

Board Monitor Saudi Arabia 2022

Our first look at incoming directors at listed companies from across Saudi Arabia shows a local preference for active executives.



About the report

This report is part of Heidrick & Struggles' long-standing study of trends in board composition in countries around the world. Produced by our CEO & Board Practice, these reports track and analyze trends in nonexecutive director appointments to the boards of the largest publicly listed companies in Australia (ASX 200), Belgium (BEL 20), Brazil (B3), Canada (TSX 60), Denmark (OMX Copenhagen 25), Finland (OMX Helsinki 25), France (CAC 40), Germany (DAX and MDAX), Hong Kong (Hang Seng), Ireland (ISEQ), Italy (FTSE MIB), Mexico (BMV IPC), the Netherlands (AEX), New Zealand (NZX 10), Norway (OBX), Portugal (PSI 20), Saudi Arabia (Tadawul), Singapore (STI 30), South Africa (JSE Top 40), 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 Saudi Arabia 2022

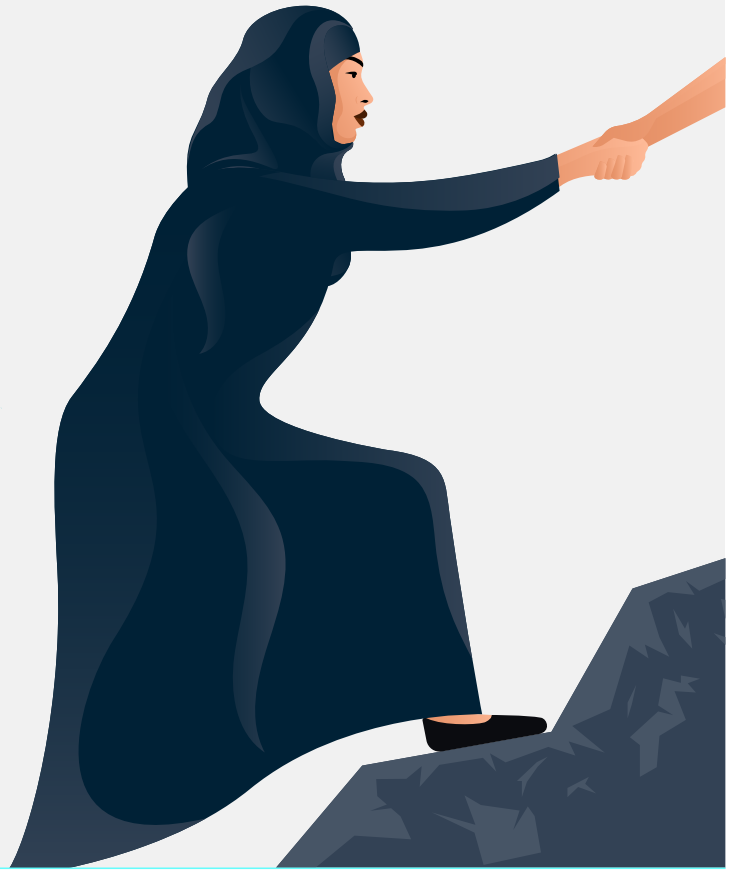
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Introduction



Over the past few years, the world has experienced an unprecedented series of events that have fundamentally changed communities and organizations, and which, in many countries, have thereby changed the fundamental contract between organizations and the communities within which they do business. In Saudi Arabia, those events occurred in the context of a fundamental transformation of the public sector operating model and economy. The country's Vision 2030 aims to provide a blueprint that will enable the Kingdom to create a more diverse and sustainable economy as well as use its strategic location to become an integral driver of international trade. A key pillar of the vision is a focus on increasing the appeal and effectiveness of local industries, which, in turn, stimulates job creation for local people and attracts more investment. The

2030 vision supports the advancement of non-oil sectors such as digital, renewable energy, tourism, and retail.

