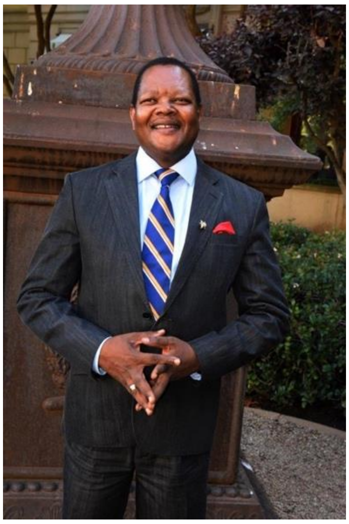
Chairman 2025 – Reflections on the Chairman's Statement

In Africa there is a concept known as Ubuntu - the profound sense that we are human only through the humanity of others; that if we are to accomplish anything in this world it will in equal measure be due to the work and achievement of others.
NELSON MANDELA

The Chairman's statement is an important outside-in reputational lens of a corporation, for several important reasons, more stakeholders will be paying closer attention to it



Have you ever asked Board Colleagues and Executives what impact they felt the Chairman's Statement in any Annual Financial Statements or Integrated Annual Report was or should be? I always got mixed responses. Often the answers would land on, "...well it's an important governance statement..."

It is year-end results season, and various Boardrooms are frantically working towards publishing their annual reports.

Perhaps I can offer a perspective on what to look for especially as a Stakeholder or from any other lens other than analysts looking specifically for business performance ratios. Our erstwhile Group CEO when I was a Director on the Holding Board of Ogilvy SA (Ogilvy & Mather Rightford Seal-Tripp & Makin), Martin Sorrel, then Group CEO of WPP once made the point around 1997, in the group's Annual Financial Statements' CEO Statement, "...one of the most valuable assets are those that Accountants cannot count yet..." Then, the so-called intangibles such as goodwill, or, the then "...triple-bottom line..." people planet prosperity and today's ESG were still deemed as hard to quantify.

Various changes in Accounting and Financial Reporting Standards have brought about financial instruments that make these quantifiable.

The Chairman's statement therefore is a crucial component of corporate communication, serving multiple purposes that are vital for the company's stakeholders on a holistic 360 basis. It provides a comprehensive overview of the company's financial performance from a vantage point of governance oversight and non-financial achievements; offering insights into its future outlook – after all, Board Directors serve at the pleasure of Shareholders who have the power to vote them back on for reappointment or vote them off for rotation. By sharing this information, the statement of the Chair of the Board on behalf of the Board of Directors, fosters transparency and trust among stakeholders, including shareholders, employees, and customers.

One of the key aspects of the Chairman's statement is its focus on strategic direction and leadership. It outlines the company's vision and strategy, highlighting key initiatives and goals, especially, relative to the company's fair share contribution to the 17 ESGs and other significant country priorities in response to the strategic key drivers in the macro-economic environment.

This helps stakeholders understand the company's leadership approach, cherished corporate values and priorities – after all,"...culture eats strategy for lunch...". Additionally, the statement offers a personal perspective from the Chairman, providing insight into the board's priorities and how they align with the company's overall strategy in relation to a broader responsible corporate citizenship framework.

Corporate governance and accountability are also necessary to be accentuated in the Chairman's statement. It addresses corporate governance practices, ensuring that stakeholders are informed about the company's adherence to governance standards and ethical practices as well as its stated aspirations for sound governance. By discussing challenges and successes, the Chairman demonstrates accountability to stakeholders, reinforcing the board's commitment to responsible decision-making.

The Chairman's statement plays a significant role in shaping market perception and reputation. A well-crafted statement can enhance market confidence by showcasing the company's strengths and resilience. It helps manage the company's reputation by addressing any concerns or controversies about issues, ensuring that stakeholders have a balanced view of the company's performance and prospects.

Some of the noticeable trends in the Chairman's Statement of various public entities' Annual Financial Statements or Integrated Reports in 2024 have cited the following top-of-mind items;

1. **Impression Management in Chairman's Statements**
   Several studies including studies conducted by PHD students on JSE-listed companies found that management uses selective voluntary disclosure tactics in Chairman's Statements to manage impressions and maintain legitimacy. Unprofitable companies tend to use more elaborate narratives and references, while profitable ones emphasize positive sentiments.

2. The average Chairman's statement places emphasis on the **Government of National Unity (GNU)** as a source of, or catalyst for macroeconomic stability. While the GNU is generally seen in a positive light, it is seen as ushering in uncharted territory in Corporate Affairs and Public Policy stakeholder engagements. Many a Chairman's Report in 2024 emphasised the need for resilience and adaptation. Triggered also by low economic growth Challenges. A number of Chairman's Statements emphasized the resilience of their companies in navigating economic challenges, geopolitical tensions, and market volatility. The JSE's own performance reflects this situation.

3. **Geopolitical and Economic Risks (High Volatility & High Uncertainty)**
   Boards are increasingly prioritizing strategies to address geopolitical tensions, trade disruptions, and economic instability. This includes reassessing supply chains, capital allocation, and risk management frameworks to ensure resilience in a volatile global environment. Companies must also navigate regulatory changes and prepare for potential crises stemming from regional conflicts or global political instability.

