Briefing

June 2025

How cool is your board?

Board sustainability-related qualifications in the JSE Top 40

Just Share

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1. Executive summary

Non-financial risks and opportunities, including those related to inequality, climate change, environmental harms, biodiversity impacts and artificial intelligence are becoming increasingly more relevant considerations in corporate governance. To ensure that these risks are properly understood and managed, and that opportunities are maximised, company boards must fully integrate sustainability considerations into company operations, planning and resource allocation.

Board-level sustainability expertise (i.e., relevant knowledge obtained via formal qualifications, skills and experience) is essential to this endeavour, and requires that companies ensure that their boards are appropriately capacitated. The lack of such expertise on Top 40 company boards raises concerns about these companies' ability to fully integrate crucial sustainability considerations into their strategies and decision-making.

In most corporate governance contexts, the knowledge associated with expertise is closely correlated with a suitable formal qualification. A business degree is generally regarded as necessary to having business expertise, financial expertise is associated with having a chartered accountancy or finance-related degree, and a law degree is associated with legal expertise. There is no reason why sustainability expertise should be approached any differently. However, many companies claim that their boards contain sustainability expertise, without specifying what this expertise is or who holds it.

Using publicly available data, Just Share has analysed the qualifications of the members of the boards and social and ethics committees of the Top 40 JSE-listed companies to assess how many of their directors have sustainability-related qualifications.

The analysis revealed that:

- 22 of the Top 40 companies (55%) do not have a single director on their boards who holds a sustainability-related qualification.
- Out of a total of 487 directorship positions in the Top 40, only 25 positions, or 5%, are occupied by directors with a sustainability-related qualification.
- Of the 989 qualifications at diploma or higher level held by all Top 40 directors, just 41 qualifications (4%) were sustainability-related qualifications. The vast majority of directors' qualifications are in finance and business (67%), followed by engineering (8%) and law (7%).
- 35 of the Top 40 companies (88%) do not meet a modest sustainability expertise benchmark of having two directors with a sustainability-related qualification on the board.
- Directors with sustainability-related qualifications do not always sit on their company's social and ethics committee.

- Corporate disclosures about sustainability experience are weak, making it difficult to draw conclusions about this dimension of sustainability capacity. Many companies claim that their boards contain sustainability expertise, without specifying what this expertise is or who holds it.

2. The strategic importance of sustainability-related expertise

Over the coming decade, South African company boards will need to ensure that sustainability considerations are fully integrated into company planning, operations and resource allocation. They will need to do so for several mutually reinforcing reasons, including:

- Changing stakeholder values and perceptions.
- Accelerating climate impacts, which are imposing growing direct business costs as well as compelling the recalibration of longer-term risks.
- A growing array of international and national hard and soft laws and policies that compel deeper integration and disclosure of sustainability factors by businesses.

In South Africa, the need for fundamental integration of sustainability considerations into strategic planning and oversight by boards of directors is already emphasised in, amongst others, the King Report on Corporate Governance (King IV).[1] The 2021 King IV Guidance Paper*, Responsibilities of Governing Bodies in Responding to Climate Change,* notes in this regard that:

> *Governing Bodies must ensure that business strategy and decision-making include a broader, integrated consideration of social, economic, and environmental (including climate change) performance and impacts. This incorporates an assessment of externalities…as well as determining risks and opportunities for both the short and long term*.[2]

The JSE listing requirements do not mandate climate-related disclosures, but the JSE *Climate Disclosure Guidance* notes that:

> *Companies reporting on climate should be aware that investors and other stakeholders are looking for information that gives them confidence that companies understand climate-related issues, how they impact the business, and what action they are taking as a result*.[3]

Board-level sustainability expertise is essential to ensure that a company complies not only with hard and soft law in this area but is able to identify new business opportunities in a rapidly changing context, respond appropriately to short- and long-term risks and opportunities, and in general integrate sustainability considerations effectively.

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[1] This focus is retained in the draft King V which was released for comment in April 2025.
[2] https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/04630F89-33B7-43E7-82B3-87833D1DC2E3/King_Committee_Guidance_paper_on_the_responsib.pdf, p.2.
[3] Johannesburg Stock Exchange, *Climate Disclosure Guidance,* https://www.jse.co.za/sites/default/files/media/documents/JSE%20Climate%20Disclosure%20Guidance_June%202022.pdf p.15.