As Saudi Arabian companies diversify their operations and step up their engagement on the global stage, they will need to continue their efforts to catch up with global corporate governance trends in areas including board composition, effectiveness, and resilience. Doing this will require boards to have more independent members with diversified skill sets and experience. Board members should be able to fully apply the various dimensions of the principles of good governance—such as strategy, performance, and succession planning—to the unique circumstances of each organization, shaping strong corporate cultures and communicating transparently.¹ Internationally, boards are also expected to lead their

organizations in driving a purpose-led culture; to own the conversation with employees about how strategy, purpose, and culture need to blend to enable sustainable growth; and to consider factors such as diversity, inclusion, and wellness as core to good operations.

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¹ For more on trends in board governance in the GCC, see "Developing directors," GCC Board Directors' Institute, gccbdi.org.

In our first look at how Tadawul boards are changing their composition, part of our annual look at boards in 24 markets around the world, we examine how these boards are moving the dial when it comes to changing their composition to tackle these new expectations.

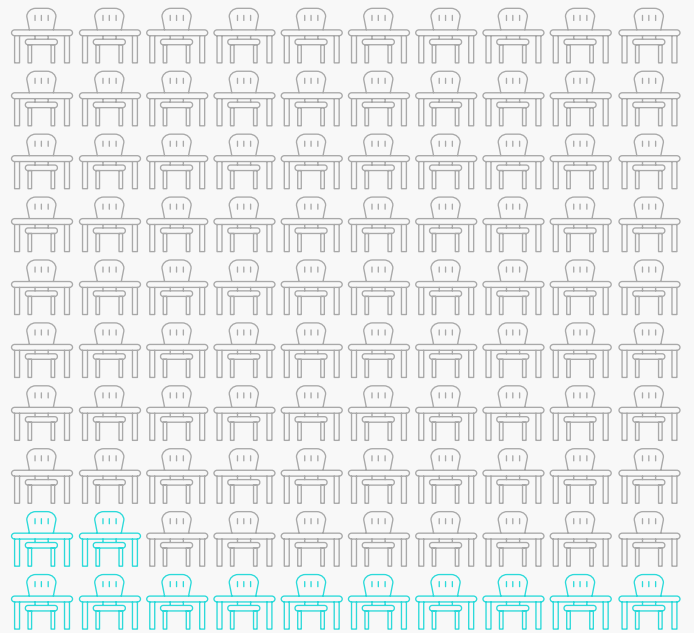
Key findings

There were 53 director appointments at Tadawul companies in 2021.



Twelve percent of seats went to directors with international experience.

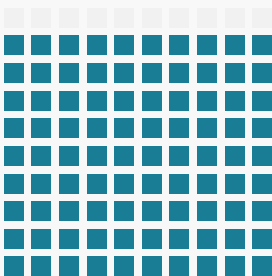
12%



8% of seats went to women



90% went to Saudi nationals



What backgrounds and expertise do the new directors have?



Fifty-three seats were filled on Tadawul boards in 2021, and 90% went to directors who were active rather than retired—a notably high share across the 24 markets we study. There was a balance on Tadawul seats filled between experienced directors and individuals with no prior experience on a public board.

Fifty-five percent of seats went to people with experience as a CEO. That is comparable with shares we have seen in many other countries over the years, but in most countries it is now lower as boards seek more diverse types of expertise, including people who have held other C-suite roles or who have fresh expertise in cybersecurity or sustainability. For example, on FTSE 350 boards, only 30% of seats were filled in 2021 by people with CEO experience.

