnet 2018	24	Transnet IT positions cybersecurity as a top priority; it further guards against negative publicity and reputational damage resulting from social media risks. Transnet calculates the potential risks or vulnerabilities by completing a service provider assessment for each third-party engagement and conducts thorough due diligence before the relationship commences. Contingency plans are in place for terminating vendor contracts if required (Transnet 2018_24)	6	1
Transnet 2018	31	stakeholder engagement (Transnet 2018_31)	6	1
Transnet 2018	32	The 2017 multi-stakeholder perception survey results include SOE's brand and reputation being compromised of a lack of proactive stakeholder engagement and a perceived lack of transparency and accountability to material issues. Negative perceptions include corruption allegations, community demonstrations, fatalities, and customer concerns about capacity and delivery. Key issues impacting stakeholder concerns; <ul style="list-style-type: none"> • Improving stakeholder engagement (upgrading stakeholder database to operate by Aug 2019); • Improving transparency and accountability; • Improving overall compliance with legal and other requirements (compliance with PFMA controls, for example); • Ensuring financial sustainability; • Improving operational performance as well as Improving health and safety performance (Transnet 2018_32)	6	1
Transnet 2019	21	Govern risk (Transnet 2019_21)	6	1
Transnet 2019	22	Risk committee challenges include: <ul style="list-style-type: none"> • Visible leadership strategies implemented, which include regular engagement with employees on a range of matters, including safety. The credit rating agencies' assessments impact the company's funding requirements. (Transnet 2019_22)	6	1
Transnet 2020	3	Organisational ethics (Transnet 2020_3)	6	1

Name of SOE/year		Headings and Summaries of King IV's principles		
Transnet 2020	4	Board challenges include <ul style="list-style-type: none"> • filling board vacancies, the delayed appointment of key executives (GCS and Deputy GCS); • Increasing PFMA reportable issues and media allegations against the SOE; • extensive engagements with law enforcement agencies; • Transgression of procedures and the code of ethics by executives; and • Prolonged suspensions of executives (Transnet 2020_4 	6	1
Transnet 2020	5	Responsible corporate citizenship (Transnet 2020_5	6	1
Transnet 2020	6	Board challenges include actions required in terms of suspensions and appointments of senior executives in light of widespread corruption allegations and the need to effect consequence management measures for employees found guilty of fraud and corruption (Transnet 2020_6	6	1
Transnet 2020	21	Govern risk (Transnet 2020_21	6	1
Transnet 2020	22	The lingering impacts on employee morale of state capture-related issues and the resulting temporary instability of our executive leadership structures are identified as one of the root causes of risks. People risks include low employee morale leading to low productivity and unstable leadership structures. (Transnet 2020_22	6	1
Transnet 2020	23	govern technology and information (Transnet 2020_23	6	1
Transnet 2020	24	ICT has elevated cybersecurity to a critical priority and provides feedback to the board regularly. It also guards against negative publicity and reputational damage resulting from social media risks. Monitoring technology assets, IT governance, and information security, particularly as the organisation addresses technology and data management risks presented by new work practices resulting from Covid-19 (p.121). (Transnet 2020_24	6	1
Transnet 2020	25	compliance with applicable laws and adopted, non-binding rules, codes, and standards (Transnet 2020_25	6	1
Transnet 2020	26	The company considers non-compliance with legislative and regulatory requirements a key risk as it not only exposes the company to fines and civil claims but can also result in a loss of operational licenses and cause reputational harm. (Transnet 2020_26	6	1
Telkom 2020	25	compliance with applicable laws and adopted, non-binding rules, codes, and standards (Telkom 2020_25	6	1
Telkom 2020	26	The impact of risk on regulatory requirements related to spectrum (the lifeblood of the mobile industry), which may negatively impact revenue growth and financial stability, as well as the possible noncompliance with laws and regulations, could damage Telkom's reputation and incur penalties. (Telkom 2020_26	6	1
		<u>sustainability</u>	7	0
Eskom 2018	7	Strategy and performance (Eskom 2018_7	7	1
Eskom 2018	8	The SOE was challenged by effectively and efficiently balancing electricity supply and demand in real-time and maintaining the power system's frequency. Eskom's export growth strategy maximises cross-border electricity sales through existing transmission infrastructure and constructing additional transmission lines. Challenges include a lack of investment in transmission infrastructure in the key electricity corridors that carry power north of SA borders. Some of Eskom's challenges that impact sustainability include saturating the borrowing capacity, coupled with credit rating downgrades. Market and competition risks – reduced electricity demand and increased competition for end users resorting to renewable energy; this affects the SOE to meet its climate change mitigation targets impacting the SOE's license to operate. Not implementing climate change adaptation measures could affect plant performance. (Eskom 2018_8	7	1
Eskom 2018	9	Reporting (Eskom 2018_9	7	1

