Heidrick & Struggles

CEO & Board of Directors Practice

# Board Monitor South Africa 2023

Our third annual report on incoming directors at JSE Top 40 companies shows a growing preference for directors who are still active in their executive roles and directors with previous public company board experience.

## About the report

This report is part of Heidrick & Struggles' long-standing study of trends in board composition in markets around the world. Produced by our global CEO & Board Practice, these reports track and analyze trends in non-executive director appointments to the boards of the largest publicly listed companies in Australia (ASX 200), Belgium (BEL 20), Brazil (BOVESPA), Canada (TSX 60), Colombia (COLCAP), Denmark (OMX Copenhagen 25), Finland (OMX Helsinki 25), France (CAC 40), Germany (DAX and MDAX), Hong Kong (Hang Seng), Ireland (ISEQ), Italy (FTSE MIB), Japan (TOPIX Core 30), Kenya (NSE Top 40), Mexico (BMV IPC), the Netherlands (AEX), New Zealand (NZX 10), Norway (OBX), Poland (WIG 20), Portugal (PSI 20), Saudi Arabia (Tadawul), Singapore (STI 30), South Africa (JSE Top 40), South Korea (KOSPI 50), Spain (IBEX 35), Sweden (OMX 30), Switzerland (SMI Expanded), the United Arab Emirates (ADX and DFM), the United Kingdom (FTSE 350), and the United States (Fortune 500). Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database.

**Thanks to the following Heidrick & Struggles colleagues for their contributions to this report:**

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# Welcome to Board Monitor South Africa 2023

# Navigating new and old challenges

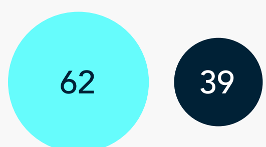
The 2022 board appointments at South Africa's leading public companies show a desire to bolster both executive and board experience while keeping a focus on gender diversity. An increasing share of seats went to directors with CEO and previous board experience, and a much larger percentage of the seats went to directors with current executive roles when compared with previous years. These shifts may be the result of a perception that CEO and executive expertise in particular are helpful as society and businesses navigate the aftermath of the events of the past three years and manage ongoing economic and political uncertainty. Companies also continue to face an unprecedented level of expectation that they will assist in addressing socioeconomic needs.

So, how have the JSE Top 40 boards adjusted their board composition to better navigate the socioeconomic and regulatory demands?

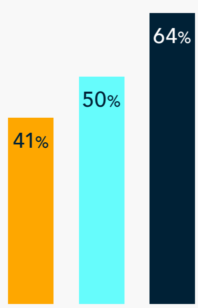
## Key findings

2022 2021 2020

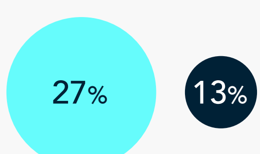
The number of new board appointments to JSE Top 40 listed companies decreased significantly, from 62 in 2021 to 39 in 2022.




There was an increase of directors active in their executive roles: 64% of seats went to people who were also in current executive roles, compared to 50% in 2021 and 41% in 2020.



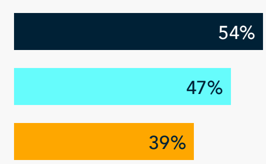

There was a decrease in the share of seats going to directors with no board experience: 13% were first-time public board directors in 2022, compared to 27% in 2021.




Of the new board appointments, 64% were South African, compared to 61% in 2021.

The average age of new directors remained stable at 56.5.

There was an increase in the share of appointments of directors with CEO experience, 54% in 2022, up from 47% in 2021 and 39% in 2020.




There was slight dip in the share of seats that went to women: 59% in 2022 compared to 61% in 2021.

The share of seats going to South African directors remained relatively stable compared to previous years (64% in 2022, compared to 61% in 2021). Of these, 64% went to Black, 8% to Indian, and 4% to Coloured South Africans, whereas in 2021, 63% went to Black, 5% to Indian, and 3% to Coloured South Africans.

