

# Knives out for Telkom's Moholi

The "revolving door for executives" at Telkom may next claim CEO Pinky Moholi, a Telkom veteran who was appointed to the helm last year.



*Business Times* understands there is mounting pressure on Moholi to resign but that she is unlikely to do so before the company's interim results are released later this month.

Telkom analysts said this week that her job must be "impossible" given the interference by government, which has a 39.8% stake in the telecoms operator and led the ousting of four board members at Telkom's annual general meeting last week.

"Our impression of Pinky is that she is a very capable person. The real problem at Telkom is the constant interference from government. They've had five CEOs over the past seven years, and they now have to appoint their fourth chairman," one investor said.

Asked if there was pressure on Moholi to resign, Siyabulela Qoza, spokesman at the Department of Communications, said the department "has not yet met with the CEO of Telkom since the AGM".

Pynee Chetty, Telkom spokesman, said the company does not comment on speculation.

The Public Investment Corporation (PIC), which owns 10.9% of Telkom and voted along with government to block three of the board reappointments, said it has not asked Moholi to resign.

"The PIC acknowledges that the CEO and CFO have been around for a relatively short time and are faced with various inherited challenges, some of which will only be resolved over the long term with an appropriate strategy and the correct structures in place," said Deon Botha, senior corporate governance specialist.

Telkom's share price has dropped 41% over the past year and it is expected to announce a drop of at least 45% in earnings from continuing operations on November 19.

## **Treatment of minority shareholders leaves much to be desired**

It will require R21bn over the next three years to invest in its network and requires an equity injection, it said at the AGM. However, government blocked a deal with South Korea's KT Corporation, which would have brought much needed capital, technology and skills to Telkom.

"I don't know how government thinks it will get the private sector to invest given the way it treats minority shareholders at Telkom. It sends a scary message to anyone who may be considering partnering with it," one fund manager said.

The directors who were voted out serve on boards including Cipla Medpro, Murray & Roberts, Liberty Life, Imperial Holdings and Nedbank. Three other directors resigned.

## **Key corporate governance principle completely ignored**

Jeff Molebela and Navin Kapila, two directors appointed by government when it still enjoyed special rights, were re-elected despite a number of minority shareholders voting against them. Neither Molebela nor Kapila serve on any other listed company board and both have less board experience than all the directors who were voted out.

Telkom currently has seven, instead of its mandated 14, board members, including Moholi and CFO Jacques Schindehutte. It does not have a lead independent director or chairman. Only three independent non-executive directors remain.

"Independent directors protect the interests of minority shareholders, and they are of even more importance in companies where one shareholder owns a substantial stake. They've just completely ignored a key corporate governance principle," a minority shareholder said.

Ian Liddle, chief investment officer at Allan Gray, Telkom's biggest private-sector investor, said it was "disappointed by the decision of government and the PIC to vote off independent directors, including the lead independent director. We find the way they did it most unusual and surprising and we're disappointed.

"We have engaged with the minister on previous occasions. Despite those engagements, we were surprised by the voting. We will continue to try and engage with her."

Source: *Business Times* via I-Net Bridge

## **Telkom CEO to step down**

Meanwhile, SAnews.gov.za, the official government news service, announced today that Telkom CEO Nombulelo Moholi has notified the company that she intends to step down before the end of her contract period.

In a statement on Monday, Telkom said Moholi had given the Board the requisite six months' notice in this regard.

"The company would like to emphasise that Moholi's intended departure does not impact on its operational capabilities, and on its ability to provide customers with the best possible service," said Telkom.

Furthermore, Neo Phakama Dongwana has informed the Board of her resignation as director, effective 2 November 2012.

"The Board thanks Dongwana for her valuable contribution to Telkom and wishes her well in her future endeavours," said the company.

Once it has filled the current vacancies and there are at least eight directors as required by the Memorandum of Incorporation, the Board will embark on a process of finding a replacement CEO.

The process of filling the vacancies on the Board has commenced and announcements will be made in due course.

Source: SAnews.gov.za

For more, visit: <https://www.bizcommunity.com>