



B U S A

BUSINESS UNITY SOUTH AFRICA

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**NURTURING A REPRESENTATIVE LEADERSHIP
CORE FOR CORPORATE SA: A STRATEGIC
FRAMEWORK FOR IMPROVING PARTICIPATION
RATES OF BLACKS AND WOMEN IN
DIRECTORSHIPS AND TOP EXECUTIVE
LEADERSHIP (TEL) POSITIONS OF THE JSE-
LISTED COMPANIES**

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1. Background

1.1 Between April and July 2009, Business Unity South Africa (BUSA) conducted a survey on the demographic profile (age, gender and race) of executive and non-executive directors of the JSE-listed companies. The primary objective of the survey was to establish the age profiles of the current incumbents of executive and non-executive directorship positions with a view to identifying those positions that were likely to become vacant within the next five years or so as a result of natural attrition such as retirement.

1.2 Through recourse to information culled from company annual reports, company websites, Profile's Stock Exchange Handbook, newspapers and newspaper supplements, published and unpublished reports, business magazines and other publicly available records of the 295 companies listed on the main board of the JSE Securities Exchange South Africa, the survey examined the age, gender and race profiles of incumbents of the following board positions¹:

- Chief Executive Officer,
- Deputy Chief Executive Officer,
- Chief Financial Officer,
- Chief Operations Officer,

¹ The findings of the survey are based on positions held by executive and non-executive directors of the 295 companies, including holding companies, listed on the main board of the JSE Securities Exchange South Africa as at 30 April 2009. The survey does not include positions in the companies listed on the Alternate Exchange (AltX) board of the JSE, the Development Capital board of the JSE, the Venture Capital board of the JSE and the main board of the JSE but with all their operations outside of South Africa.

- Executive Chairman,
- Non-executive Chairman,
- Non-executive Deputy Chairman,
- Other non-executive Directors, and
- Other executive Directors.

1.3 In view of the prevailing under-representation of Blacks and women in all the positions identified in 1.2 above, it was thought that information on the age profile of incumbents of these positions could prove to be very strategic in alerting companies to the urgent need to put in place succession-planning measures, which would ultimately ensure that the replacements of the retiring directors would be drawn from the groups that are under-represented in these positions of influence in corporate SA.

1.4 This report provides a synopsis of:

- the major findings of the survey in terms of both the JSE-listed companies as a whole and the top 40 companies;
- the recommended measures to overcome under-representation of Blacks and women in directorship and top executive leadership positions;
- the approach and strategic outlook to be adopted in implementing the recommendations of the survey; and
- the expected outcomes of the proposed strategic interventions to increase the participation rates of Blacks and women in directorship and top executive leadership positions.

1.5 It is anticipated that the implementation of the recommendations outlined in this report will lay the foundation for ensuring that the next generation of leaders of corporate SA closely resembles the demographic profile of the Economically Active Population of South Africa, as required by the twin government policies of employment equity and broad-based black economic empowerment.

2. Major Findings of the Survey

2.1 The findings of this survey have revealed that equality in the upper echelons of corporate SA has not yet been achieved, as Blacks and women continue to be under-represented in all directorships and top executive leadership positions of the JSE-listed companies.

2.1.1 Gender and Racial Profiles the JSE-listed companies

2.1.1.1 The participation rates of Blacks and women in directorship and top executive leadership positions of the JSE-listed companies are as follows: Blacks² occupy 9% (24) and Whites 91% (245) of CEO positions of the JSE-listed companies³. Females account for 3% (8) and males for 97% (261) of all these positions, with Africans accounting for 5% (12) (African males 4 % [10] and African females 1% [2]);

² The term "Blacks" is used in this survey to refer to Africans, Coloureds and Indians. Following the reasoning of the Pretoria High Court ruling of the 18th of June 2008, which declared South Africans of Chinese descent "Blacks" for the purposes of the BEE Act No.53 of 2003 and the Employment Equity Act No.55 of 1998, South Africans of Chinese descent are regarded as 'Coloureds' in this survey. It should, however, be noted that a number of black (Africans, Coloureds and Indians) incumbents of directorships and TEL positions in this survey may not comply with the substantive definition of 'black', as enunciated in the Employment Equity Act No. 55 of 1998 and the BEE Act No.53 of 2003.

³ The percentages reflected in the text were calculated using excel's decrease decimal formula, which show less precise values by showing fewer decimal places.

Coloureds for 3 % (7) (Coloured males 3% [7] and Coloured females 0 %); Indians for 2% (5) (Indian males 2% [5] and Indian females 0%) and Whites for 91 % (245) (White males 89% [239] and White females 2%[6]). Black females occupy 1% (2) and Black males 8% (22) of the CEO positions of the JSE listed companies.

