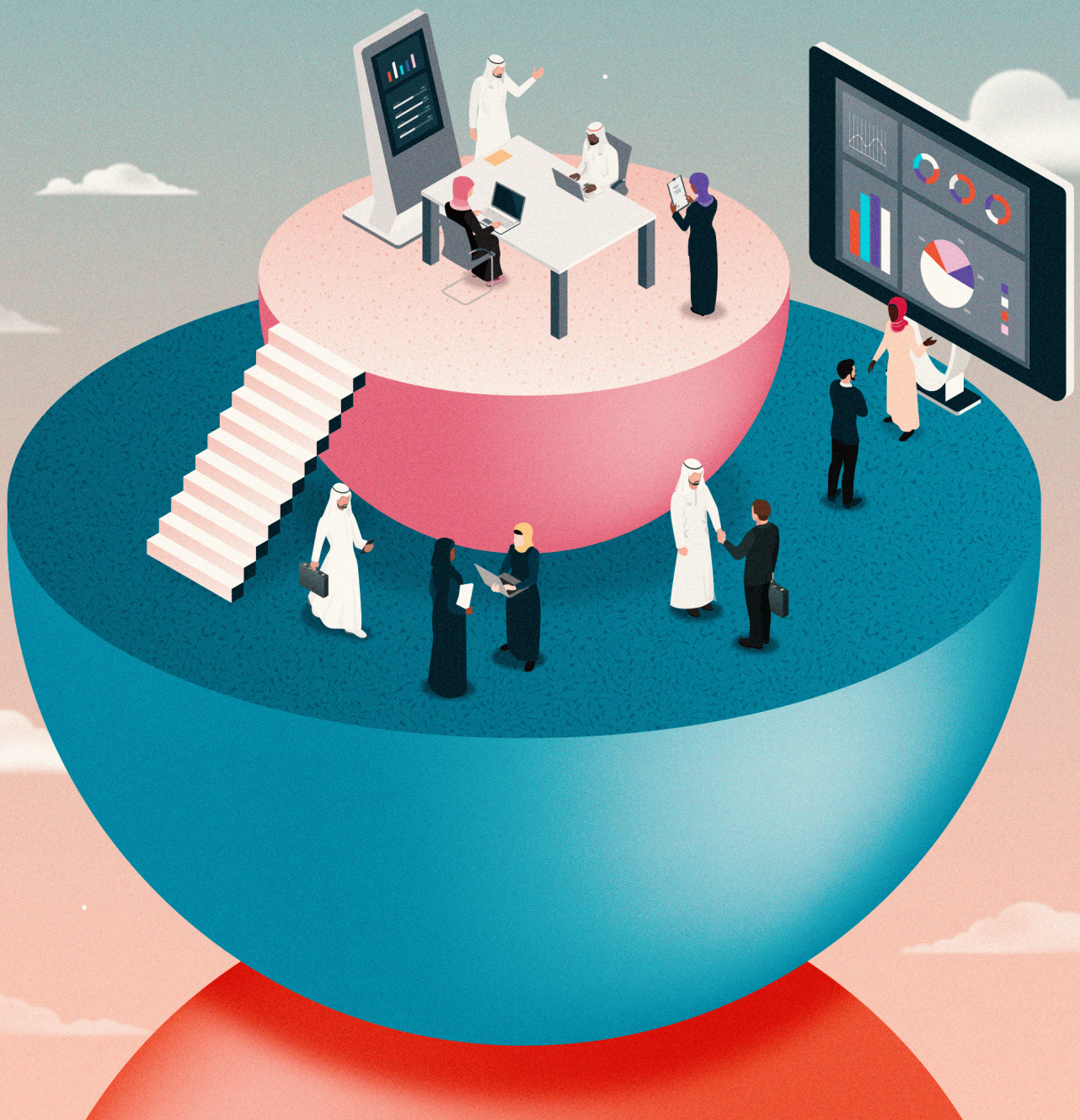


Board Monitor

Saudi Arabia 2023

Our second look at incoming directors at listed companies in Saudi Arabia shows a preference for experienced board members with CEO backgrounds.



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 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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Vision 2030: Accelerating growth and opportunity



Vision 2030 has ushered in a period of accelerated growth and opportunity for the Kingdom of Saudi Arabia. This is set against a persistently challenging global economic context and local complexity to ensure that growth in the Kingdom is both sustainable and diversified.

