

Board Monitor UAE 2022

Our second annual report examining incoming directors at listed companies from across the UAE shows a significant preference for first-time board members.



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 (BOVESPA), 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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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 changed the fundamental contract between organizations and the communities within which they do business. Leaders of the United Arab Emirates set a vision to enable their country to seek prosperity in a sustainable way and make the best of today's knowledge, technology, and resources. This sets the path to make the UAE a bedrock for innovative industries and talent development, which, in turn, should support local companies growing into world leaders in their domains.

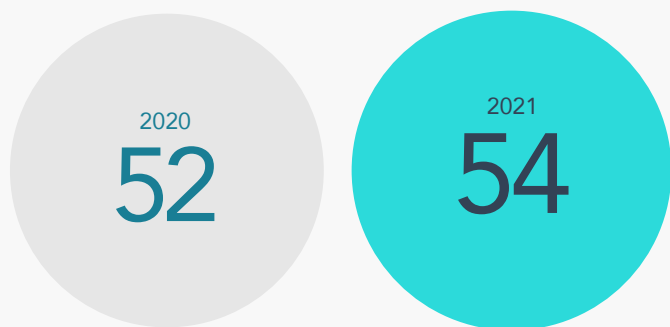
In the context of national and international change, more is expected from the boards of UAE-based companies than ever before. One consequence is an unprecedented focus on corporate governance, from board composition to effectiveness and resilience. Internationally, boards are also expected to lead their organizations in driving a purpose-led culture and own the conversation with employees about how strategy, purpose, and culture need to blend to enable sustainable growth.

More is expected from the boards of UAE-based companies than ever before. One consequence is an unprecedented focus on corporate governance, from board composition to effectiveness and resilience.

So, how far have UAE boards moved the dial when it comes to changing their composition to tackle these new expectations and mitigate the risk of losing their license to operate?

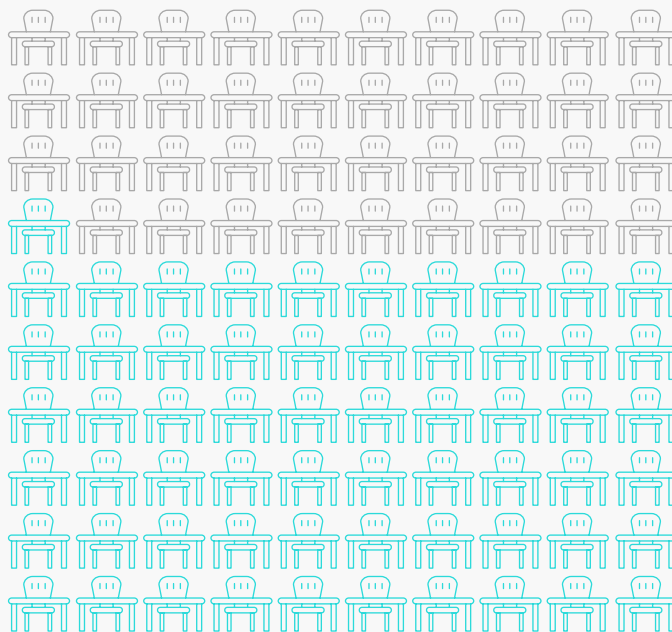
Key findings

There were 54 director appointments in ADX/DFM indices in 2021, up from 52 the prior year.

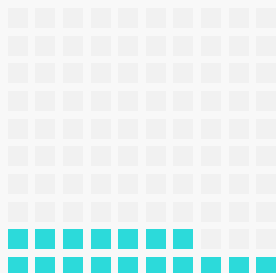


There was a significant increase in the share of seats going to first-time public board directors, 61% in 2021 compared to 38%.

61%



There was a larger share of seats allocated to **women**: 17% compared to 12%.



We see more and more boards looking for independent directors or individuals with international experience to help with this newer direction. While there has been progress in broadening the spectrum of experience around boardroom tables in ADX/DFM companies, each company needs to make sure it is not only prepared for today's challenges, but able to anticipate what type of directors they need to appoint to future-proof their organizations.

