Heidrick & Struggles

CEO & Board of Directors Practice

Board Monitor
United Arab Emirates 2023

Our third annual report on incoming directors at listed companies in the UAE shows a growing willingness to appoint younger board members and those without prior CEO 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 United Arab Emirates 2023

Driving sustainability and prosperity in the UAE

After the unprecedented disruptions of recent years, in 2022, the United Arab Emirates continued its mission to drive sustainability and prosperity internally and lead innovation globally. The onus is on boards to deliver on the ambition of making Emirati companies world leaders in their fields; the data collated in this report indicates that boards are continuing to reshape themselves to deliver on this mandate.

The shifting profile of newly appointed directors, when compared to previous years, suggests a growing focus on diversity, particularly when it comes to gender and executive backgrounds. Gender diversity is at the top of many Emirati boards' agendas as they are looking to comply with a rule established in 2021 by the Emirates Securities and Commodities Authority (ESCA) that sets a quota of one woman per listed company board. In 2022, while there were fewer board appointments made overall, the share of seats going to women increased.

Sustainability, climate change in particular, has risen on board agendas as well. The UAE has stepped up in the GCC region, introducing the Sustainable Finance Framework, which is meant to incentivize green financing and increase the volume of climate-related initiatives in the country. This led to an intensification of corporations setting up ESG initiatives in the country.[1] And the government is leading by example in hosting the UN's 28th Climate Change Conference (COP 28) in November 2023. Boards around the world are feeling the pressure from their customers, investors, and governments to integrate sustainability in their business, and they will increasingly have to deal with complex regulatory requirements when they expand internationally. A recent survey Heidrick & Struggles conducted in collaboration with the Boston Consulting Group (BCG) and the INSEAD Corporate Governance Centre shows that, while 79% of the board members we surveyed globally say they have a very or entirely clear understanding of the strategic opportunities and risks sustainability presents, only 29% completely agreed that they have sufficient knowledge for effective oversight of sustainability in their business.[2]

As many UAE companies are planning on international expansion, we have also seen greater acceleration—though from a low starting speed—toward bringing in more international independent directors. Opening up more board positions to international executives has the additional benefit of mitigating "overboarding," an issue that continues to be of concern for many companies in the country and one that may be compounded by the significant decrease in the share of first-time public board directors.

1 M. Muneer and Ralph Ward, "Boards must know that ESG isn't just a buzzword. Here's why," Gulf Business, June 28, 2023, gulfbusiness.com.

2 Alice Breeden, Jeremy Hanson, Ron Soonieus, Sonia Tatar, and David Young, *The Role of the Board in the Sustainability Era*, Heidrick & Struggles, heidrick.com.

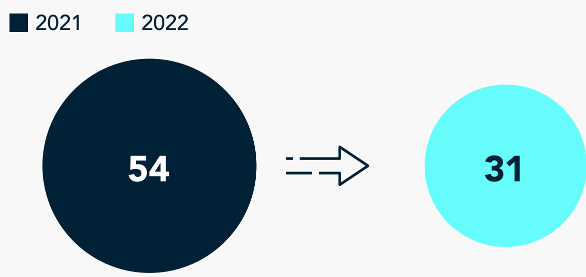
In addition, the UAE has a historical preference to appoint directors who are active in their executive roles and therefore have limited time to focus on board matters outside their companies.

This could be addressed by adding more retired executives to their boards, thus expanding the pool from which they search for executives.

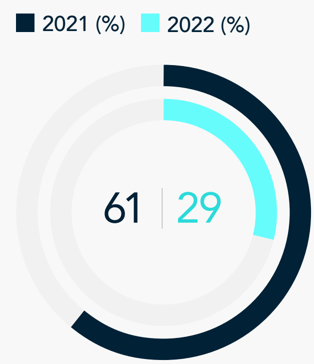
In this third annual report, part of a series monitoring boards in 30 markets around the world, we detail how the UAE is refining board-level leadership in service of the country's bold, long-term ambitions.