# **Snapshot** of 2022 findings

**New seats filled**

39

**Average age**

56.5

Min: 43
Max: 68

**Nationality (%)**

National 64

Non-national 36

**Share of companies with an appointment (%)**

65%

**Gender balance (%)**

Women 59 | Men 41

**Active vs. retired (%)**

Retired 36 | Active 64

**Current or former CEO experience**

54%

**Current or former CFO experience**

13%

**Experience (%)**

First-time public board experience: 13

Previous public board experience: 87

**Education (%)**

No degree 0

Bachelor's degree 49

Master's degree 44

JD 0

PhD 8

MBA

21%

**Other previous experience (%)**

International experience 28

Cybersecurity experience 0

Sustainability committee experience 67

Sustainability executive experience 8

**C-level previous experience (%)**

CEO 54

CFO 13

COO 3

Other C-level 18

**Race, South Africans only (%)**

Black 64

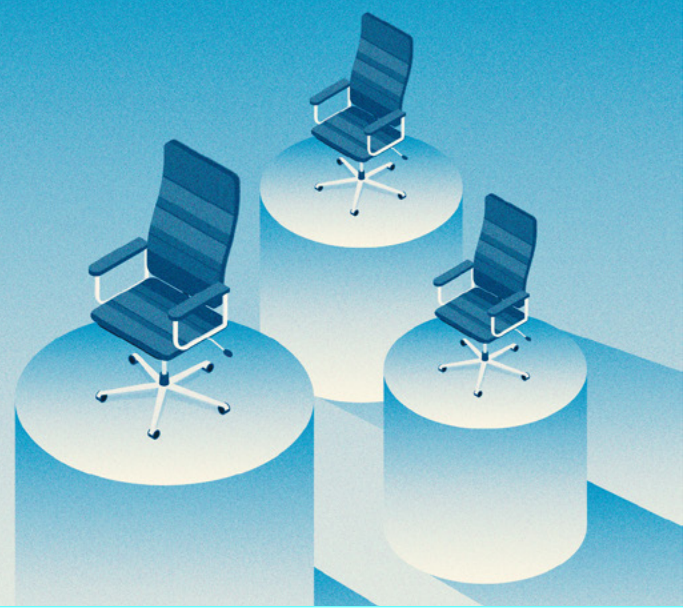
White 24

Indian 8

Coloured 4

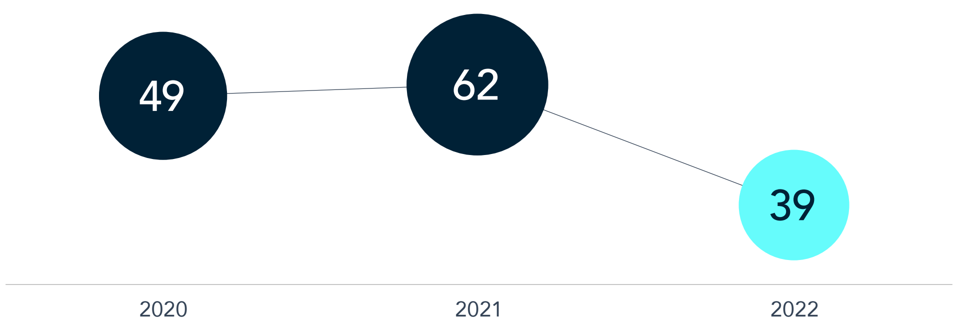
Note: Numbers may not sum to 100%, because of rounding.

# Fewer board appointments in 2022

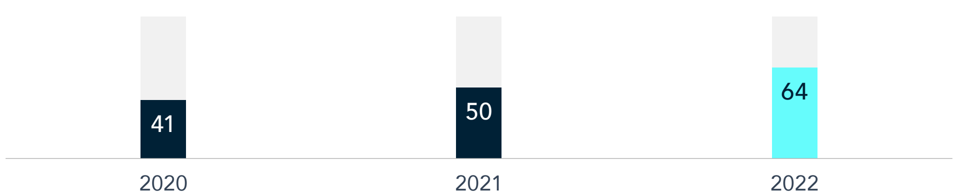


The number of appointments saw a significant dip, from 62 in 2021 to 39 in 2022. We saw an increase in the share of appointments of directors who were still active in their executive roles, a trend we saw across other markets as boards are looking for executives with hands-on experience dealing with the economic and business challenges their companies are facing. At the same time, we saw a strong preference for directors with previous public board experience; the share of seats going to first-time directors halved compared to the 2021 share. This is another trend we have seen in many other markets, including the United States and United Kingdom.

