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Corporate Governance Reporting Practices in State Owned Enterprises in South Africa

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Abstract: Objectives: This paper analyzed corporate governance reporting practices in State Owned Enterprises (SOEs) in South Africa. **Approach**: The study used qualitative content analysis methodology to identify information for assessing the published annual reports of twenty-one purposively selected SOEs in South Africa. A checklist based on the corporate governance requirements of the King IV Report was used to identify the corporate governance reporting practices in SOEs. **Results:** The study found that most of the SOEs adhered to the King IV reporting recommendations. However, there are areas such leadership, ethics, corporate citizenship, value creation process, board evaluation and committee evaluation that detailed disclosure. Furthermore, the study found that there was inadequate guidance and oversight in terms of ethical standards and organizational culture. **Implications:** The study recommended that in areas where the entity has not fully complied, management should include a statement explaining the entity's commitment to comply with the required corporate governance practices and how it plans to address any weaknesses in the future. This study also recommended that the South African government should appoint board members with the necessary skills and competence to implement sound corporate governance reporting practices. **Value:** This research provides valuable insights into the corporate governance reporting practices of South Africa's SOEs, highlighting both adherence to and gaps in compliance with the King IV Report. It offers actionable recommendations for improving governance transparency and emphasizes the importance of skilled board appointments to strengthen oversight and ethical standards within SOEs.

Keywords: Compliance; Corporate Governance Reporting; King IV Report; Public Sector Governance; State Owned Enterprises; SOEs; South Africa

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1. Introduction

Corporate governance has emerged as a pivotal aspect of organizational management, directly influencing the transparency, accountability, and overall sustainability of enterprises (Johnson, Scholes & Whittington, 2008). Codes of corporate governance are derived from foundational principles of equality, fairness and justice that outline "best practices" across a range of topics (Aluchna & Kuszewski, 2021). In recent times, voluntary corporate governance principles have been increasingly implemented across the world to drive corporate governance reforms (OECD, 2021). The challenge lies in ensuring their effective implementation and enforcement (Thabane & Snyman-Van Deventer, 2018). In the context of State-Owned Enterprises (SOEs), the importance of robust corporate governance is even more pronounced due to their significant role in national economies and their unique position as entities operating in the public interest while being owned by the state (Bello & Abu, 2021). Some concerns raised range from poorly written corporate governance recommendations to inadequate levels of compliance, especially amongst SOEs (Thabane & Snyman-Van Deventer, 2018).

Various studies have argued that SOEs in most countries around the world frequently face various corporate governance reporting challenges, rendering them unable to fulfil their mandates and typically necessitating state bailouts (Okhmatovskiy et al., 2021; Bird, 2020). Despite the increasing number of corporate governance codes in developing countries (Aguilera & Cuervo-Cazurra, 2009), existing studies examining the levels of compliance with corporate governance codes are unduly concentrated in a few developed countries and listed companies (Conyon, 1994; Conyon & Mallin, 1997; Pellens et al., 2001; Bebenroth, 2005; Cromme, 2005; Werder et al., 2005; MacNeil & Li, 2006; Pass, 2006; Hegazy & Hegazy, 2010). Most research studies are inclined to centre on board of directors more than other corporate governance-related topics (McNulty et al., 2013, p.183).

In South Africa, SOEs are instrumental in driving economic development, delivering public services, and implementing government policies (Simone & Wang, 2022; Kikeri, 2018). SOEs are significant economic and social policy instruments that help the government in South Africa to provide services (Adebayo & Ackers, 2022). SOEs' assets accounted for 34% of the Gross Domestic Product (GDP) in South Africa at the end of the 2019/ 2020 financial year (Simone & Wang, 2022). However, these entities often face challenges related to governance practices, which can affect their performance and public trust. Public sector corruption and under- performance of SOEs that yield low returns on government investments are on the rise in South Africa as evidenced by widely publicised media reports (Goss & van Graan, 2021). Several of these deficiencies can be ascribed to significant corporate governance deficiencies, such as inadequate managerial responsibility inside certain SOEs in the nation (Adebayo & Ackers, 2022; Bello & Abu, 2021).