The terms of engagement between companies and the international community-at-large have changed



Nice-to-haves are becoming mission critical for corporate governance (and leadership)

Internationally, a new corporate license to operate and a new conception of the corporation are developing. ESG considerations are becoming a core business pillar and increasingly instrumental in corporate access to capital. Sustainability, and climate response in particular, are becoming increasingly regulated across the globe. In many countries, there are increasingly large and obvious discrepancies between the working conditions leadership teams want and what many employees are looking for, such as remote working, increased flexibility, or more equitable parental leave.

There is tougher competition for talent in the marketplace, and technological progress is adding complexity and risk. Finally, there is an increased accountability for leaders: some countries have set regulations about the liability of senior leaders (including boards) and shareholders and investors are demanding more transparency.

ESG considerations are becoming a core business pillar and increasingly instrumental in corporate access to capital.

How are boards stepping up to meet the moment and prepare for this more demanding, future?



They are infusing new perspectives

There were 54 new board member appointments in ADX/DFM companies in 2021, similar to the 52 the prior year. However, there was an increase in the share of seats going to directors who are active rather than retired and those who are first time public board members.

Number of seats filled, 2020 vs. 2021



Percent active executives, 2020 vs. 2021

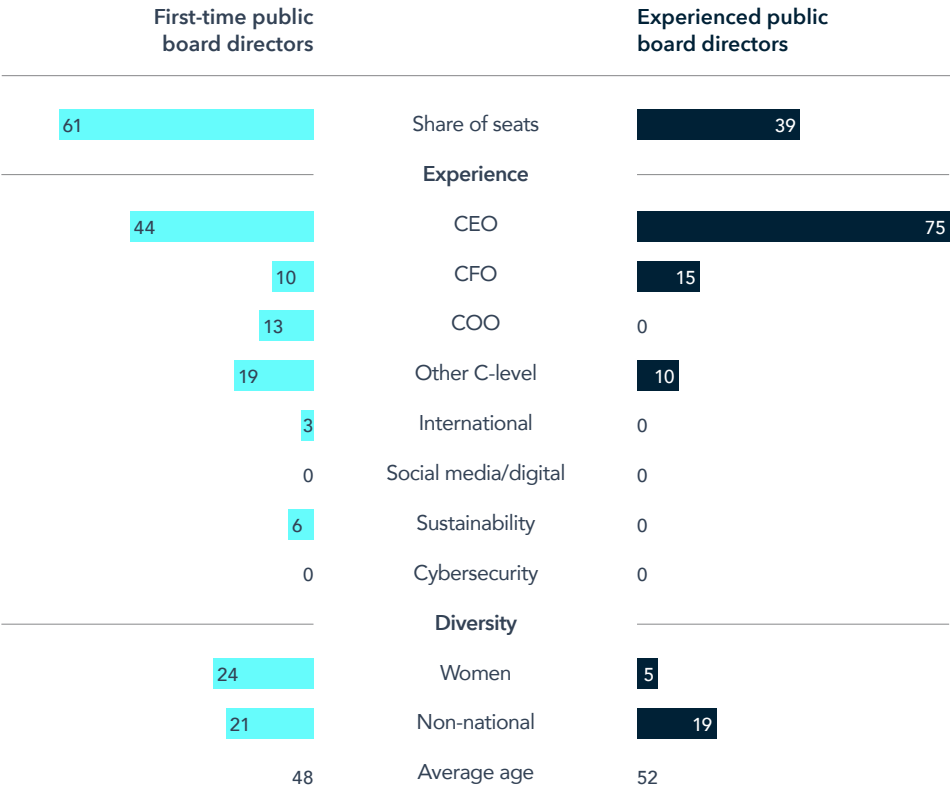


Percent first-time public board members, 2020 vs. 2021



The first-time directors less often have CEO backgrounds and more often bring a wider set of C-suite experience, beyond having been a CEO or CFO. Some bring sustainability experience, in line with new expectations. It's also notable that the share of seats going to women among first-time directors is markedly higher than among their more experienced peers.

What's different between first-time directors and their more experienced peers (%)



Professional experience

The share of seats going to directors with CEO experience in 2021 was 56% overall in the Middle East, with very similar figures in UAE and Saudi Arabia. In the UAE, more seats were allocated to directors with CFO and international experience, while in Saudi Arabia more seats went to directors with international experience and C-suite experience other than CEO or CFO.