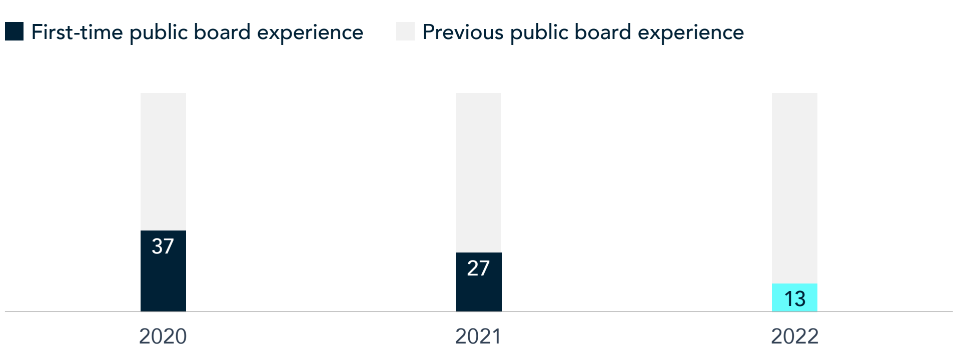
**Number of seats filled, 2020–2022 (%)**




**Share of directors in active executive roles, 2020–2022 (%)**




**First time public company board directors, 2020–2022 (%)**



# An increase in the appointments of directors with CEO experience

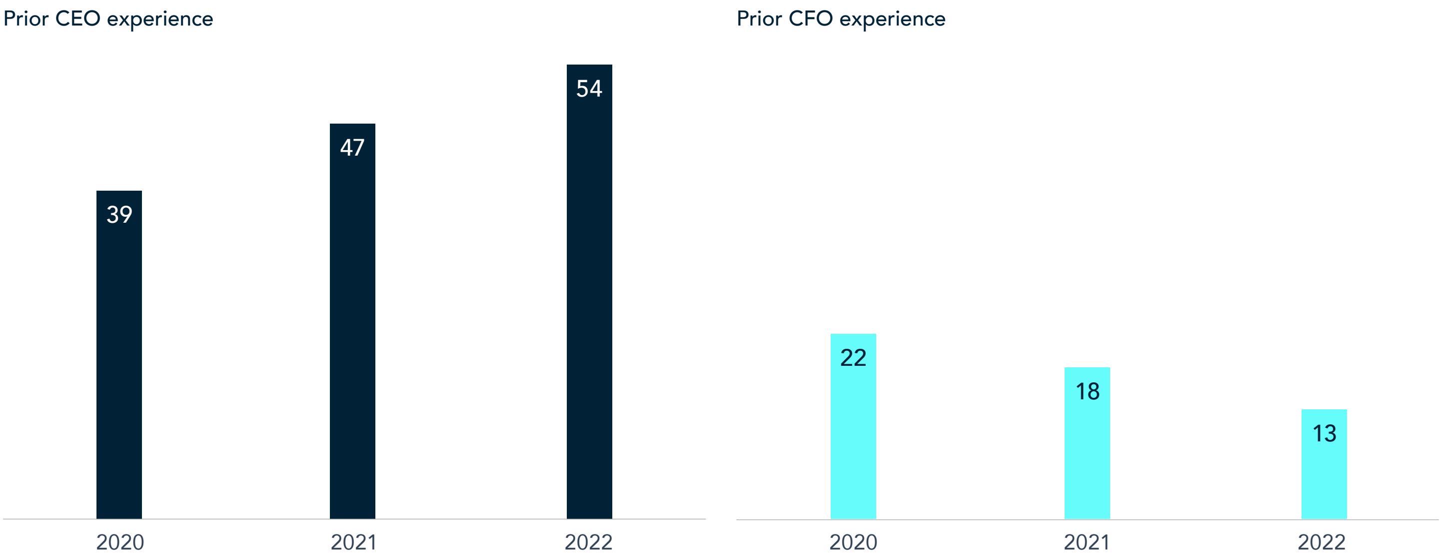
Another trend we observed in other markets that is mirrored on South African boards is the increase in the appointments of directors with CEO experience: their share of seats continues to increase, with more than half of seats in 2022 going to directors with a track record of having been a CEO. Conversely, the share of seats going to directors with CFO experience continues to decrease, nearly halving in two years, from 22% in 2020 to 13% in 2022.

Despite their acknowledged importance, we saw a decrease in the appointment of directors with cybersecurity and sustainability experience, after a small uptick in 2021. None of the seats went to directors with cybersecurity experience and 8% went to those with sustainability experience compared to 10% the previous year.

