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## Enhancing Board Remuneration Governance in South African Public Institutions

### A Comparative Analysis

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**Enhancing Board Remuneration Governance in South African Public Institutions: A Comparative Analysis**

**Table of Contents**

Table of Figures.....	2
Table of Tables .....	2
Abstract.....	3
1. Context and Problem Statement .....	3
1.1. Political and Institutional Context .....	5
2. Research Objectives.....	7
3. Research Design and Methodology .....	7
3.1. Quantitative Analysis.....	7
3.2. Comparative Review.....	8
3.3. Analytical Framework for Comparative Review .....	8
3.4. Research Limitations .....	10
4. Literature Review.....	11
5. Findings: International case study comparison and board remuneration practices in South African SOEs (2020–2024).....	13
5.1. Board remuneration of South African SOE Case Studies: Eskom, South African Airways (SAA), and Transnet .....	13
5.1.1. Eskom .....	13
5.1.2. South African Airways (SAA) .....	14
5.1.3. Transnet .....	14
5.2. International case study findings .....	17
5.2.1. Summary: South Africa.....	20
5.2.2. Summary: New Zealand .....	20
5.2.3. Summary: India .....	20
5.2.4. Summary: Canada .....	20

5.2.5.	Comparative analysis of board remuneration governance .....	21
5.3.	Overall Findings .....	22
5.3.1.	Independence in Remuneration-Setting .....	22
5.3.2.	Performance Linkage.....	23
5.3.3.	Transparency & Accountability .....	23
5.3.4.	Political Interference .....	23
6.	Recommendations .....	24
6.1.	Short-term legislative fixes .....	24
6.2.	Long-term cultural reforms .....	25
7.	Conclusion.....	29
8.	References .....	31

### Table of Figures

Figure 1:	Graph of government spending on bailouts and guarantees to Eskom, Transnet and South African Airways. ....	4
Figure 2:	Government bailouts to Eskom, SAA, and Transnet (2010–2023) .....	15
Figure 3:	Scores for Eskom, SAA, and Transnet against analytical framework criteria .....	16
Figure 4:	Radar graph of analytical criteria scores applied to international case studies and South Africa .....	19
Figure 5:	Score of international case studies and South Africa against analytical framework criteria	21
Figure 6:	Combined bar graph showing scores for international case studies against South African SOE case studies .....	24

### Table of Tables

Table 1:	Scoring of South African SOEs .....	15
Table 2:	Summary of case study findings.....	17
Table 3:	Insights drawn from findings.....	18

## Abstract

Board remuneration in South Africa's State-Owned Enterprises (SOEs) has come under increasing scrutiny in light of widespread governance failures highlighted by the Zondo Commission and successive Auditor-General reports. This report critically examines the current policy and regulatory framework governing board remuneration in South African public institutions, identifies key weaknesses, and draws on international examples from New Zealand, India, and Canada to propose reforms. Three SOEs are identified for critical analyses: Eskom, South African Airways and Transnet. By integrating structured remuneration systems, performance-linked incentives, and public accountability mechanisms, the report outlines a roadmap for sustainable and transparent remuneration governance in SOEs. The analysis foregrounds the role of civil society in advancing accountability and underscores the importance of aligning board remuneration with ethical governance and developmental imperatives. Remuneration structures are not merely administrative details; they influence board behaviour, organisational priorities, and ultimately the credibility of SOEs in the eyes of the public and investors. When remuneration is misaligned with performance, it not only wastes scarce public resources but also undermines fiscal accountability and weakens South Africa's competitiveness relative to peers that enforce stricter governance frameworks.

### 1. Context and Problem Statement

The role of SOEs in South Africa is central to national development, as these institutions are responsible for delivering essential public services, managing infrastructure, and promoting economic transformation. Despite this centrality, numerous SOEs have faced chronic underperformance, financial instability, and reputational damage due to governance failures, of which misaligned board remuneration practices are an issue. The findings of the *Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector including Organs of State* (also known as the Zondo Commission), implicated several boards in the facilitation of State Capture, noting that excessive or unjustified remuneration fostered a culture of impunity and personal enrichment (Zondo Commission, 2022). This study responds to the urgent need for reform by critically assessing how board remuneration is currently structured, regulated, and implemented, and by comparing these practices with robust international systems to inform reform pathways.

Excessive or unjustified board pay has not been a benign anomaly; it has compounded fiscal risk by rewarding failure amidst repeated bailouts, while blunting incentives for remedial action. Parliament's committees require clearer statutory footholds to interrogate remuneration frameworks, including standardised disclosure formats, explicit performance linkages, and minimum independence criteria

for remuneration committees. Despite the presence of various legislative and advisory frameworks<sup>1</sup> in South Africa, such as the Public Finance Management Act (PFMA, 1999), the Companies Act (2008), and the King V Code on Corporate Governance (IoDSA, 2025), there is no cohesive or enforceable standard for determining, regulating, or auditing board remuneration in SOEs. This regulatory gap has allowed wide discretion in setting pay, often without sufficient justification based on performance or value creation. Furthermore, the lack of transparency in remuneration reporting and the limited role of civil society in oversight exacerbates the problem. This report argues that comparative international experiences can offer valuable insights for improving remuneration governance in South African SOEs.

South African SOEs such as Eskom, Transnet, and South African Airways (SAA) have experienced leadership instability, performance failures, and financial bailouts totalling over R500 billion over the past 15 years (National Treasury, 2023). Amid these crises, board members have continued to receive generous remuneration packages with limited performance accountability. The current legislative environment, anchored in the PFMA, provides general financial governance obligations but lacks specific provisions for regulating board compensation. As a result, decisions around board remuneration often fall to ministers, leading to political interference and inconsistency.

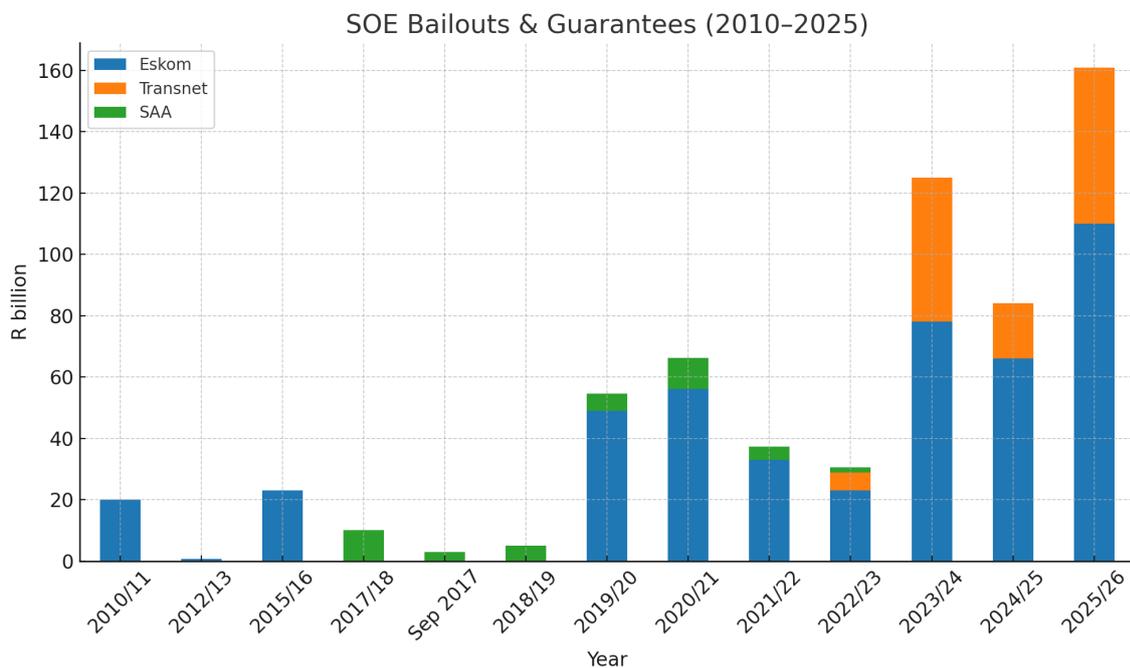


Figure 1: Graph of government spending on bailouts and guarantees to Eskom, Transnet and South African Airways<sup>2</sup>.

<sup>1</sup> See Addendum 1 for more details on legislative frameworks in South Africa that govern and/or guide board remuneration of State-Owned Enterprises (SOEs).