Name of SOE/year		Headings and Summaries of King IV's principles		
Eskom 2018	10	An effort is made to ensure that reports issued to stakeholders are useful for decision-making. (Eskom 2018_10	7	1
Eskom 2019	5	Responsible corporate citizenship (Eskom 2019_5	7	1
Eskom 2019	6	From the chairperson's statement, progress on governance clean-up is putting Eskom on the path to financial and operational sustainability; e.g., 95% of cases related to procurement breaches, 10% resulted in employee existence, and 12% were handed to SIU for investigation. (Eskom 2019_6	7	1
Eskom 2019	7	Strategy and performance (Eskom 2019_7	7	1
Eskom 2019	8	The board assumes responsibility for Eskom's purpose, vision, strategy, business model, performance, risk & opportunities through an integrated strategy development process, the corporate plan & managing performance against the shareholder compact per the shareholder's expectations. The purpose is to integrate and incorporate feedback mechanisms to ensure that strategic risks & sustainable development principles inform SOE's strategic direction & business model and, that the implementation of the corporate plan is monitored, & that non-performance or any change in context is highlighted & acted upon. Furthermore, a result management office has been established to oversee the implementation of the company's strategic turnaround plan (approved by the board in Nov 2018). (Eskom 2019_8	7	1
Eskom 2019	9	Reporting (Eskom 2019_9	7	1
Eskom 2019	10	The IAR was prepared based on the guidance of the IIRC's framework. ARC & the SESC review this report and recommend approval by the board. A monthly business report is discussed at divisional management committees and the executive committee. Furthermore, Eskom prepares a quarterly shareholder report that is reviewed by the executive committee, ARC, and the board. Some performance indicators are often discussed with the shareholder. (Eskom 2019_10	7	1
Eskom 2019	23	govern technology and information (Eskom 2019_23	7	1
Eskom 2019	24	Oversight of technology and information governance is delegated to ARC, while management is responsible for the implementation and execution thereof. The IT considers high-risk matters relating to the aging power stations and operational and technical risks. The committee also considers technical deviations relating to the current new build program, which could have medium-to long-term implications for the new plant. A quarterly IT governance report is submitted to ARC to ensure that Eskom's technology and information management systems are secure and available. The IT charter and governance framework are being updated to reflect organisational changes. (Eskom 2019_24	7	1
Eskom 2020	5	Responsible corporate citizenship (Eskom 2020_5	7	1
Eskom 2020	6	Eskom's strategic processes ensure that matters relating to responsible corporate citizenship are considered in strategies developed throughout Eskom. Eskom monitors the changing landscape around corporate citizenship through our enviro scanning process & considers emerging risks and opportunities. (Eskom 2020_6	7	1
Eskom 2020	13	Composition of governing body (Eskom 2020_13	7	1
Eskom 2020	14	Regarding Eskom's memorandum of incorporation, the board must consist of 15 directors, with at least two executive directors and the majority being non-executive directors. Non-executive directors are appointed by the shareholder for three years, reviewable annually; they may not serve more than three consecutive terms. It is reported that the board was satisfied that its composition was appropriately balanced, following King IV's principles. Nevertheless, the board has highlighted the vacancies to the shareholder, also noting the lack of succession planning and lack of representation of persons with disabilities. (Eskom 2020_14	7	1
Eskom 2020	27	Remuneration (Eskom 2020_27	7	1