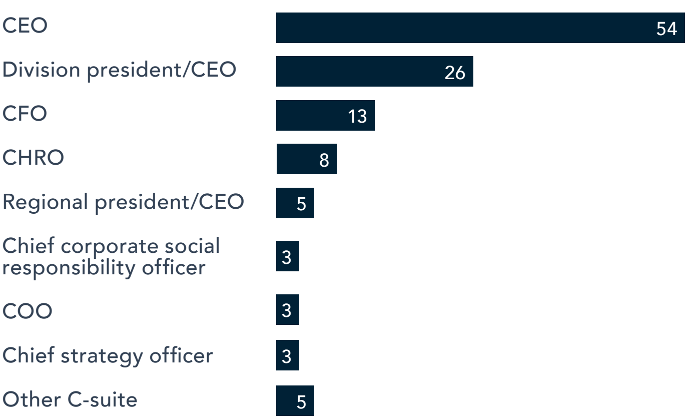
The most common executive experiences in the 2022 cohort were CEO, divisional president, CFO, and CHRO. The 8% share of seats going to CHROs is the highest we saw across the markets we analyzed in 2022.[1]

1 Dorothy Badie, Nancie Lataille, and Laryssa Topolnytsky, "Board effectiveness focus: Why directors with HR expertise help boards do better," Heidrick & Struggles, heidrick.com.

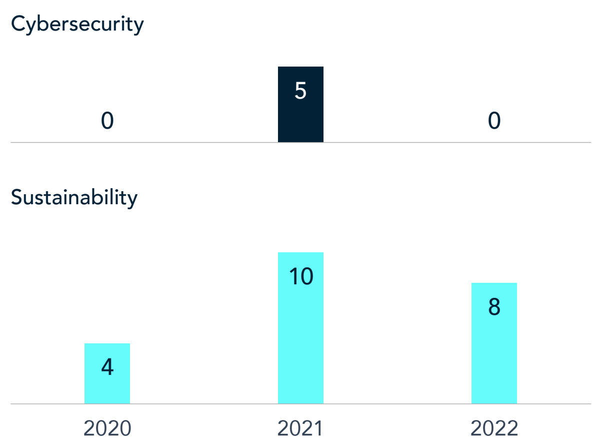
### Share of directors with prior CEO and CFO experience, 2020–2022 (%)




### C-suite experience breakdown (%)



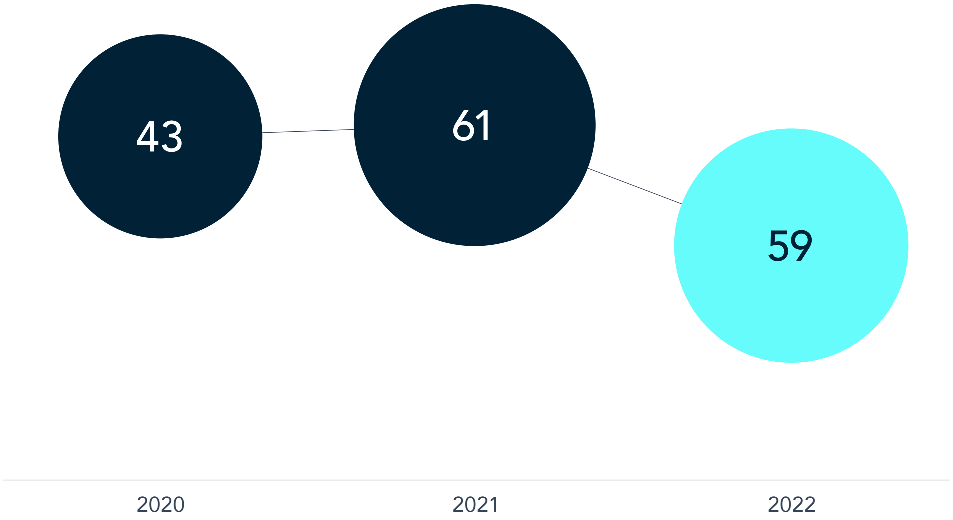

### Other experience trends, 2020–2022 (%)



# Maintaining progress on diversity

The share of seats going to women dipped slightly in 2022, to 59%, from 61% in 2021, but remains one of the highest among the markets we track. It ranks fifth after Portugal (67%), Belgium (60%), Denmark (60%), and Spain (60%), and it is ahead of the United Kingdom (58%) and the United States (40%).[2]