Saudi companies are growing their presence in the region, and publicly listed companies are recognizing the increasingly important role that boards will play in delivering stakeholder value. At the same time, we are witnessing a significant change in the fabric of the business environment in Saudi Arabia, as an increasingly larger number of

companies are looking to go public: 2022 was a record year in terms of initial public offerings (IPOs), with 49 listings. In 2023, there are at least 23 companies preparing for IPOs in Saudi Arabia's stock exchange.¹ Our conversations with Saudi directors indicate that all these changes in the broader economy are filtering through to board level, with boards going through a period of rapid professionalization.²

Pressure is growing on boards globally—not just in the Kingdom—to be more strategically dialed in, too, in order to help companies better anticipate threats and disruptions,

not least from the stratospheric rise of AI, and to be more aligned with industry needs. Now is the time for companies to take stock of their mix of directors to ensure they have the range of perspectives needed to survive and thrive.

In this Board Monitor report, we examine how Saudi boards are changing their composition to meet the demands of this era of disruption and opportunity. Our analysis shows that there is still a great deal of opportunity for boards to become more diverse in terms of skills and industry experience.

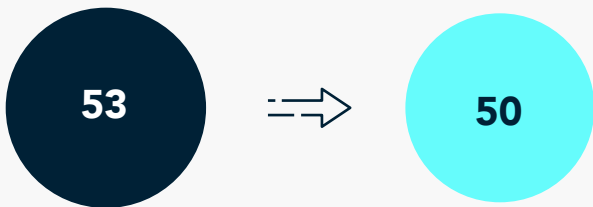
1 Nirmal Narayanan, "Saudi bourse has 23 new companies preparing for IPO in 2023: CMA chairman," Arab News, February 12, 2023, arabnews.com.

2 Suhas Anand, Richard Guest, and Maliha Jilani, "Boards in Saudi Arabia: Upping their game for growth," Heidrick & Struggles, forthcoming on heidrick.com.

Key findings

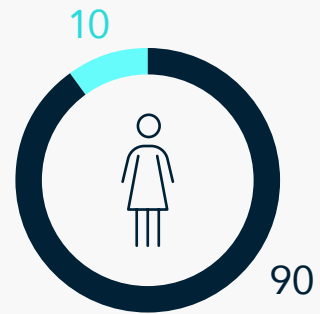
There were 50 director appointments at Tadawul companies in 2022—down from 53 in 2021.

■ 2021 ■ 2022



10% of appointments went to women, up from 8% the previous year.

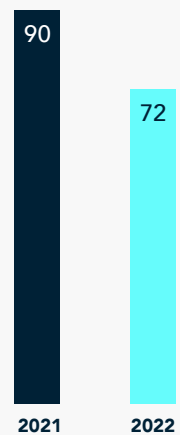
■ Men ■ Women



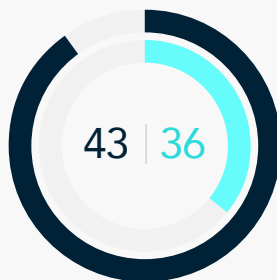
84% of seats went to Saudi nationals—down from 90% in 2021.



There was a drop in the appointment of active board members, from 90% in 2021 to 72% in 2022.



The number of first-time board members declined 7%—from 43% in 2021 to 36% in 2022.



The average age of Saudi board appointees in 2022 was 50.1. This is down slightly from 51.8 in 2021.



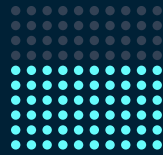
Snapshot of 2022 findings

Number of appointments



50

Share of companies with an appointment (%)



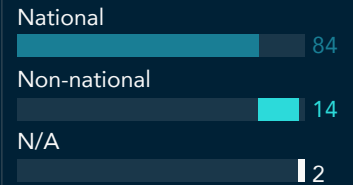
60%

Average age



50.1

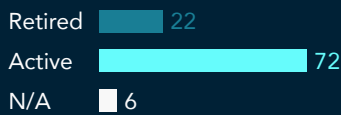
Nationality (%)



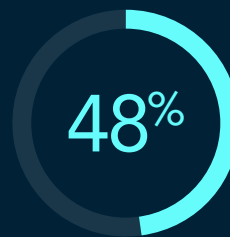
Gender balance (%)