Name of SOE/year		Headings and Summaries of King IV's principles		
Eskom 2020	28	A streamlined executive structure was implemented, reducing the number of group executives from 21 to 9. It is believed that restructuring may put the organisation on a sustainable path as it will allow full accountability for profit and loss in each division to return to profitability. (Eskom 2020_28	7	1
Eskom 2020	31	stakeholder engagement (Eskom 2020_31	7	1
Eskom 2020	32	Eskom is committed to a stakeholder-inclusive approach & acknowledges the obligation to manage stakeholder relationships effectively. The board directs the organisation's stakeholder relationships through the stakeholder relations policy, leadership engagement protocol, the stakeholder landscape, and stakeholder strategy. Standardised and streamlined governance processes have been developed and implemented to build and maintain sustainable stakeholder relationships. (Eskom 2020_32	7	1
Transnet 2018	7	Strategy and performance (Transnet 2018_7	7	1
Transnet 2018	8	Transnet's performance targets are confirmed in the annually negotiated shareholder's compact. (Transnet 2018_8	7	1
Transnet 2018	17	Performance of the board and its committees (Transnet 2018_17	7	1
Transnet 2018	18	The board delegates powers to the GCE to direct the business strategically and provide adequate direction to the company's operations to ensure the strategy is successfully implemented. The GLT assists the GCE in delivering on specific mandates, which are based on the DoA framework. The company further carries out its mandate through its operating divisions and Specialist Units, which receive delegations from the GCE. (Transnet 2018_18	7	1
Transnet 2019	7	Strategy and performance (Transnet 2019_7	7	1
Transnet 2019	8	The risk and compliance function participate in the remedial plan relating to reported PFMA non-compliance: Lean Six Sigma study (the non-compliance root cause analysis) to facilitate improvements in Transnet's procurement process and to integrate and map current assurance activities and lines of assurance against each step in the procurement processes. The project risk and opportunity management methodology provide contingency reserves for program and project risks. The opportunities identified in projects serve as a basis for value engineering within projects. (Transnet 2019_8	7	1
Transnet 2019	11	Primary role and responsibilities of the governing body (Transnet 2019_11	7	1
Transnet 2019	12	The board is tasked with ensuring that the company is sustainable and capable of delivering on its objectives. The board delegates powers to its committees and ensures that committee members are specialists in their respective fields and areas of governance. In addition, the board delegates powers to the GCE to direct the business strategically and provide adequate direction to the Company's operations to ensure the strategy is successfully implemented. The executive committee assists the GCE in delivering on specific mandates, which are based on the DoA framework. The executive committee has established procurement, legal and compliance, and forensic and property committees. The SOE further carries out its mandate through its Operating divisions and specialist units, which receive delegations from the GCE. (Transnet 2019_12	7	1
Transnet 2019	13	Composition of governing body (Transnet 2019_13	7	1
Transnet 2019	14	The amendment to the memorandum of incorporation provides that the board shall consist of a minimum of six and 14 directors, comprising not less than four non-executive directors, from whom the company's chairperson shall be appointed. The board is, therefore, adequately resourced in line with the memorandum of incorporation. The board composition is, however, under continuous review to ensure adequate resourcing of the board and its committees. The board comprises an appropriate balance of knowledge, skills, experience,	7	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		diversity, and independence, enabling it to objectively and effectively discharge its duties. Following King IV, the board is satisfied that the SOE's non-executive directors are independent. The board is satisfied that the DoA framework records the nature and extent of the authorities delegated by the board to the GCE and specified governance structures and, in turn, by the GCE to the executive committee members to implement certain actions by or on behalf of the company. (Transnet 2019_14		
Transnet 2019	25	compliance with applicable laws and adopted, non-binding rules, codes, and standards (Transnet 2019_25	7	1
Transnet 2019	26	The Transnet board terminated the employment of the GCE with effect from 23 October 2018. Transnet must fulfill its economic and developmental mandates, and the board considers a business and governance imperative that a new executive head is appointed to ensure this outcome. The risk committee held focused meetings to ensure regular updates on the forensic investigations and consequence management implementation. The committee has further streamlined risk reporting through integrated risk reporting to ensure effective oversight of the company's business. The chairperson mentioned long sustainability relating to competent, capable, ethical leadership due to historic governance failures. (Transnet 2019_26	7	1
Telkom 2018	7	Strategy and performance (Telkom 2018_7	7	1
Telkom 2018	8	The group will follow a measured and phased approach to the potential divisionalisation after the implementation plans have been set out and agreed upon between all stakeholders. It was envisaged that this process would have a positive impact on the operational efficiency of the group (Telkom 2018_8	7	1
Telkom 2018	9	Reporting (Telkom 2018_9	7	1
Telkom 2018	10	As part of its annual material themes determination process, Telkom assimilates a set of material risks and opportunities by reviewing its business environment, enterprise risk management, stakeholder engagement, and board and committee discussions. Management's materiality determination process and material themes were approved by the executive committee and the audit committee (Telkom 2018_10	7	1
Telkom 2018	27	Remuneration (Telkom 2018_27	7	1
Telkom 2018	28	Remuneration incentives are linked to the delivery of strategic objectives. The remuneration committee aligns the reward practices with shareholder interests and employee performance to maximise shareholder value while complying with legislation and King IV requirements. Fair and responsible remuneration reward employees competitively and equally for doing the same work within the same range per the Labour Relations Act. SOE recognises that in this competitive environment, it needs to differentiate itself based on strategic roles and growing areas of the business to value employees' contributions (Telkom 2018_28	7	1
Telkom 2018	31	stakeholder engagement (Telkom 2018_31	7	1
Telkom 2018	32	The SOE has assessed our investor relationships as strong and the remaining relationships as acceptable. The stakeholder engagement framework and policy were updated and approved by the executive committee and the SEC. Telkom developed an effective review process to monitor the implementation of stakeholder management response strategies throughout the group and continue to measure the effectiveness of the engagements with its stakeholders. The focus is to increase focus on customers as the primary stakeholder as Telkom improves customer experience across the group. The committee acknowledges the importance of good consumer relationships, so various customer compliance initiatives were introduced. Customer treatment & customer experience include continuous monitoring and evaluation, as well as various initiatives such as education on how to derive more value from projects to improve processes. The #datamustfall campaign resulted in zero-rated fees for universities and further education and training sites. The bulk of the complaints was attributable to poor internal administrative processes and billing systems. To increase the correct mix of skills and expertise, Telkom constantly trains and upskills employees to face	7	1