The term "expertise" is used here as meaning "expert skill or knowledge in a particular field", with "expert" meaning "having or involving a great deal of knowledge or skill in a particular area."[4] This requires much more than taking a short course or attending one or more presentations on a topic.

Reviewing recent trends in board sustainability expertise, Professor Lyon of Michigan Ross University notes a continued gap in this area, and concludes with a note of warning:

> *B]oards that fail to acquire the necessary skills and expertise face considerable risk in light of environmental threats, growing pressure from stakeholders, and the rapidly evolving regulatory landscape. Boards can no longer rely on external consultants to discharge their fiduciary responsibility to be adequately educated on sustainability risks and opportunities before making business decisions. Public companies must reassess their boards' competence and skill set, focus on integrating sustainability into the nomination process for board directors, and adequately educate the board as a whole*.[5]

Ceres, a non-profit sustainability advocacy organisation based in the United States, in a 2017 report, *Lead from the Top: Building Sustainability Competence on Corporate Boards*, called for 'Sustainability-Competent Boards.' In unpacking what was meant by this, it offered the following useful guidance:

> *An ideal sustainability-competent board has the requisite knowledge about material environmental and social issues that affect the business. It is able to ask the right questions, support or challenge management as needed, and ultimately make informed and thoughtful decisions affecting strategy and risk*.[6]

Importantly, being sustainability-competent cannot derive only from having periodic access to expertise such as consultants, sustainability advisors and in-house staff, nor can it be incentivised or induced only through mechanisms such as establishing a committee with an appropriate mandate, providing for a regular 'sustainability report', or setting executive pay benchmarks that include sustainability performance. Such measures are important, but they undervalue the need to ensure that sustainability traverses all aspects of a company's performance.

To meaningfully and continuously integrate sustainability into all strategic deliberations and decision-making, hold executives accountable for integration of sustainability considerations, set realistic but ambitious targets, and engage effectively with all stakeholders in a complex landscape, boards must have directors who themselves possess relevant expertise.

As the board advisory and capacity-building organisation Competent Boards has recently noted on board effectiveness around sustainability:

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[4] Oxford Dictionary
[5] https://michiganross.umich.edu/programs/executive-education/insights/why-today-s-boards-need-sustainability-expertise
[6] https://www.ceres.org/resources/reports/lead-from-the-top

> *The true measure of effectiveness lies in the individual expertise of directors themselves, their ability to contribute essential knowledge, and their wealth of experience in formulating insightful questions, offering wise counsel, and adeptly navigating the complex regulatory compliance landscape*.[7]

Expertise can, in principle, be acquired without a formal qualification in a particular area.[8] However, in most corporate governance contexts, the knowledge associated with expertise is closely correlated with a suitable formal qualification. A business degree is generally regarded as necessary to having business expertise, financial expertise is associated with having a chartered accountancy or finance-related degree, and a law degree is associated with legal expertise. There is no reason why sustainability expertise should be approached any differently. However, many companies claim that their boards contain sustainability expertise, without specifying what this expertise is or who holds it.

This briefing looks at one essential, specific and objectively measurable component of expertise as it contributes to adequate board performance in relation to sustainability, namely ***the extent to which JSE Top 40 company boards and social and ethics committees (SECs) have directors who possess formal sustainability-related qualifications (SRQs).***

The assessment seeks to ascertain:

1. Whether Top 40 boards are "sustainability competent", when measured against this metric. A guiding assumption was that boards should contain at least two directors with a formal SRQ. Since the average Top 40 board size is 12, this is the equivalent of 1 out of 6 (or 17%) of directors, a modest target.

2. Whether the historical dominance of business and legal qualifications in South African Top 40 boards is still the norm, or whether there has been any shift towards recruitment of board members with different types of qualifications to reflect the growing governance importance of sustainability factors.

3. The extent to which directors who do possess SRQs sit on company SECs, on the grounds that where this is *not* the case there is likely an inefficient allocation of sustainability expertise on the board.