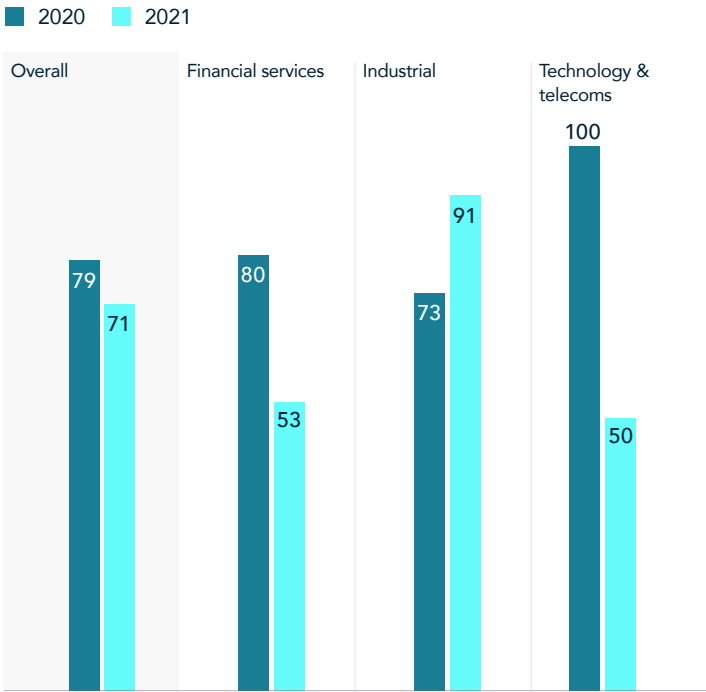
Professional experience of new appointees, 2021 (%)



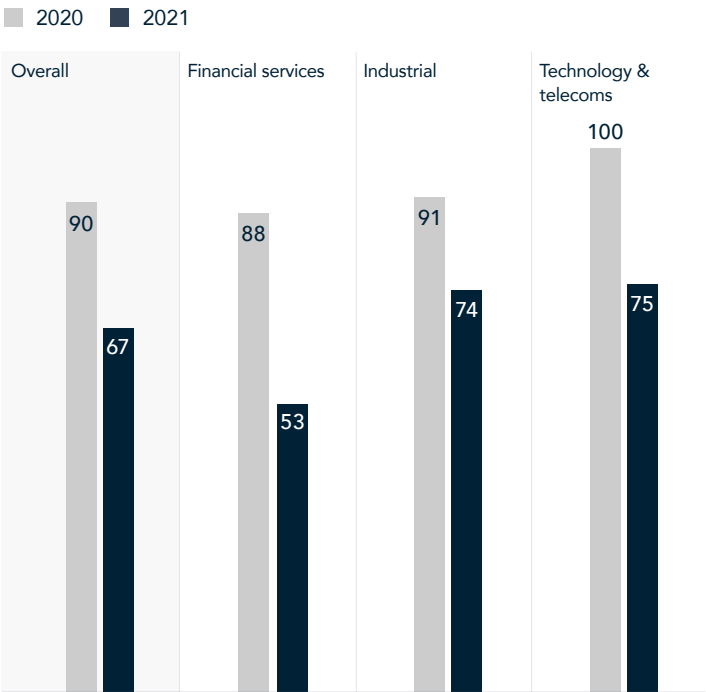
Companies in the UAE saw a smaller share of seats going to directors with same-industry experience compared to last year, and similarly a smaller share of seats going to directors with cross-sector experience.