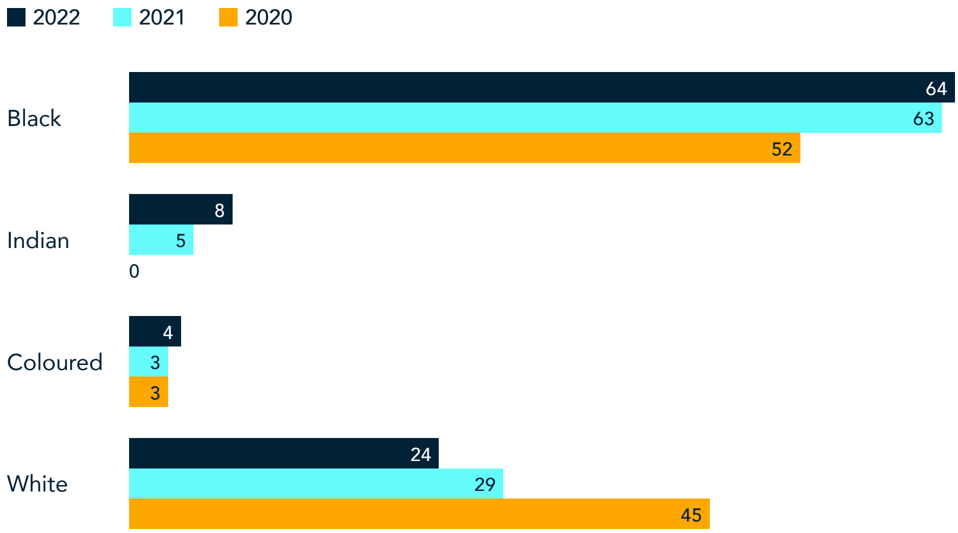
**Gender trends, 2021–2022 (% women)**




1 The European commission has passed regulatory requirements in November 2022 that asks companies to ensure 40% of their non- executive directors or 33% of all board are underrepresented minorities.

When it comes to race, of the seats that went to South African directors in 2022 (64% of the total versus 61% in 2021) 64% went to Black South Africans, compared to 63% the previous year; 8% to Indian South Africans, compared to 5% the previous year; and 4% to Coloured South Africans, compared to 3% in 2021.

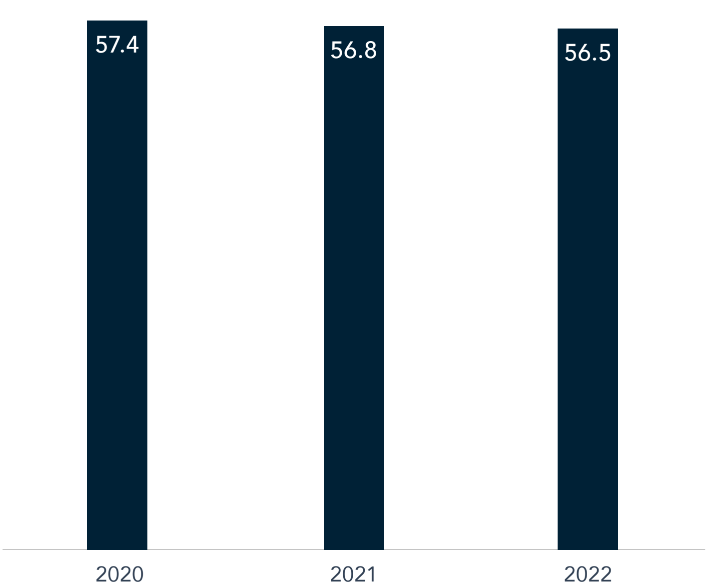
**Race (South Africans Nationals only), 2020–2022 (%)**