The purpose of this research paper was to critically examine the corporate governance reporting practices of state-owned enterprises in South Africa. Given the dual accountability of SOEs to both the government and the public, effective governance reporting is essential to ensure that these enterprises operate with integrity, efficiency, and in alignment with national developmental goals. This study aimed to provide an in-depth analysis of the current state of governance reporting in South African SOEs, identifying both strengths and areas needing improvement. This research is particularly timely and relevant considering recent governance scandals and financial mismanagement cases that have plagued several prominent South African SOEs (Adebayo & Ackers, 2022). These incidents have underscored the necessity for enhanced transparency and stronger governance frameworks to restore stakeholder confidence and ensure that these enterprises can fulfil their mandates effectively. By exploring the corporate governance reporting practices, this paper sought to contribute to the ongoing discourse on improving governance standards and fostering a culture of accountability within SOEs.

The study also compared the governance reporting practices of South African SOEs with King Reports on Corporate Governance to provide a comprehensive understanding of where these entities stand. Through this comparative approach, the research aimed to highlight best practices and recommend strategies for enhancing the governance reporting mechanisms in South African SOEs. The study further aimed to contribute to the broader objective of fostering transparent, accountable, and sustainable state-owned enterprises that can effectively support South Africa's socio-economic development goals. This paper is organised as follows: Section 2 reviews existing literature discussing recent developments in the scholarly research on corporate governance practices in South Africa. Section 3 delineates the research design and approach employed in this study, while Section 4 presents the findings derived from the examination of corporate governance disclosure of selected SOEs in South Africa. The concluding section presents the derived results and the contribution made by the study.

2. Literature Review

This section defines corporate governance and reviews literature on corporate governance in South Africa. It also discusses corporate governance reporting practices in SOEs. The section further presents the theoretical framework guiding data collection in this study.

2.1. Corporate Governance Defined

Corporate governance refers to the established relationships that exist inside an organisation between those responsible for governance, such as management and shareholders, and other firm stakeholders (Bello & Abu, 2021). Corporate governance was defined by Saif et al. (2017, p. 28) as "the structure that guides and regulates business entities." Alternatively, corporate governance is concerned with corporate productivity and broader organisational policy developments (Mohammed, 2012). According to the King IV Report, corporate governance is the "exercise of ethical and effective leadership by the governing body to achieve an ethical culture, good performance, effective control, and legitimacy" (IoDSA, 2016). Corporate governance aims to guide those responsible for the organisation's governance, including management, in a direction considered to be in the organisation's best interests (Bello & Abu, 2021). Effective corporate governance reporting is crucial since it enables a company to establish and monitor financial goals, economic outcomes, and social objectives (Goss & van Graan, 2021). Khudir and Ali (2019) concur that good corporate governance supports the improvement of the enterprise level of performance, satisfies stakeholders, gains legitimacy, and helps to improve public confidence in the enterprise.

2.2. Corporate Governance in South Africa

Corporate governance in South Africa is characterized by a comprehensive and evolving framework that aims to promote transparency, accountability, and sustainable business practices (Rossouw, Van der

Watt & Rossouw, 2002). The country's approach to corporate governance is heavily influenced by the King Reports on Corporate Governance, which have set high standards and provided guidance for both public and private sectors (Maroun & Cerbone, 2024; IOD, 2001). These reports, developed under the leadership of Judge Mervyn King, are internationally recognized for their emphasis on integrated reporting and ethical leadership (West, 2009; IOD, 1994). The journey of corporate governance in South Africa can be traced back to the early 1990s, a period marked by significant political and economic transformation as the country transitioned to a democratic society (Maroun & Cerbone, 2024). Rossouw et al. (2002) highlighted that this era underscored the need for robust governance structures to rebuild trust and foster economic stability. The release of the King Report on Corporate Governance (King I) in 1994 marked a pivotal moment, laying the foundation for modern governance practices in the country (Malherbe & Segal, 2001; IOD, 1994). The King IV report specifically lists SOEs as those that should adhere to the Code (IODSA, 2016). Additionally, SOEs have practice guidelines specific to the public sector to support King IV implementation (IODSA, 2016). Furthermore, the modern South African capital market environment calls for compliance with corporate governance principles as contained in the King IV Code, which has become one of the cornerstones of doing business (Gumede et al., 2024; OECD, 2008).

