Impact of King III: The relationship between corporate governance mechanisms and listing suspensions

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Acknowledgement

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Abstract

In this study, the main focus was to investigate the relationship between listing suspensions and corporate governance mechanisms which are related to the board of directors. The study also examined the effectiveness of King III in improving corporate governance on companies listed on the Johannesburg Securities Exchange of South Africa (JSE). The matched pairs research design was utilised where a comparison of 56 suspended companies were selected for the study. The period covered by the study was 2006 to 2017. Control companies were selected to match all the relevant suspended companies. The matching was done in terms of time, industry and size (measured by total assets). The control company should not have been suspended in the year under consideration. With the use of the conditional logistic regression model to analyse the data, the study found that the practice of board performance evaluation significantly reduced the odds of suspension. Another key finding of the study was that the number of directors with shares in the company has a statistically significant negative correlation to the odds of suspension.

A comparison of King II and King III regimes indicates a stronger corporate governance era during the King III phase. Board size, the proportion of non-executive directors, and the number of independent directors and board performance evaluations increased significantly during the King III phase. Additionally, the study notices a decrease in the number of JSE listing suspensions during the King III era as compared to King II which implies that King III brought in stronger governance measures to listed companies in South Africa.

Corporate governance is a critical focal point in managing corporates, raising capital as well as performing valuations of entities. The governance aspects relating to the actions of directors appear to have a direct correlation in determining whether a company will be suspended or not from the JSE. Findings of the study have contributed to the body of literature in proving the presence of a correlation between corporate failure and the failure of corporate governance structures. The findings in this study have a significant impact on policymakers in South Africa as they continue to strengthen corporate governance.

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1 CHAPTER 1: INTRODUCTION AND RESEARCH PROBLEM

The concept of governance has been around for decades and permeates across different sectors and disciplines. Be it politics, business and institutions or society at large, governance has been central in depicting leadership and leadership effectiveness. The World Bank (2007), as cited by Ansell and Torfing (2016), defines governance as " the process of selecting those capable of making authoritative political decisions; the capacity of the government to effectively manage its resources and implement sound policies; and the respect that citizens and governments have for the institutions governing their interactions". Different measures of governance indicators have been used across the world by different scholars. Kaufmann et al. (1999) took different measures and consolidated them into three clusters but still concluded that governance is not precisely measurable using aggregate indicators. On the other hand, Aguilera, Judge and Terjesen (2018) concluded that firms at times adopt governance practices that are different from the dominant governance logic. Their study focused on the concept of corporate governance deviance and also strove for the understanding of why, when and how an entity may adopt governance practices that are different from the national order.

According to the Cadbury (1992) report, governance is defined as the giving of overall direction to the enterprise, overseeing and controlling the executive actions of management. McGahan (2021) defines governance as a process of making decisions on how resources are acquired, created and allocated over a period of time. In large organisations, the owners are not always the same individuals governing the entity; as such, this creates a conflict of interest termed the agency problem. The success of the stock markets and the growth of listed companies have caused the composition of shareholders of large organisations to change continuously, at times even by the minute, making it difficult for shareholders to personally run the company (Khan, 2019). Consequently, the shareholders appoint directors to act on their behalf and monitor the managers, including executive directors, who are involved in the daily operations of the organisation. A fiduciary relationship is established between the board of directors (agent) and the shareholders (principal) which requires the board of directors to act in the best interest of the company at all times. This is a fundamental responsibility of the board as described by the South African Companies Act (No. 71 of 2008). The interest of

shareholders and those of the executives are not always aligned; this misalignment is called the agency problem.

Some examples of the agency problem are:

- excess remunerations of executives (Hoi et al., 2019)
- short termism – where the executives opt for quick short-term performance benefits at the expense of strategic long-term sustainable growth of the entity (Khan, 2019)
- information asymmetry – this happens when executives who normally have more information deliberately withhold some of it to influence shareholders' approval on a transaction (Nugroho & Stoffers, 2020)
- differences in attitudes towards risk (Khan, 2019).

1.1 How to overcome the agency problem?

The agency problem may be overcome through the enacting of laws and regulations that govern what entities can and cannot do. Most countries have legislated corporate laws. In addition, corporate governance practices have been a very powerful tool to deal with the agency problem. In South Africa, compliance with corporate governance code is part of the listing requirements: it is compulsory for all listed entities to comply with and report on this code in their annual integrated reports. This is despite the fact that the application of corporate governance practices in the King code is generally voluntary (Johannesburg Stock Exchange Limited, 2016).

South Africa was among the pioneers in the developing countries segment and certainly the first country on the African continent to adopt a code of practice on corporate governance (Mangena & Chamisa, 2008). Corporate governance mechanisms are normally codified in the legal framework or in regulations (Lipton & Lorsch, 1992). A significant portion of the corporate governance mechanisms are captured in a voluntary code of practice. These codes are put together to prevent corporate failures or, at a preliminary stage, listing suspensions. Empirical evidence has proved that corporate governance is beneficial. Good corporate governance is correlated with higher firm performance and lower corporate risk (Zagorchev & Gao, 2015). In South Africa, adherence with the King code, which outlines the corporate governance mechanisms, is one of the listing requirements and is therefore compulsory for listed entities; yet we still witness corporate failures. For example, African Bank Investment

Limited, Masterbond, Regal Treasury Bank and more recently VBS Mutual Bank (Ntingi, 2018), Steinhoff International Holdings N.V. (Rossouw & Styan, 2019) and Tongaat Hulett (Lowman, 2019). South Africa is also witnessing the Raymond Zondo Commission of Inquiry which is investigating allegations of state capture, fraud and corruption especially in state institutions and focuses on corporate governance failures in the respective institutions. A commission of inquiry is one of many mechanisms available to the government to investigate various issues of national importance. The commission of inquiry is a structure set up by the president that reports findings, gives advice and makes recommendations on the aspects in question. Lipton and Lorsch (1992) noted that the collapse of most firms is as a result of too many boards failing to adhere to governance standards. Kiel and Nicholson (2005) contended that the board of Enron Corporation, an American entity, failed in several areas including those of strategy, control and ethics. Their contention on the failure is directly linked to the board. In line with the above sentiments, Sarra (2004) agrees that most corporate collapses are due to failures of corporate governance structures.

A study by Mangena and Chamisa (2008) focused on the link between listing suspensions on the Johannesburg Securities Exchange of South Africa (JSE) and corporate governance mechanisms. Their study covered the period 1999 to 2005. This study will focus on the notion advanced by Lipton and Lorsch (1992) as noted above. The updated study will focus on the period 2006 to 2017. As such, this study will investigate "The impact of the King code: The relationship between corporate governance mechanisms and listing suspensions". In addition, the study will also investigate whether the introduction of King III had any impact on corporate governance as far as it relates to the JSE listing suspensions.

1.2 Structure of this paper

Chapter 2 provides a literature review of corporate governance covering its importance, benefits, stakeholder theory and corporate governance codes. This chapter also deals with the literature on the corporate governance mechanisms that are proxies in this study, namely board size, proportion of non-executive directors, board meeting attendance and frequency, duality, performance evaluation of directors and directors' share ownership. It also contains a comparison of King II and King III.

Chapter 3 outlines the research methodology used in this study. It also deals with the methodology used in the previous study. The chapter covers how the population was determined, collection of data and finally its analysis using statistical models.

Chapter 4 discusses the results emanating from the statistical models.

Chapter 5 presents the findings of the study and responds to the hypotheses created in the literature review phase of the study.

Chapter 6 gives a summary of the conclusions and recommendations from the study. It also highlights limitations of the study and areas of future research.

Chapter 7 is the bibliography or references which presents a list of materials that were consulted in this study.

2 CHAPTER 2: LITERATURE REVIEW

2.1 Overview of corporate governance

Corporate governance in general receives great attention in the media and is topical in company valuations, investing decisions and funding decisions. Corporate governance is defined as the exercise of ethical and effective leadership by the governing body to achieve ethical culture, good performance, effective control and legitimacy (King IV, 2016). The above definition is in line with Samra (2016), who defines corporate governance as "a set of promises made by a corporation, and those that make the decisions for a corporation, to the corporation's stakeholders. It can be viewed as a system of law, contracts, and social norms that govern the structure by which corporations make decisions". It is through good corporate governance that management will act in the best interest of shareholders. Corporate governance therefore encompasses the controls and procedures that exist to ensure that the behaviour of management is aligned to that of shareholders (Kanagaretnam et al., 2007). The investors, who are normally outsiders, rely on a set of mechanisms in the company to ensure that the executives will not expropriate their investments (La Porta et al., 2000).

2.2 Importance and benefits of corporate governance

In the majority of cases, corporate governance failures result in either a significant reduction or the total destruction of shareholder value. They are normally associated with socio-economic consequences for communities in which they operate. This could include shutting of businesses, loss of employment and employment opportunities, financial loss to funders for highly geared entities, reputational risk to board members, and negative impacts on the entity's value chain as well as on retirement benefits. With all the implications highlighted above, it is important to focus on and analyse the contribution of boards of directors in corporate failures (Kiel & Nicholson, 2005). Increasingly, state-owned companies in South African have been plagued by corporate governance scandals and this has caused some of them to be in dire financial distress (Mashamaite & Raseala, 2018). It is costing the country millions of rand in commissions of inquiry and court cases to understand what went wrong. For example, the Zondo Commission is estimated at R1 billion, R130 million was spent on the Seriti Commission into the arms deal, R54.5 million was spent on the Public Investment Corporation

(PIC) inquiry and R8.8 million was spent on the Nugent Commission of Inquiry (TheCitizen, 2020). Ultimately the board is being criticised for having failed to exercise its oversight role.

Available literature agrees that corporate governance is beneficial as will be shown below. Good corporate governance has been cited as a major contributing factor to market stability (Ararat et al., 2017). Good corporate governance ensures the development of a financial market as proved by shares being widely held in countries where there is a functioning stock exchange (La Porta et al., 2000). Furthermore, La Porta et al. (2000) explained that, countries that legally protect shareholders' and creditors' rights have valuable stock markets and companies can raise capital through initial public offerings. This was proved empirically on a sample of large firms from 27 wealthy economies with better shareholder protection whose Tobin's Q was higher than comparative firms from economies with weaker shareholder protection (La Porta et al., 1999 and Valenti et al., 2014). Two studies by Espenlaub et al. (2016, 2020) found that better investor protections and high-quality security laws significantly increase survival beyond initial public offerings.

Prior studies have looked at various proxies for good corporate governance principles and their impact on the company's sustainability. Ntim (2011), who examined the correlation between market valuation and the presence of independent non-executive directors (INEDs) on firms listed on the JSE from 2002 to 2007, confirmed the presence of a statistically positive significant relationship between the presence of INEDs and firm valuation. In addition, Klai & Omri (2011) examined the effect of governance mechanisms on the financial reporting quality for a sample of 22 Tunisian firms. From their work, they positively concluded that governance mechanisms affect the financial information quality of the Tunisian companies. The research was based on a sample of companies listed on the Tunis Stock Exchange during the period 1997 to 2007. Meanwhile, Pamburai et al. (2015) examined the relationship between corporate governance mechanisms and company performance as measured by economic value added (EVA), return on assets (ROA) and Tobin's Q. They examined listed companies in South Africa in 2012.

Arising from the findings of Ntim (2011), Klai and Omri (2011) and Pamburai et al. (2015) relating to internal governance is that:

- There is a statistically significant and positive relationship between the presence of INEDs and firm valuation.
- Entities with smaller boards, performed better than those with larger ones.
- Companies with higher proportions of non-executive directors (NED) perform better than those with lower proportions of NEDs.
- Companies whose board met less frequently performed better that those whose board met more frequently.

In line with the studies above, Caylor (2004) notes that good corporate governance makes an entity:

- more profitable
- more valuable
- pay out higher dividends to their shareholders (this was also noted by Bocean & Barbu, 2007).

Good corporate governance increases investor confidence in financial markets through disclosing appropriate quality and quantity of information. This was consistent with the findings of Kanagaretnam et al. (2007) who found that firms with stronger corporate governance have smaller changes in information asymmetry around quarterly earnings announcements. This notion is further supported by Elshandidy & Neri (2015), who conducted a study on UK and Italian companies and concluded that governance factors strongly influence a firm's decision on whether to reveal risk disclosure or not. They found that strongly governed firms in the UK tend to provide more meaningful risk information to their investors than weakly governed firms.

Generally, investors prefer to be associated with well-governed firms. A company with good corporate governance commands a lower cost of debt which strengthens its financial performance (Valenti et al., 2014). In addition, investors are willing to pay a premium for shares in a well-governed company (Black et al., 2007). Some of the corporate governance mechanisms, like having INEDs on the board, are associated with higher firm valuation (Ntim 2011).

2.3 Stakeholder theory

The success of organisations is largely dependent on how well the stakeholders are taken care of. The stakeholders are the constituencies without which the entity will cease to exist (Phillips, 2003). Phillips (2003) defines stakeholder theory as a "theory of organisational management and ethics". This definition is supported by Freeman (2010) who has described the stakeholder theory as a set of relationships that are crucial to the functioning, among individuals or groups who affect or are affected by the operations of the entity. The theory broadens the management focus of corporates from just maximising shareholder wealth to all parties that can accelerate or hinder the achievement of the organisation's objectives. The stakeholder approach has led to the development of integrated reporting and corporate governance practices within the business reporting fraternity.

2.4 Corporate governance practice

Globally, corporate governance mechanisms have taken a trend towards greater transparency of reporting, shareholder empowerment and director oversight (Cuervo, 2002). Most of the corporate governance mechanisms are included in the corporate legal framework, which entities have to comply with to legally operate within a jurisdiction. The deficiencies in the above are usually addressed by the use of a code of good governance, which is a set of norms that regulate the behaviour and structure of the board of directors. The codes of good corporate practice are prescribed by the stock exchange regulators and as such form part of the listing requirements and are mandatory for listed companies.

The listing requirements on the JSE prescribed disclosure of financial and non-financial information which is the reason listed companies produced annual reports and filed them with the JSE on an annual basis. This stems from the fact that stakeholders want to know not just about financial performance, but also about the kind of impact a company will have on society and the environment. The introduction of King III in South Africa, which was part of the listing requirements, contained the principle that "the board should appreciate that strategy, risk, performance, and sustainability are inseparable" (King III, 2009) and recommended that companies prepare an integrated report to reflect this. However, King III did not elaborate on the structure and content of the integrated report. This paved way for the birth of the Integrated Reporting Committee (IRC) of South Africa, a multi-organisational, voluntary, national body that has brought together different professionals with an interest in corporate reporting. The IRC developed a framework for an integrated report in 2011, which was used as a starting point

for the development of the International Integrated Reporting Council's (IIRC) *International <IR> Framework*, which was released in December 2013 (Roberts, 2017). Integrated reporting is rooted in integrated thinking which enhances the scope of corporate reporting. Contrary to the traditional approach to corporate reporting, integrated reporting attempts to report the value creation process of an organisation. It refers to both financial as well as non-financial factors that are responsible for the development of sustainable value added for an organisation. The framework of integrated reporting includes six capitals which are financial capital. human capital, manufactured capital, intellectual capital, social and relationship capital and natural capital (Value Reporting Foundation, 2013).