4. The extent to which sustainability experience is claimed for directors who do not hold an SRQ.

The data collection reference period was 12 February to 28 March 2025, analysing the JSE Top 40 companies as of 12 February 2025. Information on board members' qualifications was gathered from public sources including company websites and annual reports.

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[7] https://competentboards.com/new-groundbreaking-report-on-board-sustainability-competencies-in-the-us-and-europe/
[8] Not all great painters, for example, studied painting.

An SRQ was defined as any qualification at diploma level or higher that included, in its title, reference to any of the following words (or variants of them):

- Sustainability
- Environment
- Ecology
- Green
- Climate change and decarbonisation
- Environmental, social and governance (ESG)
- Development (including development finance and international development)

In cases where it was not clear whether a director's qualification was sustainability-related, that qualification was counted as an SRQ. In other words, directors were given the benefit of the doubt in all cases.[9]

Although the focus of this analysis is on formal SRQs, the extent of sustainability experience or expertise claimed for directors who did not have a SRQ was also considered.

3. Board qualification analysis

22 of the Top 40 companies, or 55%, do not have a single director with an SRQ on their boards.

13 of the Top 40 companies, or 33%, have one director with such qualifications.

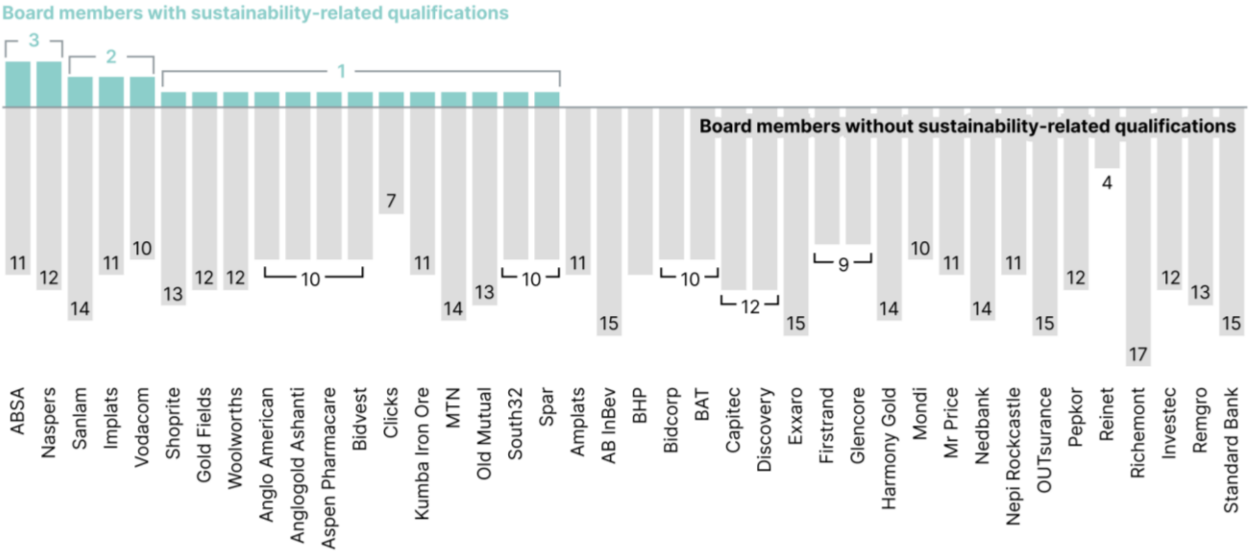
At present, in other words, 35 out of 40 boards (or 88%) do not meet the modest "sustainability competent" benchmark as it relates to director qualifications, of two suitably qualified directors per board.

Of the 5 boards which do meet this suggested threshold, 3 boards have 2 directors with such qualifications, and 2 boards have 3 directors with such qualifications.

These results are illustrated on the next page.

[9] The appendix sets out the details of the approach to analysing director qualifications.