The governance and reporting practices of SOEs in South Africa are primarily guided by several key frameworks and guidelines:

1. **Public Finance Management Act (PFMA) of 1999**: This Act provides a framework for managing public finances, emphasizing accountability and efficient use of resources (Kikeri, 2018). It mandates SOEs to prepare annual reports and financial statements, ensuring transparency (Bronstein & Olivier, 2015).

2. **Companies Act of 2008**: While primarily focused on private sector companies, this Act also influences SOEs, particularly those incorporated as companies (Kikeri, 2018). It requires comprehensive annual financial statements and outlines directors' duties.

3. **National Treasury Regulations**: These regulations provide detailed guidelines on financial management, performance reporting, and audit requirements for SOEs (Bronstein & Olivier, 2015).

4. **King Reports on Corporate Governance**: The principles outlined in the King Reports, particularly King IV, are applicable to SOEs (Matsiliza, 2017). These reports advocate for integrated reporting, ethical leadership, and stakeholder inclusivity (Tijow & Hayat, 2021). The King IV Report on corporate governance was issued with the intention of including all organisations, irrespective of their legal framework, including SOEs (Tijow & Hayat, 2021). The King IV Report on corporate governance for South Africa exhibits a significant similarity to other international documents that outline the best practices for corporate governance, including the World Bank's (2014) Framework for Good Corporate Governance Practices for SOEs and the OECD Guidelines for Corporate Governance (Goss & van Graan, 2021). The key aspects that affect corporate governance practices include reporting practices, board composition (board independence, board size, board meetings and board gender diversity), board committees (risk, social and ethics, nomination, remuneration, audit) and stakeholder relationships (Kiptoo et al., 2021; IoDSA, 2016).

Several scholars have asserted that SOEs appear to face a broader range of corporate governance reporting challenges than private entities (Papenfuß, 2020; Alline et al., 2016; Amoako & Goh, 2015;

Grossi et al., 2015). According to Ronoowah and Seetanah (2022), political intervention in the operational management of SOEs is a contributing factor to deficiencies in corporate governance reporting practices. Politically appointed board members may lack the knowledge, skills, and competence to fully implement corporate governance reporting practices (Gumede et al., 2024; Van Thiel et al., 2020). The involvement of politics in the appointment of board members in SOEs may result in independent directors having limited motivation to effectively oversee corporate governance reporting practices (Daiser et al., 2017). Furthermore, independent directors who are less associated with management may be more inclined to encourage the enterprise to disclose more information to outside stakeholders (Waheed & Malik, 2019; Thomas, 2012).

2.3. Theoretical Framework

Garvey and Jones (2021) hold that a theoretical framework is appropriate in situations where there are enough data to explore, by directing research attention to a specific area of interest. Abeywardana et al. (2021) and Bello and Abu (2021) posit that the stakeholder theory is the most relevant theory in corporate governance studies. In this study, the stakeholder theory was deemed appropriate for understanding corporate governance reporting practices in South African SOE annual reports. This is because the stakeholder theory advocates for an inclusive system that benefits all stakeholders in SOEs in a global context (Bello & Abu, 2021). Stakeholder theory was developed by Freeman (1984), with the focus being on the responsibilities of corporate entities to protect the interests of all stakeholders. According to the stakeholder theory, corporations should practice good corporate governance to respond to the interests of all stakeholders who have an interest in the corporation (Aluchna et al., 2019).