In South Africa, some corporate governance principles have been codified in the Companies Act and also included in a code of principles and practices – the King code. In South Africa, the corporate governance reforms (King code) have been going on since the advent of independence in 1994 and have been revised and updated as and when the need arose, in 2002, 2009 and most recently in 2016.

The overarching objective of the King code is to raise the corporate governance standards in South Africa (Ntim et al., 2012; Armstrong, Segal, & Davis, 2006). The code is a voluntary set of governance compliance guidelines. Listed companies are obliged to adopt the code as part of the JSE listing requirements to enhance governance. However, where the company fails to apply the code, they are required to explain the deviation in their annual or integrated reports, hence the application basis of the code – "comply or explain" (King II, 2002) or "apply or explain" (King III, 2009). After the release of the King IV Code, which came into effect on 1 April 2017, the regulation has changed to the "apply and explain" principle (King IV, 2016).

A number of studies, including one by Solomon (2007), have written extensively on the failure of major corporates like Enron Corporation in the United States of America. All sources detail how a once successful company was brought to its knees and eventually collapsed due to various corporate governance mechanisms that were compromised. The NEDs, auditors, internal audit committee and board all failed in some respects and contributed to the eventual fall of the Enron Corporation. Also, Solomon found the same corporate governance failures in the Parmalat Spa case in Italy. According to the report compiled by Advocate John Myburgh

who investigated the collapse of African Bank Investments Limited in August 2014, he found no fraud but a failure by the directors in their duties (Donnelly, 2016).

The corporate governance framework is premised on the system of the laws, regulations and judicial decisions (Lipton & Lorsch, 1992). According to Lipton & Lorsch (1992), most corporate governance failures are a result of too many boards of directors failing to make the system work as it should. In other words, board effectiveness is the biggest contributor to corporate governance failures. The board of directors is the key structure within the company which is charged with the governance function of the company. The board needs to balance the interests of various stakeholders to achieve the company's long-term objectives. It is for this reason that this study will focus on corporate governance mechanisms linked to directors.

This paper is inspired by the work of Mangena and Chamisa (2008), who investigated the corporate governance related to incidences of listing suspension by the JSE. Using a matched pairs research design, they compared 81 firms suspended between 1999 and 2005 to an equal number of control firms. Mangena and Chamisa then applied a conditional logistic model and found that the probability of suspension is significantly higher in firms with a smaller proportion of NEDs, without an audit committee, with greater block share ownership and with higher gearing. Being an update paper, the study will examine suspensions between 2006 and 2017. The corporate governance mechanisms to be investigated in this study and used as proxies will be a combination of those used in the Mangena and Chamisa paper and those that directly relate to directors as per Chapter 2 of the King III (2009). The focus of this study will be the corporate governance mechanisms that are related to the board of directors. It stems from the contention by Kiel and Nicholson (2005) that the corporate collapse of most entities is a direct result of a failure by the board.

Table 1 below shows proxies considered for this study as derived from the prior study by Mangena and Chamisa (2008). For completeness purposes some of the governance elements were obtained from Chapter 2 of King III relating to boards of directors.

Table 1. Corporate governance proxies

	Corporate governance proxy	**Comment**
1	*Size of the board	The proxy will be included in this study.
2	*Composition of the board in respect to a) proportion of non-executive directors b) proportion of independent non-executive directors	The proxies will be included in this study.
3	**Board meeting attendance and frequency	The proxy will be included in this study.
4	*The position of chairperson of the board should be separated from the Chief Executive Officer (CEO)	The proxy will be included in this study as "duality".
5	**Performance assessment of the board	The proxy will be included in this study.
6	*Directors' share ownership	The proxy will be included in this study.
7	**Remuneration of the board	All directors are remunerated, and the remuneration is dependent on a number of variables including industry sector and size of the company; as such, this proxy will be excluded from this study.
8	*Gearing	The proxy will be excluded from the study as it is not directly related to directors.
9	*Presence of an audit committee	This proxy will not be included in the study because of the Companies Act (No. 71 of 2008) which makes the presence of the audit committee mandatory for all public companies.
10	**Presence of internal audit	The proxy is not directly related to directors and is also not a board committee; as such, it will be excluded.

*proxy obtained from prior study by Mangena and Chamisa (2008)

**proxy obtained from Chapter 2 of King III

This study investigates whether suspensions on the JSE are correlated to the existence of recommended King III practices. The South African government, post the end of apartheid, adopted a new economic approach that was inclusive based on a social contract with the general

citizenry. Since 1994, the King Committee, which has been issuing governance codes, has issued four codes to date: King I (1994), King II (2002), King III (2009) and King IV (2016) (Robinson et al., 2020). In general, the codes of good governance are non-binding which means they do not carry the same status as corporate law. The codes are there to guide corporate behaviour (Croucher & Miles, 2010). The period covered by the study (2006 to 2017) spans two King code regimes. Prior to 1 March 2010, King II was effective and after 1 March 2010, King III became effective. For the purposes of this study, only King III will be considered. For a later period, the study is to determine if the release of King III had any impact on the corporate governance practices. The Companies Act (No. 71 of 2008) was signed by the president on 8 April 2009 and came into effect on 1 May 2011. Prior to that date the Companies Act (No. 61 of 1973) was effective. The current Companies Act will be considered for corporate law requirements.

2.5 Proxies for corporate governance

In this section the researcher discusses which proxies were used for the study and also develops a hypothesis for the study

2.5.1 Board size

The Companies Act (No. 61 of 1973) and its successor (No. 71 of 2008) prescribe that a private company must have at least one director while a public company must appoint at least three directors at all times. However, the Act does not state the maximum number or the appropriate number of directors that a company should have. The JSE listing requirements (2005) specifically require listed companies to have at least four directors. King III (2009) recommends every board to determine the size and diversity that will make it effective. The King report further recommends that the majority of the board members should be non-executive and the NEDs should be dominated by the independent directors. King IV (2016) accepts the same notion and requires the majority of board members to be non-executive members, most of whom should be independent.

Views of scholars differ substantially on the optimum size of the board. A bigger board has the obvious advantages of diversity of ideas and a lot more human resources to oversee executive management (Beasley, 1996; Karamanou & Vafeas, 2005). A study by AlQudah, Azzam, Aleqab and Shakhatreh (2019) revealed that board size was a significant and positive factor impacting a firm's financial performance. Manzaneque et al. (2016) found a negative correlation between board size and likelihood of financial distress implying that a bigger board

is a good proxy for corporate governance. Their study focused on Spanish listed firms and was performed on companies between 2007 and 2012 using a matched pairs research design.

On the other hand, bigger boards are seen to be inefficient in terms of communication, making decisions and simply reaching a consensus. Some scholars have also cited that bigger boards are easily controlled by chief executive officers (CEOs) which makes them inefficient (Jensen, 1993). Yermack (1996) and Su, Liu and Zhang (2019) concur that a bigger board will not easily reach consensus on a risky decision, which reduces the risk that the company may otherwise take. Al-Najjar (2014) also noted contradictory views in that he found that larger boards enhance firm profitability while small boards reveal efficient stock performance.

Kota and Tomar (2010) found a negative association between board size and firm value. The study found that smaller boards are more effective in enhancing firm value. However, Mangena & Chamisa (2008) found no correlation between board size and incidences of listing suspensions in the period 1999 to 2005. Empirical evidence has been advanced to show that companies with smaller boards are related to higher firm value (Mak and Kusnadi, 2005; Yermack, 1996). Therefore, the following will be hypothesised:

H1: *There is a significant negative relationship between board size and incidences of listing suspension from the JSE*

2.5.2 Proportion of non-executive directors

Non-executive directors are defined as "part time" or "outside" directors. They normally form the majority of the boards (Forbes and Milliken, 1999). The King I report (King I, 1994) recommended that the South African board of directors should have at least two NEDs. The subsequent versions of the corporate governance codes (King II, 2002; King III, 2009; King IV, 2016) agree with Forbes & Milliken (1999) that the NEDs should be the majority on the board without specifying an exact number (Ntim, 2011). King II and King III provided a clearer distinction and classification of directors and categorised them into executive, non-executive and independent non-executive. A stricter definition of "independence" was also provided. King III further recommends that the majority of the NEDs should be independent (King III, 2009). NEDs are seen as a critical component of the board in its oversight role by giving the board an independent monitoring capacity (Fama, 1980). Some scholars have deemed the presence of NEDs on the board a necessary mechanism to resolve internal disputes (Bencomo,

2021). The common disputes emanating from the board, stakeholders and shareholders usually threaten the going concern of the entity and usually have high litigation and arbitration costs and therefore a low-cost mechanism is necessary to address corporate governance issues. NEDs, especially the independent ones, are regarded as the mechanism that can provide the necessary resolution of corporate governance disputes due to the "free, impartial, detached, wise, comprehensive, fair, credible and honest judgement they can provide" (Bencomo, 2021). The King reports increasingly give unwavering support to the presence of NEDs on the board mainly because major accounting scandals are attributable to unethical and dishonest actions of executives which leads to the notion that NEDs bring an impartial decision-making process purely for the benefit of the entity (Bencomo, 2021).

Advocates of good governance argue that a board with too many executive members is less clean and its level of accountability is low (Sonnenfeld, 2002). The presence of NEDs acts as a deterrent for collusion between executive management and the board on transactions that are detrimental to shareholder value creation (Haniffa and Cooke, 2002). Empirical evidence from various scholars supports the notion of having boards that are dominated by NEDs. Al-Najjar (2014) found a positive relationship between having independent directors on the board and firm performance as well as stock performance. This is consistent with the study by Jiraporn and Lee (2018) who found that board independence was a significant governance mechanism to reduce the risk that executives would otherwise take. On the other hand, Adams and Jiang (2016) found no relationship between the proportion of NEDs and firm performance.
Pamburai et al. (2015) contend that the proportion of NEDs directly and positively affects the performance of companies. In their study, they found that companies with higher proportions of NEDs seem to perform better than those with lower proportions of NEDs. Ntim (2011) also came to a similar conclusion that a positive relationship exists between the presence of independent NEDs and firm valuation. Therefore, the presence of NEDs and INEDs is classified as a good corporate governance indicator; as such, the following is hypothesised:

H2: There is a significant negative relationship between the number of non-executive directors and incidences of listing suspension from the JSE

H3: There is a significant negative relationship between the proportion of non-executive directors and incidences of listing suspension from the JSE

H4: There is a significant negative relationship between the proportion of independent non-executive directors and incidences of listing suspension from the JSE

2.5.3 Board meeting attendance and frequency

Section 76 of the Companies Act (No. 71 of 2008) deals with the standard of conduct expected from members of a board and extends it beyond the common law duty by expecting them to act honestly, in good faith and in a manner they reasonably believe to be in the best interests of their companies (Werksmans, n.d.). Stemming from the Act, the duties of directors include monitoring, advising and contracting. The board discharges its fiduciary duties through the oversight role and by making decisions either in physical meetings or on a round robin basis. The decisions are debated in board meetings. As such, attendance of board meetings by directors is a critical component of their duties as it presents them with a platform to gather information, obtain explanations, debate issues and monitor executive management (Adams and Ferreira, 2008). The Companies Act, King III, King IV and the JSE listing requirements do not prescribe the frequency of meetings for the board members. However, King III recommends that the board should meet as often as is required and goes on to suggest a minimum of once every quarter (King III, 2009). Board meeting attendance tends to decrease with the increase in the number of board appointments a director accepts. The decrease is also exacerbated by the frequency of the meetings (Lin, Yeh and Yang, 2014).

Empirical evidence shows that the attendance of NEDs improves when board attendance fees are higher. This is in line with an economic phenomenon that people respond to incentives (Adams and Ferreira, 2008). Chou et al. (2013) found that high board attendance increases firm value. The study was conducted on Taiwanese companies. This finding was also confirmed by Lin et al. (2014). A study by Al-Daoud, Saidin and Abidin (2016) found a positive correlation between the frequency of board meetings and firm financial performance. Based on the evidence above, board meeting attendance is a good corporate governance attribute; as such, the following is hypothesised:

H5: There is a significant negative relationship between the number of board meetings held by the board of directors and incidences of listing suspension from the JSE

H6: There is a significant negative relationship between the attendance of board meetings by directors and incidences of listing suspension from the JSE

2.5.4 Duality (CEO and chairperson)

The Companies Act in South Africa does not prohibit a situation where the roles of the CEO and chairperson of the board are held by the same person. However, most corporate governance codes discourage this practice (e.g. King II, King III, King IV and the UK Corporate Governance Code). The King report recommends that the chairperson should be an INED and should not be the CEO. Similarly, the Malaysian Code has the same recommendation to ensure that no single person has the ability to control the board (Abdul Rahman and Haniffa, 2005). In terms of both King III and the JSE listings requirements, where an executive chairperson or non-independent chairperson is appointed, the board should appoint a lead independent NED (LID) (another independent director, usually the deputy chairperson). In situations where the independence of the chairperson is questionable or impaired, a LID should be appointed for as long as the situation exists. This recommendation has been retained in King IV (2016). This is regarded as a matter of public interest and as such should be disclosed in the integrated report (King III, 2009).

Several scholars agree that role duality reflects lower board oversight role and greater CEO control while non-duality indicates higher board oversight and less power to the CEO (Finkelstein et al., 2009). This is also consistent with the study by Duru et al. (2016) who found a negative relationship between duality and firm performance. Proponents of the agency theory recommend that the board should be independent of management. They argue that role duality presents a conflict to the recommendation and believe that role duality negatively affects firm performance (Jensen, 1993). This view was also supported by Duru et al. In agreement with Jensen (1993), Abdul Rahman and Haniffa (2005) found that the performance of companies with a CEO in dual roles was lower than those where the roles were separated. Conversely, the stewardship theorists argue that there are some advantages to having duality, especially for start-up companies or entities going through a significant change of process like the initial public offering. They note that a single individual holding both positions enhances the unity of leadership and also increases the responsiveness of the organisation (Chahine and Tohm, 2009). Brickley, Coles and Jarrell (1997) argue that the cost of separating the roles exceeds the benefits for most companies. Per the latest King code, the separation of the role of CEO and the chair is classified as a good corporate governance indicator and the following hypothesis is made:

H7: *There is a significant positive relationship between role duality and incidences of listing suspension from the JSE*

2.5.5 Performance evaluation of directors

The King code (King III) recommends that the board should undergo performance assessment every year. King II was silent on this aspect. King IV has changed the frequency of the assessment from annually to bi-annually. The evaluation should be performed by the chairperson or an independent service provider. The results of the assessment should be disclosed in the integrated report. According to King III, the re-appointment of a director should be a consequence of performance evaluation and attendance. Boards have performance pressures emanating from stakeholders which demand effective leadership in instilling organisational changes to corporates. The outcomes of board performance evaluation processes could range from relatively minor amendments to board processes and structure, changes in board composition and alterations in board committee structures to significant steps towards rectifying the factors that contribute to board dysfunctionality (Deloitte, 2014). The director's performance evaluation differs from the board performance evaluation in several respects, though the evaluation methodology and the processes followed are largely similar. King III advocates for the director and board evaluation to be undertaken annually. Shareholder activism has also placed blame at the feet of the board for poor corporate governance decisions. In response, the boards are relying on performance evaluations as a mechanism to assist them in increasing their performance (Kiel and Nicholson, 2005). This view is supported by Conger, Finegold and Lawler (1998) who contend that institutional investors are beginning to demand that the board should be evaluated as this is seen to clarify the roles of board members and board committees and it also enhances the relationship between the board and management. Table 2 below summarises some of the benefits of performance evaluations to the board and individual directors.