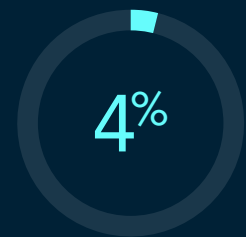
Active vs. retired (%)



Current or former CEO experience



Current or former CFO experience

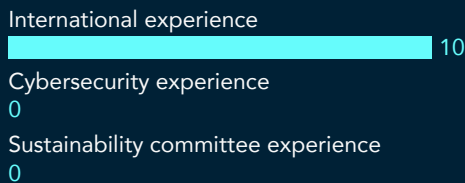


Experience (%)

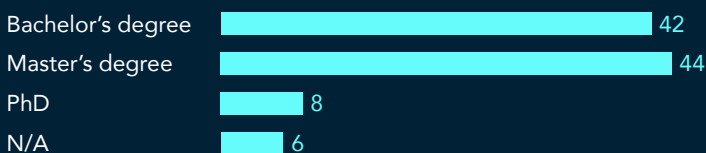


First-time public board experience: 36
 Previous public board experience: 54
 N/A: 10

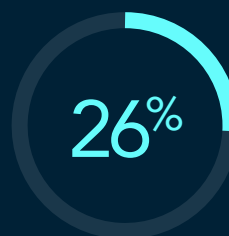
Other previous experience (%)



Education (%)



MBA



How are Saudi boards changing to support growth?



The number of director appointments made in 2022 remained similar to the previous year. In 2022, there were 50 appointments, down from 53 in 2021, when we carried out our first Board Monitor study of Tadawul companies.

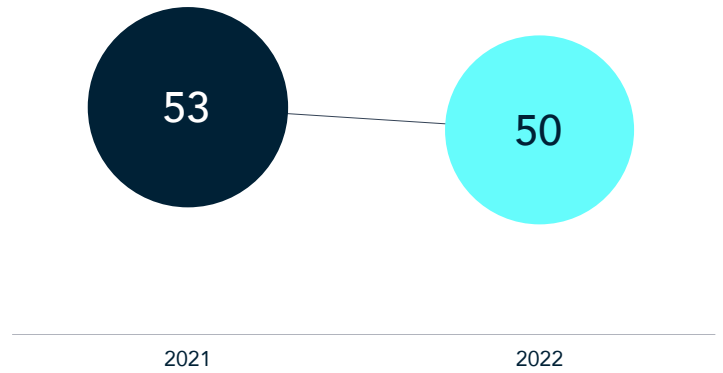
Saudi companies continued to show a preference for board members who are active in executive positions rather than retired appointees, though there was a marked decline in active board appointees last year, from 90% in 2021 to 72% in 2022. This could be a sign that companies are looking to appoint

directors who can dedicate more time to their board responsibilities and avoid “over-boarding.”

We also saw a 7-percentage-point drop in the share of seats that went to first-time board members, from 43% in 2021 to 36% in 2022. This may indicate a growing preference overall for directors with previous board experience—reflecting the higher demands and expectations of boards in the Kingdom as momentum grows around Vision 2030.

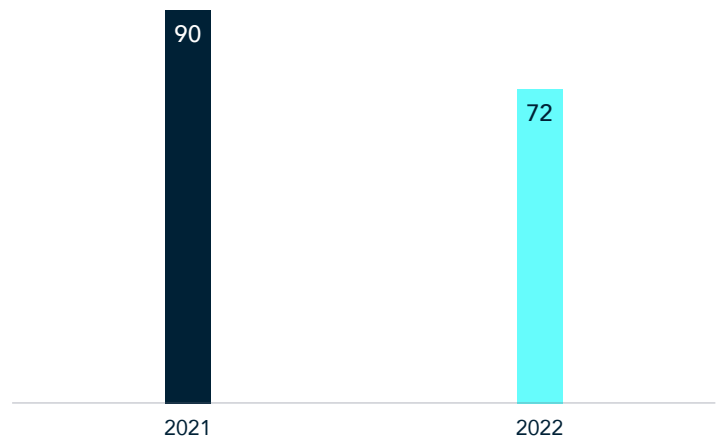
The number of board appointments in 2022 stayed similar to 2021

Number of board seats filled, 2021–2022 (%)