Name of SOE/year		Headings and Summaries of King IV's principles		
		operational challenges to meet the company's strategic objectives. There is an increased commitment to investing in high-potential talent. High-potential talent was developed across each segment in line with specific business needs. The talent management framework enables actionable career development plans aligned to personal aspirations and business needs (Telkom 2018_32		
Telkom 2019	7	Strategy and performance (Telkom 2019_7	7	1
Telkom 2019	8	Telkom aims to leverage new revenue streams and drive performance across our business units; this includes thinking differently about how to serve the small and medium business customers and establishing the Telkom small and medium business division on 1 April 2019. It is believed that this market segment is underserved, and the role these businesses play is critical to recovering the South African economy. The aim is to become SA's leading digital SMB platform by solving real needs to drive sustainable growth for our customers – enabled through innovative solutions, world-class customer experience, and disruptive technology. The focus will start on the previously underserved segment, reducing the high churn from the fragmented IT market and the lack of revenue diversification from fixed voice products. Thereby creating new revenue streams within the SMB space as well as cross-sell to IT customers (Telkom 2019_8	7	1
Telkom 2019	9	Reporting (Telkom 2019_9	7	1
Telkom 2019	10	Telkom defines its material themes as the factors that substantively affect its ability to create value for our stakeholders over time. Management's materiality determination process and material themes were approved by the executive committee and the audit committee (Telkom 2019_10	7	1
Telkom 2019	19	appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities (Telkom 2019_19	7	1
Telkom 2019	20	The board is satisfied that the group is adequately resourced and there is a proper delegation of authority in place. However, in line with best practice standards, the group delegation of authority is currently under review to ensure that it caters to the group's current needs and creates an enabling environment for management to execute its operational activities. The group CEO is appointed by the board and is responsible for leading the implementation of the approved group strategy and policy and is the link between executive management and the board (Telkom 2019_20	7	1
Telkom 2019	27	Remuneration (Telkom 2019_27	7	1
Telkom 2019	28	Telkom sets remuneration levels to attract and retain the required future talent within the context of overall group performance and is mindful of current business challenges. The market environment that Telkom operates in an environment that is characterised by intensifying competition with mobile operators and new entrants to the market, which continue to put pressure on the company. As the market continuously expands in all business spheres, the challenge remains to retain experienced executive leadership, attract the new talent required for the new and growing areas of the business and technology, and increase the customer value proposition. Proper management of potential flight risks of critical skill and top talented employees. (Telkom 2019_28	7	1
Telkom 2019	31	stakeholder engagement (Telkom 2019_31	7	1
Telkom 2019	32	Focus areas for the year are customer experience (24); involving groups are customers, government and regulators, and media. High data costs remain a prominent concern for customers and policymakers following the #datamustfall campaign. (Telkom 2019_32	7	1
Telkom 2020	7	Strategy and performance (Telkom 2020_7	7	1
Telkom 2020	8	There were two strategy sessions convened in September 2019 and February 2020. The first session considered the expected changes to the market and industry dynamics over the medium and long term to unlock future value. There was engagement on how Telkom can drive innovation through technology disruption, increasing competitiveness, and enterprise development activities (Telkom 2020_8	7	1