Table 2. Performance evaluation of the board

Benefits	To organisation	To board	To individual directors
Leadership	▪ Sets the performance tone and culture of the organisation ▪ Role model for CEO and senior management team	▪ Demonstrates long-term focus of the board ▪ Leadership behaviours agreed and encouraged	▪ Demonstrates commitment to improvement at individual level
Role clarity	▪ Enables clear distinction between the roles of the CEO management and the board ▪ Enables appropriate delegation principles	▪ Clarifies director and committee roles ▪ Sets a board norm for roles	▪ Clarifies duties of individual directors ▪ Clarifies protection of directors ▪ Clarifies expectations
Teamwork	▪ Builds board-CEO-management Relationships	▪ Builds trust between board members ▪ Encourages active participation ▪ Develops commitment and sense of ownership	▪ Encourages individual director involvement ▪ Develops commitment and sense of ownership ▪ Clarifies expectations
Accountability	▪ Improved stakeholder relationships, e.g. investors, financial markets ▪ Improved corporate governance standards ▪ Clarifies delegations	▪ Focuses board attention on duties to stakeholders ▪ Ensures board is appropriately monitoring organisation	▪ Ensures directors understand their legal duties and responsibilities ▪ Sets performance expectations for individual board members
Decision making	▪ Clarifies strategic focus and corporate goals ▪ Improves organisational decision-making	▪ Aids in the identification of skills gaps on the board ▪ Improves the board's decision-making ability	▪ Identifies areas where director skills need development ▪ Identifies areas where the director's skills can be better utilised
Communication	▪ Improves stakeholder relationships ▪ Improves board management relationships ▪ Improved board-CEO relationships	▪ Improves board management relationships ▪ Builds trust between board members	▪ Builds personal relationships between individual directors
Board operations	▪ Ensures an appropriate top-level policy framework exists to guide the organisation	▪ More efficient meetings ▪ Better time management	▪ Saves directors' time ▪ Increases effectiveness of individual contributors

Extracted from: Kiel, Nicholson and Barclay (2005) as cited in Kiel and Nicholson (2005)

Performance evaluation is an important tool to identify weaknesses and opportunities, improve competitiveness and remain relevant (Zhu, 2014). The evaluation process allows the board to identify areas of corporate governance failures. This allows the board an opportunity to address the areas of concern before issues get to a crisis level (Kiel and Nicholson, 2005). Other benefits of board performance evaluations are:

- confirmation that it has a suitable balance of skills and other attributes
- focus on the attributes required in any new director
- focus on any inadequacies
- identification of strategic priorities
- development of skills, knowledge and understanding in the individual directors
- review of its practices and procedures, thus increasing efficiency and effectiveness.

The skills and expertise of the board are evaluated on a collective basis. The evaluation process assists the board members to know the strength of each member on the board and as such the board can play to its collective strength for the benefit of its oversight role (Osborne, 2008). Therefore, director performance evaluation is classified as a good corporate governance indicator and the following hypothesis is made:

H8: There is a significant negative relationship between director performance evaluation and incidences of listing suspension from the JSE

2.5.6 Directors' share ownership

Board shareholding is seen as an incentive for the actions of directors to be in line with those of other shareholders. Directors with a stake in the company exercise more rigour in their monitoring than those without (Kren and Kerr, 1997). Lin et al. (2014) share the same views and note that directors with significant investment also frequently attend board meetings. Conversely, King III recommends that the majority of board members should be NED and the larger proportion of NEDs should be independent. Independent directors are more accountable to investors when a company goes through financial irregularities such as fraud, corruption or collusion.

The likelihood of an independent director being specifically named in a lawsuit by investors is high. The likelihood increases if the director has disposed of his shareholding during the period of the perceived fraud (Brochet and Srinivasan, 2014).

Empirical evidence relating to board shareholding is mixed. Advocates of good governance argue that a board without independent directors can play an advisory role but not effectively monitor management. It is from this perspective that the practice of having board members with shareholding is discouraged (Wang et al., 2015). The probability of a company committing financial fraud was lower where there was a higher presence of INEDs (Wang et al., 2015). Manzaneque et al. (2016) also found a negative relationship between directors' share ownership and the likelihood of a company getting into financial distress. In their study, they found that the directors' share ownership was higher for non-distressed companies in comparison to distressed ones. In addition, a positive relationship was observed between the directors' share ownership and management forecasts (Karamanou and Vafeas, 2005). A positive relationship was also observed by Short et al. (1999) between directors' share ownership and firm performance. These findings are consistent with those of Mangena and Chamisa (2008) who found a negative relationship between directors; share ownership and JSE listing suspensions. This study will focus on beneficial share ownership and will further split it into direct share ownership and indirect share ownership. The study will also focus on the magnitude of the share ownership by creating a proxy for directors owning at least 1% of the shareholding in the company. The following hypothesis will be made:

H9: There is a significant negative relationship between directors' share ownership and incidences of listing suspension from the JSE

H10: There is a significant negative relationship between direct directors' share ownership and incidences of listing suspension from the JSE

H11: There is a significant negative relationship between indirect directors' share ownership and incidences of listing suspension from the JSE

H12: There is a significant negative relationship between directors holding at least 1% share ownership in the company and incidences of listing suspension from the JSE

2.5.7 Comparison of King II and King III

The motivation of South Africa to adopt King I was probably driven by the end of many years of economic isolation. The African Corporate Governance Network Report (2016) as cited in Langeni (2018) suggests that the objective of adopting a sound corporate governance

framework by the country was for international acceptability. Mans-Kemp and Erasmus (2016) agree with the notion advanced and put forward an argument that South Africa had to adopt the King code in response to investors who had raised concerns that the JSE listed entities had inefficient governance structures due to long periods of economic isolation. The analysis of the King codes of good governance indicates that each subsequent code strengthened governance more than the one before. This study falls into the regime of King II and King III; as such, the literature will focus on these two codes.

King II was meant for listed companies and state-owned entities while King III applied to all entities irrespective of the nature of incorporation, establishment, and also regardless of the industry sector (Muwandi, 2010). King II used the "comply or explain" principle which meant that companies are expected to comply or explain any deviation from the King code while King III adopted the "apply or explain" principle. This was driven by the King Committee's presumption that the "comply or explain" approach could denote a mindless response to the application of the King code. By implication, King II focused on reporting while King III emphasised the concept of the application or "doing" (Muwandi, 2010).

King III requires the board to consider the solvency and liquidity of the company. In the event the company is unlikely to meet the solvency and liquidity requirements, the board should take measures that will result in the company getting out of its financial constraints. King II did not impose any business rescue responsibilities on the board. The Companies Act (No. 71 of 2008) has also imposed the same requirement on the board.

Both King II and King III concur in requiring the board to undergo performance evaluation of the board led by the chairperson. King III gives great detail in terms of how it should be done. King III requires the board to make a deliberate decision on whether the performance evaluation of the board members should be done internally or by outside independent service providers. In addition, the appraisal of the chairperson of the board is specifically addressed in Principle 2.22.121 of King III. The reappointment of members of the board was made a function of the performance evaluation and this gave prominence to the performance evaluation aspect under the King III regime.

The aspect of the board composition was addressed by King II and King III in somewhat different perspectives. As stated in King II, the board should have a balance of executive and non-executive directors, with a preference of having the majority of non-executive directors

being independent of management (King II, 2002). King III requires that the majority of NEDs on the board be independent. Although King II recommends that NEDs should dominate the board with the majority of them being independent, King III makes this a requirement that enhanced the governance aspect relating to the independence of the board.

A clarification was added by King III into the definition of an INED. King III added the following to the clarifications as per paragraph 67:

"An independent non-executive director is a non-executive director who:

- is not a representative of a shareholder who has the ability to control or significantly influence management or the board;

- does not have a direct or indirect interest in the company (including any parent or subsidiary in a consolidated group with the company) which exceeds 5% of the group's total number of shares in issue.

- does not have a direct or indirect interest in the company which is less than 5% of the group's total number of shares in issue, but is material to his personal wealth;

- has not been employed by the company or the group of which it currently forms part in any executive capacity, or appointed as the designated auditor or partner in the group's external audit firm, or senior legal adviser for the preceding three financial years"

The introduction of King IV in 2016 ushered in a new corporate governance dispensation in South Africa. King IV brought a change from a "apply OR explain" mentality to a "apply AND explain" mentality (King IV, 2016). King IV simplified the application of 75 principles as detailed in King III into 17 principles, each supplemented with various recommended practices to make it easier for smaller entities to implement the principles within their day-to-day operations.

The King codes of corporate governance have reached maturity in South Africa to the extent that after King III, there was a significant demand for the inclusivity of smaller businesses, and governmental or non-profit organisations in the King report. King IV was the answer to this call which dedicated a supplement chapter to guiding municipalities, non-profit organisations, retirement funds, small and medium enterprises and state-owned entities in the implementation of the report. In addition, where King III used terms like "companies" and "boards", King IV very purposefully uses more inclusive terms like "governing bodies" and "organisations"

throughout the report. It appears the main objective of King IV is to move the principles of good corporate governance into real-world action – for all organisations. The progression of the King reports provides a basis for the following hypothesis:

H13: There is a significant positive improvement in the corporate governance proxies in the period from which King III became effective

3 CHAPTER 3: RESEARCH METHODOLOGY

According to Kothari (2017), "research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically". It is the blueprint through which the researcher will collect data. This chapter is going to look at the research design, population, sample, sampling design, sampling techniques, data collection, research procedure, research ethics and data analysis.

3.1 Research philosophy

Research philosophy is a belief or stance on how the researcher thinks about how data should be collected, analysed and used (Dudovskiy, 2018, in Mitchel, 2018). The research philosophy adopted for this study was a positivist philosophy. Positivist philosophy entails testing a theory with the use of data collected (Kothari, 2004). A positivist philosophy is merely used to determine whether a theory is true or not (Walliman, 2017). The research is using a pre-existing model which was used in a similar study, the difference being the years selected (Kothari, 2004). For this study, the theoretical approach used was a deductive stance, because the foundations of this study come from work done by Mangena and Chamisa (2008). A deductive approach theory is when the researcher is testing an existing theory (Walliman, 2017).

3.2 Research purpose

The purpose of this research study was to:

- to determine if there is a relationship between corporate governance mechanisms and listing suspensions with a specific focus on the board of directors
- to determine whether King III was significant in improving governance of listed companies in South Africa and had an impact on JSE listing suspensions.

3.3 Research design

Research design may take the form of quantitative, qualitative or a combination of both. Quantitative research design is used when the data involved in the study is numerical in nature and qualitative research design deals with data that is non-numeric. In other words, the data involved in the latter is categorical or descriptive in nature. This is in line with the explanation provided by Mahindi (2016). According to Hancock et al. (2019), the research design is a plan that provides the underlying structure to integrate all elements of a study so that the results are credible, free from bias and maximally generalisable. For this study, a combined approach was used. This is in line with the previous research by Mangena and Chamisa (2008) on which this study is based.

3.4 Methodology used in the previous study

The previous study by Mangena and Chamisa (2008) obtained the list of suspended firms from the JSE and those were matched with similar control firms (not suspended) on the basis of total assets, industry and time period. Some firms were excluded from the analysis due to unavailability of information or the absence of a suitable control firm. The study had 81 pairs of firms and utilised a matched pairs research design to analyse the data. The conditional logistic regression analysis was employed due to its ability to preserve the character of the matched sample; as such, it was considered more appropriate than the ordinary least squares (OLS) regression analysis (Hosmer and Lemeshow, 2000, as cited in Mangena and Chamisa, 2008). This methodology is similar to what was used in this study.

The number of JSE listed companies has decreased over the period by 20% from 481 in September 2002 to 385 in April 2017. It is also interesting to note that in the period (1999 to 2005) of the initial study, there were 524 companies suspended while the period (2006 to 2017) of this study had 221 suspensions in total. The period covered by the study spans over the King II and King III regimes.

3.5 Population

As previously mentioned, this is an update study that is based on a prior study which focused on JSE listed companies as information for listed companies is publicly available whereas for private companies it is not. The original study focused on a seven-year period (1999 to 2005), thus this study was also meant to focus on the subsequent seven-year period (2006 to 2012). A request was sent to the JSE for a list of all entities whose JSE listing was suspended as well as the reason for the suspension between 2006 and 2012, both years included. From the study by Mangena and Chamisa, there were 524 listing suspensions. The list obtained from the JSE for this study had 133 firms suspended which already indicates a significant decrease. Based on the above, a decision was then made to increase the period of the study to coincide with the end of the King III regime which is 31 March 2017; as such, this study will focus on the period 2006 to 2017. This was also done to avoid generalisation of the findings (Bryman, 2012). The total number of JSE listing suspensions for the period 1 January 2006 to 31 March 2017 was

221. The population for this study is all the 221 companies whose JSE listing was suspended during the period under review. Annexure 1 shows the breakdown of the data obtained and the reasons for listing suspensions.

3.6 Data collection

This study utilises the matched pairs research design in analysing data (Peasnell et al., 2001). The characteristics employed in a study need to be adequately precise to avoid false matching, and yet broad enough to make matching possible (Peck, 1985). Control firms were selected and these are firms that are comparable to the suspended ones in terms of industry sector, size as measured by total assets, and time period. The control firms should not have been suspended in the year under consideration (Mangena and Chamisa, 2008). The testing and analysis performed excluded companies where data could not be obtained or instances where no comparative control company could be identified. This is in line with the prior research on which this study is based (Mangena and Chamisa, 2008).

Of the listing suspensions obtained, 107 companies (48%) were due to a scheme of arrangement or part thereof. A scheme of arrangement is a legal procedure through which a company arranges with its shareholders for the disposal of their shares and consequent acquisition by another. Due to the nature of scheme of arrangements, it may not necessarily indicate a governance failure on the part of the board, which is the focus of this study; hence, such companies were excluded for this study. A further 58 companies were excluded from the sample due to the unavailability of data or comparative (control) company. Therefore, the study was done on 56 pairs of companies.

From the list of suspended firms received from the JSE (Annexure 1), annual reports for periods prior to 2013 and integrated reports from 2013 onwards were obtained from the Bloomberg and Iress Expert databases. These databases were accessed from the University of Cape Town (UCT) library. Table 3 and Table 4 below indicate an analysis of the suspended firms on which the study focused.