<sup>2</sup> Eskom, Transnet and SAA and used as the SOE case studies for this report. An extensive analytical framework and methodology section explain the selection of these SOEs.

The King V Report promotes ethical governance and stakeholder inclusivity but is non-binding and unevenly applied in SOEs. Moreover, remuneration is often detached from institutional performance indicators or public service outcomes, leading to perverse incentives. There is no statutory obligation to report board remuneration in standardised formats, which obscures public scrutiny. The absence of a central oversight body or remuneration commission for public boards exacerbates fragmentation.

### *1.1. Political and Institutional Context*

Post-apartheid South Africa envisaged SOEs as vehicles of transformation and inclusive development. Constitutionally, they were expected to help realise the objectives of Section 195 of the Constitution, which demands public administration that is accountable, development-oriented, and governed by principles of transparency and responsiveness (Republic of South Africa, 1996). Over time, however, SOEs became sites of elite enrichment, patronage networks, and political capture, undermining their constitutional mandate. Remuneration reform must be read against the constitutional ‘founding values’ and the basic values and principles governing public administration (Section 195). In practice, this means aligning SOE board pay with lawful, efficient, ethical, and development-oriented administration. The Auditor-General of South Africa’s (AGSA) material-irregularities framework provides a direct oversight lever where unjustified remuneration constitutes fruitless and wasteful expenditure; however, its deterrent value depends on parliamentary follow-through and enforceable standards in primary or secondary legislation

Between 2008 and 2023, the government spent over R500 billion in bailouts to keep failing SOEs afloat (National Treasury, 2023). Yet Eskom, SAA, and Transnet continued to underperform, with Eskom’s rolling blackouts (load shedding) escalating into a national crisis. This reflects a deeper political economy dynamic: instead of serving citizens, SOEs have too often functioned as arenas for rent-seeking and patronage distribution, consistent with theories of neopatrimonialism in African governance (Chipkin & Swilling, 2018). Board remuneration, in this context, became a mechanism through which political elites rewarded loyalists, irrespective of performance.

The PFMA and Companies Act provide legal frameworks for financial oversight, but they do not define enforceable performance-linked remuneration structures. Similarly, the King V Code on Corporate Governance encourages ethical and transparent practices but, as a voluntary code, lacks binding force. The Zondo Commission (2022) revealed that compromised boards at Eskom and Transnet were not only poorly equipped but were often wilfully complicit in state capture schemes, highlighting how remuneration was detached from fiduciary responsibility and constitutional values of accountability.

Parliamentary oversight, another constitutional safeguard, has also weakened. Portfolio Committees often failed to interrogate remuneration reports effectively. The erosion of constitutional accountability mechanisms thus created a permissive environment in which excessive remuneration and systemic corruption could thrive.

Recent reforms, notably the First and Second Companies Amendment Acts (2023), mandate SOEs and listed companies to publish remuneration policies, pay ratios, and indicators of performance alignment. These amendments move towards greater constitutional compliance, as they enable Parliament and civil society to scrutinise whether public resources allocated to board members produce tangible developmental outcomes. They also open a space for civil society activism, with organisations like the Organisation Undoing Tax Abuse (OUTA) regularly investigating and calling out poor performance and instances of maladministration and corruption.

South Africa's broader political economy, marked by cadre deployment, elite pacts, and institutional capacity constraints, continues to shape the governance of SOEs. Scholars argue that these dynamics reflect a "distributional politics" model where state institutions are leveraged to sustain ruling party networks rather than advance the constitutional mandate of inclusive development (Myeni, 2021; Fakir, 2020). This political economy lens underscores why reforms focused purely on technical adjustments to remuneration are insufficient. Instead, a holistic constitutional approach is required: aligning remuneration governance with the founding values of accountability, responsiveness, and openness enshrined in Section 1 of the Constitution.

Because remuneration structures are set and reviewed by boards whose composition can be politically mediated (as in cadre deployment), politicised appointments indirectly produce politicised pay. Any credible remedy therefore requires both (a) insulating remuneration-setting from executive discretion and (b) professionalising, merit-based board appointments under a transparent public appointments process.

This report thus identifies a policy and constitutional vacuum where remuneration practices are inconsistent, performance is seldom rewarded, and accountability is weak. By drawing on global best practices, South Africa can design a remuneration system that fosters good governance, attracts capable leadership, strengthens constitutional oversight, and builds public confidence in SOEs as developmental institutions.

## 2. Research Objectives

The primary objective of this report is to evaluate the governance of board remuneration in South Africa's public institutions and to propose actionable reforms based on international best practices while the secondary objective is to evaluate the feasibility of adopting international models in South Africa's political economy context. Specifically, the report seeks to:

- Identify the policy and regulatory weaknesses in the current South African framework;
- Examine structured remuneration systems from selected comparative jurisdictions; and
- Assess how these international examples can be adapted to the South African context to enhance transparency, accountability, and performance in public sector governance.

## 3. Research Design and Methodology

This study adopts a mixed-methods research design to examine board remuneration practices across selected SOEs in South Africa and to benchmark them against international comparators. The methodology is designed to capture both the quantitative trends in remuneration and performance and the qualitative governance dynamics that underpin them.

### 3.1. Quantitative Analysis

The quantitative component draws on data from the annual reports, remuneration disclosures, and audit reports of three major SOEs: Eskom, Transnet, and SAA over a fifteen-year period (2008–2023). This sample was chosen because these entities represent the largest recipients of government bailouts and the most prominent cases of governance controversy. While the sample is limited to three SOEs, the choice reflects purposeful sampling of high-impact entities whose remuneration practices are most consequential for the public purse.

Data reliability was ensured by triangulating multiple official sources, including National Treasury reports, the AGSA's consolidated annual reviews, and official parliamentary submissions. Cross-checking remuneration disclosures with bailout figures and audit findings minimised reliance on single-source reporting and mitigated risks of incomplete or biased data. Where discrepancies were observed (for example, between Treasury bailout tallies and SOE annual financial statements), preference was given to Treasury and Auditor-General data as the most authoritative.

Quantitative analysis linked remuneration levels to financial performance indicators such as government bailout size, profitability, and service delivery outcomes. The analysis included

constructing time-series graphs (e.g., Eskom CEO pay versus load-shedding hours) and comparative tables (e.g., SOE governance scores on independence, transparency, performance linkage, and political interference).

Where remuneration disclosures were incomplete or delayed (particularly SAA during business-rescue periods and Transnet), the AGSA reports and National Treasury statements were used to validate ranges. Incongruities were flagged and excluded from quantitative comparisons to avoid inflating or understating remuneration levels.

### *3.2. Comparative Review*

The comparative dimension benchmarks South Africa's remuneration governance against three international case studies: New Zealand, India, and Canada. This sample was selected to balance OECD experience (New Zealand, Canada) with emerging economy comparators (India) that face similar developmental and governance challenges. These countries were chosen for their documented reforms in SOE remuneration, their relevance to BRICS and OECD contexts, and the availability of robust secondary data.

The comparative review relied on desktop document analysis and secondary literature review, including government policy frameworks, legislative documents, and independent academic publications. Particular attention was given to OECD guidelines on SOE governance, India's Public Enterprises Survey reports, Canada's Treasury Board directives, and New Zealand's Cabinet Fees Framework.

### *3.3. Analytical Framework for Comparative Review*

A thematic analysis was applied across both the South African case studies and the international benchmarks. Four themes guided the coding framework:

1. remuneration structure;
2. performance alignment;
3. public disclosure; and
4. oversight mechanisms.

Using these four themes enabled the identification of recurrent patterns and divergences across cases.

To provide a systematic and rigorous analysis, this study employs a structured analytical framework to compare board remuneration governance across jurisdictions. This framework evaluates four key variables:

1. the degree of independence in remuneration-setting;
2. the linkage between remuneration and performance;
3. transparency and accountability mechanisms; and
4. the level of political interference.

By applying these variables to South Africa, New Zealand, India, and Canada, the analysis moves beyond descriptive comparisons to yield sharper insights into the strengths and weaknesses of each system. These four variables were selected because they capture the essential dimensions of remuneration governance identified by the OECD's Guidelines on Corporate Governance of State-Owned Enterprises and the King V Report. Independence ensures that remuneration-setting is shielded from vested interests. Performance linkage guarantees that compensation rewards value creation rather than entitlement. Transparency allows stakeholders and the public to scrutinise remuneration decisions. Finally, minimising political interference protects governance from capture by elite networks or short-term political agendas. The framework also evaluates governance of board remuneration of the South African SOE case studies along the same four variables.