Name of SOE/year		Headings and Summaries of King IV's principles		
Telkom 2020	9	Reporting (Telkom 2020_9)	7	1
Telkom 2020	10	The board believes that Telkom's integrated report addresses all matters material to its stakeholders' decision-making and concludes that the information herein is materially presented under the IIRC framework. The board approved the integrated report on 24 July 2020. Themes include Regulatory environment; Intense competitive landscape; Customer expectation and experience, Cyber incidents (cyber threats); Economic climate; People skills, and expertise. Evolving technology and ICT market trends (Telkom 2020_10)	7	1
Telkom 2020	21	Govern risk (Telkom 2020_21)	7	1
Telkom 2020	22	Significant events this year include Extreme weather conditions (floods), which impacted service delivery in eastern and central regions of KZN, Power outages, and load shedding. Power outages threaten customers and impact their ability to do business with the SOE. Load shedding threatens the SOE as it interrupts customer service, resulting in a spike in battery theft from cell phone towers. COVID-19 outbreak – priority was on the safety of employees and business continuity. The focus was also on optimising cash flows, maintaining enough levels of liquidity, and strengthening the balance sheet to mitigate and monitor the financial risks. For risk – the board focused on adverse regulatory and unstable market and economic conditions. The board also focused on non-compliance with laws and regulations, cybersecurity threats, information and technology governance, market disruptions, and disruptive technologies (Telkom 2020_22)	7	1
Telkom 2020	23	govern technology and information (Telkom 2020_23)	7	1
Telkom 2020	24	Ineffective system architecture and inefficient and costly legacy IT systems pose a risk to the decentralised operating model. Mitigation activities include developing and implementing an IT operating model, including an IT and digital strategy and IT governance; reviewing and implementing a technology strategy that is forward-looking and will position the group for the future; and developing, implementing, and executing an application decommission roadmap Telkom is committed to attracting, retaining, and growing cybersecurity operational and incident management skills. To address the cyber threats, Telkom has deployed machine learning capability to enhance information security. (Telkom 2020_24)	7	1
Telkom 2020	27	Remuneration (Telkom 2020_27)	7	1
Telkom 2020	28	Remco completed detailed succession planning for senior executive management and reviewed the retention of top talent and key critical specialists planning for senior executive management. Remco's objectives for the 2021 financial year include ensuring that the committee's terms of reference address the following: Alignment with best corporate governance practices; Updating the composition to include co-option experts and specialists in the committee; Updating conflict of interest clauses to align with best practices; Incorporate a clause addressing the role of the committee chairperson; Closely monitor the succession plan for the executive committee roles, including emergency successors. Proactively assist the board and the GCEO to identify, develop & transition possible successors, including proactively retaining top leadership and key senior executives for at least a minimum of two to three years, respectively; Incentivise executives to grow shareholder returns while creating wealth for employees – strong alignment between executive remuneration and shareholder returns (Telkom 2020_28)	7	1
Telkom 2020	31	stakeholder engagement (Telkom 2020_31)	7	1
Telkom 2020	32	Challenges/responses include the evolution of fixed business and its impact on the group; Sustainability of mobile business given the reduction of prices by telco peers and the imminent release of the spectrum; Complaints around network performance in terms of coverage, capacity, outages, and turnaround time to resolve complaints issues. The network has been affected by load shedding, vandalism, battery theft, and additional demand for capacity in residential areas, as people are restricted to working from home. Lack of job	7	1