Table 3. Analysis of sample suspended firms year by year

Analysis of sample of suspended firms by the year of suspension				
	Year	**Frequency**	**Percentage**	**Cumulative percentage**
1.	2006	7	12.50	12.50
2.	2007	5	8.93	21.43
3.	2008	4	7.14	28.57
4.	2009	10	17.86	46.43
5.	2010	3	5.36	51.79
6.	2011	3	5.36	57.14
7.	2012	8	14.29	71.43
8.	2013	6	10.71	82.14
9.	2014	3	5.36	87.50
10.	2015	3	5.36	92.86
11.	2016	3	5.36	98.21
12.	2017	1	1.79	100
	TOTAL	**56**	**100**	

Table 4. Analysis by industrial sector

Analysis by industrial sector				
		Frequency	**Percentage**	**Cumulative percentage**
1	General finance	1	1.79	1.79
2	Apparel retailers	1	1.79	3.57
3	Asset managers	1	1.79	5.36
4	Auto parts	1	1.79	7.14
5	Building materials and fixtures	1	1.79	8.93
6	Business support services	1	1.79	10.71
7	Coal	1	1.79	12.50
8	Containers and packaging	1	1.79	14.29
9	Diamonds and gemstones	2	3.57	17.86
10	Diversified real estate investment trusts	1	1.79	19.65
11	Electronic and electrical equipment	1	1.79	21.44

12	Electronic equipment	2	3.57	25.01
13	Equity investment instruments	1	1.79	26.80
14	Farm and fishing	1	1.79	28.59
15	Farming and fishing	1	1.79	30.38
16	Financial services	1	1.79	32.17
17	Food producers	2	3.57	35.75
18	Food products	5	8.93	44.68
19	General finance	1	1.79	46.47
20	General mining	2	3.57	50.04
21	General retailers	1	1.79	51.83
22	Gold mining	4	7.14	58.97
23	Heavy construction	1	1.79	60.76
24	Hotels	1	1.79	62.55
25	Industrial engineering	1	1.79	64.34
26	Industrial machinery	1	1.79	66.13
27	Media	1	1.79	67.92
28	Mining	1	1.79	69.71
29	Non-ferrous metals	1	1.79	71.50
30	Personal goods	1	1.79	73.21
31	Platinum and precious metals	1	1.79	75.00
32	Real estate	2	3.57	78.57
33	Real estate holdings	1	1.79	80.36
34	Real estate holdings and development	1	1.79	82.14
35	Real estate investment trust	1	1.79	83.93
36	Retail real estate investment trusts	1	1.79	85.71
37	Software	2	3.57	89.29
38	Software and computer services	1	1.79	91.07
39	Speciality finance	4	7.15	98.21
40	Support services	1	1.79	100.00
	TOTAL	**56**	**100**	

Some of the companies were suspended from the JSE due to non-submission of the integrated reports; as such, no information was available for them unless if it was rectified subsequently. The study used the latest available report up to two years preceding the JSE listing suspension. The control company had to match the year of the available report and had to match the company size based on total assets in that year, which is different to the year of JSE suspension. In instances where the information could not be obtained for either the suspended company or the control company, that pair was excluded for further testing. According to Lang and Little (2018), "missing data are a common problem for prevention research and improperly handling missing data can severely compromise the validity of a study's inferences". There are two ways of addressing the issue of missing data: pairwise deletion and list-wise deletion. These are collectively called the deletion-based techniques of dealing with missing data. Some scholars like Willkinson (1999) have criticised the deletion-based techniques and labelled them as the worst techniques for dealing with the issue of missing data; however, this is still a very common scientific way of addressing the issue of missing data. (Little et al., 2014). Pairwise deletion will drop a pair for which there is a missing variable while list-wise deletion will drop any incomplete row (Lang and Little, 2018). In this study, both techniques were utilised.

3.7 Data analysis

To analyse the data, the data was first subjected to a statistical independent t-test. This was done to ensure that the data is better understood and ultimately appropriately interpreted. The independent t-test is underpinned by the following assumptions:

- Assumption of independence: The two sample sets (suspended and control samples) being tested should be independent. In this case the firms that were suspended and the control firms are indeed independent of each other. They are therefore called independent variables (statisticshowto.com, n.d.)
- Assumption of normality: The dependent variable should be approximately normally distributed (statisticshowto.com, n.d.). Based on the test performed as depicted by the results in Annexure 3.1 and Annexure 3.2, this test was not successful. Consequently, a non-parametric test is performed: the Mann-Whitney U test, which does not require the data to be normally distributed; however, it requires the assumption of equal variance to be met.

- Assumption of homogeneity of variance: The variances of the dependent variable should be equal (statisticshowto.com, n.d.).

The assumption of homogeneity of variance above was tested using the robust test of equality of variance. Specifically, the Levene test was used. In instances where the assumption of equal variance was violated, the interpretation of the Mann Whitney U test was not based on the mean and medians but instead on rank sums of variables. Basically the independent t-test measures the mean and median of the independent variables (Pandis, 2015). The Mann Whitney U test is represented by a "z" value and there is a corresponding "p" value that indicates the significance of the difference. As a rule of thumb, if the "p" value is greater than a threshold of 0.05 then that difference is not significant. The t-test was run for the two sets of the data:

- ❖ Suspended vs control firms
- ❖ King II vs King III periods.

The Mann Whitney U test is designed for ordinal data which is all the variables in this study except duality and board performance evaluation which are categorical variables. Categorical variables were evaluated using the Pearson Chi-squared test of independence which is a cross-tabulation that presents frequencies and percentages. According to Benhamou and Melot (2018), the Pearson Chi-squared test of independence has two prerequisites:

- large sample
- independence of observations.

Although sample size is relative, the sample size in this study is large enough and the data was obtained independently; therefore, both requirements are met.

3.7.1 Using the conditional logistic regression model

This study considered each variable individually using value of total assets as a control variable and calculated the odds ratio. The odds ratio is designed to estimate in probability terms whether the chance of an event happening (JSE listing suspension) is the same between data sets (Chen et al., 2010). Bland and Altman (2000) concur and define the odds ratio as the probability that the event of interest occurs to the probability that it does not. Furthermore, Bland and Altman state that the odds ratio (OR) has become a common measure due to its relative ease of interpretation. It also provides a confidence interval for the relationship between variables. The OR uses a reference point of 1: where the OR is 1, it means the

probability of exposure in the two groups is the same, thus that variable has no effect (El-Masri, 2013). Where the OR ratio is greater than 1, it suggests a positive relationship which in this case will be the greater likelihood of a firm being suspended from its listing status on the JSE. Inversely, where the OR is less than 1, it denotes a negative correlation between the variable and the event. The confidence level ("p" value) calculated indicates whether the OR is statistically significant or not. As a rule of thumb, a "p" value that is less than 0.05 indicates a statistically significant relationship (Mangena and Chamisa, 2008).

3.8 Research timeframe

The data for the research was collected between December 2017 and July 2018.

3.9 Ethics and confidentiality

Kjær et al. (2016) point out that a good researcher undertakes their research in an ethical manner that does not violate the rights of the subjects in any manner especially their privacy. In agreement with Kjær et al., Bryman (2016) specifies four fundamental considerations to be made in this regard:

- harm to participants
- lack of informed consent
- invasion of privacy
- deception.

It is the responsibility of the researcher to safely guard the data collected for the research and to ensure the considerations above are adhered to. As this research involves collecting information on companies that is already in the public domain, the researcher did not need ethical clearance from the UCT ethics committee.

4 CHAPTER 4: RESULTS

4.1 Descriptive statistics of the results

Table 5 below presents descriptive statistics for both suspended and control firms and the relevant univariate tests. Statistics for continuous variables are shown in Panel A while the results for categorical variables are in Panel B.

Table 5. Descriptive statistics of the sample

Descriptive statistics of the sample												
Panel A: Continuous variables												
Variable	Suspended firms					Control firms					Tests	
	Mean	Median	25th	75th	Standard deviation	Mean	Median	25th	75th	Standard deviation	z value	p value
Board size	6.73	6	5	8	2.52	7.34	7	5	9	2.69	1.202	0.7717
Non-executive directors	3.87	3	3	5	1.97	4.34	3.5	3	6	2.27	0.916	0.0797
Proportion of NEDs	0.59	0.6	0.5	0.75	0.20	0.58	0.6	0.5	0.67	0.16	-0.247	0.1959
Number of independent directors	2.74	3	1	3	1.60	3.31	3	2	4	2.12	1.098	0.1146
Number of board meetings	4.5	4	4	5	1.58	4.52	4	4	5	1.78	-0.206	0.8369
Board meeting attendance	0.92	0.96	0.87	1	0.11	0.91	0.97	0.91	1	0.12	0.173	0.556
Proportion of directors with shares	2.92	2	1	4	2.31	3.93	3	3	5	2.30	2.452	0.8623
Proportion of direct shareholding	0.0832	0.0042	0.0002	0.0760	0.19	0.0859	0.0071	0.0005	0.0724	0.18	0.609	0.9715
Proportion of indirect shareholding	0.13	0.003	0	0.182	0.22	0.11	0.018	0	0.169	0.17	0.335	0.1876
Proportion of directors holding at least 1% shareholding	1.27	1	0	2	1.58	1.46	1	0	2	1.67	0.662	0.6291
Panel B: Categorical variables												
		Suspended firms		Control firms		Chi-square value		p value				
Duality	Yes	2.13		3.70		0.2166		0.642				
	No	97.87		96.30								
Board performance evaluation	Yes	21.43		41.07		5.0286		0.025				
	No	78.57		58.93								

The Mann Whitney U test draws comparisons between the two groups. The assumption testing for equal variances were evaluated and there were no serious violations. The statistics in Panel A indicate a smaller size board of directors for suspended firms relative to control firms. The average and median sizes of the board of directors for suspended firms are 6.73 and 6 while control firms have an average and median of 7.34 and 7. This finding is consistent with the earlier study by Mangena and Chamisa (2008). When it comes to the number of NEDs, the results show a marginally lower mean for suspended firms (3.87; median 3) compared to control ones (4.34; median 3.5). Interestingly, the proportion of NEDs to the total size of the board was slightly higher in suspended firms as depicted by a mean of 59% compared to 58% for control firms. The median was 60% for both control firms and suspended firms. This finding is contrary to the prior study. The mean for the number of board meetings was slightly higher for suspended firms (4.5; median 4) compared to control firms (4; median 4). Consequently, the results for the board meeting attendance followed suit with a mean for board meeting attendance of 92% for suspended firms and 91% for control firms which indicated that the suspended firms tend to have better board meeting attendance. The median on the other hand indicated the opposite. The median for suspended firms was 96% as compared to the control firms which stood at 97%. The empirical results indicate that suspended firms have a smaller director shareholding in comparison to control firms. This proved to be the case for the variables; direct shareholding, indirect shareholding as well as number of directors holding at least 1% shareholding in the company. It was observed on both the mean and the median comparison.

Panel B contains descriptive statistics for categorical variables. For the Mann-Whitney U test, the data has to be at least ordinal which is not the case for variables in Panel B. For categorical variables, which are duality and board performance evaluation, the cross-tabulation was utilised to present the percentages. Cross-tabulations provide a way of analysing and comparing the results for one or more variables. The Pearson's Chi-squared test of independence was used to evaluate the association between the variables and the results reported on.

The results suggest that control firms are more likely than suspended firms to have the function of the chairperson of the board and CEO combined (duality). Despite the emphasis of King II and King III against duality, the control companies did not appoint a lead independent director where the role was not separated. From the comparison on simple percentages, duality does not appear to be a factor in determining whether a firm will be suspended or not due to the high

"p" value ($p > 0.5$). For board performance evaluation, it was interesting to find that control firms have a higher chance of having a board performance evaluation and that significantly reduced the odds of the firm being suspended as depicted by a smaller "p" value.

4.2 Comparison of King II and King III regimes

Table 6 below represents the descriptive statistics and related or relevant univariate tests for the comparison of the King II and King III regimes. It indicates how effective King III appears to be in strengthening corporate governance in South Africa.

Table 6. Continuous variables

Panel A: Continuous variables												
Variable	King II					King III					Tests	
	Mean	Median	25th	75th	Standard deviation	Mean	Median	25th	75th	Standard deviation	z value	p value
Board size	6.67	6	5	8	2.61	7.53	7	6	9	2.55	-2.005	0.0450
Non-executive directors	3.62	3	3	4	1.81	4.74	5	3	7	2.36	-2.493	0.0127
Proportion of NEDs	0.56	0.57	0.5	0.67	0.17	0.61	0.6	0.5	0.67	0.18	-1.818	0.691
Number of independent directors	2.72	2	1	3	2.13	3.28	3	2	4	1.67	-2.101	0.0357
Number of board meetings	4.36	4	4	5	1.78	4.66	4	4	5.5	1.58	-1.413	0.1576
Board meeting attendance	0.91	0.96	0.91	1	0.14	0.91	0.97	0.85	1	0.10	0.425	0.6711
Proportion of directors with shares	3.40	3	2	5	2.25	3.5	3	1	5	2.34	0.230	0.818
Proportion of direct shareholding	0.11	0.004	0.0003	0.088	0.23	0.04	0.010	0.0002	0.035	0.077	0.166	0.8682
Proportion of indirect shareholding	0.13	0.023	0	0.18	0.198	0.11	0.0085	0	0.11	0.204	0.565	0.5723
Proportion of directors holding at least 1% shareholding	1.36	1	0	2	1.67	1.38	1	0	2	1.56	0.274	0.7840

Panel B: Categorical variables					
		King II	King III	Chi-square value	p value
Duality	Yes	3.57	2.22	0.1576	0.691
	No	96.43	97.78		
Board performance evaluation	Yes	12.50	56.25	24.4364	0.0000007681
	No	87.50	43.75		

The Mann-Whitney U test was used to compare the results for King II and King III. The assumption testing for equal variances was evaluated which is a prerequisite for using the Mann-Whitney U test and there were no serious violations. The comparison of the King II and King III regimes indicates that under King III, companies in the sample tend to have a larger board size as depicted by the mean (median) of 7.53 (7) as compared to 6.67 (6) under King II. The robust test of equality of variance for NEDs as well as direct shareholding indicated that the equal variance assumption was not met; as such, the mean and median obtained in the table above were not used in the interpretation of results; instead, the rank sums were used. The number of NEDs under King III was higher than that for King II as indicated by the rank sum of 2956 for King III and 2930 for King II. Statistical significance was placed at a threshold of 0.05; the difference in the rank sums is such that the difference in the number of NEDs is sufficient to be considered much higher. In the same vein, the proportion of NEDs was higher under King III (mean 61%) as compared to King II (mean 56%). The study also shows that the number of meetings held by the boards under King III represented by a mean of 4.7 was slightly higher than that under King II represented by a mean of 4.4. The firms' mean comparison under King III also empirically show a marginally higher board meeting attendance of 92% compared to 91% under King II. The results show that on average 3.5 of the board members held shares in the company under King III as compared to 3.4 under King II. Interestingly, the number of directors having direct and indirect shareholding is higher under King II as compared to King III. The number of directors holding at least 1% of the shares in the company is higher under the King III regime (mean 1.38) than King II (mean 1.35). Panel B in Table 6 indicates that under King II, firms were more likely to have the function of the chairperson of the board and CEO combined (duality). From this study, board performance evaluation has become a common occurrence under King III which is in line with expectations as this requirement came about with the establishment of the King III report on corporate governance.