Stakeholders are defined as "all individuals, groups, or organizations that have an impact on the company's activity or are influenced by the company" (Monica & Nicolae, 2012). According to Freeman (1984), "corporations are social institutions with responsibilities beyond their fiduciary responsibility to shareholders, directors, and employees." In this regard, good corporate governance practices should focus on all stakeholders, including the government, non-governmental organisations, owners, shareholders, business partners, investors, competitors, and pressure groups such as trade unions, communities, media, customers, and suppliers (Stoelhorst & Vishwanathan, 2024). Several similar studies have used the theory to investigate corporate governance reporting practices and produced valid and reliable results. (Bello & Abu, 2021; Ibrahim & Danjuma, 2020; Kusi et al., 2018; Theodoulidis et al., 2017; Cordeiro & Tewari, 2015).

3. Methodology

This section specifically addresses the research methodology employed, the population of the study, the sampling techniques used, the methods for collecting data, and the methodologies employed for analysing the data.

3.1. Research Approach

The research approach comprises a diverse range of techniques and methodologies employed in carrying out a research study (Mishra & Alok, 2017). A qualitative research method was utilised for the study centered on the “word and meaning” content analysis methodology (Busetto et al., 2020). The selection of a qualitative research approach in this study is appropriate due to the research objective of conducting a comprehensive examination of corporate governance reports published by SOEs in South Africa. This approach was used by Van der Walt, Dlamini and Schutte (2023) in their study on examining the accounting treatment of exploration and evaluation activities in the extraction industry in South Africa and Australia.

3.2. Population and Sampling

The target population for this study comprised all the twenty-one SOEs listed in Schedule 2 of the PFMA, and which exist at the national, provincial and local government levels in South Africa. This population was considered appropriate for this study because most of the twenty-one SOEs listed in Schedule 2 of the PFMA were mentioned in the Zondo Commission of Inquiry into State Capture due to corporate governance failures, especially in the areas of board composition, executive remuneration and inadequate organisational oversight (Mudau & Takalani, 2024).

3.3. Data Collection

This study analysed the disclosure of corporate governance practices in audited published annual reports of SOEs (Busetto et al., 2020). For the credibility of results in a qualitative study, the researcher should provide a detailed procedure that was followed in data collection and analysis (Dlamini, 2022). A checklist built on the corporate governance requirement of the King IV Report was developed to analyse the corporate governance information disclosed in the published annual reports of the twenty-one SOEs listed in Schedule 2 of the PFMA. The checklist formed the main research instrument for this study. The categories selected for this study were classified as follows Category 1: Leadership, ethics, and corporate citizenship; Category 2: Strategic performance and reporting; Category 3: Board structure and delegation; Category 4: Audit committee; Category 5: Other board committees; Category 6: Governance functional areas; and Category 7: Stakeholder relationships. The categories of the checklist were supported by similar studies addressing various areas of corporate governance disclosure (Barac & Moloi, 2010; Khatib et al., 2021; Thomas, 201).

3.4. Data Analysis

Content analysis is a method of analysing data that allows for reliable and accurate conclusions to be drawn from text or other relevant material, in relation to its usage context (Krippendorff, 2004). Content analysis was used to evaluate if information was fully disclosed, partly disclosed or not disclosed (Boesso & Kumar, 2007). The coding process for this study was based on the guidelines by Alao and Gbolagade (2020) and Arnold and Gould (2020) on content analysis of annual financial statements and the corporate governance principles provided by the King IV Report on corporate governance.

4. Results

The following part provides the results and evaluations derived from the content analysis of the yearly reports of twenty-one South African SOEs. The results indicate that the twenty-one SOEs are classified into ten different business sectors as shown in Table 1.