Name of SOE/year	Headings and Summaries of King IV's principles		
	security results from a restructuring program that impacts the entire organisation. Operational requirements, including the evolving needs of customers, technological advancements, and the evolving world of work, are the drivers of this organisational restructure. (Telkom 2020_32		

Appendix 2 – Extracts from Integrated Annual Reports

KING IV™ APPLICATION

The principles of King IV™ set out the aspirations on the journey towards good corporate governance. Practices are recommended to give effect to the aspirations expressed in these principles.

We have assessed our overall level of effectiveness of implementation of the principles of King IV™ as partially effective, based on an internal assessment by senior managers accountable for the various areas. As reported in the previous year, despite having numerous policies, procedures, standards and controls in place, which are generally deemed to be adequate, these do not always function effectively.

The table below sets out the 16 principles applicable to Eskom, with comments on our application.

King IV™ principle	Governance context
Principle 1: Leadership The governing body should lead ethically and effectively	<p>Eskom's Board exercises effective leadership, adhering to the duties of directors. Directors are considered to have the necessary competence. They act ethically in discharging their responsibility to provide strategic direction and control of the company as provided for in the Board Charter and Eskom's Memorandum of Incorporation (MOI).</p> <p>The Board is making great strides to restore Eskom's ethical culture by placing much greater focus on rooting out fraud and corruption and advocating for good governance. No Eskom official is allowed to do business with Eskom or its subsidiaries. Linked to this, lifestyle audits have been conducted on senior management; based on the results, our Legal Department has been tasked with taking appropriate action where necessary. Regrettably, the Board accepts that internal controls cannot prevent collusion by employees and suppliers.</p> <p>Refer to "Ethics and progress on governance clean-up" on pages 8 to 13 for further information.</p> <p>The Board is committed to setting Eskom's strategic direction, supported by an ethical foundation, to enable a sustainable business, by acting in the best interests of the organisation, while taking into account Eskom's short-, medium- and long-term impact on the economy, society, environment and our stakeholders. The Board considers risks and opportunities, and oversees and monitors strategy implementation and execution by management, ensuring accountability for the organisation's performance.</p> <p>Although the Board delegates duties to various committees and management, accountability remains vested in the Board.</p>

Leadership and ethics



Figure 4: Eskom's 2019 King IV application (Eskom, 2019).

The following icons assist in navigation:

- Refers the reader to other sections within the integrated report
- Refers the reader to online information
- Refers to King IV recommended disclosure. The number inside the icon refers to the King IV principle applied.
- Icon indicates where non-financial information was externally assured

The following icons assist in navigation

- Refers the reader to other sections within the integrated report
- Refers the reader to online information
- Refers to King IV recommended disclosure. The number inside the icon refers to the King IV principle applied
- Indicates where non-financial indicators were externally assured

The following icons provide more insight

- Refers to King IV² recommended disclosure. The number inside the icon refers to the King IV principle applied.
- Indicates where non-financial indicators were externally assured.
- Refers the reader to online information

Figure 5: Telkom's King IV icons (Telkom, 2020, 2019, 2018)

King IV™¹ references

We have included references to King IV principles where appropriate in this report.



P = Principle

King IV Report on
Corporate Governance
for South Africa 2016

¹ *The King IV Report on Corporate Governance for South Africa™. The copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.*

Figure 6: Transnet's icon for King IV reference (Transnet, 2019b)