4. **Readability and Communication**

Several studies place emphasis on the need for the language in public companies' Chairman's Statements to be accessible. Studies on corporate governance place emphasis on this, citing the need for the Chairman's Statements to ensure simplicity of communication, transparency and accountability. Research on the readability of Chairman's Statements in South Africa highlights their importance in conveying financial and non-financial information to stakeholders. The clarity and accessibility of these statements are crucial for effective corporate communication.

5. **Talent Skills, Shortages and Workforce Challenges**

A number of Chairman's Statements lament a myriad of challenges ranging from difficulties arising from talent flight (immigration),or, ***semigration*** where talent does not physically leave the country but works in-country via digital work-from-home practices against dollar-denominated salaries that local companies just can't compete with. Attracting and retaining skilled talent, in a country seen as not providing market-suitable graduates and therefore putting strain on already constrained cost-to-income ratios, making it harder to attain appropriate thresholds of talent competitiveness which is essential for driving innovation and maintaining overall global competitiveness in rapidly evolving industry outlooks.

6. Diversification Strategies

Many companies, like the JSE itself, have focused on diversifying revenue streams to mitigate risks. A number of Chairman's Statements hint at prospects of multi jurisdiction listings and in some instances even delisting altogether, all in a quest to recalibrate corporate strategies to maintaining stability and conquer new frontiers of growth.

7. Technology and Innovation

Digital Transformation is front-of-mind for most Boards. A number of Chairman's Statements observe that, with the JSE investing extensively in technology, such as cyber security, data centres (new and capacity expansions), cloud services and data analytics, underscore the importance of embracing digital transformation to enhance operational efficiency and competitiveness. As a result, more and more Boards are setting up Information Technology Board Oversight Committees.

ICT and Digital Platforms for Innovation and Sustainability are now central and not incidental to conducting business. There is a growing emphasis on sustainability and innovation being integral to strategic success, in some industries these are a clear and critical dimension of sustaining competitive edge over peers.

8. **Succession Planning** appears to be a blind spot on a number of Boards. Many a Chairman's Statement and, or REMCO Chair Statements, are inarticulate on this important Board leadership dimension. Many cite

succession planning strategies in the same breath as difficulty with attracting and retaining suitable C-Suite and Board Talent. Others discuss succession planning at an elevated level, in passing and related to the importance of ensuring that boards have the right mix of skills and expertise to navigate future challenges.

9. **ESG and Stakeholder Engagement**

There is a visible dichotomy between a minority of companies that report on ESG as a strategic matter of sound Corporate Governance and positive Citizenship versus a mere tick-box exercise and “..greenwashing..”. This shallow “marketing exercise” where companies make false or misleading claims about the environmental impact or benefits of their products, goods, services or policies is bound to end up with negative consequences amidst a growing activist ESG-Conscious shareholder base, as well as, a growing robust social movement within civil society to hold corporate leaders accountable.

In summary, the Chairman's statement is important because it provides stakeholders with valuable insights into the company's performance, strategy, governance, and leadership, fostering transparency, trust, and accountability.

Whilst there’s a generally positive outlook given the guarded but positive market sentiment since the formation of the Government of National Unity (GNU), Boards Chairs are guarded, with a “...wait and see...” approach with regards to making further meaningful investment in South Africa, generally paying lip service on the positive market sentiment and its impact on their companies' performance.

Board Governance occurs more and more in a climate where trust in formal institutions and corporations is declining. The 2024 and 2025 annual Edelman Trust Barometer articulates this very clearly. Some studies explore how Chairman's Statements contribute to the emerging notion of **legitimacy theory** by presenting a narrative that aligns with societal expectations and norms. This helps companies maintain social legitimacy and support from stakeholders

A clear Chairman's statement can boost market confidence by highlighting the company's strengths and resilience. It also helps manage the company's reputation by addressing concerns, ensuring stakeholders have a balanced view of performance and prospects. This further requires a well-articulated stakeholder engagement matrix in the annual report, reflecting meaningful engagements rather than superficial ones.

The strategic use of the Chairman's Statements involves disclosing information that supports the company's strategic objectives while managing stakeholder perceptions. This can include highlighting achievements, addressing challenges, and outlining future plans especially addressing the key question of – what makes the company good for the market in which it trades rather than being the best in the market; that is substantive significance, purpose over profit!

Mpho Makwana is Chairman of Epitome Investments and its subsidiaries. He serves as Lead Independent Director on the Board of Invicta Holdings Limited and Non-Executive Director on the Board of Platinum Group Metals, listed on the NYSE and TSX. Previously, he has held positions as Chairman of Eskom Holdings SOC Limited, SAFCOL SOC Limited, ArcelorMittal Limited, and Nedbank Group & Nedbank Limited. Additionally, he contributes to the community as Adjunct Professor at UNISA's College of Economic & Management Sciences (CEMS), Trustee on the Board of Trustees of the Nelson Mandela Children's Fund, and Church-based NPOs including FLG Modise Pentecost Foundation and its Enterprise Development Fund.

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