Table 1. Business Sector

Industry	Number of entities	Frequency	Accumulated Frequency
Research and development	1	4.8%	5%
Arms procurement	2	9.5%	14.3%
Forestry	1	4.8%	19.0%
Postal service	1	4.8%	23.8%
Provision of developmental financial services	4	19.1%	42.9%
Mining	1	4.8%	47.6%
Energy	1	4.8%	52.4%
Communications	3	14.3%	66.7%
Transportation	5	23.8%	90.5%
Public utilities	2	9.5%	100.0%
	21	100.0%	

Source: Fieldwork

4.1. Compliance with King IV Requirements

Table 2 presents the results obtained from the content analysis.

Table 2. Compliance with the King IV Requirements

Questions	Yes	Yes, as a % of total assessed SOEs	Partly	Partly, as a % of total assessed SOEs	No	No, as a % of total assessed SOEs	Total assessed
Category 1. Leadership, ethics, and corporate citizenship							
1. Does the enterprise's annual report explicitly outline the leadership, ethical culture, and corporate citizenship?	4	19.0	15	71.4	2	9.5	21
Category 2. Strategic performance and reporting							
2. Does the enterprise report King IV disclosure in integrated reports?	19	90.5	0	0.0	2	9.5	21
3. Does the enterprise's annual report explicitly define its value creation process?	10	47.6	9	42.9	2	9.5	21
Category 3. Board structure and delegation							
4. Does the enterprise's annual report explicitly articulate the primary roles and responsibilities of the board?	21	100.0	0	0.0	0	0.0	21
5. Does the enterprise's annual provide information regarding the size of the board?	21	100.0	0	0.0	0	0.0	21

6. Does the enterprise's annual report provide information regarding the composition of the board?	21	100.0	0	0.0	0	0.0	21
7. Does the enterprise's annual report provide information regarding board diversity?	21	100.0	0	0.0	0	0.0	21
8. Does the enterprise's annual report include data regarding the number of board of directors' meetings?	18	85.7	3	14.3	0	0.0	21
Category 4. Audit committee							
9. Does the enterprise's annual report include information pertaining to the audit committee?	21	100.0	0	0.0	0.0	0.0	21
10. Does the enterprise's annual report provide information regarding the size of the audit committee?	18	85.7	3	14.3	0	0.0	21
11. Does the enterprise's annual report provide information regarding the qualifications of the audit committee members?	18	85.7	3	14.3	0	0.0	21
12. Does the enterprise's annual report include data regarding the number of audit committee meetings?	18	85.7	3	14.3	0	0.0	21
Category 5. Other board committees							
13. Does the enterprise's annual report include information pertaining to the nomination committee?	17	81.0	4	19.0	0	0.0	21
14. Does the enterprise's annual report include information pertaining to the risk committee?	17	81.0	4	19.0	0	0.0	21
15. Does the enterprise's annual report include information pertaining to the remuneration committee?	17	81.0	4	19.0	0	0.0	21
16. Does the enterprise's annual report include information pertaining to the social and ethics committee?	17	81.0	4	19.0	0	0.0	21
Category 6. Governance functional areas							
17. Does the enterprise's annual report include information pertaining to the board and committee evaluation?	9	42.9	9	42.9	3	14.3	21
18. Does the enterprise's annual report include information pertaining to the risk governance?	11	52.4	8	38.1	2	9.5	21
19. Does the enterprise's annual report include information pertaining to the technology and information governance?	13	61.9	5	23.8	3	14.3	21
Category 7. Stakeholder relationships							
20. Does the enterprise's annual report include information pertaining to the stakeholder relationships?	18	85.7	2	9.5	1	4.8	21

Source: Fieldwork

The detailed results from Table 2 for each of the seven categories are discussed below.