4.3 Test 1: Correlation matrix and multicollinearity

A conditional logistic regression analysis was performed in two steps to test the statistical significance of the difference between the means in the two unrelated sample groups. The first step was a two-sample t-test; that is a parametric test known as the independent t-test. The two-sample t-test has the prerequisite assumption of both frequency distributions of data being normal and there being common variances in the data sets. Due to the first condition not being met, the Mann-Whitney U test was used in place of the two-sample t-test.

The conditional logistic regression model as a general rule presents a correlation and multicollinearity problem. Multicollinearity relates to a situation in which two or more explanatory variables in a multiple regression model are highly linearly related. In other words, one variable can be linearly predicted from the others with a substantial degree of accuracy. The Spearman's rho correlation was used to determine the bivariate correlations. The existence of collinearity magnifies the variances of the parameter estimates which may lead to inaccurate conclusions regarding relationships of variables (Midi et al., 2010). The Spearman's rho is a non-parametric descriptive statistic that expresses the measure or magnitude of rank correlation or association used to measure the strength of association between two variables. As cited by many scholars, Spearman's rho is used to measure a monotone association that is used when the frequency distribution of data makes Pearson's correlation coefficient undesirable or misleading (Hauke and Kossowski, 2011). The Spearman's correlation coefficient gives a result of between –1 and 1 where a value of 1 means a perfect positive correlation and –1 means a perfect negative correlation. A coefficient of 0 means there is no relationship. The Spearman's rho is used because it does not require the assumption of normality as compared to the Pearson's correlation coefficient. Through the inspection of the histograms that show the frequency distribution of the data for most variables in this study, it was clear that the data is not normally distributed but is monotonic which satisfied the use of the Spearman's rho.

Spearman's coefficient is not a measure of the linear relationship between two variables, as some "statisticians" declare. It assesses how well an arbitrary monotonic function can describe the relationship between two variables, without making any assumptions on the frequency distribution of the variables.

Spearman's correlation is not very sensitive to outliers, and thus could be used with outliers in the data, if present, which is the other reason for selecting Spearman's correlation over Pearson's.

Table 7. Conditional logistic regression results

	Variable	**1.**	**2.**	**3.**	**4.**	**5.**	**6.**	**7.**	**8.**	**9.**	**10.**	**11.**	**12.**
1.	Board Size	1.00											
2.	Non-executive directors	0.73***	1.00										
3.	Proportion of NEDs	0.09	0.69***	1.00									
4.	Number of INEDs	0.71***	0.68***	0.31***	1.00								
5.	Number of board meetings	0.17	0.27**	0.25**	0.26**	1.00							
6.	Board meeting attendance	–0.0027	0.04	0.02	–0.02	–0.23**	1.00						
7.	Duality	–0.13	–0.21**	–0.09	–0.16	–0.01	0.03	1.00					
8.	Board performance evaluation	0.21**	0.20**	0.07	0.22**	0.03	0.01	–0.12	1.00				
9.	Proportion of directors with shares	0.45***	0.39***	0.06	0.27***	0.06	0.01	–0.101	0.26***	1.00			
10.	Proportion of direct shareholding	0.1028	–0.03	–0.18*	0.05	–0.15	–0.01	0.01	0.12	0.48***	1.00		
11.	Proportion of indirect shareholding	–0.01	0.0163	–0.03	–0.15	–0.1	–0.01	0.05	–0.05	0.46***	0.16	1.00	
12.	Proportion of directors holding at least 1% shareholding	0.18*	0.04	–0.17*	–0.05	–0.08	–0.02	–0.00	0.16	0.56***	0.70***	0.51***	1.00

***Significant at the 0.01 level; **Significant at the 0.05 level; *Significant at the 0.1 level

From Table 7 above, there are a number of significant relationships between variables. All Spearman's rho in the table above except NEDs, proportion of NEDs, Number of independent directors and proportion of directors holding at least 1% shareholding are below 0.5 among the independent variables. According to Tabachnick and Fidell (1996) as cited in Mangena and Chamisa (2008), multicollinearity in regression analysis is considered ineffective and hence harmful only when Spearman's rho exceeds 0.7. The presence of collinearity reduces the reliability of the analysis (Tamura et al., 2019). In addition, the variance inflation factor (VIF) was calculated for all variables as this is the most common indicator used to detect collinearity. In all instances, the VIF was below 3.5 which is below the critical range of 5–10 (Denis, 2020), which suggests that there is no multicollinearity problem in the data; as such, multiple regression model may be used to analyse the data.

4.4 Test 2: Conditional logistic regression results

A conditional logistic regression model was employed in this matched case-control study to test the relationship of each variable to the outcome of whether a firm will be suspended or not. Each of the variables was first considered separately. The models were all controlled for the total value of assets as this is a proxy for company size. The odds ratios and "p" values as presented in Table 8 show the results from the univariate conditional regression model.

Table 8. Univariate conditional regression results

Predictor	**Odds ratio**	**Standard error**	**p > |z|**	**z value**
Individual models				
Board size	0.903167	0.0839079	0.273	-1.10
Non-executive directors	0.8683983	0.1042414	0.240	-1.18
Proportion of NEDs	1.381423	1.484508	0.764	0.30
Number of independent directors	0.7549074	0.1373556	0.122	-1.55
Number of board meetings	0.961422	0.1534716	0.805	-0.25
Board meeting attendance	0.0373495	0.1459138	0.400	-0.84
Duality	0.49556	0.6069613	0.567	-0.57
Board performance evaluation	0.3378193	0.1752138	0.036	-2.09
Proportion of directors with shares	0.7041116	0.0943195	0.009	-2.62
Proportion of direct shareholding	1.123961	1.224287	0.915	0.11
Proportion of indirect shareholding	1.338084	1.241998	0.754	0.31
Prop of directors holding at least 1% shareholding	0.8822552	0.1313434	0.40	-0.84

Based on the logistic regression analysis, board size has an odds ratio to suspension of 0.903167. In other words, for every additional board member, the likelihood of suspension decreases by 9.68%. However, this ratio is not statistically significant. The odds of the number of NEDs and proportion of NEDs on the board are 0.8683983 and 1.381423. Both ratios are not statistically significant in determining whether a firm will be suspended or not. The number of independent non-executive board members has an odds ratio of 0.7549074. Even though the odds of suspension are reduced by 25% for every addition of an INED to the board, the ratio is not statistically significant. The odds of suspension based on the number of board meetings held and board meeting attendance decrease by 3.9% and 96.3%; however, the numbers are not statistically significant. Similarly, the odds ratios for duality, the proportion of direct and indirect shareholding, as well as the proportion of directors holding at least 1% shareholding, were not statistically significant.

For board performance evaluation, the odds ratio is statistically significant at the 0.05 level. The odds of suspension are 0.3378193 less for companies that had performance evaluations compared to companies that did not have performance evaluations. The probability decreases by 66.2% for every evaluation that a firm does. The number of directors with shares in the company also has a statistically significant odds ratio at the 0.01 significance level. The odds of suspension are 0.7041116 less for every additional director with shares in the firm and the odds are decreased by 29.59%.

4.5 Test 3: Multiple regression model

Table 9. Results from the multiple conditional logistic regression model

Multiple conditional logistic regression model				
Predictor	**Odds ratio**	**Standard error**	**p > |z|**	**z**
Board size	1.056792	0.2026786	0.773	0.29
Non-executive directors	0.8901503	0.2544434	0.684	-0.41
Number of independent directors	0.8241965	0.2558016	0.533	-0.62
Board performance evaluation	0.2961033	0.2094626	0.085	-1.72
Proportion of directors with shares	0.7802841	0.1591788	0.224	-1.22

A multiple regression model was considered for variables that came out to be statistically significant, which are board performance evaluation and proportion of directors with shares in the company. Three additional variables were added in the regression analysis. The first three predictors were selected. The multiple regression took all the factors of interest simultaneously, that is, board size, NEDs, INEDs, board performance evaluation and number of directors with shares in the company. The results flagged only board performance evaluation to be statistically significant at a 10% level of significance as opposed to 5% in the individual model.

5 CHAPTER 5: FINDINGS

5.1 Board size

Board size was hypothesised to have a significant negative relationship with incidences of listing suspensions from the JSE which means that a bigger board size significantly reduces suspensions. The study found that, indeed, the board size of control firms was larger than the boards of suspended ones; however, the finding was not statistically significant and thus the finding does not support hypothesis H1. The finding is consistent to that of Lakshan & Wijekoon (2012) who found that board size was not significant in determining corporate failure.

5.2 Non-executive directors

The study found a negative relationship between the proportion of NEDs and JSE listing suspensions. Empirically, the study found the presence of NEDs to be an important factor in corporate governance. Suspended firms had smaller proportions of NEDs compared to control firms. This finding is consistent with the earlier study by Mangena and Chamisa (2008) and also in line with Jiraporn and Lee (2018). However, the results are not statistically significant and therefore not consistent with hypothesis H2. Interestingly, the proportion of NEDs to the total size of the board was slightly higher in suspended firms as depicted by a mean of 59% compared to 58% for control firms. The median was 60% for both control firms and suspended firms. This finding is contrary to the prior study (Mangena and Chamisa, 2008). Similarly, hypothesis H3 is not supported by the results of the study. The results are also contrary to those of Lakshan and Wijekoon (2012) who found that the outside director (NEDs) ratio had a significant and negative relationship with the probability of corporate failure.

5.3 Proportion of independent non-executive directors

The presence of INEDs on the board is viewed as a good corporate governance mechanism (King II, 2002; King III, 2009; King IV, 2016) as executive directors are believed to be less objective. The study found that control firms had a higher number of independent directors compared to the suspended firms which supports Sonnenfeld's (2002) conception that too many executive members on the board is less clean and the board’s level of accountability is low. The recommendation by the King reports, both King II and King III, is fully supported by the results of this study. However, the ratio was not statistically significant which did not validate hypothesis H4.

5.4 Board meeting attendance and frequency

The mean for the number of board meetings was slightly higher for suspended firms (4.5; median 4) compared to the control firms (4; median 4). Consequently, the results for board meeting attendance followed suit with a mean for board meeting attendance of 92% for suspended firms and 91% for control firms which indicated that the suspended firms tend to have better board meeting attendance. The median on the other hand indicated the opposite. The median for suspended firms was 96% as compared to the control firms which stood at 97%. These findings were not statistically significant and as such did not support hypothesis H5 and H6.

5.5 Duality

Empirical evidence from the conditional logistic regression model shows that duality does not appear to be a factor in determining whether a firm will be suspended or not. Therefore, the finding does not support hypothesis H7.

5.6 Performance evaluation of directors

The study found a positive significant relationship between board performance evaluations and JSE listing suspensions which supports hypothesis H8. This confirms the notion by Zhu (2014) that a performance evaluation is an important tool to identify weaknesses and opportunities, improve competitiveness and remain relevant. Using this empirical study, the recommendation and direction taken by the King Committee with regard to King III is vindicated. King II was silent on this aspect of board evaluation while King III recommends that the board should undergo a performance assessment every year. King IV has changed the frequency of the assessment from annually to bi-annually.

5.7 Directors' share ownership

Another significant finding from this study relates to the directors' shareholding. The study found a significant negative relationship between the proportion of directors' share ownership and incidences of listing suspension from the JSE. This finding agrees with the sentiments of Kren and Kerr (1997) that directors with a stake in the company exercise more rigor in their monitoring than those without. However, this is contrary to the King II and King III recommendation that the board of directors should be composed of mainly non-executive directors who in turn should be predominately independent. Therefore, hypothesis H9 which states that there is a significant relationship between directors' share ownership and incidences

of listing suspension from the JSE is supported. This study shows hypotheses H10, H11 and H12 to be insignificant, and consequently not supported by the findings of the study.

5.8 Comparison of King II and King III

A comparison of the King II and King III regimes indicates a much stronger corporate governance era during the King III phase which supports hypothesis H13. Board size, proportion of NEDs, number of independent directors and board performance evaluations increased significantly during the King III phase.

This study notices a significant decrease in the number of JSE listing suspensions in the same phase and an increase in the corporate governance mechanisms which implies that King III brought in stronger governance measures to listed companies in South Africa.

6 CHAPTER 6: CONCLUSION

Corporate governance is an important matter in running companies and the actions of directors have a direct relationship in determining whether a company will be suspended or not from the JSE (Parry, 2014).

This study had two main focus areas. The first was to examine the relationship between corporate governance mechanisms and JSE listing suspensions. The study proposed to answer the question as to whether or not the JSE listing suspension of a company is related to corporate governance failure of a company, specifically linked to directors. Secondly, the study looked at whether the King III report appeared more effective in curbing JSE listing suspension compared to King II.

The study focused on the period between 2006 to 2017, both years included. Control companies were selected to match all the sampled suspended companies. The control companies were matched using JSE industry sector categorisation and company size which was measured by total assets. The control companies selected should not have been suspended in the year under consideration.

The results of this study show that the practice of board performance evaluation significantly reduced the odds of suspension. This is consistent with the findings by Kiel, Nicholson and Barclay (2005) as cited in Kiel and Nicholson (2005) who contend that board evaluation improves active participation and monitoring of the organisation by the board. Board evaluation was introduced in King III and was not there in the previous codes. From this finding, the board members seem to have performed evaluations for developmental reasons and also to improve the performance of the directors as alluded to by Baldacchino et al. (2020). Another key finding of the study was that the number of directors with shares in the company has a statistically significant negative correlation to the odds of suspension (Kren and Kerr, 1997).

From a comparison of King II and King III regimes, the study found that (1) board size, (2) the proportion of NEDs, (3) the number of independent directors and (4) board performance evaluations increased significantly during the King III era. The study also found that under King II, firms were more likely to have the function of the chairperson of the board and CEO combined (duality) which implies that King III was a stronger corporate governance era.

Additionally, the study notices a significant decrease in the number of JSE listing suspensions during the King III era as compared to King II which supports the notion that King III brought in stronger governance measures to listed companies in South Africa. This is in line with the sentiments of Muwandi (2010) who concluded that King III improved the governance system in South Africa to bring it to the same level as the rest of the developed countries of the world.

This study has contributed to the literature in empirically demonstrating a correlation between corporate failure and the failure of corporate governance mechanisms. The study focused on 12 years and was sufficiently robust due to the different tests that were performed.

The study also contributed to the literature by making a comparison of the impact of King III versus King II in the South African environment. There are very few studies that have compared the effectiveness of the different King codes on corporate governance in South Africa. Most studies have focused on the impact of corporate governance and firm value or performance or risk taking.

6.1 Limitations

This study should be evaluated under the following constraints: firstly, the sample examined was 56 which may be regarded as small. The sample in the earlier study was 15% of the total JSE listing suspensions in that period (Mangena and Chamisa, 2008). This is common in studies of this nature in the accounting fraternity. Secondly, the annual reports or integrated reports from which the data was collected were not all for the year in which the suspension happened. Some were up to two years preceding the year of suspension in which case the governance structure of the company could be very different, thereby distorting the outcome of the analysis. Thirdly, control firms were chosen using the total value of assets and the closest firm was selected. In some instances, the closest comparable firm was more than double the total asset value of the suspended firm. In some instances, perhaps turnover may be a better indicator of the size of the company and not total value of assets. Fourthly, the information used for this study comes mainly from the governance report which is not audited. The information is based on what the directors disclosed. Finally, the study did not take into account economic conditions that may have caused suspensions like profitability, gearing and economic growth of the economy.

