Equitable treatment of non-Government shareholders

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The role of non-government shareholders in SOEs

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Modern shareholders

- Active communication is developing
- Balancing interests
- Appointment of directors
- Large transactions
- Alterations to the capital structure
- Changes in the articles
Issues with SOEs

- Limited protection for minority shareholders
- State controls board composition
- Political and policy objectives contradict with minority interests
- Unclear ownership objectives
- Low levels of transparency and disclosure
Key provisions and mechanisms

- PFMA silent
- Establishing legislation
- Shareholder agreements
- Companies Act 2008 – protection of minorities
- King III Code
What shareholders want

- Board accountability
- Independent leadership
- Understand material developments
- Say on pay
- Take responsibility and change board if necessary
- Faith in ability of management
What should shareholders do

• See themselves as owners and not just investors
• Not involved in day to day management
• Evaluate performance of board and individual directors
• Promote communication and transparency
• Effective rights and protection
What SOEs should do

• Shareholder agreement to have board representation to vote en bloc
• Shareholders liaison forum
Thank you