Key findings

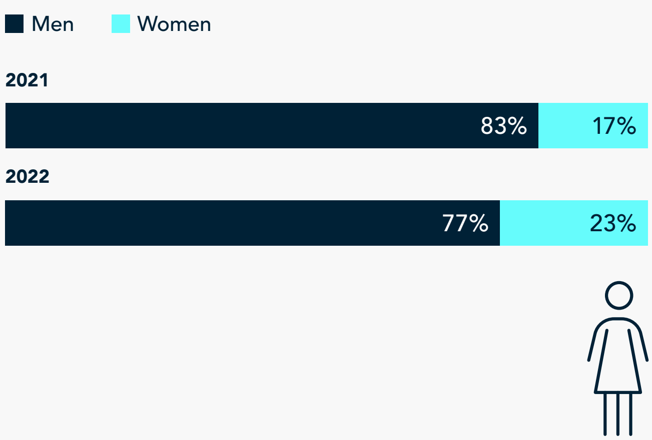
In 2022, 31 director appointments were made to boards on the ADX/DFM indices, down from 54 the previous year.



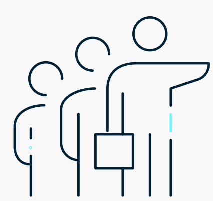
There was a notable decrease in the number of first-time board directors appointed: 29% in 2022, compared to 61% in 2021.

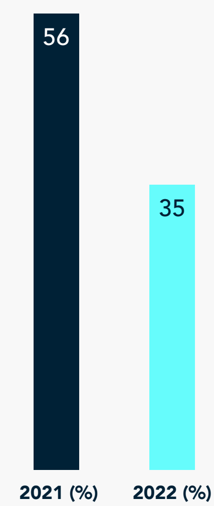


The share of board seats allocated to women rose from 17% in 2021 to 23% in 2022.

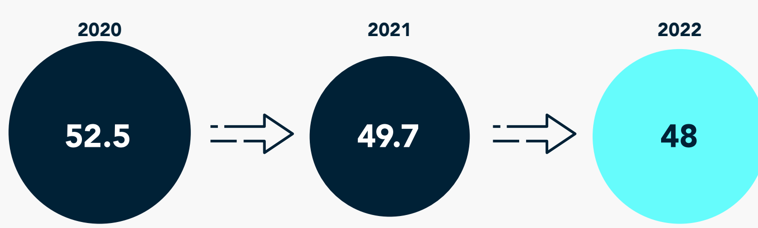


Experience as a CEO remains the most common route to a board appointment; however, the number of appointees with a CEO background dropped from 56% in 2021 to 35% in 2022.





Boards continued getting younger in 2022; the average age of new members was 48, compared to 49.7 in 2021 and 52.5 in 2020.



Snapshot of 2022 findings

New seats filled

31

Average age

48 Min: 33 Max: 64

Nationality (%)

National 77
Non-national 16
N/A 6

Share of companies with an appointment (%)

38%

Gender balance (%)

Women 23 | Men 77

Active vs. retired (%)

N/A: 19
Retired 16 | Active 65

Current or former CEO experience

35%

Current or former CFO experience

3%

Experience (%)

First-time public board experience: 29
Previous public board experience: 61
N/A: 10

Education (%)

No degree	0
Bachelor's degree	32
Master's degree	42
PhD	6
Diploma	3
N/A	16

MBA

32%

Other previous experience (%)

International experience 6
Cybersecurity experience 0
Sustainability committee experience 0

C-level previous experience (%)

CEO 35
CFO 3
COO 13
Other C-level 19

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

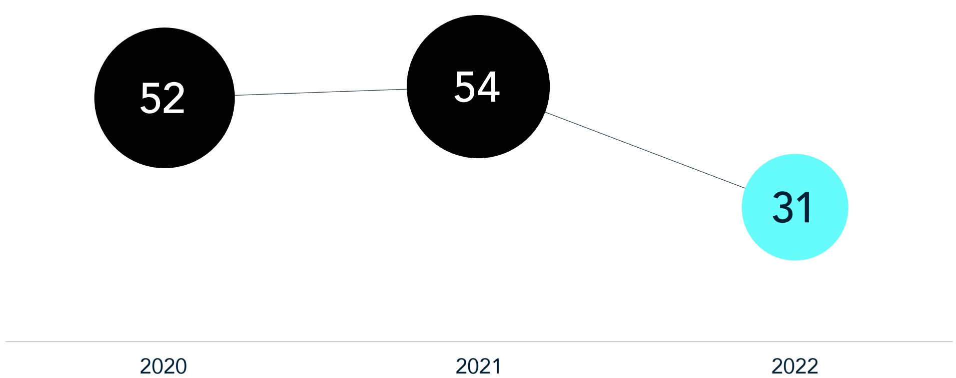
How are Emirati boards changing to support growth?