4.2. Leadership, Ethics and Corporate Citizenship

Table 2 show that two SOEs which translate to 9.5% of the sample, did not disclose any information relating to leadership, ethics, and corporate citizenship. The result further reveals these two SOEs were from the airport management and arms procurement industry. The majority (n= 15, 71.4%) of the twenty-one SOEs listed in Schedule 2 of the PFMA disclosed information relating to leadership, ethics, and corporate citizenship only partly. It was deduced that corporate governance disclosure was lacking in detail in this area as most of the enterprises did not provide adequate or comprehensive information concerning leadership, ethics, corporate citizenship, and the v**alue formation process. For instance, most of the enterprises reported** that the board was discharging its duties according to good corporate citizenship and ethical relations, but there were no further details or no main heading relating to leadership, ethics, and corporate citizenship. Some of the most relevant corporate governance elements that were lacking relate to transparency, accountability, fairness and values and responsibilities. These elements in an organisation directly affect the organisation's value creation, ability, and financial performance over time (Lavin & Montecinos-Pearce, 2021).

4.3. Strategic Performance and Reporting

The results in Table 2 indicate that the greater part of the twenty-one SOEs (n = 19, 90.5%) listed under Schedule 2 of the PFMA report corporate governance disclosure as part of their integrated reports and include a separate section titled King IV Report. Two SOEs disclosed their corporate governance activities in a separate report titled "governance and remuneration report." None of the twenty-one SOEs listed under Schedule 2 of the PFMA produced separate sustainability reports. These results are consistent with the requirements of the King IV Report, which affirms that entities have the option of disclosing their corporate governance activities in a sustainability report, integrated report, social report, ethics committee report, or other online or printed information or report (IoDSA, 2016, p. 38). These findings concur with the results obtained by Adebayo and Ackers (2022) who reported that majority of South African SOEs disclose corporate governance issues as part of integrated reports. Although the majority of the twenty-one SOEs listed under Schedule 2 of the PFMA issued integrated reports, only 10 SOEs, which translate to 47.6% of the twenty-one SOEs listed under Schedule 2 of the PFMA, provided detailed information relating to the value-creation process of the enterprise.

4.4. Board Structure and Delegation

The results revealed that board responsibilities, board size, board composition (a mix of independent non- executive directors, non- executive, and executive) and board diversity are some of the corporate governance mechanisms reported by all the entities in this study. These results are aligned with previous studies by Harjoto et al. (2015), Ibrahim and Danjuma (2020), Khatib et al. (2021) and Naveed et al. (2021) who suggests that organisations with a greater representation of women in directorial roles, including independent non- executive directors and a female chairperson, are more inclined to adopt a comprehensive and proactive approach to corporate governance reporting. Regarding board meetings, only 14.3% of the twenty-one SOEs listed under Schedule 2 of the Public Finance Management Act

(PFMA) provided information solely about the total number of board meetings conducted, without specifying the attendance of individual directors in these sessions.

4.5. Audit Committee

The study findings reveal that all the twenty-one SOEs listed under Schedule 2 of the PFMA have an audit committee and provide detailed information about their audit committee members. The audit committees of SOEs included in this study have three to nine members per committee. The majority (n = 18, 85.7%) of the twenty-one SOEs listed under Schedule 2 of the PFMA provide detailed information relating to audit committee size (85.7%); audit committee qualification (85.7%); and audit committee meetings (85.7%). The findings demonstrate that most of the audit committee members in the selected SOEs are independent non-executive directors who possess the necessary qualifications, experience, and knowledge in financial reporting, internal controls, corporate law, external and internal audit procedures, and information technology governance. These qualifications enable them to effectively fulfil their responsibilities. These findings are consistent with the King IV Report requirement, which states that "all audit committee members must be independent non-executive directors and have the necessary financial literacy, skill, and experience to perform their duties" (IoDSA, 2016). Previous research, such as that of Tumwebaze et al. (2022) and Shamil et al. (2014), shows that audit committee independence and qualification are key determinants of corporate governance reporting practices.

4.6. Other Board Committees

Table 2 shows that most of the twenty-one SOEs (n = 17, 81.0%) disclosed detailed information associated with other board committees. The results reveal that SOEs have board committees ranging from Social, Human Resources, Audit and Risk, Information Communication Technology Board Economic Regulation, Nomination and Remuneration Committee, Ethics and Sustainability, Information Communication Technology Investment and Finance. SOEs merged their Audit Committee and Risk Committee into a single committee referred to as the "Audit and Risk Committee". Non-executive members were found to be most members in Other Board Committees. This is consistent with the King IV Report's recommendation that most members of Other Board Committees, such as Remuneration and Nomination Committees, should be non-executive.