Each variable is scored on a 0–5 scale, where:

- 0 = Completely absent / highly dysfunctional (no mechanisms, or governance failures dominate)
- 1 = Very weak (token presence of mechanisms, no enforcement, outcomes consistently misaligned)
- 2 = Weak (some formal provisions exist, but inconsistently applied or easily bypassed)
- 3 = Moderate (basic framework in place, partially functional but with notable gaps)
- 4 = Strong (framework well-established, generally applied, only minor lapses or weaknesses)
- 5 = Very strong (comprehensive, binding, consistently enforced, and producing intended governance outcomes)

Scores for each international case study across the four variables are then aggregated into a comparative profile. This enables:

1. Identification of systemic strengths/weaknesses (e.g., New Zealand expected to score highly on independence and transparency; South Africa low on performance linkage);

2. Cross-jurisdictional benchmarking (to show how South Africa lags its peers); and
3. A diagnostic tool to inform reform recommendations.

Cut-offs on the 0–5 scale reflect the presence, enforceability, and observed effects of mechanisms. Scores  $\geq 4$  require both binding rules and demonstrable application; scores  $\leq 1$  indicate either absence of rules or persistent non-application despite formal provisions

### *3.4. Research Limitations*

Limitations are acknowledged, particularly the focus on three SOEs, which, while illustrative of systemic governance failures, may not capture the full diversity of remuneration practices across all state entities. Nevertheless, the combination of focused case analysis, robust cross-checking, and comparative benchmarking provides a credible and policy-relevant evidence base.

While every effort was made to source up-to-date information, the following factors hindered the research:

- I. Incomplete disclosures: Annual financial statements of SOEs are inconsistent in reporting detailed board remuneration.
- II. Delayed or unpublished reports: Entities under business rescue or restructuring (e.g., SAA) often fail to table reports on time.
- III. Fragmented oversight: The PFMA and Companies Act mandate disclosure, but enforcement is weak.
- IV. Reliance on secondary sources: Much data comes from media and financial analysts rather than official disclosures.

In addition, the study's focus on Eskom, SAA, and Transnet, while justified by their size, fiscal significance, and history of governance failure, introduces certain limitations. These three SOEs are among the most politically visible and financially troubled, meaning the findings may overemphasise governance distortions typical of large, crisis-prone entities. Smaller or better-performing SOEs, which might display stronger compliance and less political interference, are underrepresented in this analysis. This focus therefore risks reinforcing a perception that dysfunction is uniform across the SOE sector, when in reality there is variation in governance quality. Future research should broaden the sample to include mid-sized and local public entities to provide a more balanced understanding of remuneration governance across the public enterprise landscape.

#### 4. Literature Review

The role of remuneration in shaping institutional behaviour has long been debated in governance scholarship. Hood (2006) cautions against the wholesale transfer of private-sector incentive models into the public sector, arguing that profit-based frameworks neglect the complex public value objectives that SOEs must balance. This insight resonates strongly with stewardship theory, which positions directors not as agents of shareholder primacy but as stewards of collective, developmental goals (Van der Walt, 2021). In contexts where public service delivery is central, remuneration cannot simply mirror private market incentives without risking distortion of institutional priorities.

Global best practice frameworks reinforce this caution. The OECD Guidelines on Corporate Governance of SOEs (2019) stress transparency, structured remuneration systems, and the establishment of independent oversight bodies to ensure alignment with performance. Countries like Norway and New Zealand limit excessive remuneration through capped bands and link executive pay to measurable service delivery outcomes. These frameworks demonstrate how remuneration governance can be designed to balance fairness, accountability, and competitiveness while upholding public interest.

Remuneration in public institutions is also an ethical and legitimacy concern. Bentley and Habib (2008) emphasise that disproportionate executive bonuses in failing public entities fuel public disillusionment, especially in societies already marked by inequality. In South Africa, this perspective has gained sharper relevance in recent years. The Zondo Commission (2022) revealed how politically appointed boards at Eskom and Transnet approved inflated remuneration and bonus schemes while actively facilitating procurement corruption. Ethical governance frameworks thus argue for remuneration regimes that embed equity and legitimacy alongside financial efficiency, recognising that public trust is an essential dimension of institutional performance. Scholars of parliamentary oversight have long underscored that effective accountability in South Africa depends not only on audit mechanisms but also on Parliament's sustained, evidence-based scrutiny of executive entities (Calland, 2013; Baatjies, 2021). Studies of the Standing Committee on Public Accounts (SCOPA) and portfolio committees (De Visser & November, 2019; Ebrahim, 2020) show that while legislative committees possess broad constitutional powers under section 55(2) of the Constitution and section 5 of the Powers and Privileges Act, their impact is frequently constrained by capacity limitations, politicisation, and the absence of real-time financial intelligence. This has created a pattern of reactive oversight—focused on crisis intervention rather than continuous governance monitoring.

As several authors note (Pauw, 2017; Madue, 2019; Naidoo, 2022), the South African oversight architecture still lacks codified mechanisms linking parliamentary review to the design of remuneration and performance systems within public entities. Without such linkages, boards can operate with significant discretion in setting pay levels even when public institutions fail to meet service-delivery or audit standards. Parliamentary oversight literature therefore increasingly calls for a shift from “compliance-based” to “integrative” oversight, where remuneration transparency and ethical governance are viewed as pillars of institutional legitimacy (De Visser & November, 2019; Madue, 2019). Embedding these principles into remuneration governance would move Parliament closer to fulfilling its constitutional duty of ensuring that public administration is accountable, transparent, and development-oriented, as envisioned in sections 195 and 55 of the Constitution

Recent comparative policy frameworks provide concrete illustrations of these principles in action. New Zealand’s Cabinet Fees Framework standardises board pay across Crown entities using a transparent matrix based on organisational complexity and public service role (State Services Commission, 2021). India’s Public Enterprises Selection Board (PESB) integrates meritocratic appointment processes with performance-linked incentives tied to annual targets (DPE, 2021). Canada, through its Financial Administration Act and Treasury Board directives, mandates detailed remuneration disclosure for Crown corporations, reinforced by the government’s Open Data initiative (Treasury Board of Canada, 2022). Together, these models demonstrate that structured frameworks, performance alignment, and public transparency are mutually reinforcing levers of governance reform.

South Africa’s regulatory landscape, however, remains fragmented. The Public Finance Management Act (1999) and Companies Act (2008) provide general requirements for reasonable remuneration and disclosure, while the King V Code (IoDSA, 2025) promotes fairness, transparency, and alignment with long-term value creation. Yet the non-binding character of these instruments and the absence of enforcement mechanisms create wide discretion in practice. Case evidence underscores these weaknesses: between 2016 and 2020, Eskom directors received more than R2 million annually despite unprecedented load-shedding and debt escalation (AGSA, 2020); SAA’s board approved bonuses even during its 2019 business rescue, ignoring Treasury caps (OUTA, 2019); and Transnet’s board awarded multimillion-rand bonuses during the irregular R40 billion locomotives procurement scandal (Zondo Commission, 2022). These post-2020 findings highlight a consistent misalignment between pay and performance that amplifies institutional failure.

This literature collectively shows that while international governance theory highlights structured remuneration frameworks, stewardship-based accountability, and transparency as cornerstones of effective SOE governance, South African practice has veered in the opposite direction. The contrast exposes the country's policy vacuum: remuneration remains largely political, discretionary, and weakly monitored. Bridging this gap will require embedding international lessons into enforceable statutory mechanisms, mandating performance-linked pay, and empowering parliamentary and civil society oversight to ensure constitutional accountability

## 5. Findings: International case study comparison and board remuneration practices in South African SOEs (2020–2024)

This section presents available remuneration data for Eskom, SAA, and Transnet during the 2020–2024 period. It highlights gaps in disclosure and the challenges such gaps create for accountability and research. It does this within the context of the international benchmarking provided by the case studies of New Zealand, Canada and India.