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New seats filled



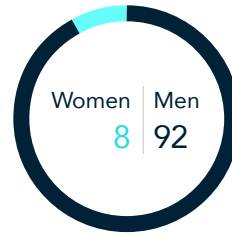
53

Average age



52

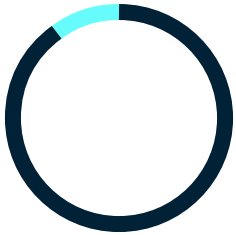
Gender (%)



Active vs. retired executives (%)

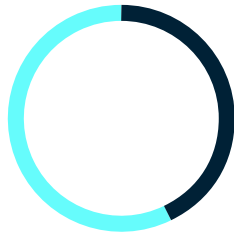


Nationality (%)



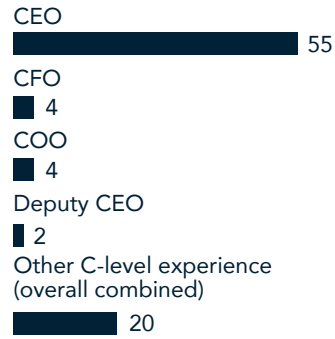
National: 90
Non-national: 10

Experience (%)

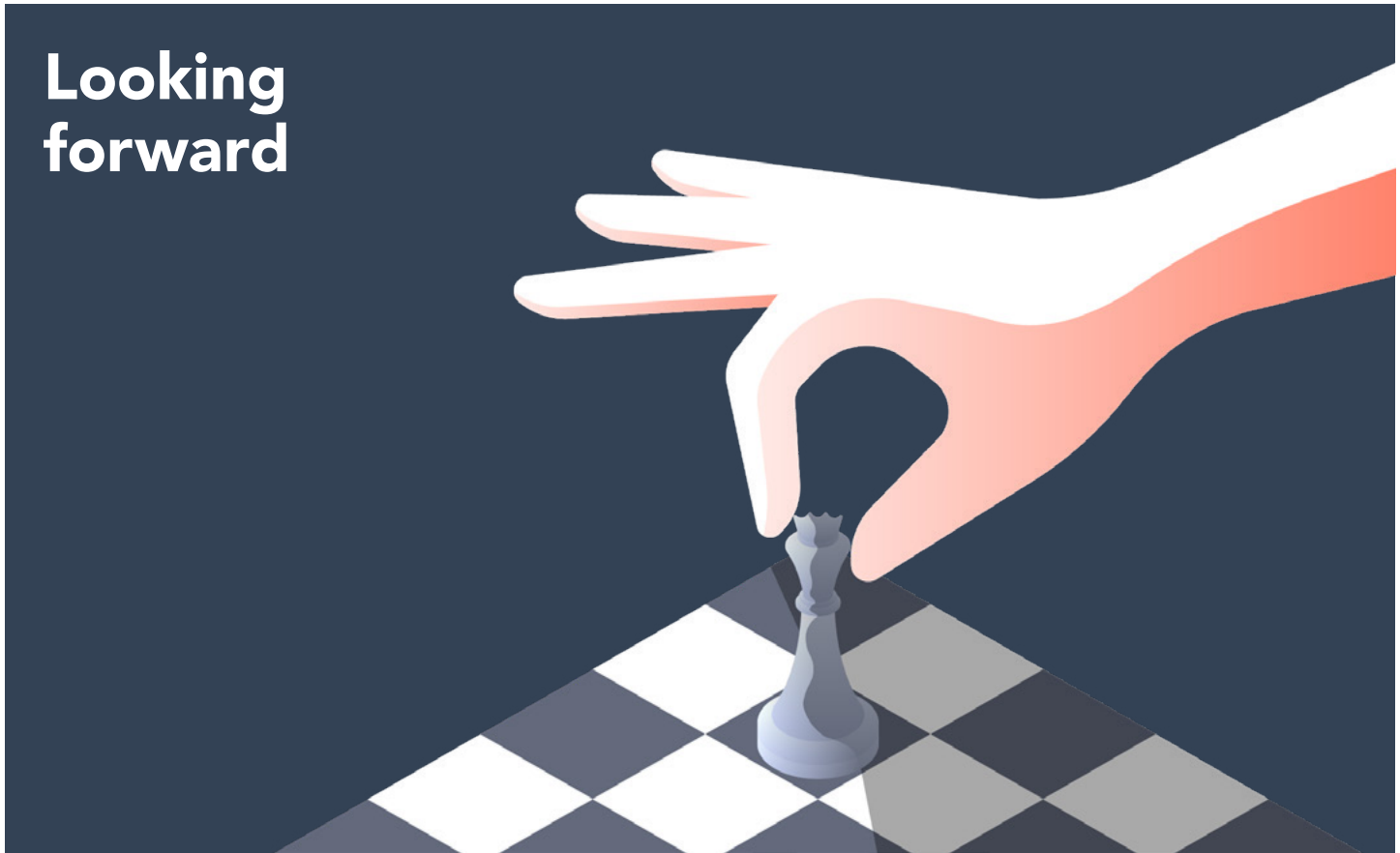


First-time board member: 43
Experienced board member: 57

C-level experience (%)



Looking forward



As Saudi Arabian companies continue to build on the foundation of Vision 2030, their boards will need to build agility to both deal with unexpected events and achieve a certain level of foresight, and to integrate fresh perspectives into their leadership that will complement the experience of more seasoned business leaders.

Among the practices of best-in-class international boards are:

Actively seeking 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, or cybersecurity, or experience in different industries. Saudi Arabian companies' focus on diversification suggests they will particularly need to define the desired capabilities on the board to help steer the company in the right direction and then introduce new members with the right set of skills and expertise who can support in guiding the company toward its strategic goals.



Bringing more retired executives onto boards.

Tadawul boards are predominantly made up of directors who are still active executives, and the average age of directors appointed in 2021 is on the low side of international averages. On one hand, that provides them with a running start in bringing in perspectives of 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. However, Tadawul boards would also benefit from the acumen of more seasoned executives who have navigated different economic cycles and managed different types of risks and opportunities.



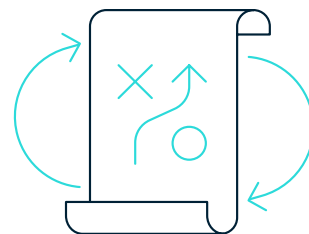
Seeking new members who have the ability to take on a leadership role, either that of a chair, senior independent director, or committee leader.