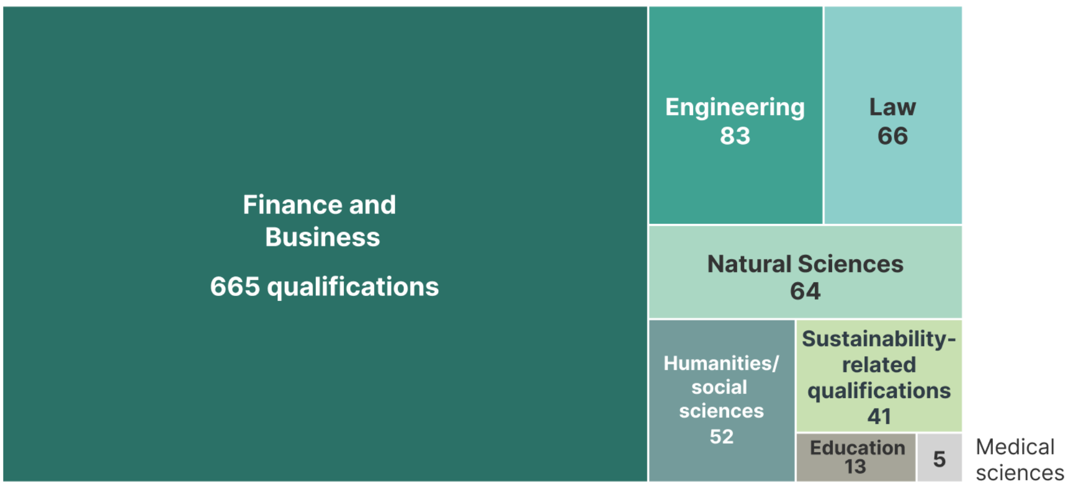
Figure 1: Sustainability-related qualifications of directors in the Top 40, by company



Out of a total of 487 directorship positions in the JSE Top 40, only 25 positions, or 5%, are occupied by directors with sustainability qualifications.

Similarly, out of the 989 qualifications at diploma level or higher held by all Top 40 directors, just 41 qualifications (4%) were SRQs. The majority of board qualifications are finance and business qualifications (665, or 67%), followed by engineering (83, or 8%) and law (66, or 7%).

Figure 2: Distribution of qualifications of Top 40 company boards



4. Social and ethics committees

SECs are assigned an important sustainability-related role through the Companies Act 71 of 2008 and associated regulations.

As noted above, 18 of the Top 40 companies have one or more board members who have an SRQ.

It is important, as part of ensuring that SECs are appropriately capacitated and empowered, that those board members who possess SRQs also sit on the SECs. It is also a comparatively easy way to help ensure SEC sustainability competence.

As Table 1 on the next page shows, the ‘better-performing sustainability companies’ (in the sense that they have at least one board member with an SRQ) are not always ensuring that these directors are also fully utilised and available to a company by appointing that board member to sit on the SEC.

In 7 of the 18 companies which have at least one board member with an SRQ, all board members with SRQs are also on the SEC. For two companies, some but not all board members with SRQs are on the SEC. Finally, and disappointingly however, there are 9 companies that have directors with SRQs where none of these directors sit on the SEC.

The table on the next page illustrates these results.

Table 1: Are the social and ethics committees of the 18 JSE Top 40 companies that have board members with sustainability-related qualifications benefitting from these qualifications?

Utilisation	Company	Board members with SRQs*	Board members with SRQs on SEC
100% **Full utilisation** All board members with sustainability-related qualifications are on the social and ethics committee	Absa	3	3
	Woolworths	1	1
	Anglo American	1	1
	Anglogold Ashanti	1	1
	Aspen Pharmacare	1	1
	Shoprite	1	1
	South32	1	1
	Total	**9**	**9**
40% **Partial utilisation** Some board members with SRQs are on the SEC	Naspers	3	1
	Implats	2	1
	Total	**5**	**2**
0% **No utilisation** None of the board members with SRQs are on the SEC	Sanlam	2	0
	Vodacom	2	0
	Gold Fields	1	0
	Bidvest	1	0
	Clicks	1	0
	Kumba Iron Ore	1	0
	MTN	1	0
	Old Mutual	1	0
	Spar	1	0
	Total	**11**	**0**

*Total number of board members with sustainability-related qualifications (SRQs)
Board members with sustainability-related qualifications (SRQs) who are on the social and ethics committee (SEC) of a board

5. Sustainability-related experience

Although the focus of this briefing is formal sustainability qualifications, it also assessed the number of *claims* to sustainability *experience,* i.e., directors who do not have a formal sustainability qualification, but for whom experience in this area is claimed.