UAE boards made just 31 appointments in 2022, a notable decline from previous years. Nevertheless, the diversity of those appointments increased across several metrics, signaling growing local appreciation of the strategic advantages that come from having a greater variety of perspectives at the table.

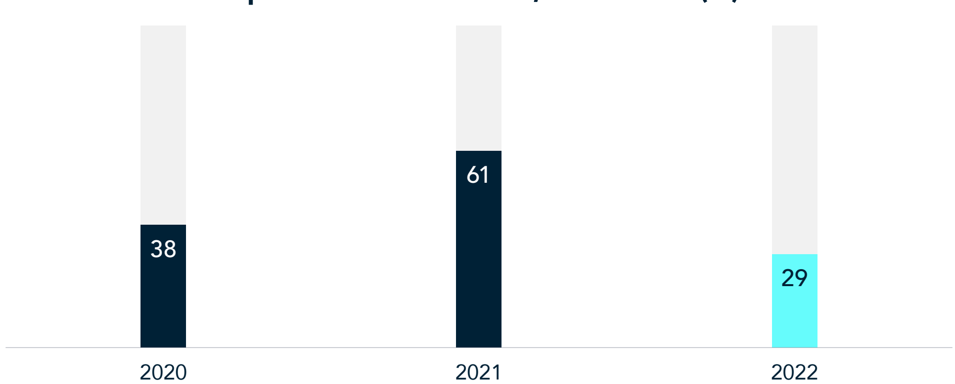
There was also a significant drop in the number of appointments that went to first-time public board directors.

While the overall number of first-time appointees dropped by 32 percentage points, from 61% in 2021 to 29% in 2022, there is evidence of concerted effort to bridge the gender representation gap by appointing a higher number of female first-time board members—43% of women appointed had previous public board experience, compared to 67% of the men.

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



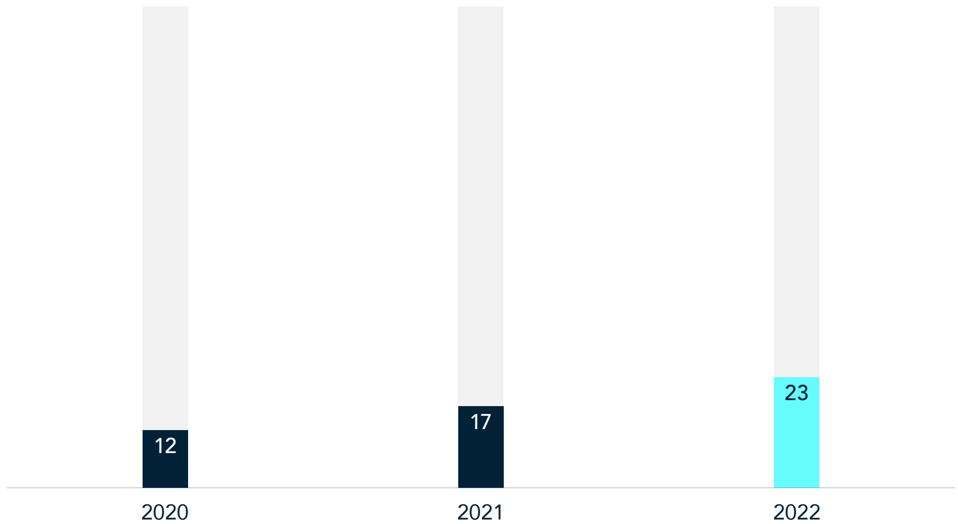
Share of first-time public board directors, 2020–2022 (%)