6.2 Areas of future research

Future research could possibly focus on all governance mechanisms as prescribed by the King report on corporate governance and not just focus on the ones linked to directors as adopted by this study. Furthermore, a comparison could be made of the impact of corporate governance mechanisms of companies operating in different geographical jurisdictions.

Annexure 1 - List of suspended firms received from the JSE

DE-LISTINGS FOR THE YEAR 2006				
Date	**Company**	**Code**	**Reason**	**Sector**
09/01/2006	FrontRange Limited	FRO	Disposal of assets	Software
07/02/2006	Messina Limited	MES	Scheme of arrangement	Platinum and precious metals
17/02/2006	African Life Assurance Company Limited	AFI	Scheme of arrangement	Life insurance
21/02/2006	Mathomo Group Limited	MTO	Offer made to shareholders	Apparel retailers
27/02/2006	Prima Property Trust	PRM	Unbundling	Real estate investment trust
27/02/2006	Moribo Leisure Limited	MRB	Reverse take-over listing	Gambling
28/02/2006	Assmang Limited	ASG	Scheme of arrangement	General mining
10/03/2006	Omega Alpha International IT Holdings Limited	OAI	Failure to comply with the JSE listings requirements	Software
4/6/2006	Aquila Growth Ltd	AQL	Liquidation	Equity investment instruments
4/18/2006	Venfin Ltd	VNF	Non-compliance with listings requirements	Speciality finance
4/4/2006	Centrecity Property Fund	CEN	Voluntary winding up	Real estate investment trust
4/3/2006	Moulded Medical Supplies	MUM	Non-compliance with listings requirements	Medical equipment
5/3/2006	Gencor Limited	GMF	Voluntary winding up	Speciality finance
5/19/2006	Heritage Collection Holdings Limited	HCL	Reverse listing	Publishing
5/31/2006	LA Group Limited-N-	LAN	Scheme of arrangement	Apparel retailers
5/31/2006	LA Group Limited Ordinary	LAR	Scheme of arrangement	Apparel retailers
6/19/2006	Alex White Holdings Ltd	ALX	Voluntary winding up	Containers and packaging
4/20/2006	Elexir Technogy Holdings	ELX	Reverse listing	Software and computer services
7/3/2006	Concor Limited	CNC	Scheme of arrangement	Heavy construction
7/3/2006	Prism Holdings Limited	PIM	Scheme of arrangement	Software
8/14/2006	Arch Equity Ltd	ACH	Scheme of arrangement	Equity investment trusts
8/18/2006	Metboard Properties Ltd	MPL	Scheme of arrangement	Real estate and development
11/20/2006	Idion Technology Holdings Limited	IDI	Voluntary winding up	Software

12/5/2006	Spearhead Property Holdings Limited	SPE	Scheme of arrangement	Real estate and development

DE-LISTINGS FOR THE YEAR 2007				
Company	**Code**	**Date**	**Reason**	**Sector**
Pasdec Resources SA Limited	PSC	22/01/2007	Illiquidity of PSC shares.	Electronic and electrical equipment
Namibian Sea Products Limited	NMS	29/01/2007	Board of directors decided to terminate its listing on the JSE	Food producers
Western Areas Ltd	WAR	30/03/2007	Unconditional offer	Mining
Amlac Ltd	ALC	16/04/2007	No longer qualify for listing	Automobiles and parts
CCI Holdings Ltd	CCG	16/04/2007	No longer qualify for listing	Software and computer services
Millionaire Charter Ltd	MLL	16/04/2007	No longer qualify for listing	Travel and leisure
Retail Apparel Group Ltd	RAG	16/04/2007	No longer qualify for listing	General retailers
Viking Investment and Asset Managers	VKG	16/04/2007	No longer qualify for listing	General financial
Terrafin Holdings Ltd	TRF	16/04/2007	No longer qualify for listing	Support services
Top Info Technology Holdings	TOT	16/04/2007	No longer qualify for listing	Software and computer services
Consol Ltd	CSL	11/04/2007	Scheme of arrangement	General industrials
Peermont Global Ltd	PTG	25/04/2007	Scheme of arrangement	Travel and leisure
Stocks Hotels and Resort	SCH	16/04/2007	No longer qualify for listing	Travel and leisure
Incentive Holdings Ltd	ICT	16/04/2007	No longer qualify for listing	General financial
Shawcell Telecommmunication Ltd	SWL	16/04/2007	No longer qualify for listing	Mobile telecommunications
Paramount Property Fund Ltd	PRA	16/04/2007	No longer qualify for listing	Real estate
Freestone Property Holdings	FSP	17/04/2007	Scheme of arrangement	Real estate
Richway Retail Property Fund	RHW	16/04/2007	No longer qualify for listing	Real estate
MICC Property Income Fund	MCP	03/04/2007	Scheme of arrangement	Real estate
Terexko Ltd	TRX	16/04/2007	No longer qualify for listing	Travel and leisure
Tigon Ltd	TGN	16/04/2007	No longer qualify for listing	General financial
Edgars Consolidated Stores Ltd	ECO	25/05/2007	Scheme of arrangement	General retailers

Barplats Investments Ord	BPL	29/05/2007	Scheme of arrangement	Mining
Unitrans Ltd	UTR	29/05/2007	Unconditional offer	General retailers

DE-LISTINGS FOR THE YEAR 2008				
Company	**Date**	**Code**	**Reason**	**Sector**
Ellerine Holdings Limited	22/01/2008	ELH	Scheme of arrangement	Home improvement retailers
Bytes Technology Limited	15/01/2008	BTG	Scheme of arrangement	Computer services
Independent Financial Securities	07/01/2008	IND	Reverse listing	Speciality finance
Diamond Core Resources	11/02/2008	DMR	Scheme of arrangement	Mining
Tiger Automotive Ltd	04/03/2008	TAL	Scheme of arrangement	Speciality retailers
The House of Busby	30/04/2008	BSB	Scheme of arrangement	Clothing and accessories
Samrand Develop Holdings	13/05/2008	SMR	Section 440K	Real estate holdings
Clientele Life Assurance	26/05/2008	CLE	Scheme of arrangement	Life insurance
Ifour Properties Limited	09/06/2008	IFR	Scheme of arrangement	Retail estate holdings and development
Siyathenga Property Limited	09/06/2008	SYA	Scheme of arrangement	Retail estate holdings and development
Diversified Property Fund Limited	30/06/2008	DIV	Scheme of arrangement	Retail estate holdings and development
Kelgran Limited	28/07/2008	KLG	Scheme of arrangement	General mining
SAB&T Ubuntu Holdings Limited	07/07/2008	SUL	Scheme of arrangement	Business support services
Tourism Inv Corp Ltd	09/09/2008	TRT	Scheme of arrangement	Travel and tourism
Johnnic Holdings Ltd	25/09/2008	JNC	Section 440K	Real estate holdings and development
Anbeeco Investments Hldgs	13/10/2008	AEC	Reverse take-over listing	General finance
DNR Capital Ltd	13/10/2008	DRC	Reverse take-over listing	Equity investment instruments
Enviroserv Holdings Ltd	04/11/2008	ENV	Scheme of arrangements	Support services
Liberty Group Ltd	01/12/2008	LGL	Scheme of arrangements	Life insurance
Credit U Holdings Ltd	19/12/2008	CUH	Scheme of arrangements	Consumer finance

DE-LISTINGS FOR THE YEAR 2009				
Company	**Code**	**Date**	**Reason**	**Sub-Sector**
Monyetla Property Fund Ltd	MYT	19/01/2009	Scheme of arrangement	Real estate
Kwikspace Modular Bld Ld	KWS	24/02/2009	Scheme of arrangement	Construction and materials
Venter Leisure and Comm	VTL	24/02/2009	Unconditional Offer	Industrial engineering
Corvus Cap (SA) Hldg Ltd	CVS	23/02/2009	Failure to comply with JSE requirements	General finance
Northern Eng Ind Afr Ltd	NEI	16/02/2009	Failure to comply with JSE requirements	Industrial engineering
Consol Prop and Fin Ltd	PFN	16/02/2009	Failure to comply with JSE requirements	Real estate
Pals Holding Ltd	PAL	16/03/2009	Liquidation	Personal goods
Teal Explore and Mining Inc.	TEL	03/04/2009	Arrangement agreement	Non-ferrous metals
Conafex Hldgs Socie Anon	CNX	09/04/2009	Conditional Offer	Farm and fishing
Global Village Hldgs Ltd	GLL	20/04/2009	Failure to comply with listings requirements	Recreational services
Stilfontein GM Co Ltd	STI	20/04/2009	Failure to comply with listings requirements	Gold mining
Tiger Wheels Ltd	TIW	20/04/2009	Failure to comply with listings requirements	Auto parts
Celcom Group Limited	CEL	26/05/2009	Scheme of arrangement	Speciality retailers
Wesco Investments Ltd	WES	06/07/2009	Scheme of Arrangement	Automobiles
Ambit Properties	ABT	14/07/2009	Failure to acquire viable assets	Real estate holdings
Enterprise Risk Management	ERM	12/08/2009	Mandatory Offer	Speciality finance
Apex-Hi A, B & C	APA, APB & AXC	18/08/2009	Scheme of arrangement	Real estate holdings
Madison Prop Fund Managers	MDN	18/08/2009	Scheme of arrangement	Real estate holdings
Afgem Ltd	AFG	31/08/2009	At the request of the directors	Diamonds and gems
Country Foods Ltd	CFO	14/09/2009	Company going into liquidation	Food products
Halogen Holdings Society Anon	HAL	11/09/2009	Liquidation	Gold mining
King Consolidated Holdings	KNG	27/10/2009	The company has issued its abridged audited results.	Restaurants and bars
Braemore Resources Plc	BRE	09/11/2009	Scheme of arrangement	Platinum and precious metals
Milkworx Limited	MKX	09/11/2009	Reverse listings	Food products
TWP Holdings Ltd	TWP	21/12/2009	Scheme of arrangement	Heavy construction

DE-LISTINGS FOR THE YEAR 2010				
Company	**Code**	**Date**	**Reason**	**Sub-Sector**
Elementone Limited	ELE	1/11/2010	Non-compliance with JSE listings requirements	Media
Kiwara Plc	KWR	2/10/2010	Scheme of arrangement	Industrial metals and mining
Mutual and Federal Insurance	MAF	2/8/2010	Scheme of arrangement	Non-life insurance
Emergent Properties Limited	EMG	3/8/2010	Failure to comply with JSE listings requirements	Personal goods
Eureka Industrial Limited	EUR	3/8/2010	Failure to comply with JSE listings requirements	Equity investment instruments
Imperial Bank Limited	IBLP	3/12/2010	Section 440K	Preference shares
S&J Land Holdings Limited	SJL	4/26/2010	The company is a cash shell company	Real estate investment and services
Setpoint Group Ltd	SPO	5/25/2010	The current listed structure is no longer optimal for the company	Support services
Cape Empowerment Trust Limited	CAE	6/1/2010	Scheme of arrangement	Equity investment instruments
Makalani Holdings Limited	MKL	6/1/2010	The current listed structure is no longer optimal for the company	Equity investment instruments
Abe Construction Chemicals Limited	ABU	9/28/2010	Scheme of arrangement	Software and computer services
DTH Dynamic Technology Holdings Ltd	DTH	9/14/2010	Scheme of arrangement	Construction and materials
Goodhope Diamonds (Kimberley) Ltd	GDH	10/4/2010	Non-compliance with JSE listings requirements	Mining
Kimberly Consolidated Mining Ltd	KCM	11/8/2010	Failure to comply with JSE listings requirements	Mining
CIC Holdings Limited	CCI	11/16/2010	Part of the scheme of arrangement	Support services
Dimension Data Holdings Plc	DDT	12/14/2010	Section 440K	Computer services
Health Strategic Investments Ltd	HSI	12/20/2010	The company is a cash shell company	Other securities

DE-LISTINGS FOR THE YEAR 2011

Company	Code	Date	Reason	Sub-Sector
Barnard Jacobs Mellet Holdings Ltd	BJM	1/4/2011	Scheme of arrangement	Financial services
Spescom Limited	SPS	1/25/2011	Scheme of arrangement	Software and computer services
Industrial Credit Comp Afr Holdings Limited	ICC	3/22/2011	Annual financial statements not submitted timeously	Financial services
Pangbourne Prop Limited	PAP	4/5/2011	Scheme of arrangement	Real estate investment and services
Glenrand MIB Limited	GMB	4/28/2011	Scheme of arrangement	Non-life insurance
Best Cut Ltd	BCH	6/13/2011	Final liquidation	Food producers
Beget Holdings Ltd	BEE	6/13/2011	Final liquidation	Software and computer services
Mvelaphanda Resources Ltd	MVL	6/7/2011	Scheme of arrangement	Mining
Paladin Capital Ltd	PLD	10/25/2011	Scheme of arrangement	Financial services
UCS Group Ltd	UCS	10/25/2011	Scheme of arrangement	Software and computer services
Universal Industries Corp Ltd	UNI	11/1/2011	Scheme of arrangement	Industrial engineering
Vox Telecom Limited	VOX	11/15/2011	Scheme of arrangement	Fixed line telecommunications
Merchant & Industrial Prop Limited	MIP	11/22/2011	Scheme of arrangement	Real estate investment and services
Paracon Holdings Ltd	PCN	12/6/2011	Scheme of arrangement	Computer services
Sallies Ltd	SAL	12/20/2011	Scheme of arrangement	General mining
Saambou Holdings Ltd	SBO	12/28/2011	Final liquidation	Banks
Freeworld Coatings Ltd	FWD	12/29/2011	Scheme of arrangement	Speciality chemicals

DELISTINGS FOR THE YEAR 2012

Company	Date	Code	Reason	Sub-Sector
Platmin Limited	1/3/2012	PLN	Voluntary delisting	Platinum and precious metals
African Brick Centre Ltd	1/10/2012	ABK	Scheme of arrangement	Building materials and fixtures
Metorex Ltd	1/17/2012	MTX	Scheme of arrangement	Non-ferrous metals
Dialogue Group Holdings Limited	2/13/2012	DLG	Failure to comply with JSE listing requirements	Business support services

Kairos Industrial Holdings	2/13/2012	KIR	Final liquidation	Industrial machinery
Real Africa Holdings Ltd	3/14/2012	RAH	Section 124 of the Companies Act	Equity investment instrument
Intertrading Ltd	3/19/2012	ITR	Failure to comply with JSE listing requirements	Farming and fishing
Mercantile Bank Holding Ltd	5/22/2012	MTL	Scheme of arrangement	Banks
O-Line Holdings Ltd	7/3/2012	OLI	Scheme of arrangement	Building materials and fixtures
Optimum Coal Holdings Ltd	7/9/2012	OPT	Unconditional offer	Coal
Mine Waste Solutions (Pty) Ltd	8/1/2012	MWNT	Final redemption	Non-ferrous metals
Capevin Investments Ltd	8/13/2012	CVI	Scheme of arrangement	Distillers and vintners
Avusa Ltd	9/26/2012	AVU	Scheme of arrangement	Publishing
Excellerate Holdings Ltd	10/9/2012	EXL	Scheme of arrangement	Business support services
M Cubed Holdings Ltd	11/19/2012	MCU	At the directors' request	Asset managers
Ceramic Industries Ltd	11/27/2012	CRM	Conditional offer	Building materials and fixtures
Iquad Group Ltd	11/27/2012	IQG	Scheme of arrangement	Business support services
SA French Ltd	12/3/2012	SFH	Scheme of arrangement	Industrial suppliers