### 5.1. Board remuneration of South African SOE Case Studies: Eskom, South African Airways (SAA), and Transnet

#### 5.1.1. Eskom

Eskom, South Africa's primary electricity supplier, provides one of the most striking examples of weak remuneration governance. Between 2016 and 2020, Eskom's board members were paid over R2 million each per annum even as the company failed to meet its energy targets, incurred rising debt, and contributed to the intensification of national load shedding (AGSA, 2019; Zondo Commission, 2022). Applying the analytical framework, Eskom scores particularly poorly on the independence of remuneration-setting, since ministerial discretion dominated compensation decisions and remuneration committees lacked autonomy. In terms of performance linkage, there was no visible correlation between financial outcomes or service delivery and board remuneration, which remained fixed despite catastrophic underperformance. Transparency was similarly low, with limited parliamentary interrogation of remuneration disclosures, while political interference was pervasive, as appointments to the board were closely tied to factional patronage networks and cadre deployment practices. This combination of weak independence, absent performance incentives, opaque disclosure, and deep political interference illustrates the systemic failures in governance at Eskom.

### 5.1.2. South African Airways (SAA)

SAA, which entered business rescue in December 2019 after accruing nearly R50 billion in debt, demonstrates a comparable pattern of governance collapse. Board members continued to receive full retainers and performance bonuses even as the airline's operations ground to a halt and it relied on government bailouts for survival (OUTA, 2018). Using the framework, SAA's independence in remuneration-setting was almost entirely absent, as the airline did not establish a genuinely independent remuneration committee and relied instead on politically influenced decision-making. Performance linkage was non-existent, since board members received enhanced travel allowances and salary hikes despite operational collapse and the airline being placed under business rescue. Transparency was poor, as parliamentary oversight of remuneration remained weak and remuneration policies were not disclosed in accessible formats to the public. Political interference was again highly visible, with governance decisions, such as fleet procurement and route cancellations, often influenced by political actors rather than commercial logic. In this case, remuneration practices not only failed to incentivise performance but actively rewarded mismanagement, contributing to institutional collapse.

### 5.1.3. Transnet

Transnet, responsible for South Africa's freight rail, ports, and pipelines, similarly reveals the dangers of remuneration practices disconnected from governance principles. Under Brian Molefe's leadership, the board facilitated procurement corruption in the controversial 1,064 locomotives deal, during which bonuses of R2.3 million were approved for executives implicated in the scandal (Zondo Commission, 2022). Evaluating Transnet against the analytical framework, independence was severely compromised, as remuneration decisions were heavily influenced by executive interests and lacked scrutiny by independent bodies. Performance linkage was perverse: bonuses were paid despite warnings from internal audits that irregular procurement was taking place, meaning that financial malfeasance was effectively incentivised. Transparency was poor, with OUTA's legal review of board minutes revealing that remuneration decisions lacked documented performance evaluations and that conflicts of interest were concealed. Political interference was also significant, as politically connected executives exploited weak governance frameworks to entrench corrupt practices. Transnet's case underscores how remuneration governance failures can directly facilitate corruption, mismanagement, and the erosion of public trust.

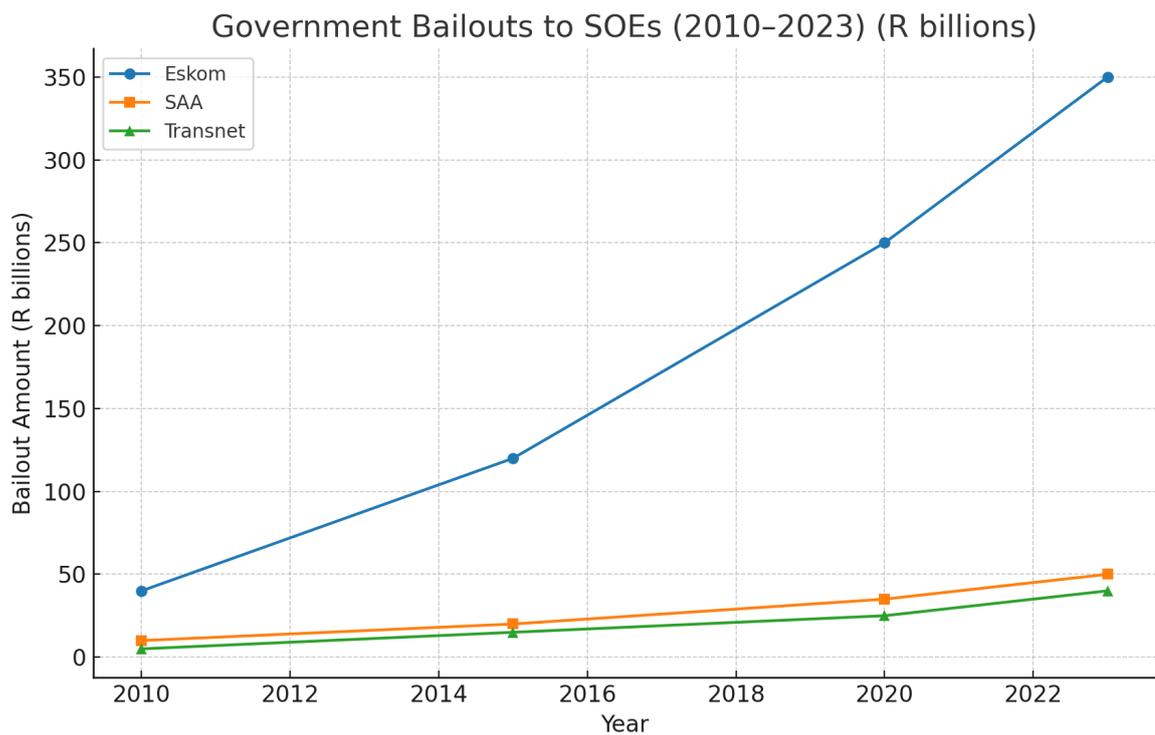


Figure 2: Government bailouts to Eskom, SAA, and Transnet (2010–2023)

Given the above and applying the analytical framework we can provide the following score:

SOE	Independence in Remuneration-Setting	Performance Linkage	Transparency & Accountability	Political Interference
<b>Eskom</b>	<b>1</b> – Ministerial discretion dominated, no independent remuneration committees	<b>0</b> – No correlation between pay and outcomes; fixed despite underperformance	<b>1</b> – Limited disclosures, weak parliamentary scrutiny	<b>0</b> – Deep political patronage, cadre deployment
<b>SAA</b>	<b>0</b> – No independent remuneration committee; political influence pervasive	<b>0</b> – Bonuses and perks paid during insolvency and bailouts	<b>1</b> – Poor public disclosure, weak oversight	<b>0</b> – Board captured by political actors in procurement and operations
<b>Transnet</b>	<b>1</b> – Executive interests dominated decisions, no independent oversight	<b>0</b> – Bonuses approved despite audit warnings and irregular expenditure	<b>1</b> – Board minutes concealed conflicts, no evaluations	<b>0</b> – Political interference entrenched through corrupt contracts