Overall, while much can still be done to improve gender representation at the board level, there has been a positive year-over-year improvement. Women accounted for 23% of appointments in 2022, up from 17% in 2021 and 12% in 2020. This is no doubt a consequence of the 2021 ESCA mandate, to which companies have responded with a number of gender balance initiatives. One such example is a partnership between Aurora50, an organization dedicated to gender equality and ESG advancement in the workplace, and two UAC leading companies—Adnoc and Mubadala. The three organizations launched Pathway20, a board career accelerator dedicated to building a pipeline of board-ready women candidates.[3]

New UAE directors made up the youngest cohort in the markets we track, and the trend indicates that the 2022 cohort is even younger than the 2021 one: the average age of board appointees—48—is down from 49.7 the previous year. To put it in context, the next-youngest cohorts were found in Poland and Saudi Arabia, where the average age of appointees was 50, while the oldest appointees were found in the United States and Canada, with an average age of 59.

Share of women director appointments, 2020–2022 (%)

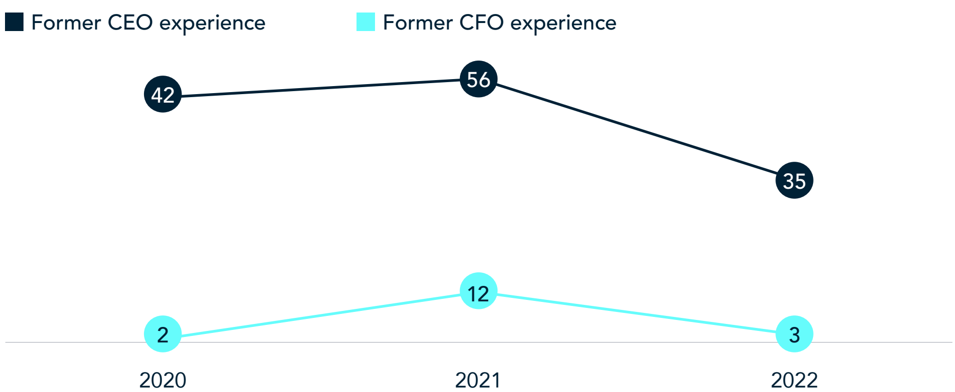


3 To learn more about Pathway20, see "Pathway20: The GCC's first accelerator to increase boardroom gender balance," Aurora50, aurora50.com.

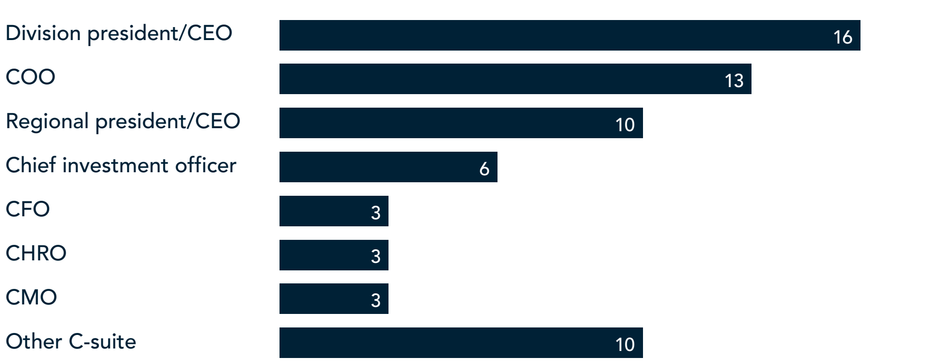
What backgrounds and expertise do the new directors have?

The most common career background for new board members continues to be CEO, with 35% of 2022 appointees having experience in that role—a significant drop from the prior year. UAE companies also showed strong interest in operating executive backgrounds such as chief operating officer, head of region, and chief investment officer. By contrast, chief financial officers and chief human resources officers were less often appointed, accounting for just 3% of new members each; compared with other regions, the share of those with CFO experience is notably low. And the share of seats going to chief investment officers stands out for the 2022 UAE cohort compared to most other markets we analyze, often not even making up 1% of new directors' backgrounds.

CEO and CFO trends, 2010–2022 (%)



Most frequent executive backgrounds (%)



UAE boards also frequently sought directors with experience in financial services: nearly half (45%) of 2022 appointees have a background in this sector. However, we also see a market-wide trend of prioritizing same-sector expertise. This is clearest in the industrial sector, where 100% of directors were appointed from within the sector. By contrast, the consumer sector appears to value, or be most open to, cross-industry experience, with 33% of consumer directors bringing outside experience to the role.