The analysis also revealed that the number of members on each board committee fluctuated from three to seven. This suggests that the majority of the sampled SOEs for the study complied with the King IV Report guidelines requiring board committees to have at least three members (IoDSA, 2016, p. 55). Previous research (e.g., Amran et al., 2014; Tumwebaze et al., 2022) demonstrates the importance of committees as governance structures such as the Nomination and Remuneration, Audit and Risk, Social, Ethics, and Sustainability. in corporate governance reporting practices in developing countries. Consequently, SOEs that have board committees that are actively engaged can greatly influence the standards and practices of reporting in corporate governance.

4.7. Governance Functional Areas

Table 2 shows that almost half (n = 9, 42.9%) of the twenty-one SOEs provided detailed information relating to board and committee evaluation. This indicates that more than half of the SOEs did not assess their board performance, nor that of the individual board committees, the chairperson of the board, or the individual board members. The failure to assess individual performance and that of the different board committees means that board and committee members may be unable to recognise crucial areas that require enhancement to enhance their individual and collective board performance. This result implies that these enterprises are not in compliance with Principle 9 of the King IV Report which stipulates that “the governing body should ensure that the evaluation of its performance and that of its committees, its chair and its members, support continued improvement in its performance and effectiveness” (IoDSA, 2016).

The findings also revealed that more than half (n = 11, 52.4%) of the twenty-one SOEs provided detailed information relating to risk governance. The high rate of disclosures of corporate governance information relating to risk governance might be due to the increased expectations for effective risk governance, especially during the COVID- 19 era (Teodoru & Akepanidtaworn, 2022). The results further revealed that most of the twenty-one SOEs (n = 13, 61.9%) provided detailed information on t**echnology and information governance**. These results are supported by Muslih et al. (2020) who revealed that effective t**echnology have** impact on the number of corporate governance disclosures of SOEs in Indonesia.

4.8. Stakeholder Relat[ionships

The results revealed that 85.7% of the SOEs provided detailed information on their stakeholder relationships. This implies that these enterprises identified their major stakeholders and reported on how they developed and maintained long-term strategic relationships. Boards of directors are responsible for implementing policies for stakeholders’ engagement and good corporate governance practices (Lavin & Montecinos-Pearce, 2021). Hence, it is imperative for boards to provide a fair and responsible consideration of the concerns and benefits of all stakeholders. This is in line with a study by Theodoulidis et al. (2017) whose findings indicate that enterprises that have a positive relationship with their stakeholders are highly expected to disclose detailed information regarding corporate social responsibility and corporate governance.

5. Conclusion

This study examined corporate governance reporting practices in South African SOE annual reports. The results revealed that, despite institutional environmental changes, such as structural changes, management practices and regulatory requirements, SOEs in South Africa continued to comply with corporate governance disclosures such as board composition, board committees and stakeholder relationships, as recommended by the King IV Report. The study concluded that, while the majority of the SOEs included in this study disclosed information in line with the King IV Report recommendations, there were still some areas where corporate governance disclosures were lacking in detail and could be improved. These included leadership; ethics; corporate citizenship; the value creation process; and board and committee evaluation. These shortcomings may suggest inadequate leadership in terms of ethics and culture, ineffective board performance, a lack of responsibility, insufficient independent oversight, and a lack of competency and aptitude among non-executive directors to properly supervise and manage top executives. The study recommends that in areas where the entity has not fully complied, management should include a statement explaining the entity's commitment to comply with the required corporate governance practices and how it plans to address any weaknesses in the future. This study also recommends that the government, as the sole shareholder of the majority of South African SOEs, appoint board members with the necessary skills and competence to implement sound corporate governance reporting practices.

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