2.1.1.2 Blacks occupy 8% (19) and Whites 92% (200) of CFO positions of the JSE-listed companies. Females account for 7% (17) and males for 93% (212) of all these positions, with Africans accounting for 2% (6) (African males 2 % [5] and African females 0.5% [1]) ; Coloureds for 1 % (2) (Coloured males 0% and Coloured females 1% [2]); Indians for 5% (11) (Indian males 4% [8] and Indian females 1%[3]) and Whites for 92% (200) (White males 87% [189] and White females 5% [11]). Black females occupy 2% (6) and Black males 6% (13) of the CFO positions of the JSE listed companies.

2.1.1.3 Blacks occupy 11% (3) and Whites 89% (24) of COO positions of the JSE-listed companies. Females account for 8% (2) and males for 92% (25) of all these positions, with Africans accounting for 7% (2) (African males 7 % [2] and African females 0%) ; Coloureds for 4 % (1) (Coloured males 0% and Coloured females 4 %[1]); Indians for 0% (Indian males 0% and Indian females 0%) and Whites for 89% (24) (White males 85% [23] and White females 4% [1]). Black females occupy 4% (1) and Black males 7% (2) of the COO positions of the JSE listed companies.

2.1.1.4 Blacks occupy 28% (68) and Whites 72% (177) of non-executive Chairmen positions of the boards of the JSE-listed companies. Females account for 6% (12) and males for 94% (233) of all these positions, with Africans accounting for 24% (58) (African males 20 % [50] and African females 3% [8]); Coloureds for 1 % (3) (Coloured males 1% [3] and Coloured females 0 %); Indians for 3% (7) (Indian males 3% [7] and Indian females 0%) and Whites for 72% (177) (White males 70% [173] and White females 2%[4]). Black females occupy 3% (8) and Black males 25 % (60) of all the non-executive Chairmen positions of the boards of the JSE listed companies.

2.1.1.5 Blacks occupy 20% (9) and Whites 80% (34) of Executive Chairmen positions of the boards of the JSE-listed companies. Females account for 0% and males for 100% (43) of all these positions, with Africans accounting for 9% (4) (African males 9% [4] and African females 0%) ; Coloureds for 9% (4) (Coloured males 9% [4] and Coloured females 0 %); Indians for 2% (1) (Indian males 2% [1] and Indian females 0%) and Whites for 80 % (34) (White males 80% [34] and White females 0%). Black females occupy 0% and Black males 20% (9) of the Executive Chairmen positions of the boards of the JSE-listed companies.

2.1.1.6 Blacks occupy 0 % and Whites 100 % (3) of Chair & CEO positions of the JSE-listed companies. Females account for 0% and males for 100 % (3) of all these positions, with Africans accounting for 0% (African males 0% and African

females 0%) ; Coloureds for 0 % (Coloured males 0% and Coloured females 0 %); Indians for 0% (Indian males 0% and Indian females 0%) and Whites for 100 % (3) (White males 100% (3) and White females 0%).

2.1.1.7 Blacks occupy 25% (4) and Whites 75% (12) of Deputy CEO positions of the JSE-listed companies. Females account for 6% (1) and males for 94% (15) of all these positions, with Africans accounting for 19% (African males 19% [3] and African females 0%); Coloureds for 0 % (Coloured males 0% and Coloured females 0 %); Indians for 6% (1) (Indian males 6% [1] and Indian females 0%) and Whites for 75 % (12) (White males 69% [11] and White females 6% [1]). Black females occupy 0% and Black males 25% [4] of the Deputy CEO positions of the JSE-listed companies.

2.1.1.8 Blacks occupy 41% (16) and Whites 59% (23) of non-executive Deputy Chairmen position of the boards of the JSE-listed companies. Females account for 3% (1) and males for 97% (38) of all these positions, with Africans accounting for 36% (14) (African males 33% [13] and African females 3%[1]) ; Coloureds for 5 % (2) (Coloured males 5% [2] and Coloured females 0 %); Indians for 0% (Indian males 0% and Indian females 0%) and Whites for 59 % (23) (White males 59% [23] and White females 0%). Black females occupy 3% (1) and Black males 38 % (15) of the non-executive Deputy Chairmen position of the boards of the JSE-listed companies.