Table 1: Scoring of South African SOEs

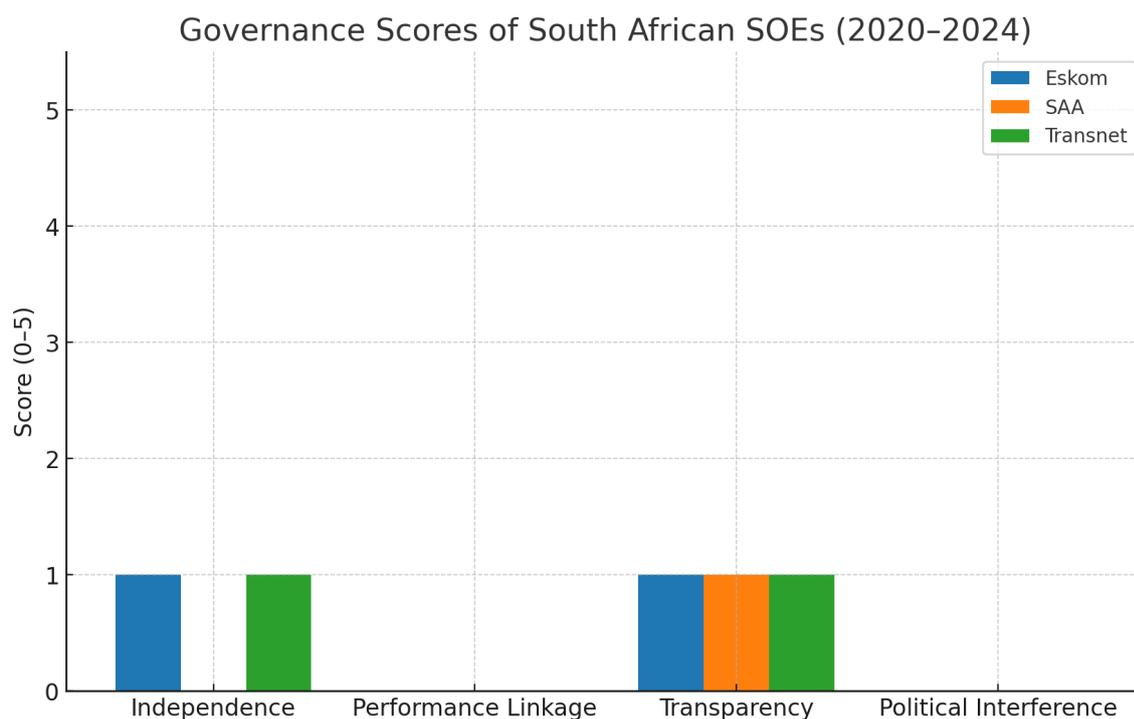


Figure 3: Scores for Eskom, SAA, and Transnet against analytical framework criteria

Across Eskom, SAA, and Transnet, the scores reveal a systemic collapse of remuneration governance:

- I) Independence: All three entities lacked independent mechanisms for setting remuneration, with ministers or politically connected executives driving decisions.
- II) Performance Linkage: Absent across the board. Bonuses and salaries were awarded despite catastrophic operational and financial failures, creating perverse incentives.
- III) Transparency: Extremely weak. Disclosures were irregular, parliamentary oversight was muted, and in some cases (Transnet), minutes were actively manipulated.
- IV) Political Interference: Very high. Cadre deployment, patronage networks, and corruption directly shaped remuneration practices.

These findings show that South African SOEs consistently score between 0 and 1 across the framework, in stark contrast to countries like New Zealand and Canada, which scored 4–5 in most dimensions. This highlights how remuneration practices in SOEs have not only failed to incentivise good governance but have actively enabled corruption and mismanagement.

## 5.2. International case study findings

	Framework		Strengths	Failures / Inconsistencies
<b>Africa</b>	Code on Corporate Governance	accountability; requires disclosure of remuneration; shareholder compacts guide practice.	oversight architecture; mandates reporting; constitutional basis for accountability.	enforcement; wide ministerial discretion; remuneration not consistently performance-linked; voluntary governance codes not binding.
<b>Zealand</b>	Framework	complexity, time commitment, and public service ethos; periodic review.	transparent, merit-based; fairness embedded; avoids excess.	crisis-driven adjustments (rigid application possible).
	Enterprises Selection Board (PESB)	appointments/remuneration; pay explicitly performance-linked with regular evaluation.	institutionalised oversight; strong linkage between pay and performance.	bureaucratic delays; uneven enforcement in lower-tier enterprises.
	Government Framework & Treasury Board directives	remuneration; merit-based appointments; remuneration linked to responsibility and complexity.	transparency; strong accountability culture; easily accessible remuneration data.	still exists but mitigated by disclosure and meritocratic norms.
<b>(SA)</b>	Companies Act, King V (applied weakly)	R2m+ annually (2016–2020); bonuses despite debt escalation and non-delivery of energy targets.	frameworks for oversight in theory.	years (instability); approved Gupta-linked contracts (state capture); irregular procurement of R30bn (AGSA 2019); no link between pay and performance; failed clawback attempts.

<b>SAA (SA)</b>	PFMA, Companies Act, shareholder compact (weak application)	Retainers and bonuses continued despite R50bn debt and entry into business rescue; allowances exceeded thresholds without Treasury approval.	Accountability provisions exist on paper; PFMA requires approvals.	Board bypassed Treasury approvals (OUTA 2018); politically influenced decisions on fleet/routes; no independent remuneration committee; bonuses paid in insolvency context.
<b>Transnet (SA)</b>	PFMA, Companies Act, King V (ignored in practice)	Bonuses of R2.3m paid to executives involved in procurement scandal; irregular expenditure rose to R40bn (2019).	Internal audit warnings existed; external oversight frameworks in law.	Board facilitated 1,064 locomotives corruption deal (Zondo 2022); remuneration approvals without performance evaluation; undisclosed conflicts of interest; board minutes revealed lack of accountability.

Table 2: Summary of case study findings

Given the above, and the analytical framework outlined, the following can be surmised:

Country	Independence in Remuneration-Setting	Performance Linkage	Transparency & Accountability	Political Interference
<b>South Africa</b>	Weak: ministerial discretion	Minimal: mostly fixed	Low: irregular reporting	High: cadre deployment
<b>New Zealand</b>	Strong: Cabinet Fees Framework	Moderate: periodic performance reviews	High: mandatory disclosure	Low: rules-based oversight
<b>India</b>	Moderate: PESB oversight	Strong: performance-linked incentives	Moderate: evaluation reports	Moderate: some political influence
<b>Canada</b>	Strong: Treasury Board directives	Moderate: linked to complexity	Very High: open government data	Low: merit-based appointments

Table 3: Insights drawn from findings

## Comparative Governance Radar Graph (0-5 Scale)

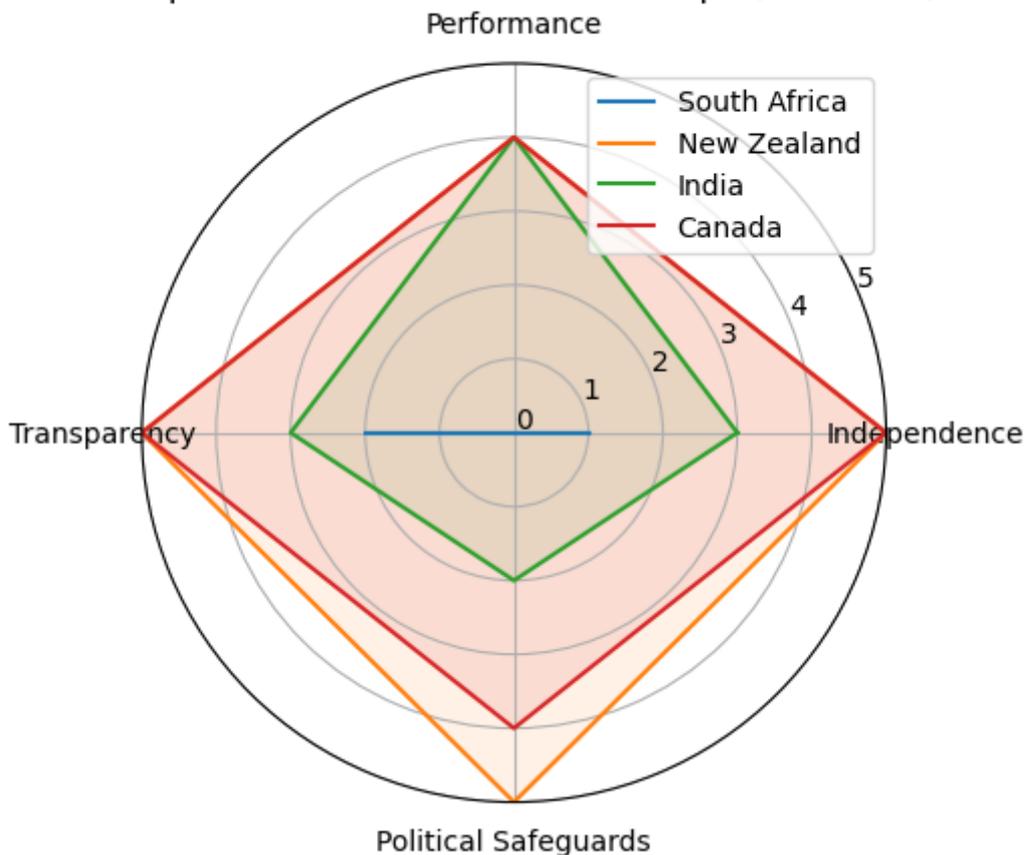


Figure 4: Radar graph of analytical criteria scores applied to international case studies and South Africa

This radar (or spider) graph compares the strength of board remuneration governance across four countries: South Africa, New Zealand, India, and Canada. It uses four criteria: Performance Linkage, Independence, Political Interference, and Transparency. Each axis represents one criterion, with higher values indicating stronger performance. The shapes show that Canada (red) performs best overall, particularly in Transparency and Independence, while New Zealand (orange) also demonstrates strong, balanced governance. India (green) performs relatively well on Performance Linkage but less strongly on Transparency and Political Interference. South Africa (blue) scores lowest across all categories, illustrating limited performance-linked pay, high political influence, and weak disclosure standards. In essence, the further a country's shape extends toward the edge of the chart, the more robust its remuneration-governance framework; South Africa's smaller triangle highlights the urgent need for reform to align with international best practice.

