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Year later, jury still out on Naspers stance on corporate governance

Bekker's treatment of shareholder activist at 2017 AGM meeting suggested a deep disregard

23 August 2018 - 05:05 Kathleen Satchwell and Audrey Elster



Iron grip: Koos Bekker, chairman of Naspers, firmly and abruptly dismissed agitators at last week's the annual general meeting. Trevor Samson

In hindsight it wasn't the best time to launch an attack on corporate governance. Even in the midst of the assault at the Naspers annual general meeting (AGM) on August 24 2017, it didn't seem like a good idea. It's not that corporate governance should not be constantly challenged, but Koos Bekker's comments on the subject sounded uncomfortably like a rant.

"Companies very seldom go under because of a failure of governance. The latter is a hygiene factor," said the chairman of SA's most valuable company just hours after German business journal Manager Magazin published an article alluding to governance issues that would wipe out R300bn of shareholder value at Steinhoff International four months later.

It wasn't only low-tech companies that were brought low by believing governance was nothing more than a nice-to-have hygiene factor. As it happened 2017 was the year in which SA faced constant reminders of the importance of governance. The evidence was unmissable as the country battled to cope with the fallout from the leaked Gupta e-mails, Eskom, Trillian, McKinsey, KPMG and Bell Pottinger. The lack of hygiene was of epidemic proportions.

And it wasn't just an SA or government-related issue. In the 12 months since Naspers's 2017 AGM global high-tech stars such as Facebook, Google, Uber, Airbnb and Tesla have been forced to deal with increasing pushback from regulators and consumers irritated by their disregard for "corporate hygiene".

Whatever Bekker's own views on corporate governance as a "nice-to-have" it's unlikely that the audience at 2018's AGM will be as politely accepting of them as they seemed in 2017, particularly those in the audience who are also Steinhoff shareholders. "This man has been responsible for an enormous increase in the value of our Naspers shares, we can accommodate some strange views," appeared to be the perspective in 2017.

IN A MOVE REMINISCENT OF ITS EARLY 20TH CENTURY ORIGINS NASPERS REFUSED TO RELEASE THE ANN7 REPORT.

As for the bizarre metaphor about Cristiano Ronaldo, the Real Madrid football team and handwashing, the reality is, as Austrian physician Ignaz Semmelweis discovered in the 19th century, handwashing is far more than a nice-to-have — it has probably saved more lives than any other medical intervention. Not even Ronaldo can postpone handwashing without considerable risk.

Companies cannot, as Bekker seemed to suggest, wait until after they've "won", to take corporate governance seriously. Without a commitment to corporate governance, companies are constantly exposed to a high risk of failure no matter what hi-tech genius resides within.

It would be tempting to dismiss the use of the handwashing metaphor as merely unfortunate were it not for Bekker's treatment of shareholder activist Theo Botha at 2017's AGM that suggested a deep-held disregard for corporate governance. A visibly irritated Bekker ended the meeting abruptly while being questioned by Botha, who was looking for an explanation for changes to executive share trusts that have the power to dispense untold wealth to the group's senior employees.

Even more disturbing than this possible contravention of the Companies Act emerged a few months later with the appearance of Naspers's subsidiary MultiChoice in the GuptaLeaks e-mails.

The e-mails revealed details of large payments made to the Gupta-owned television station ANN7 around the time that MultiChoice was lobbying the government for a favourable decision on the drawn-out issue of digital migration. Former MultiChoice CEO Imtiaz Patel had told the media in 2013 they were not paying for the Gupta channel but merely providing space on MultiChoice's DStv bouquet. This was in line with MultiChoice's policy of only paying to carry large audiences. In 2014 and 2015 ANN7's daily audience was about 10,000.

The leaked e-mails revealed MultiChoice had been making annual payments of R50m, which were increased to R141m in 2016 when a one-off payment of R25m was also made to ANN7. The e-mails indicated the large payments were made after the Gupta family assisted former communications minister and MultiChoice ally Faith Muthambi in getting then president Jacob Zuma to transfer certain broadcasting powers to her. After the transfer of these powers Muthambi was able to force through a decision in favour of unencrypted set-top boxes, which benefited MultiChoice to the disadvantage of e.tv and other potential entrants to the pay-TV market.

Although MultiChoice's contribution to Naspers has been dwarfed by Tencent in recent years, it remains critically important as a source of substantial amounts of cash.

When news of the ANN7 payments broke it was impossible not to recall Bekker's reference to corporate governance being what you do after you've won the game.

An internal investigation into the payments found MultiChoice had made "mistakes" and there were "procedural shortcomings" in its dealings with ANN7 but concluded, "there is no evidence of corruption or other illegal activity".

In a move reminiscent of its early 20th century origins the company refused to release the report, leaving the public unable to determine how vigorous it was and what reliance to place on its findings.

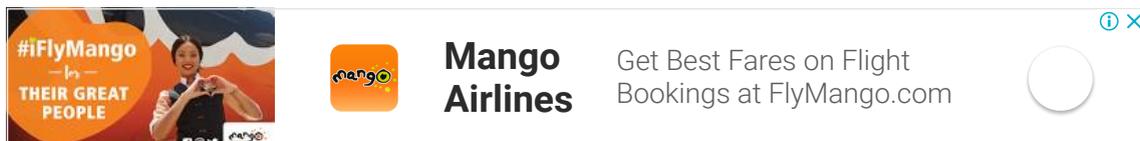
That Naspers believed the public would uncritically accept the findings of this secret investigation points to a company that is dangerously out of touch.

As a long-term shareholder in Naspers that has happily benefited from the spectacular surge in the share price over the past 10 years, the Raith Foundation finds itself increasingly unsettled by Naspers's corporate governance stance. We are concerned about being associated with a company that may fail to comply with internationally and locally recognised standards of corporate governance.

Given events in the past 12 months perhaps it is time for Bekker and the Naspers board to demonstrate how seriously they take corporate governance and stakeholder engagement.

It is encouraging that since 2017's dramatic AGM the company has indicated a willingness to engage with shareholders on the vexed matter of remuneration. The release of the MultiChoice report in time for this year's AGM, on Friday, would move the process beyond this perfunctory approach and go some way to demonstrating that the board does take corporate hygiene seriously.

- *Satchwell is a trustee and Elster executive director of The Raith Foundation.*



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