2.1.1.9 Blacks occupy 41% (16) and Whites 59% (23) of non-executive Deputy Chairmen position of the boards of the JSE-listed companies. Females account for 3% (1) and males for 97% (38) of all these positions, with Africans accounting for 36% (14) (African males 33% [13] and African females 3%[1]) ; Coloureds for 5 % (2) (Coloured males 5% [2] and Coloured females 0 %); Indians for 0% (Indian males 0% and Indian females 0%) and Whites for 59 % (23) (White males 59% [23] and White females 0%). Black females occupy 3% (1) and Black males 38 % (15) of the non-executive Deputy Chairmen position of the boards of the JSE-listed companies.

2.1.1.10 Blacks occupy 36% (608) and Whites 64% (1056) of other NED positions of the JSE-listed companies. Females account for 18% (277) and males for 82% (1372) of all these positions, with Africans accounting for 29% (485) (African males 17% [283] and African females 12% [202]) ; Coloureds for 3% (51) (Coloured males 2% [39] and Coloured females 1% [12]); Indians for 5% (72) (Indian males 4% [63] and Indian females 1% [9]) and Whites for 64 % (1056) (White males 60% [992] and White females 4% [64]). Black females occupy 14% (223) and Black males 22% (385) of all the other NED positions of the JSE-listed companies.

2.1.1.11 Blacks occupy 18 % (60) and Whites 82 % (279) of other TEL positions of the JSE-listed companies. Females account for 9% (34) and males for 91% (305) of all these positions, with Africans accounting for 15% (49) (African males 12 %

[39] and African females 3% [10]); Coloureds for 1 % (4) (Coloured males 1% [3] and Coloured females 0.5 % [1]); Indians for 2% (7) (Indian males 2% [6] and Indian females 0,5% [1]) and Whites for 82 % (279) (White males 76% [257]and White females 6% [22]). Black females occupy 3% (12) and Black males 15% (48) of the other TEL positions of the JSE-listed companies.

2.2 The age profiles of the incumbents of directorships and TEL positions of the JSE-listed companies by race and gender are as follows:

2.2.1 Age Profiles of incumbents of JSE-listed Companies

2.2.1.1 Black CEOs that fall within the age cohort of 71 and above account for 0% and White CEOs for 100% (2); Black CEOs that fall within the age cohort of 66-70 account for 0% and White CEOs for 100% (2); Black CEOs that fall within the age cohort of 61-65 account for 4% (1) and White CEOs for 96% (22) [21 males and 1 female]; Black CEOs that fall within the age cohort of 56-60 account for 4% (2) and White CEOs for 96% (40).

2.2.1.2 Black CFOs that fall within the age cohort of 71 and above account for 0% and White CFOs for 0%; Black CFOs that fall within the age cohort of 66-70 account for 0% and White CFOs for 100% (1); Black CFOs that fall within the age cohort of 61-65 account for 0% and White CFOs for 100% (10) and Black CFOs that fall within the age cohort of 56-60 account for 5% (1) and White CFOs for 95% (21) [90% (20) males and 5% (1) female].

- 2.2.1.3 Black COOs that fall within the age cohort of 71 and above account for 0% and White COOs for 0%; Black COOs that fall within the age cohort of 66-70 account for 0% and White COOs for 0%; Black COOs that fall within the age cohort of 61-65 account for 0% and White COOs for 0% and Black COOs that fall within the age cohort of 56-60 account for 0% and White COOs for 100% (4).
- 2.2.1.4 Black non-executive Chairmen of boards that fall within the age cohort of 71 and above account for 0% and White non-executive Chairmen of boards for 100% (25) and Black non-executive Chairmen of boards that fall within the age cohort of 66-70 account for 11% (4) and White non-executive Chairmen of boards for 89% (34).
- 2.2.1.5 Black Executive Chairmen of boards that fall within the age cohort of 71 and above account for 0% and White Executive Chairmen of boards for 100% (8); Black Executive Chairmen of boards that fall within the age cohort of 66-70 account for 0% and White Executive Chairmen of boards for 100% (3); Black Executive Chairmen of boards that fall within the age cohort of 61-65 account for 7% (1) and White Executive Chairmen of boards for 93% (13) and Black Executive Chairmen of boards that fall within the age cohort of 56-60 account for 14% (1) and White Executive Chairmen of boards for 86% (6).
- 2.2.1.6 Black Chairs & CEOs that fall within the age cohort of 71 and above account for 0% and White Chairs & CEOs for 0%;

Black Chairs & CEOs that fall within the age cohort of 66-70 account for 0% and White Chairs & CEOs for 0%; Black Chairs & CEOs that fall within the age cohort of 61-65 account for 0% and White Chairs & CEOs for 0% and Black Chairs & CEOs that fall within the age cohort of 56-60 account for 0% and White Chairs & CEOs for 100% (2).