No directors appointed in 2022 have experience in cybersecurity or sit on sustainability committees, suggesting this is an area where UAE boards may wish to diversify.

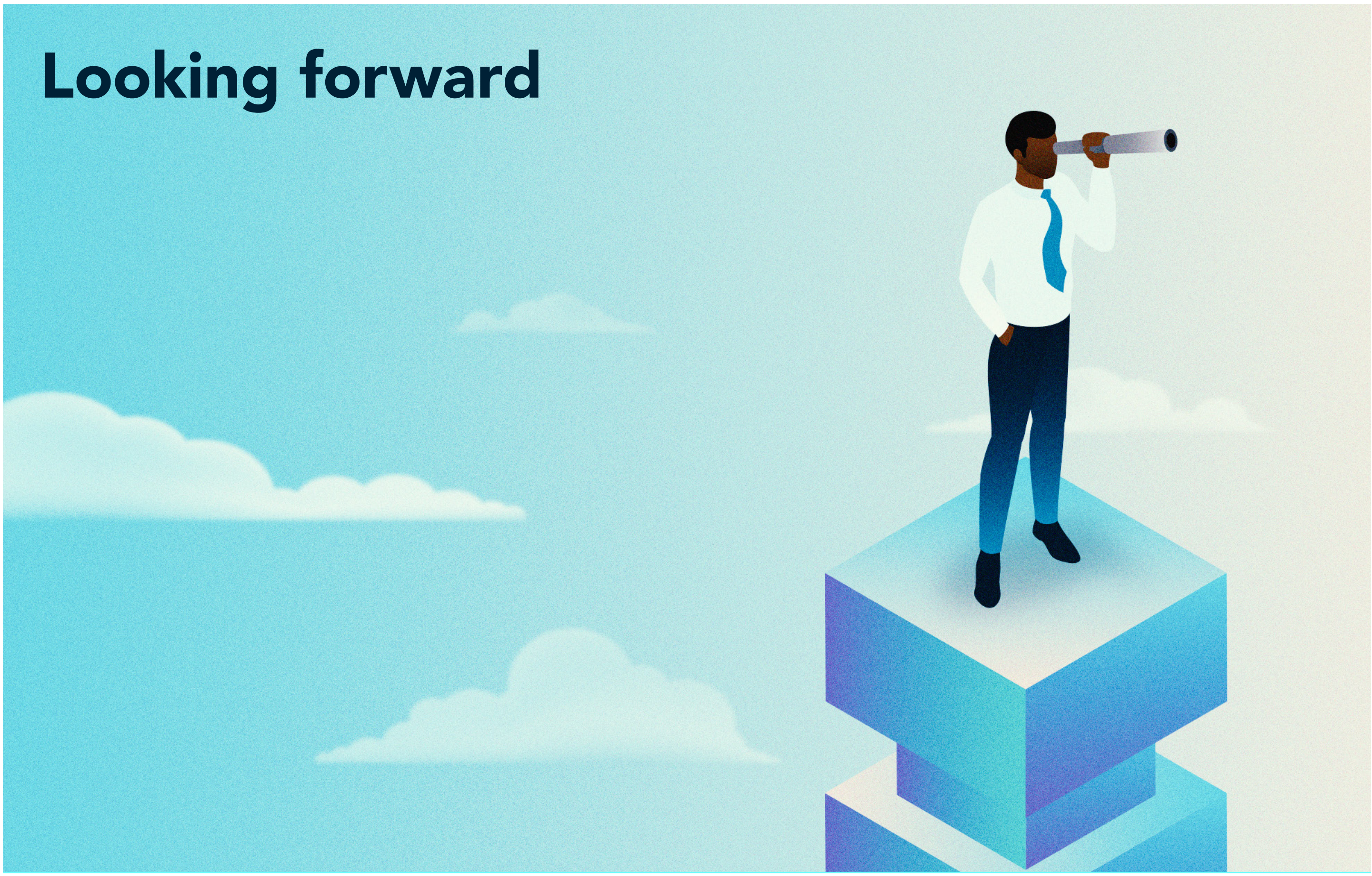
International experience is increasingly being sought, with 6% of 2022 appointees having that background, compared with 2% in 2021. Given the UAE government's stated ambition to be an international leader in innovative industries and talent development, increasing international experience at the board level may prove beneficial.