### 5.2.1. Summary: South Africa

- Independence: Weak – remuneration often set by politically appointed boards or ministers, lacking independence (score: 1).
- Performance linkage: Absent/weak – bonuses and pay not linked to delivery; evidence of pay despite bailouts and failures (score: 0).
- Transparency: Weak/moderate – PFMA and Companies Act require disclosure, but enforcement inconsistent (score: 2).
- Political interference: High – cadre deployment and ministerial discretion dominate (score: 0).

Overall profile: weak, highly inconsistent governance.

### 5.2.2. Summary: New Zealand

- Independence: Strong – Cabinet Fees Framework sets objective pay-bands (score: 4–5).
- Performance linkage: Strong – remuneration reviews include service delivery performance (score: 4).
- Transparency: Very strong – full public disclosure, reviewed periodically (score: 5).
- Political interference: Minimal – structured oversight reduces political discretion (score: 4–5).

Overall profile: structured, transparent, meritocratic governance.

### 5.2.3. Summary: India

- Independence: Moderate – PESB oversees appointments, but political influence can intrude (score: 3).
- Performance linkage: Strong – clear criteria and performance-linked incentives in DPE guidelines (score: 4).
- Transparency: Moderate/strong – guidelines published, but public access less robust than OECD peers (score: 3–4).
- Political interference: Moderate – formal processes exist but susceptible to political influence (score: 2–3).

Overall profile: institutionalised frameworks with uneven independence.

### 5.2.4. Summary: Canada

- Independence: Strong – Treasury Board directives and Governor in Council oversight reduce political discretion (score: 4–5).
- Performance linkage: Moderate/strong – aligned to responsibilities and complexity; less explicitly tied to outcomes than India (score: 3–4).

- Transparency: Very strong – Open Government initiative ensures real-time disclosure (score: 5).
- Political interference: Low – merit-based appointments; transparency constrains political abuse (score: 4).

Overall profile: transparent, reliable, with moderate emphasis on performance.

### 5.2.5. Comparative analysis of board remuneration governance

The comparative analysis of board remuneration governance across South Africa, New Zealand, India, and Canada shows that South Africa lags significantly behind its peers on all four variables: independence, performance linkage, transparency, and political interference.

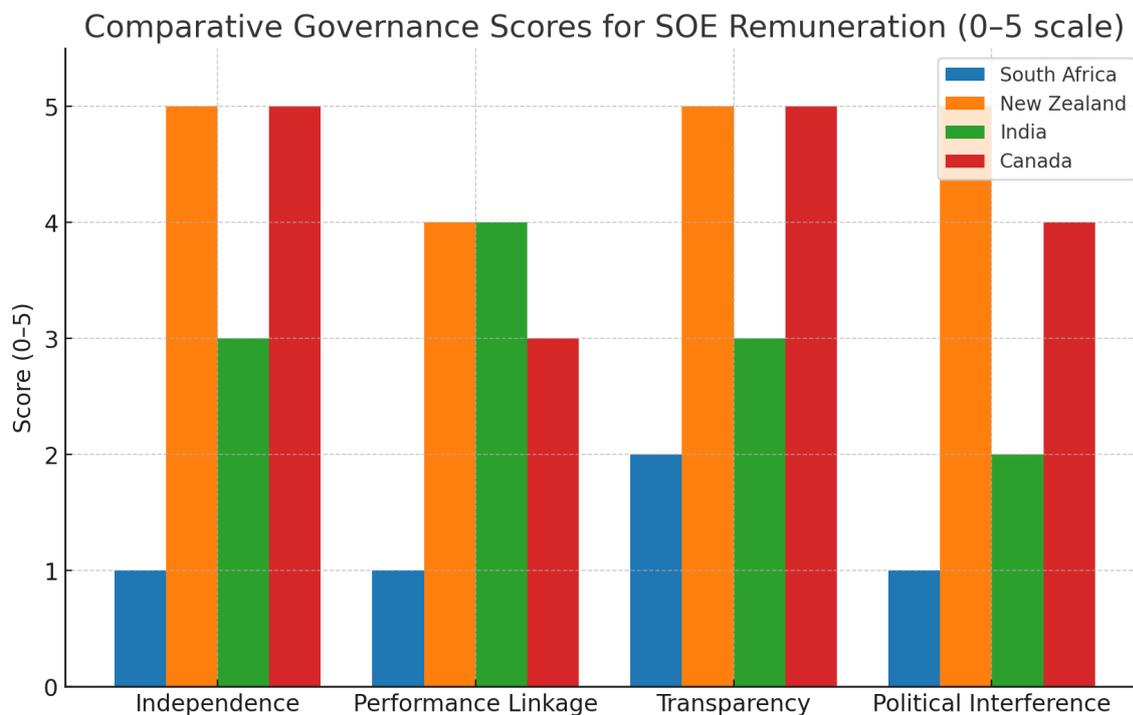


Figure 5: Score of international case studies and South Africa against analytical framework criteria

Based on the graph above, the following can be distilled:

1. Independence: In South Africa, remuneration decisions are highly politicised, with boards and ministers exercising wide discretion. By contrast, New Zealand’s Cabinet Fees Framework and Canada’s Treasury Board directives illustrate how standardised, independent remuneration-setting processes can remove conflicts of interest and reduce political manipulation. South Africa would benefit from adopting a centralised, rules-based remuneration framework to enhance fairness and predictability.

2. **Performance Linkage:** South Africa's remuneration is largely detached from performance, with bonuses paid despite institutional failure and repeated bailouts. India's performance-linked pay system, tied to annual targets and overseen by the Department of Public Enterprises, offers a replicable model. Introducing performance-based incentives tied to service delivery outcomes (e.g., energy availability for Eskom, financial viability for SAA, procurement compliance for Transnet) could align pay with public value creation.
3. **Transparency and Accountability:** Disclosure in South Africa is inconsistent, often delayed, and sometimes incomplete. Canada's Open Government model, which mandates public access to real-time remuneration data, demonstrates how transparency strengthens accountability and public trust. Adopting mandatory annual disclosure of remuneration policies and pay ratios, combined with civil society oversight, would improve legitimacy and reduce abuse.
4. **Political Interference:** Political patronage and cadre deployment undermine SOE governance in South Africa. In contrast, New Zealand and Canada show how structured frameworks and transparent disclosure reduce space for political interference. Strengthening parliamentary oversight and embedding checks and balances to limit ministerial discretion would curb elite capture.

The lessons from New Zealand, India, and Canada show that structured pay frameworks, performance-linked incentives, and robust transparency mechanisms are not only feasible but also essential for South Africa to restore credibility and functionality in its SOEs. It is imperative that accountability is enhanced, and that SOEs ensure remuneration reflects institutional performance rather than political patronage.

### **5.3. Overall Findings**

The comparative analysis reveals a sharp divergence between international best practice and South Africa's SOE experience.

#### **5.3.1. Independence in Remuneration-Setting**

- I) *International:* New Zealand and Canada score highly (4–5) due to structured frameworks like the Cabinet Fees Framework and Treasury Board directives, which shield remuneration from political influence. India performs moderately (3), as the PESB provides oversight, but political influence persists.
- II) *South Africa:* Eskom, SAA, and Transnet scored 0–1, reflecting ministerial discretion, weak committees, and politicised decision-making.

- III) Lesson: South Africa could adapt structured, rules-based frameworks like New Zealand's Cabinet Fees Framework to strengthen independence.

### 5.3.2. Performance Linkage

- I) *International*: India leads (4) with performance-linked incentives tied to annual targets; New Zealand and Canada include moderate linkages (3–4) through service reviews and responsibility scales.
- II) *South Africa*: All three SOEs scored 0, as bonuses were paid despite operational collapse, bailouts, or corruption scandals.
- III) Lesson: South Africa urgently needs performance-linked pay tied to service delivery outcomes, akin to India's incentive system.