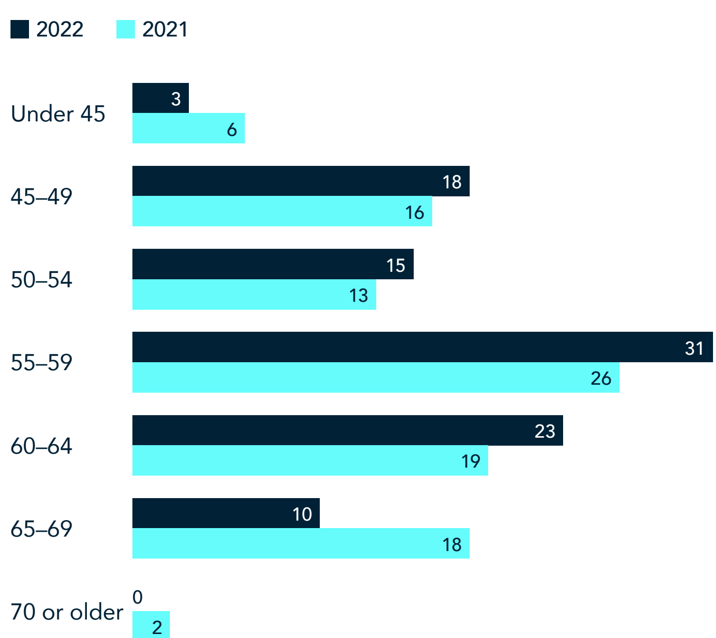

The average age of the directors appointed in 2022 remained similar to 2021, with the notable difference being the decrease in seats going to directors over 65 years old: 10% of the seats went to directors in this demographic, compared to 20% in 2021.

## Age trends (%)

Average age of new appointments, 2020–2022




Age distribution, 2022 vs. 2021

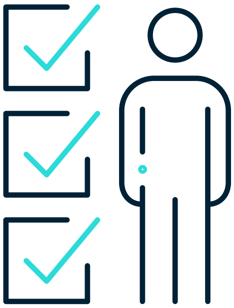


# Looking forward

The main principle of board composition remains unchanged: when planning for succession, boards should look and think broadly about all the skills, experiences, and backgrounds that will ensure a high level of board engagement and effectiveness.

So what do best-in-class boards do?

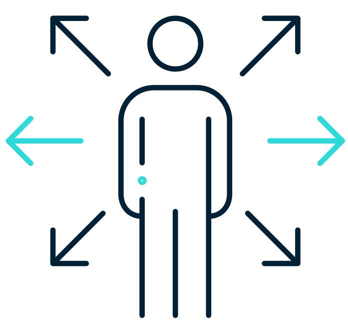
**Actively seek new directors whose backgrounds combine a mix of traditional expertise** (such as CEO or CFO) with knowledge that is newer on boards' skills matrix, such as digital, sustainability, cybersecurity, or experience in different industries.



**Stay tightly focused on diversity.** Best-in-class boards are building their networks and improving their outreach to potential directors from diverse backgrounds. This is illustrated by the progress, albeit incremental, of Black, Indian, and Coloured directors in 2021 and 2022, and even more so the progress in appointing Black South African women to boards.

**Bring younger directors onto boards.** The median age of directors appointed over the past few years has been remarkably stable, but this year we saw a decrease in the share of appointments that went to directors who were 65 or older. Best-in-class boards understand the advantages of perspectives brought in by executives who are in earlier stages of their careers and are, in many cases, closer to the intricacies and consequences of some of the newer issues boards need to address, such as climate change.

**Seek new members who have the ability to take on a leadership role, either that of a chair, senior independent director, or committee leader.** The role of the chair in particular has evolved significantly over the past 5 to 10 years, becoming more complex and, in many cases, more externally focused. This means that leadership capabilities have become an important dimension of the board skills matrix.



**Bolster the sustainability acumen on boards.** The European Union's Corporate Sustainability Reporting Directive is coming into force, and it largely aligns with sustainability-related developments already seen in South Africa such as the King IV Guidance Paper on Responsibilities of Governing Bodies in Responding to Climate Change and the JSE's Sustainability and Climate Disclosure Guidance. In this context, boards will have to invest more time and effort into making sure their companies are clear on what their targets and road maps are. While it arguably might be more difficult to find non-executive directors with executive sustainability experience, boards can broaden their search to directors with sustainability board committee experience where possible. Our recent research and client conversations highlight that, aside from bringing on directors with sustainability experience, it's critical that boards set up a formal education plan to ensure all board members have the information necessary to support their companies' sustainability goals.

**Think of succession planning as an ongoing exercise rather than an exercise undertaken in reaction to an annual deadline.** A significant part of this process is proactively cultivating potential board members who can meet anticipated needs across different time horizons and strategic scenarios. This reduces risk and builds confidence that the organization will be led well whatever happens. Another important element is regularly assessing the performance of boards and board members to make sure that the company has the most effective team around the table.

# CEO & Board of Directors Practice

**Heidrick & Struggles' CEO & Board of Directors Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.**

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital, enables us to provide sound global coverage for our clients.

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