DELISTINGS FOR THE YEAR 2013

Company	Date	Code	Reason	Sub-Sector
Sallies Limited	1/2/2013	SALD	Maturity	General mining
New Africa Investment Ltd	1/30/2013	NAI	Section 124 of the Companies Act	Publishing
Queensgate Hotels & Leisure Limited	2/18/2013	QHL	Winding up	Hotels
Hardware Warehouse Limited	2/26/2013	HWW	Scheme of arrangement	Home improvement retailers
Jci Ltd	4/16/2013	JCD	Non-compliance of JSE listings requirements	Gold mining

Simmer & Jack Mines	4/16/2013	SIM	Failure to acquire viable assets	Gold mining
Zaptronix Ltd	4/30/2013	ZPT	Failure to comply with listings requirements	Electronic equipment
Cape Empowerment Limited	5/14/2013	CAP	Scheme of arrangement	Equity investment instruments
New Bond Capital Ltd	6/4/2013	NBC	Scheme of arrangement	Equity investment instruments
Amalgamated Appliances Holdings Limited	7/2/2013	AMA	Failure to comply with listings requirements	Consumer electronics
Thabex Limited	7/9/2013	TBX	Failure to comply with listings requirements	Diamond and gemstones
Mobile Industries Limited	7/16/2013	MOB	Scheme of arrangement	Transportation services
Cipla Medpro SA Ltd	7/16/2013	CMP	Scheme of arrangement	Pharmaceutical
Lonrho Plc	8/5/2013	LAF	Scheme of arrangement	Industrial suppliers
Allied Technologies Ltd	8/20/2013	ALT	Scheme of arrangement	Mobile telecommunications
AG Industries Limited	8/27/2013	AGI	Director's request the JSE to terminate its listings	Building materials and fixtures
Sable Holdings Ltd	9/3/2013	SBL	Scheme of arrangement	Real estate holdings and develop
IFA Hotels and Resorts	9/10/2013	IFH	Scheme of arrangement	Hotels
Business Connexion Group A	10/8/2013	BCA	Scheme of arrangement	Computer services
Uranium One Inc	11/4/2013	UUU	Scheme of arrangement	General mining
Redefine Prop International Ltd	11/5/2013	RIN	Unbundling	Real estate holdings and develop
Racec Group Ltd	11/12/2013	RAC	Scheme of arrangement	Heavy construction
Mvelaserve Limited	12/10/2013	MVS	Scheme of arrangement	Business support services
Kagiso Media Ltd	12/24/2013	KGM	Scheme of arrangement	Broadcasting and entertainment
First Uranium Corporation	7/30/2013	FUU	Scheme of arrangement	Non-ferrous metals

DELISTINGS FOR THE YEAR 2014

Company	Code	Date	Reason	Sub-Sector
Southern Electricity Company	SLO	1/8/2014	Scheme of arrangement	Conventional electricity
Stella Vista Technologies Limited	SLL	1/21/2014	Scheme of arrangement	Electrical components and equipment

Gold One International Limited	GDO	1/30/2014	Compulsory acquisition by BCX Gold Investment Holdings	Gold mining
Securedata Holdings Ltd	SDH	3/18/2014	Scheme of arrangement	Computer services
Ardor SA Ltd	ARD	3/31/2014	The issuer has failed to inject assets as required by the cash shell requirements	Real estate holdings and development
Foordcmps Deb	FCPD	2014/04/01	Full redemption	Corporate debt
Afgri Limited	AFR	4/1/2014	Scheme of arrangement	Farming fishing and plantation
Palabora Mining Company Ltd	PAM	4/15/2014	Section 124 (1) of the Companies Act	Non-ferrous metals
Witwatersrand Cons Gold	WGR	4/15/2014	Scheme of arrangement	Gold mining
B&W Instrument & Elec Ltd	BWI	4/23/2014	Scheme of arrangement	Heavy construction
Control Instruments Grp	CNL	5/20/2014	Scheme of arrangement	Auto parts
Annuity Properties Ltd	ANP	6/24/2014	Scheme of arrangement	Diversified real estate investment trusts
Dorbyl Ltd	DLV	7/1/2014	The company failed to comply with the JSE listings requirements	Auto parts
Capital Property Fund	CPL	7/7/2014	CPL terminated due to the conversion to CPF	Industrial and office real estate investment trusts
Corwil Investments Ltd	CRW	7/29/2014	The issuer has breached various provisions of the JSE listings requirements	Equity investment instruments
Don Group Ltd	DON	7/29/2014	Non-fulfilment of acquisition agreement	Hotels
Vividend Income Fund Ltd	VIF	8/5/2014	Full redemption	Diversified real estate investment trusts
Premium Properties Ltd	PMM	9/22/2014	Scheme of arrangement	Diversified real estate investment trusts
Kelly Group Ltd	KEL	11/18/2014	Part of scheme of arrangement	Business training and employment agencies
Country Bird Holdings Ltd	CBH	12/17/2014	Scheme of arrangement	Farming fishing and plantation

DELISTINGS FOR THE YEAR 2015

Company	Code	Date	Reason	Sub-Sector
Litha Healthcare Group Limited	LHG	25/02/2015	Scheme of arrangement	Pharmaceuticals
Acucap Properties Limited	ACP	28/04/2015	Scheme of arrangement	Retail real estate investment trusts
Gijima Group Limited	GIJ	12/05/2015	Scheme of arrangement	Computer services
Village Main Reef GM Co	VIL	02/06/2015	Scheme of arrangement	Gold mining
Times Media Group Ltd	TMG	09/06/2015	Scheme of arrangement	Publishing
JD Group	JDG	07/07/2015	Scheme of arrangement	Home improvement retailers
Ububele Holdings Ltd	UBU	07/07/2015	Shell with no assests	Food products
Morvest Group Ltd	MOR	12/08/2015	Scheme of arrangement	Business support services
Fountainhead Prop Trust	FPT	11/08/2015	Conversion	Retail real estate investment trusts
Business Connexion Grp Ltd	BCX	25/08/2015	Scheme of arrangement	Computer services
Compu Clearing Outs Ltd	CCL	22/09/2015	Scheme of arrangement	Computer services
Zurich Insurance Co. SA	ZSA	22/09/2015	Scheme of arrangement	Property and casualty insurance
Digicore Holdings Limited	DGC	06/10/2015	Scheme of arrangement	Electronic equipment
Infrasors Holdings Ltd	IRA	13/10/2015	General offer	General mining
Metmar Ltd	MML	27/10/2015	Scheme of arrangement	Non-ferrous metals
Cadiz Hldgs Ltd	CDZ	03/11/2015	Scheme of arrangement	Investment services
Capital Property Fund Ltd	CPF	30/11/2015	Scheme of arrangement	Industrial and office real estate investment trusts
Goliath Gold Mining Ltd	GGM	08/12/2015	Scheme of arrangement	General mining

DELISTINGS FOR THE YEAR 2016

Company	Code	Date	Reason	Sub-Sector
Iliad Africa Ltd	ILA	1/12/2016	Scheme of arrangement	Home improvement retailers
Mediclinic International Ltd	MDC	2/15/2016	Scheme of arrangement	Health care providers
Aquarius Platinum Ltd	AQP	4/13/2016	Amalgamation agreement with Sibanye	Platinum and precious metals
Sycom Property Fund	SYC	4/19/2016	Scheme of arrangement	Retail real estate investment trusts
Alliance Mining Corp Ltd	ALM	6/20/2016	Final liquidation	Software
Africa Cellular Towers	ATR	6/20/2016	Final liquidation	Telecommunications equipment
Bioscience Brands Ltd	BIO	6/20/2016	Final liquidation	Food products
Erbacon Inv Hldgs Ltd	ERB	6/20/2016	Final liquidation	Heavy construction
Faritec Holdings Ltd	FRT	6/20/2016	Final liquidation	Computer services
Pinnacle Point Group Ltd	PNG	6/20/2016	Final liquidation	Real estate holdings and development
Pamodzi Gold Limited	PZG	6/20/2016	Final liquidation	Gold mining
Sanyati Holdings Ltd	SAN	6/20/2016	Final liquidation	Heavy construction
Sea Kay Holdings Ltd	SKY	6/20/2016	Final liquidation	Heavy construction
Square One Solutions Grp	SQE	6/20/2016	Final liquidation	Computer services
Illovo Sugar Ltd	ILV	6/28/2016	Scheme of arrangement	Food products
Pick N Pay Holdings Ltd	PWK	8/30/2016	Scheme of arrangement	Food retailers and wholesalers
Delrand Resources Ltd	DRN	9/26/2016	The Company currently has no material assets and no active business and is no longer eligible for a listing on the JSE	Diamonds and gemstones
Rare Holdings Ltd	RAR	9/27/2016	Scheme of arrangement	Industrial suppliers
Beige Holdings Limited	BEG	9/27/2016	Scheme of arrangement	Personal products
Hospitality Prop Fund A	HPA	10/11/2016	Scheme of arrangement	Speciality real estate investment trusts
SABMiller plc	SAB	10/14/2016	Scheme of arrangement	Brewers
Anheuser-Busch InBev SA NV	ANB	10/14/2016	Scheme of arrangement	Brewers
Amalgamated Elec Corp Ltd	AER	11/1/2016	Scheme of arrangement	Electronic equipment
South African Coal Mining	SAH	11/29/2016	Part of offer	Coal

MTN Zakhele (RF) Ltd	MTNZBE	12/14/2016	Scheme of arrangement	Other securities
Sacoven plc	SCV	12/20/2016	Shareholders may elect to redeem their ordinary shares	Non-equity investment instruments

DELISTINGS FOR THE YEAR 2017

Company	Code	Date	Reason	Sub-Sector
The Pivotal Fund Ltd	PIV	2017/01/10	Scheme of arrangement	Real estate holding and development
Lodestone REIT Limited	LDO	2017/01/24	Part of offer	Diversified real estate investment trusts
Gooderson Leisure Corp	GDN	2017/02/07	Part of scheme of arrangement	Hotels
Giyani Gold Corporation	GIY	2/13/2017	Delisting	Gold mining
Datacentrix Holdings Ltd	DCT	2/14/2017	Part of scheme of arrangement	Computer services
Shoprite Investments Limited	SHPCB	4/4/2017	Final redemption	Food retailers and wholesalers

Annexure 2 – Data of samples firms

Number	Company	Sector	Date of delisting	Value of total assets (R)	Size of board	Non-executive directors	Independent non-executive directors	Number of meetings held	Board meeting attendance	Duality	Board performance evaluation	Number of directors with shares in THE company	Direct shareholding	Indirect shareholding	Directors holding 1%
S2006-1	FrontRange Limited	Software	9-Jan-06	407,235	7	4	2	4	1.00	no		3	0.0049	0.2237	0
S2006-2	Mathomo Group Limited	Apparel retailers	21-Feb-06	111,512	5	4	0			no		4	0.0002	0.0536	0
S2006-3	Prima Property Trust	Real estate investment trust	27-Feb-06	887,838	4	3		4	1.00	no		3	0.0036	0.0020	0
S2006-4	Venfin Ltd	Speciality finance	18-Apr-06	8,052,000	11	9	6	5	0.95	no		5	0.0003	0.0010	0
S2006-5	Gencor Limited	Speciality finance	3-May-06	80,400	3	2	1	5	0.87	yes		0	0.0000	0.0000	0
S2006-6	Alex White Holdings Ltd	Containers and packaging	19-Jun-06	105,845	4	3	1	4	0.94	no		8	0.3540		
S2006-7	Idion Technology Holdings Limited	Software	20-Nov-06	198,958	8	4	3	7	0.96	no		7	0.1483	0.2018	3
S2007-1	Pasdec Resources SA Limited	Electronic and electrical equipment	22-Jan-07	129,555	4	3		5	1.00	no		0	0.0000	0.0000	0

Number	Company	Sector	Date of delisting	Value of total assets (R)	Size of board	Non-executive directors	Independent non-executive directors	Number of meetings held	Board meeting attendance	Duality	Board performance evaluation	Number of directors with shares in THE company	Direct shareholding	Indirect shareholding	Directors holding 1%
S2007-2	Namibian Sea Products Limited	Food producers	29-Jan-07	68,417	5	4		4		no		3	0.0036	0.0189	0
S2007-3	Western Areas Ltd	Mining	30-Mar-07	6,643,000	8	5	3	5	0.97	no		2	0.0015		
S2007-4	Paramount Property Fund Ltd	Real estate	16-Apr-07	2,906,743	11	4	3	10	0.90	no		6	0.0032	0.0239	1
S2007-5	Unitrans Ltd	General retailers	29-May-07	5,078,011	12	5	3	4	1.00	no		2	0.0026	0.0000	0
S2008-1	Independent Financial Securities	Speciality finance	7-Jan-08	113,000	5	1							0.7900		
S2008-2	Samrand Develop Holdings	Real estate holdings	13-May-08	310,710	5	3	1			no		-	0.0000	0.0000	0
S2008-3	Johnnic Holdings Ltd	Real estate holdings and development	25-Sep-08	2,124,500	8	5		5	0.76	no		0	0.0000	0.0000	0
S2008-4	Anbeeco Investments Holdings	General finance	13-Oct-08	298,182	7	3	3			no		0	0.0000	0.0000	0
S2009-1	Venter Leisure and Comm	Industrial engineering	24-Feb-09	41,021,000	4	2		4	1.00	no		2	0.0048	0.8000	1

Number	Company	Sector	Date of delisting	Value of total assets (R)	Size of board	Non-executive directors	Independent non-executive directors	Number of meetings held	Board meeting attendance	Duality	Board performance evaluation	Number of directors with shares in THE company	Direct shareholding	Indirect shareholding	Directors holding 1%
S2009-2	Corvus Cap (SA) Hldg Ltd	General finance	23-Feb-09	340,000	6	3				no		1	0.0002	0.0027	0
S2009-3	Pals Holding Ltd	Personal goods	16-Mar-09	32,373,000	6	4				no					
S2009-4	Teal Explore and Mining Inc.	Non-ferrous metals	3-Apr-09	435,370,690	11					no		2	0.2323	0.1160	6
S2009-5	Conafex Hldgs Socie Anon	Farm and fishing	9-Apr-09	37,401,000	8	3									
S2009-6	Ambit Properties	Real estate	14-Jul-09	2,757,628,000	10	3	5	4	0.93	no		4	0.0024	0.0000	0
S2009-7	Enterprise Risk Management	Speciality finance	12-Aug-09	119,817,000	6	3	1	4	1.00	no	yes	3	0.0010	0.3290	1
S2009-8	Country Foods Ltd	Food products	14-Sep-09	226,800,629	5		1	4		no		3	0.0001	0.0761	1
S2009-9	Halogen Holdings Society Anon	Gold mining	11-Sep-09	50,305,802	4	4				no		2	0.0010	0.0000	0
S2009-10	Milkworx Limited	Food products	9-Nov-09	32,515,778	6		1	2	1.00	no		2	0.0875	0.1825	2
S2010-1	Elementone Limited	Media	11-Jan-10	1,917	4	2	2	7	1.00			0	0.0000	0.0000	0
S2010-2	Eureka Industrial Limited	Equity investment instruments	8-Mar-10	217,934	4	3						2	1.0000	0.1083	2