### 5.3.3. Transparency & Accountability

- I) *International*: Canada scores very high (5) through its Open Government data initiative; New Zealand also mandates regular public disclosure (5); India scores moderately (3).
- II) *South Africa*: Transparency is very low (1 across all SOEs), with irregular disclosures, incomplete reporting, and weak parliamentary oversight.
- III) Lesson: South Africa must enforce mandatory disclosure of remuneration policies, pay ratios, and board compensation in accessible formats.

### 5.3.4. Political Interference

- I) *International*: New Zealand and Canada maintain low levels of interference (4–5) through merit-based processes and transparent oversight; India scores moderately (2–3).
- II) *South Africa*: Eskom, SAA, and Transnet all scored 0, with remuneration decisions captured by patronage networks and political interference.
- III) Lesson: South Africa must curtail cadre deployment and strengthen parliamentary independence in SOE oversight.

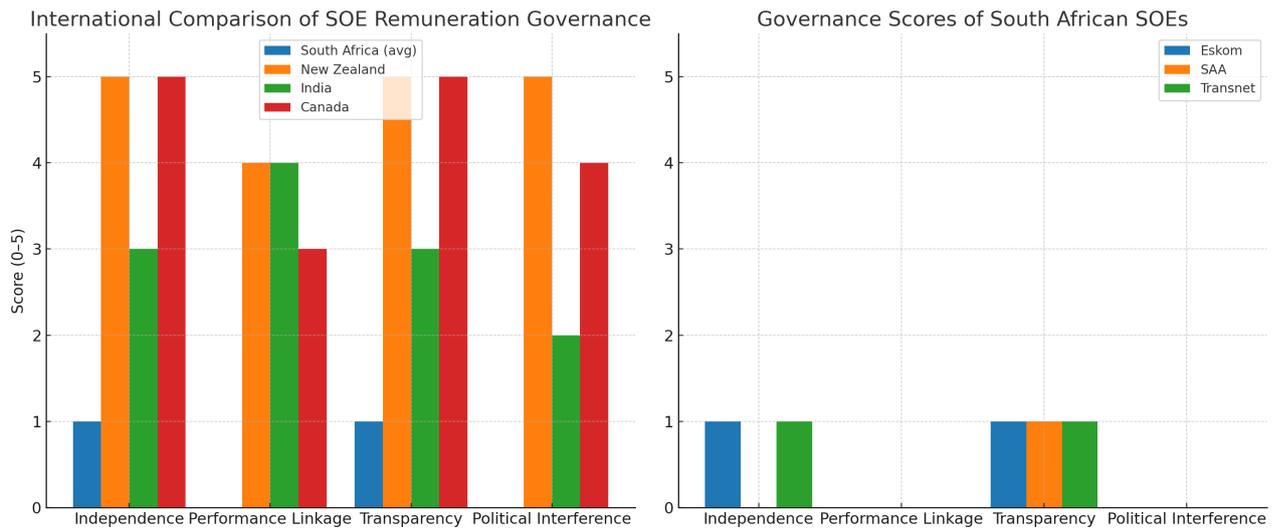


Figure 6: Combined bar graph showing scores for international case studies against South African SOE case studies

## 6. Recommendations

The analysis of South African SOEs alongside international best practices reveals the urgent need for reforms to the governance of board remuneration. Recommendations must be designed to directly address the four variables in the analytical framework: independence, performance linkage, transparency, and political interference. Each recommendation below is therefore framed as a corrective measure that responds to the deficiencies highlighted in the case studies of Eskom, SAA, and Transnet. These recommendations are not abstract ideals, but practical measures rooted in comparative international experience and tailored to South Africa’s socio-political context. The recommendations recognise the dual pressures of fiscal consolidation and the urgent need to restore legitimacy in the governance of SOEs. To enhance strategic clarity, the recommendations are grouped into short to medium term legislative reforms that can deliver immediate structural change, and longer-term cultural reforms aimed at embedding ethical governance and accountability.

### 6.1. Short-term legislative fixes

First, there is a need to legislate performance-linked remuneration. Amendments to the Public Finance Management Act (PFMA) should make performance-based pay a legal requirement for all SOEs. This would ensure that remuneration is tied to key indicators such as service delivery performance, compliance with procurement regulations, and audited financial results. By making performance linkage mandatory, South Africa would move away from the prevailing system of fixed compensation, which has repeatedly rewarded failure (Auditor-General, 2022). International experience, such as India’s performance-linked incentive schemes, shows that institutionalising performance criteria

creates incentives for boards to deliver on service mandates and prevents the culture of entitlement that has characterised many SOEs in South Africa.

Second, independent remuneration committees must be established across all SOEs. These committees should not only be free from ministerial control but must also include representatives from Parliament, the Auditor-General, and civil society organisations. Such independence would curtail the dominance of politically connected individuals and would help to build public confidence in the fairness of remuneration decisions (IoDSA, 2016). In Canada, for example, the establishment of independent oversight committees reporting to Parliament has drastically reduced ministerial capture of board decisions. South Africa can replicate this model to enhance impartiality in decision-making. Third, transparency must be strengthened through mandatory public disclosure of board remuneration policies and payments. Following Canada's Open Government model, SOEs should be legally required to publish remuneration reports annually on their websites and table them in Parliament. This would enhance accountability, empower civil society watchdogs such as OUTA, and help to deter abuse by subjecting remuneration practices to continuous public scrutiny (Treasury Board of Canada, 2022). Transparency not only deters abuse but also builds legitimacy. The OECD has consistently shown that when remuneration data is available in real time and subject to public scrutiny, executive excesses are dramatically curtailed.

### *6.2. Long-term cultural reforms*

Political interference in board appointments must be reduced through the enactment of a Public Appointments Act. Such legislation should formalise a merit-based appointment system for SOE boards, establishing fit-for-purpose criteria and prohibiting direct ministerial discretion without oversight. International models such as India's PESB demonstrate how a structured and independent vetting process can elevate competence and reduce the influence of patronage networks (DPE, 2021). A depoliticised appointment process is essential for stability and performance. New Zealand's Cabinet Fees Framework demonstrates that when remuneration is standardised and insulated from politics, public trust and board performance improve.

Finally, civil society must be empowered to act as an external monitor of remuneration governance. Watchdog organisations should be resourced to conduct independent audits of board remuneration, and their findings should carry legal weight in prompting parliamentary review or litigation. This would institutionalise the role of civil society as an accountability partner rather than leaving oversight solely to government institutions, which have often proven compromised (OUTA, 2023). Civil society plays a

watchdog role that cannot be underestimated; however, its ability to exercise this function effectively is often constrained by limited funding, political resistance, and inconsistent access to information. Strengthening civil society oversight therefore requires not only legal recognition but also the creation of enabling conditions such as sustainable funding streams, formal access to SOE data, and protection from political retaliation. Empowering organisations such as OUTA to litigate or demand accountability creates necessary external pressure on boards and government alike, but these efforts must be complemented by structural support to ensure their longevity and impact. Beyond monitoring, these groups can also contribute to designing fair remuneration policies rooted in ethical governance.

In addition, capacity building should be prioritised. Board members of SOEs must undergo mandatory governance training, skills development, and continuous professional education. A structured pipeline of talent should be developed through mentorship and succession planning. Countries such as Norway and Singapore invest heavily in professionalising board leadership to ensure that remuneration aligns with competence and responsibility. South Africa can benefit from a similar long-term investment in board capacity.

