

# ESG an opportunity for purposeful shareholder engagement

By  Sindy Peters

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Rather than seeing ESG as an external threat, corporate boards in South Africa need to start viewing it as an opportunity to demonstrate their commitment to engaging with shareholders on sustainability-related issues.



Tracey Davies, executive director, Just Share. Source: [Just Share](#)

This is according to Tracey Davies, executive director at Just Share, who contributed to one of the many insightful panel discussions at the inaugural ESG Africa Conference held in Sandton late last month.

Just Share is a non-profit shareholder activism and responsible investment organisation that uses advocacy, engagement, and activism to drive good corporate citizenship among South African-listed companies.

## ESG an opportunity, not a threat

Davies noted that, in her experience, local corporate boards see ESG as something they need to defend themselves against rather than as an integral component to their strategic discussions.

"If you understand what ESG is, what our biggest sustainability threats are, and if you understand the fact that corporate entities are part of society... then it should be impossible for you as a board to think of ESG as something coming from the outside or to think of it as something that you need to defend yourself against," she said.

In order for corporate boards to really understand ESG issues, they need to include members with relevant expertise. And one of the biggest issues, Davies noted, is that boards are severely lacking in this area, impacting their ability to hold management to account and to evaluate whether and how ESG-related information presented to them should be integrated into corporate strategy.



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## Engagement through shareholder resolutions

While common around the world, Davies explained that shareholder resolutions filed by investors, shareholder activists, or NGOs with an interest in a company's impact have largely not been warmly received by local corporate boards.

"All a shareholder resolution is, is an opportunity for all the shareholders, not just us, to have a say on a particular issue... It's an information-gathering exercise, an opportunity to demonstrate that you're open to engagement, that you're open to soliciting the views of the people who, let's remind ourselves, own your company, and that you're willing to engage with difficult issues," said Davies.

"The boards of directors have a fiduciary duty to ensure the long-term success of a company, not of the current CEO, not of shareholders who are looking for short-term returns, but the long-term sustainable success of a company, which is exactly what ESG is about," she said.



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## Rethinking board composition

When it comes to board composition in SA, Davies noted that change has not been dramatic enough, and that board diversity should also include diversity of thought, bringing in people who grasp key ESG issues.

She highlighted that while various reports point to companies largely making the effort to diversify their boards, many state that their most common method of recruiting new board members entails looking within their existing networks.

"As long as you're assuming that only people you know, only people who won't challenge you, and only people who look and think like you are appropriate to sit on your board, you will never create the kind of board of directors that can properly grapple with these issues," Davies said.

## ABOUT SINDY PETERS

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