For half of the Top 40 companies, there was no information relating to non-qualifications-based experience in sustainability areas in company reporting, websites and/or through SENS announcements.

For the 20 companies that did include such information, an additional 34 directors were identified who did not have SRQs but for whom sustainability-related experience was claimed.

It is impossible to draw definitive conclusions relating to claimed experience because it is not possible to determine with any certainty whether Top 40 companies that did not disclose sustainability experience are likely to perform similarly in this regard to companies that did disclose this information. Furthermore, insufficient information is disclosed to verify the claimed experience, or to ascertain its extent and relevance.

It is essential for corporate disclosures to contain more detailed information about directors who may have sustainability experience outside of formal qualifications, so that stakeholders can form a better picture of board sustainability capacity.

6. Concluding recommendations

As set out above, it is essential for corporate boards to contain directors with the necessary skills and expertise to effectively oversee the broad array of financial and non-financial challenges, risks and opportunities facing modern companies. For this expertise to be most effective, boards should contain at least two directors with a formal SRQ, and those directors who are so qualified should sit on the social and ethics committee to maximise the benefit of their qualifications and experience to the company.

Just Share recommends:

1. That corporate boards do more to ensure that they are giving sufficient weight to sustainability issues by appointing more directors with formal sustainability-related qualifications.

2. That those directors who do possess sustainability-related qualifications should also sit on the boards' social and ethics committees.

3. That companies should significantly improve their disclosure of claimed sustainability expertise for directors who lack a formal qualification in this area, so that stakeholders can form a better picture of overall board sustainability capacity.

7. Appendix: Methodology

The data collection period for this analysis ran from 12 February 2025 to 28 March 2025. The constituents of the JSE Top 40 on 12 February 2025 were identified for the analysis sample.

For each company, the primary sources of information on company board members' qualifications was the company website, particularly the website sections that contain information on each company's governance and leadership structure.

To supplement and cross-verify the information on company websites, the latest available company annual and/or integrated reports were consulted. Board member biographies were assessed for keywords including "sustainability", "ecology", "climate", "decarbonisation", "ESG", "green", "environment", "environmental", and "development" and to account for disclosed narratives on board member experience or expertise.

The information collected for each company was collated according to seven broad academic discipline categories:

1. Finance & business;
2. Humanities (inclusive of social sciences and arts qualifications);
3. Law;
4. Science;
5. Medical science;
6. Engineering; and
7. Education.

Any qualification within these categories that was identified as relevant to the subject matter highlighted in the keywords above was further allocated to an additional discipline category referred to as "sustainability-related qualifications".

Where no detail was provided on a specific degree specialisation (e.g. "MA" as opposed to "MA (Economics)"), then the broad discipline of the degree title was used, e.g. an MA (Economics) qualification would be captured under the "Finance & business" discipline, but an MA without clear specialisation would be captured under the "Humanities" discipline.

Within each discipline category, the number and percentage of board members who held relevant degrees and/or diplomas were calculated. In addition, the number and percentage of relevant qualifications (degrees and diplomas) in each discipline category were also calculated.

To interrogate the qualifications of board members appointed to the company SEC, a similar data collection and collation method was followed. SEC members' qualifications were verified using information indicated on company websites and reports to be able to calculate the total number and percentage of board members in the committee. By using the data under the academic discipline and "SRQ" categories, the number of board members with SRQs also on the committee was calculated, as well as their percentage of the broader total members on the board with SRQs. This final figure was calculated to assess how many board members with SRQs are appropriately appointed to the SEC committee or a differently named committee with the same or similar mandate.

The resultant data per company was:

1. The total number and percentage of qualified board members per academic discipline and SRQ category.
2. The total number and percentage of qualifications held by each board per academic discipline and SRQ category.

The analysis of qualifications at board level reflects the number of directors with specific qualifications per board. As some individuals hold directorships in more than one JSE Top 40 company, their qualifications may appear more than once in the aggregate board-level data. This intentional repetition allows for an accurate picture of the skillset composition of each individual board, rather than the unique count of qualified individuals across the broader network.

End