The general profile of new directors in 2022, however, is a UAE national with high educational attainment. Emirati nationals constitute the majority in UAE boardrooms, at 77%, and nearly half of new directors hold a Master's degree (42%) or PhD (6%).

Industry experience, by board industry (%)

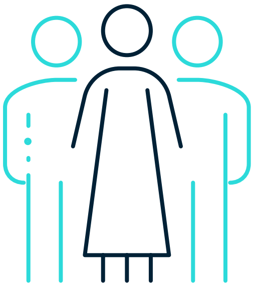
	Overall	Consumer	Financial services	Industrial
Business services	6	0	8	0
Consumer	13	100	4	0
Financial services	45	0	56	0
Industrial	23	33	12	100
Life sciences	0	0	0	0
Technology	0	0	0	0
Other	10	0	12	0

Looking forward



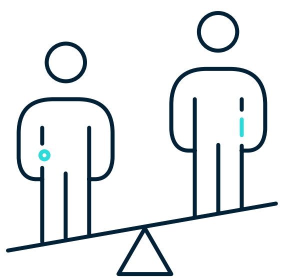
The United Arab Emirates is a vanguard of innovation and growth at a global scale, with real momentum in IPOs and foreign investment. To sustain its bold ambitions and accelerate momentum, boards need to show strong and clear leadership by:

Keeping a strong focus on gender diversity. Gender diversity is a clear focus for the Emirati government, with a new regulatory quota to bring more women into leadership positions. While it's encouraging to see an upward trend, there is still much work to be done: research shows that 59% of ADX/DFM companies have at least one woman on their board, but women hold only 8.9% of total board seats.[4] And while having a lone woman on each board is a good start, boards will see more benefits of gender diversity when their female directors have the numbers to build influence and have an impact.

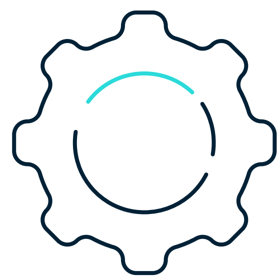


4 Suzanne Locke, "Spotlight: UAE's listed companies with 20% women on board," Aurora50, August 4, 2022, aurora50.com.

Ensuring diversity of perspectives and backgrounds. Disruption from technology, particularly AI and machine learning, the flux of foreign investment, and the rise of sustainability on corporate agendas is forcing boards to reconsider the mix of experience around the table. The decrease in the share of seats going to directors with CEO and CFO backgrounds in the UAE can bring opportunities for executives with more varied sets of backgrounds that address the key challenges and goals of their companies today. One of the outliers in UAE board composition compared to other markets is the presence of directors with chief investment officer roles, no doubt in preparation for the IPOs and foreign investment flowing into the country. In the light of increased global focus on sustainability, UAE boards should consider to what extent they require sustainability expertise on the board itself. They could also benefit from continuing to increase the share of directors with international experience to support their expansion ambitions.



Mitigating overboarding by appointing more retired members. Our analysis from the previous two years shows that UAE appointed some of the youngest director cohorts among the 30 markets we track, and in 2022, 65% of seats went to directors who are active in their executive roles. This year's decline in the average age of appointees suggests a similar trend, although data on which appointees were active was limited. Appointing more retired directors could help mitigate overboarding, by enabling their board members to have more time to focus on their company. This tactic could also provide boards the ability to recruit more seasoned executives from other regions and boost their international or regional business acumen.



Evaluating performance to drive continued improvement. Global best practice suggests that in-depth board reviews should be conducted at least every three years, both at the individual and board levels. Going a step further, UAE regulators have issued corporate governance rules and guidelines requiring listed entities, banks, insurance companies, and UAE federal government entities to conduct annual board evaluations.[5] These yearly evaluations are a great way for boards to understand where the skill set gaps are and adjust their search for new directors to meet their unique situation.

5 "Emerging regulatory trends: Board evaluations in the UAE," KPMG, July 24, 2023, kpmg.com.

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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