Same-industry and cross-industry experience, 2020 vs. 2021 (%)

Same-industry experience, by board industry



Cross-industry experience, by board industry



Gender balance

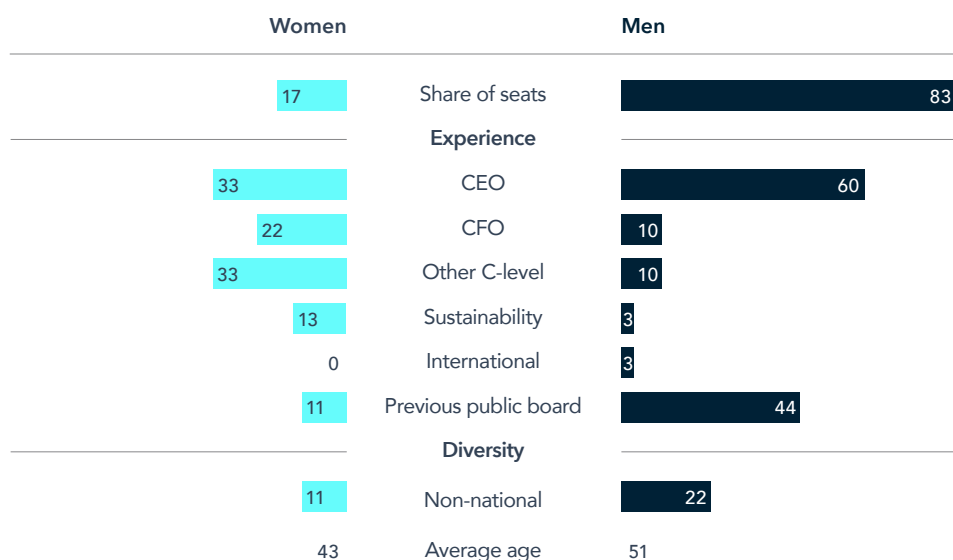
The share of seats going to women in the UAE saw an uptick in 2021, though compared to international figures it remains low.

Gender trends, UAE (%)



On average, the women directors less often have CEO backgrounds and more often have experience in CFO and other C-level roles, and more often bring sustainability acumen.

How the profiles of men and women compare (%)



Age diversity

The average age of newly appointed directors in ADX/DFM companies in 2021 was 50, a marked decrease from the previous year's average of 53. Indeed, in 2021, the UAE saw one of largest shares of seats allocated to directors under 45 of any of the 24 countries we track.

Age distribution, 2021 (%)



Looking forward



As UAE companies seek to build sustainable international growth, their boards will need agility to both deal with unexpected events and achieve a certain level of foresight, as well as to continue 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 as well as strategic competencies related to the strategic direction and purpose of the company. UAE boards' increased focused on first-time directors with sustainability acumen is one example, and one where more progress is still needed at companies around the world.¹



¹ For more on international boards' perspective on sustainability, see *Changing the Climate in the Boardroom*, Heidrick & Struggles and the INSEAD Corporate Governance Centre, heidrick.com.

Considering the mix of older and younger directors.

Many boards see advantages in the perspectives of executives who are in earlier stages of their careers, are more often actively working as executives, and, in many cases, closer to the intricacies and consequences of some of the newer issues boards need to address, such as climate change. In this regard, the UAE made noticeable progress in 2021 compared to many other countries. That said, younger directors who are still active executives may have less time to devote to any given board, while older directors, particularly those with international experience and who are independent, continue to bring valuable perspectives. Therefore, each board must consider the right balance for itself.



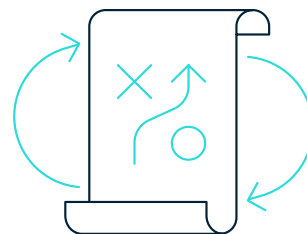
Seeking new members who have the ability to take on a leadership role, either that of a chair, senior independent director, or committee leader.

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 and connect with the organizational purpose.² This matters more than ever because it's crucial, especially now, for chairs and directors of companies operating internationally to be able to collaborate across cultural or political differences as well as differences in expertise and background—not by ignoring those differences but by using them as assets to solve problems.



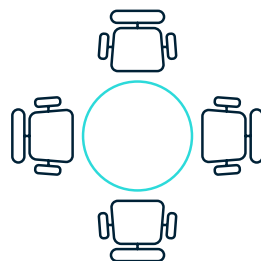
Thinking of board succession planning as an ongoing exercise rather than an exercise undertaken in reaction to an annual deadline.

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.



Creating a space for temporary seats at the table or bringing in voices from outside

as a sounding board when voices beyond those in the boardroom need to be heard. These range from ad hoc committees to observers, advisors, or shadow boards.



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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