Number	Company	Sector	Date of delisting	Value of total assets (R)	Size of board	Non-executive directors	Independent non-executive directors	Number of meetings held	Board meeting attendance	Duality	Board performance evaluation	Number of directors with shares in THE company	Direct shareholding	Indirect shareholding	Directors holding 1%
S2010-3	Setpoint Group Ltd	Support services	25-May-10	235,593	10	2	6	4	0.92	no		3	0.3390	0.0000	2
S2011-1	Industrial Credit Comp Afr Holdings Limited	Financial services	22-Mar-11	10,410,228	4	2						3	0.0152	0.0000	0
S2011-2	Best Cut Ltd	Food producers	13-Jun-11	71,035,000	7	4		4	0.54			5	0.1927	0.5526	3
S2011-3	Beget Holdings Ltd	Software and computer services	13-Jun-11	21,779,809	7	4	3	4	0.70	no		3	0.3401	0.0000	3
S2012-1	Platmin Limited	Platinum and precious metals	3-Jan-12	7,341,659	10	9				no					
S2012-2	Dialogue Group Holdings Limited	Business support services	13-Feb-12	184,684,690	8	5	1	6	0.89	no		7	0.0063	0.8920	5
S2012-3	Kairos Industrial Holdings	Industrial machinery	13-Feb-12	126,799,000	3	1		0		no		2	0.0004	0.5961	1
S2012-4	Real Africa Holdings Ltd	Equity investment instrument	14-Mar-12	952,300,000	6	6	3	4	0.97		Yes				
S2012-5	Intertrading Ltd	Farming and fishing	19-Mar-12	26,396,993	6	3	2	4	0.85			2	0.1203	0.0000	2

Number	Company	Sector	Date of delisting	Value of total assets (R)	Size of board	Non-executive directors	Independent non-executive directors	Number of meetings held	Board meeting attendance	Duality	Board performance evaluation	Number of directors with shares in THE company	Direct shareholding	Indirect shareholding	Directors holding 1%
S2012-6	Optimum Coal Holdings Ltd	Coal	9-Jul-12	11,462,142,000	12	10	6	4	0.96	no		6	0.0239	0.2842	5
S2012-7	M Cubed Holdings Ltd	Asset managers	19-Nov-12	82,150,000	6	3	1	4	0.79	no		1	0.0003	0.0000	0
S2012-8	Ceramic Industries Ltd	Building materials and fixtures	27-Nov-12	1,564,471,000	10	8	5	6	0.93	no	Yes	7	0.0206	0.5624	2
S2013-1	Sallies Limited	General mining	2-Jan-13	171,530,000	6	5	3	3	0.94	no	yes	2		0.0008	0
S2013-2	Jci Ltd	Gold mining	16-Apr-13	778,225,000	4	2	2	5	0.80	no		1	0.0000	0.0000	0
S2013-3	Simmer & Jack Mines	Gold mining	16-Apr-13	42,204,000	5	3	3	5	1.00	no		2	0.0092	0.0643	2
S2013-4	Amalgamated Appliances Holdings Limited	Electronic equipment	2-Jul-13	716,100,000	10	2	3	4	0.97	no	Yes	3	0.0042	0.0009	0
S2013-5	Zaptronix Ltd	Electronic equipment	30-Apr-13	25,019,000	4	2	2	4		no		2	0.0343	0.4848	2
S2013-6	Thabex Limited	Diamond and gemstones	9-Jul-13	19,077,647	7	1	3	4	0.64	no	Yes	6	0.0890	0.0729	2
S2014-1	Gold One International Limited	Gold mining	30-Jan-14	801,239,000	6	5	3	5	0.83	no	no	0	0.0000	0.0000	0
S2014-2	Dorbyl Ltd	Auto parts	1-Jul-14	116,724,000	5	3	2	7	1.00	no	Yes	1	0.0190	0.0000	1
S2014-3	Don Group Ltd	Hotels	29-Jul-14	91,335,000	5	3	3	3	0.87	no	No	1	0.0000	0.4010	1

Number	Company	Sector	Date of delisting	Value of total assets (R)	Size of board	Non-executive directors	Independent non-executive directors	Number of meetings held	Board meeting attendance	Duality	Board performance evaluation	Number of directors with shares in THE company	Direct shareholding	Indirect shareholding	Directors holding 1%
S2015-1	Ububele Holdings Ltd	Food products	7-Jul-15	404,359,307	8	5	2	6	1.00	no	Yes	4	0.0000	0.0808	1
S2015-2	Fountainhead Prop Trust	Retail real estate investment trusts	11-Aug-15	12,601,452,000	12	7	6	6	0.94	no	Yes	4	0.1612	0.0000	3
S2015-3	Infrasors Holdings Ltd	General mining	13-Oct-15	324,130,000	6	4	3	4	1.00	no	Yes	0	0.0000	0.0000	0
S2016-1	Bioscience Brands Ltd	Food products	20-Jun-16	51,171,589	5	3	1	2	1.00	no	Yes	4	0.0760	0.0063	1
S2016-2	Erbacon Inv Hldgs Ltd	Food products	20-Jun-16	275,979,000	8	5	3			no		6	0.0732	0.1067	3
S2016-3	Delrand Resources Ltd	Heavy construction	20-Jun-16	336,930								1	0.0629	0.0000	1
S2017-1	Lodestone REIT Limited	Diversified real estate investment trusts	24-Jan-17	1,686,965,000	9	5	5	4	1.00	no	Yes	9	0.0117	0.2233	5

Number	Company	Sector	Value of total assets (R)	Size of board	Non-executive directors	Independent non-executive directors	Number of meetings held	Board meeting attendance	Duality	Board performance evaluation	Number of directors with shares in the company	Direct shareholding	Indirect shareholding	Directors holding 1%
C2006-1	Silverbridge (Synergy Holdings)	Software	6,880,293	5	1					yes	3	0.8143	0.0000	3
C2006-2	Rex Trueform Group LTD	Apparel retailers	174,983,000	10	4	3	4	0.98	no	yes	7	0.0012	0.0000	0
C2006-3	Octodec Invest Ltd	Real estate investment trust	1,257,328,000	6	3	2	3	1.00	no		6	0.0094	0.1113	2
C2006-4	Hosken Consolidated	Speciality finance	10,540,709,000	9	6		4	0.91	no		4	0.1110	0.0723	2
C2006-5	ECSPONENT Limited (John Daniels)	Speciality finance	19,049,084	7	3				no		2	0.0000	0.2091	0
C2006-6	Transpaco	Containers and packaging	249,815,000	12	4	3	4	1.00	no	yes	10	0.2088	0.0064	3
C2006-7	Silverbridge (Synergy Holdings)	Software	6,880,293	5	1					yes	3	0.8143	0.0000	3
C2007-1	Labat Africa LTD	Electronic and electrical equipment	20,927,000	7	4				no		8	0.0180	0.3222	6

Number	Company	Sector	Value of total assets (R)	Size of board	Non-executive directors	Independent non-executive directors	Number of meetings held	Board meeting attendance	Duality	Board performance evaluation	Number of directors with shares in the company	Direct shareholding	Indirect shareholding	Directors holding 1%
C2007-2	Ah- Vest	Food producers	36,121,671	4	2		10	0.72	no		3	0.0725	0.1771	1
C2007-3	African Rainbow Minerals	Mining	11,766,000	16	11	9	4	0.94	no		2	0.0005	0.0000	0
C2007-4	Emira Property Fund	Real estate	3,104,599,000	6	4	2	7	0.96	no		3	0.0005	0.0010	0
C2007-5	The Foschini Group Limited	General retailers	5,911,900	10	8	8	5	0.92	no		5	0.0232	0.0000	1
C2008-1	Ecsponent Limited (2007)	Speciality finance	15,799,980	5	3				no		1	0.0010	0.0000	0
C2008-2	Adrenna Property Group Limited	Real estate holdings	229,431,000	4	3	1	4	1.00	no		3	0.0691	0.0967	2
C2008-3	Tradehold Limited	Real estate holdings and development	2,286,835,000	4	2	1	2	0.60	no		3	0.0043	0.6113	1
C2008-4	Ecsponent Limited (2007)	General finance	15,799,980	5	3				no		1	0.0010	0.0000	0
C2009-1	PSV Holdings	Industrial engineering	358,231,974	8	5	2	3	1.00	no		4	0.4581	0.0000	3
C2009-2	ECSPONENT Limited (John Daniels)	General finance	5,983,890	5	3				no		3	0.0001	0.2102	0
C2009-3	Imbalie Beauty (Placecol Holdings)	Personal goods	89,081,858	5	2	0	1	1.00	no		3	0.4916	0.0000	3

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C2009-4	Insimbi Ltd	Non-ferrous metals	231,780,000	8	2	1	3	0.95	no		5	0.0000	0.7692	5
C2009-5	Crookes Brothers	Farm and fishing	521,696,000	9	7	6	6	1.00	no		5	0.0052	0.0227	1
C2009-6	Octodec Investments Limited	Real estate	2,417,657,000	5	3	2	4	1.00	no		5	0.0070	0.1281	2
C2009-7	ECSPONENT Limited (John Daniels)	Speciality finance	5,983,890	5	3				no		3	0.0001	0.2102	0
C2009-8	Ah Vest Limited	Food products	33,777,362	7	3		5	0.84	no		3	0.0724	0.0851	1
C2009-9	Pan African Resources PLC	Gold mining	1,012,337,729	7	4	1			no		1	0.0012		0
C2009-10	Ah Vest Limited	Food products	37,304,992	4	2		2	1.00	yes		3	0.0724	0.1770	1
C2010-1	E Media Holdings	Media	2,589,995,000	9	6	5	3	1.00	no	no	7	0.0004	0.0780	1
C2010-2	Trematon Capital Investment	Equity investment instruments	367,220,802	5	3	2	5	0.40	no	yes	5	0.0000	0.3392	3
C2010-3	CSG Holdings Ltd	Support services	268,108,000	9	5	3	4	0.94	no	yes	6	0.0097	0.5877	4
C2011-1	Ecsponent	Financial services	16,022,365	5	3		3	0.93	no	no	1	0.0001	0.0000	0
C2011-2	Ah Vest Limited	Food producers	33,777,362	4	2		5	0.84	no	no	3	0.0724	0.0851	1

Number	Company	Sector	Value of total assets (R)	Size of board	Non-executive directors	Independent non-executive directors	Number of meetings held	Board meeting attendance	Duality	Board performance evaluation	Number of directors with shares in the company	Direct shareholding	Indirect shareholding	Directors holding 1%
C2011-3	Isa Holdings	Software and computer services	59,328,000	8	5	2	2		no	yes	8	0.2280	0.4127	6
C2012-1	Northam Platinum Ltd	Platinum and precious metals	10,089,307,000	11	9	4	5	0.84	no	no	3	0.0001	0.0003	0
C2012-2	Metrofile	Business support services	606,406,000	9	7	4	5	0.82	no	yes	3	0.0271	0.0000	1
C2012-3	PSV Holdings	Industrial machinery	289,977,417	7	3	2	4	0.96	no	no	7	0.4292	0.0118	
C2012-4	Andulela Inv Hldgs Ltd (2011)	Equity investment instrument	1,106,123,095	6	3	3	5	1.00	no	no	0	0.0000	0.0000	0
C2012-5	Crookes Brothers	Farming and fishing	530,769,000	9	7	4	7	0.97	no	no	6			
C2012-6	Mc Mining Limited (2011)	Coal	4,011,051,109	8	5	5	5	0.74	no	yes	5	0.0030	0.0048	0
C2012-7	Efficient Group Ltd	Asset managers	89,384,000	12	7	4	4	1.00	no	yes	5	0.0960	0.0662	4
C2012-8	Afrimat Limited	Building materials and fixtures	1,000,377,433	9	6	3	4	0.97	no	yes	5	0.0474	0.0299	2
C2013-1	Chrometco Limited	General mining	39,257,360	4	2	1	4	0.93	no	yes	3	0.2038	0.0000	1
C2013-2	Randgold & Exploration Company Ltd	Gold mining	213,992,000	5	3	3	4	1.00	no	yes	0	0.0000	0.0000	0
C2013-3	Harmony Gold	Gold mining	43,200,000,000	13	10	8	4	0.99	no	yes	1	0.0002	0.0000	0

Number	Company	Sector	Value of total assets (R)	Size of board	Non-executive directors	Independent non-executive directors	Number of meetings held	Board meeting attendance	Duality	Board performance evaluation	Number of directors with shares in the company	Direct shareholding	Indirect shareholding	Directors holding 1%
C2013-4	Nu-World Holdings	Electronic equipment	963,321,000	6	3	3	4	1.00	no	yes	5	0.0351	0.0204	2
C2013-5	Labat	Electronic equipment	47,586,000	7	2	0			no		0	0.0000	0.0000	0
C2013-6	Rockwell Diamonds Inc.	Diamond and gemstones	778,998,858	7	6	2	7	0.65	no	yes				
C2014-1	Randgold	Gold mining	217,972,000	4	2	2	2	0.80	no	yes	0	0.0000	0.0000	0
C2014-2	Metair Investments Limited	Auto parts	3,403,718,000	8	6	4	8	1.00	no	yes	4	0.0016	0.0154	1
C2014-3	City Lodge	Hotels	1,370,800,000	9	7	6	5	0.93	no	yes	7	0.0071	0.0160	0
C2015-1	Ah-Vest Limited (All Joy)	Food products	62,626,486	9	3	2	5	0.97	yes	no	3	0.0314	0.3101	2
C2015-2	Vukile Prop Fund	Retail real estate investment trusts	11,678,204	12	7	7	4	0.97	no		4	0.0038	0.0085	0
C2015-3	Chrometco	General mining	195,971,753	6	4	3	4	1.00	no	Yes	3	0.0272	0.1604	1
C2016-1	Ah Vest Limited	Food products	19,096,075	5	3	3	6	0.93	No	No	5	0.0317	0.0560	2
C2016-2	Calgro M3 Holdings Ltd	Heavy construction	809,120,229	9	5	3	9	0.72	No	Yes	6	0.0348	0.3854	5
C2016-3	Rockwell Diamonds	Diamonds and gemstones	667,350,665	7	6	5	6	0.97	No	Yes				

Number	Company	Sector	Value of total assets (R)	Size of board	Non-executive directors	Independent non-executive directors	Number of meetings held	Board meeting attendance	Duality	Board performance evaluation	Number of directors with shares in the company	Direct shareholding	Indirect shareholding	Directors holding 1%
C2017-1	Rdi Reat PLC	Diversified real estate investment trusts	1,538,800,000	11	7	5	4	1.00	no	yes	8	0.0052	0.0000	0

7 CHAPTER 7: REFERENCES

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