The chair is central to determining what skills, backgrounds, and expertise are needed on a board, as well as to shaping a board culture that ensures all directors, old and new, can contribute effectively. And, for all board leadership roles, nontraditional leadership capabilities come to the fore: boards should seek people who are good listeners and relationship builders, people who can lead through influence, people with no boundaries or limitations on the boards, and people who contribute, engage, challenge, and connect with the organizational purpose.² This matters more than ever because it's crucial, as companies expand their sector and geographic reach, for chairs and directors to be able to collaborate despite the differences and use varying perspectives as assets to solve problems.



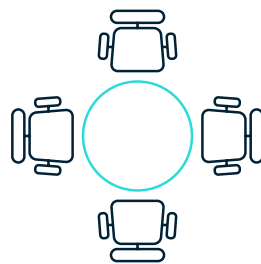
Thinking of succession planning as an ongoing exercise rather than an exercise undertaken in reaction to an annual deadline.

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. Furthermore, the board should ensure a healthy succession planning pipeline of the executive leadership team through periodic evaluations.



Adding to the boardroom more independent directors.

An increase in the number of independent directors will provide a larger number of objective perspectives and robust challenges regarding the issues discussed in the boardroom.



That said, there is no single prescription for board composition. Each company is in a different stage of maturity, in different industries and locations, and pursuing unique strategies. Each board should ensure its refreshment strategy reflects the organizational purpose and goals for the long term and prioritize efforts to add fresh perspectives where they will make the most difference.

² Alice Breeden and Bonnie W. Gwin, "The chair imperative: A new mandate for leading in a new world," Heidrick & Struggles, heidrick.com.

CEO & Board Practice

Heidrick & Struggles' CEO & Board 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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