2.2.1.7 Black Deputy CEOs that fall within the age cohort of 71 and above account for 0% and White Deputy CEOs for 0%; Black Deputy CEOs that fall within the age cohort of 66-70 account for 0% and White Deputy CEOs for 0%; Black Deputy CEOs that fall within the age cohort of 61-65 account for 0% and White Deputy CEOs for 100% (1) and Black Deputy CEOs that fall within the age cohort of 56-60 account for 100% (1) and White Deputy CEOs for 0%.

2.2.1.8 Black non-executive Deputy Chairmen of boards that fall within the age cohort of 71 and above account for 0% and White non-executive Deputy Chairmen of boards for 100% (3) and Black non-executive Deputy Chairmen of boards that fall within the age cohort of 66-70 account for 0% and non-executive White Deputy Chairmen of boards for 100% (3).

2.2.1.9 Black other NEDs that fall within the age cohort of 71 and above account for 1% (1) and White other NEDs for 99% (87) [82 males and 3 females] and Black other NEDs that fall within the age cohort of 66-70 account for 13% [20] and White other NEDs for 87% (132) [130 males and 2 females].

2.2.1.10 Black other TELs that fall within the age cohort of 71 and above account for 17% (1 female) and White other TELs for 73% (5) [4 males and 1 female]; Black other TELs that fall within the age cohort of 66-70 account for 14% (1 female) and White other TELs for 86% (6 males); Black other TELs that fall within the age cohort of 61-65 account for 9% (2 males) and White other TELs for 91% (20) [19 males and 1 female]) and Black other TELs that fall within the age cohort of 56-60 account for 13% (6) and White other TELs for 87% (41) [37 males and 4 females].

3. Recommended Strategic Interventions

3.1 It is evident from the analysis of the demographic profile presented in 2.1 and 2.2 above that Blacks and women are grossly under-represented in all directorships and TEL positions of the JSE-listed companies. Blacks constitute 87.9 % of the Economically Active Population but their representation is nowhere near this percentage in both executive and non-executive directorship positions.

3.2 The fundamental assumption informing the analysis of age profiles is that non-executive directors retire at the age of 70 while executive directors retire between the ages of 55 and 65. If we assume that non-executive directors retire at the age of 70, the findings of the survey suggest that the following may be retiring from the JSE-listed companies within the next five years or so:

- 63 non-executive Chairmen of Boards [4 black males and 59 white males];
- 6 white male non-executive Deputy Chairmen of Boards; and

- 240 other NEDs [19 black males, 2 black females, 5 white females and 214 white males].

3.3 Further, if we assume that executive directors retire between the ages of 55 and 65, it can be anticipated that the following may be retiring from the JSE-listed companies within the next five years or so:

- 69 CEOs [3 black males, 1 white female and 65 white males];
- 33 CFOs [1 black male, 1 white female and 31 white males];
- 4 white male COOs;
- 32 Executive Chairmen of boards [2 black males and 30 white males];
- 2 white male Chairs & CEOs;
- 2 Deputy CEOs [1 black male and 1 white male]; and
- 82 other TELs [8 black males, 2 black females, 6 white females and 66 white males].

3.4 The anticipated retirements of the incumbents of directorship and TEL positions identified in 3.2 and 3.3 above provide a golden opportunity for expediting the pace of transformation in the upper echelons of corporate SA.

3.5 In view of this, the following is recommended as one of many possible strategies that could be introduced to effectively address the challenge of under representation:

- Based on the age profiles of their board members, board Chairmen and nominations Committees, assisted by Company Secretaries, should identify all directors that would be retiring at least 18 months before their retirement date.

- Skilled and knowledgeable blacks and women who might lack the requisite board experience should be identified for appointment to replace the retiring directors
- At least a year before the retiring directors leave, the new directors should be appointed as `shadow directors' to work closely with the retiring directors who could act as their mentors on board matters.
- The one-year period could be used to introduce the `shadow director' to the nuts and bolts of the board and other important information about the company.
- When the retiring director leaves the board, the `shadow director' could then be appointed as a board member after having spent a year in the board learning the nuts and bolts of that particular board.

4. Timeframes for Implementation

- 4.1 For the recommended interventions to be implemented effectively, it is suggested that companies should develop their own short-term (1-5years), medium-term (5-10 years) and long-term (10 years and beyond) implementation strategies.
- 1.5 These should be complemented by formal learning interventions to empower potential directors with sound conceptual understanding of their roles and responsibilities as directors. A number of institutions, including the Institute of Directors and, offer such learning interventions.

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