The following is a summary table of the aforementioned recommendations:

Analytical Variable	Recommendation	Rationale	International Reference	Expected Benefit for South Africa
<b>Performance Linkage</b>	Legislate performance-linked remuneration through amendments to the PFMA, tying pay to service delivery, compliance, and audit results.	Current fixed pay rewards failure; linking pay to measurable outputs incentivises delivery and accountability.	India's performance-linked incentive schemes (DPE, 2021).	Aligns pay with institutional performance; prevents entitlement culture; promotes fiscal discipline.
<b>Independence</b>	Establish independent remuneration committees for all SOEs, including Parliament, AGSA, and civil society representatives.	Current ministerial dominance undermines impartiality; independent oversight curbs political capture.	Canada's independent oversight committees.	Enhances fairness in decision-making; reduces political bias; increases legitimacy.
<b>Transparency &amp; Accountability</b>	Mandate annual public disclosure of board remuneration policies and payments via SOE websites and parliamentary tabling.	Current disclosures are irregular and opaque; transparency deters abuse and builds trust.	Canada's Open Government initiative; OECD (2019).	Strengthens public trust; empowers watchdogs; curbs executive excess.
<b>Political Interference</b>	Enact a Public Appointments Act to formalise merit-based SOE board appointments with oversight criteria.	Ministerial discretion entrenches patronage; structured processes ensure competence and stability.	India's Public Enterprises Selection Board (PESB); New Zealand's Cabinet Fees Framework.	Reduces cadre deployment; fosters stability and professional competence.
<b>Civil Society Oversight</b>	Empower civil society watchdogs (e.g., OUTA) with legal authority to audit remuneration and trigger reviews.	Government oversight often compromised; civil society offers external accountability.	OUTA litigation model; international civil society watchdog norms.	Creates independent accountability pressure; deters abuse; enhances legitimacy.
<b>Capacity Building</b>	Introduce mandatory	Weak board capacity	Norway and Singapore's board	Builds sustainable

	governance training and structured leadership development for SOE boards.	perpetuates mismanagement; professionalisation ensures alignment of pay with competence.	professionalisation programmes.	leadership pipeline; strengthens fiduciary competence; ensures remuneration reflects skills and responsibility.
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*Table 4: Summary of recommendations*

## 7. Conclusion

Reforming board remuneration in South Africa's SOEs is a critical step in restoring both ethical governance and institutional performance. The comparative analysis of New Zealand, India, and Canada shows that enforceable remuneration bands, performance-based incentives, and transparent disclosure mechanisms are achievable reforms that can be adapted to the South African context. The expanded case studies of Eskom, SAA, and Transnet demonstrate that the absence of such reforms perpetuates a cycle of mismanagement, corruption, and erosion of public trust. Reforming board remuneration is not simply about financial efficiency; it is a keystone reform with implications for South Africa's developmental trajectory. Fair and accountable remuneration systems send strong signals to international investors, development partners, and credit rating agencies that governance reform is credible and durable.

The recommendations outlined above such as mandating performance-linked pay, creating independent remuneration committees, enhancing transparency, depoliticising board appointments, and empowering civil society form a coherent roadmap for reform. These measures are not only technical adjustments but are foundational to building an SOE governance system that aligns with constitutional values, fiscal responsibility, and developmental imperatives. If implemented, they would directly address the systemic weaknesses identified in this report and help rebuild public trust in institutions that are central to South Africa's economy and democracy. These reforms also resonate with broader national strategies such as the National Development Plan, which emphasises capable and ethical state institutions. Embedding remuneration reform within this vision can help align SOEs with long-term developmental priorities, ensuring they contribute effectively to economic growth and social equity.

Ultimately, remuneration reform in SOEs should not be seen as a narrow administrative exercise. It is part of a broader project of state renewal in South Africa and one that requires aligning incentives with accountability, insulating governance from political capture, and embedding transparency as a non-negotiable norm. The immediate priority must be to legislate performance-linked remuneration through amendments to the PFMA and to establish independent remuneration committees within the next budget cycle. These actions would demonstrate visible political will and create the institutional anchors upon which deeper cultural reforms can be built. By drawing on international best practices while remaining attuned to domestic realities, South Africa has the opportunity to design a remuneration governance framework that fosters ethical leadership, enhances service delivery, and ensures that public resources are used in the public interest. In practical terms, this means Parliament,

the National Treasury, and civil society must act now; turning the principles outlined here into binding rules, public reporting standards, and ongoing oversight. Without such reform, fiscal pressures on the state will intensify, and the cycle of bailouts and mismanagement will continue. Conversely, successful reform will strengthen state capacity, rebuild public trust, and create SOEs that operate as true vehicles of inclusive development rather than instruments of capture.

## 8. References

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**Addendum 1:** Expanded table of legislative framework surrounding board remuneration, their main objectives and their shortcomings.

Framework	Scope & Provisions on Remuneration	Strengths	Limitations / Gaps
Public Finance Management Act (PFMA), 1999	Governs financial management for national/provincial public entities and SOEs; empowers National Treasury oversight; enables frameworks for compensation; requires transparent, accountable financial practices.	Anchors fiscal governance; supports transparency and accountability expectations.	No explicit, enforceable standard for board remuneration; wide ministerial discretion; no mandatory performance-linked pay.
Companies Act, 2008 (as amended)	Applies to SOEs incorporated as companies; requires disclosure of directors' remuneration in annual financial statements; enables shareholder (state) 'say on pay' via policy votes and disclosures.	Creates disclosure duties; aligns SOE boards with company-law norms; mechanism for policy approval.	Effectiveness depends on shareholder representative (minister); independence weak; disclosures can be delayed or incomplete.
King V Code on Corporate Governance (2025)	Voluntary best-practice code ('apply and explain') recommending fair, responsible, and transparent remuneration linked to long-term value creation and performance.	Modernised principles; clear expectations for transparency and value alignment; widely referenced benchmark.	Not legally binding on SOEs; compliance uneven; no sanctions for non-adherence.
Auditor-General of South Africa Act (as amended)	Empowers AGSA to audit SOEs' financial statements and remuneration disclosures; material irregularities regime heightens consequences for unjustified or irregular spending.	Independent constitutional oversight; regular public reporting flags excesses and irregularities.	Findings require executive/parliamentary action; AGSA cannot impose remuneration policies or compel clawbacks directly.
National Treasury Instructions / Practice	Treasury issues circulars/instructions	Promotes standardisation	Often advisory in practice; exemptions/variations

Notes / Circulars (e.g., fees for non-executive directors)	setting ceilings or guidance for board fees and allowances in public entities.	across entities; provides explicit benchmarks for NED fees.	granted; limited enforcement and monitoring.
Department of Public Enterprises (DPE) Remuneration Guidance	Shareholder ministry guidance on bonus caps, performance contracts, and pay frameworks for Schedule 2 SOEs; implemented through shareholder compacts.	Aligns remuneration to shareholder priorities; can tie pay to explicit performance undertakings.	Not binding legislation; subject to ministerial discretion and inconsistent application.
Shareholder Compacts & Board Remuneration Policies (entity-level)	Annual compacts and internal policies set metrics, pay mix, and bonus criteria; should integrate PFMA/Treasury guidance and King V principles.	Allows entity-specific performance alignment; creates traceable KPIs for remuneration committees.	Quality varies widely; weak external scrutiny; limited consequences for non-performance or policy breaches.
Public Audit Amendment & Material Irregularities Framework	Introduces remedial action/referrals where remuneration decisions contribute to material irregularities or fruitless/wasteful expenditure.	Raises accountability stakes and follow-through beyond traditional audits.	Focuses on irregularities after the fact; still not a proactive remuneration-standard-setting instrument.
(Municipal entities) MFMA & Municipal Regulations	Similar governance framework for municipal-owned entities; disclosure and oversight for remuneration at local sphere.	Extends governance norms to local entities.	Not directly applicable to national SOEs; fragmentation persists across spheres of government.

**Addendum 2: Summary table of board remuneration findings of Eskom, SAA and Transnet**

SOE	Year(s)	Non-Executive Directors' Fees (Range)	CEO Total Remuneration	CFO Total Remuneration	Notes on Data Availability
Eskom	2020	R600,000 – R1.2 million	R7.1 million	R4.9 million	Based on disclosed annual reports; relatively reliable but limited detail on bonus structures.

	2021	R600,000 – R1.3 million	R7.0 million	R5.0 million	
	2022	R600,000 – R1.6 million	R6.9 million	R5.1 million	
	2023	R600,000 – R1.5 million	R6.9 million	R5.2 million	
	2024	R600,000 – R1.5 million	R7.0 million	R5.3 million	Sources: Fullview (2023); Daily Investor (2025).
South African Airways (SAA)	2020–2024	Approx. R500,000 – R1 million	Data unavailable	Data unavailable	Business rescue proceedings and restructuring reduced disclosure; remuneration reports often incomplete or not tabled in Parliament.
Transnet	2017 (baseline)	Chair: R1.151m; NEDs: R518k– R605k	Data unavailable	Data unavailable	Latest detailed data only available for 2017. No verified published remuneration figures available for 2020–2024 at time of writing