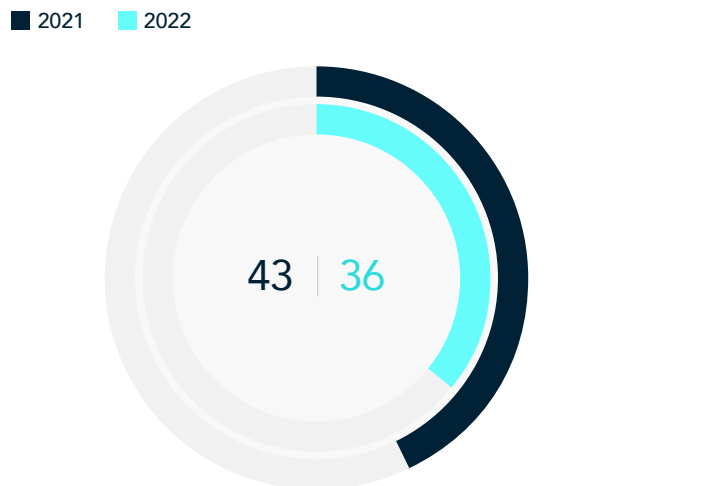
In 2022, there were fewer seats going to directors who were active in their executive roles...

Share of active executives, 2021–2022 (%)



...as well as fewer appointments of first-time public board directors

Share of first-time board members, 2021–2022 (%)



Progress in gender diversity

The number of women appointees edged up, from 8% in 2021 to 10% in 2022. This is a positive move in the right direction. However, there is much to be done to improve gender representation at the board level, in line with the reforms rolled out in the Kingdom in recent years to empower women to participate in the workforce in support of Vision 2030. Over the past few years, we have seen many companies and both government and non-governmental organizations putting in place policies and support system to attract, nurture, and mentor women into both corporate and start-up environments. This is a critical step to ensure that future boards will have a strong pipeline of women executives to draw from.

Some 80% of the women appointees had previous board experience, versus 51% of men, suggesting that some companies still require women to have stronger track records compared to their male peers.

Gender trends, 2021–2022 (%)

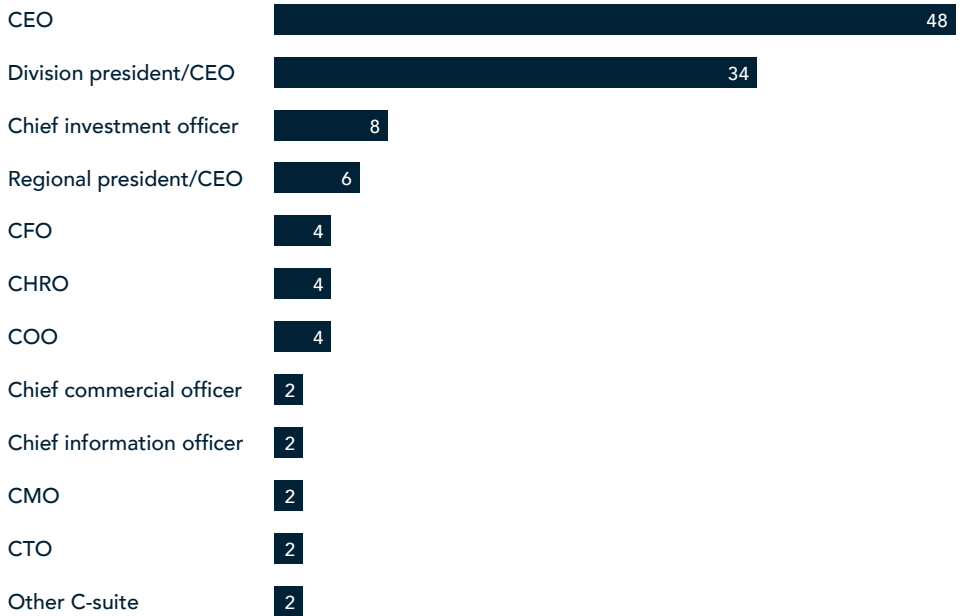


What backgrounds and expertise do the new directors have?



CEOs continue to dominate boards in the Kingdom. Almost half (48%) of all new board members in 2022 had a CEO background. Only 4% of the appointments went to former or active chief human resources officers, while chief information officers, chief marketing officers, and chief technology officers each secured only 2% of the seats filled.

Executive experience (%)



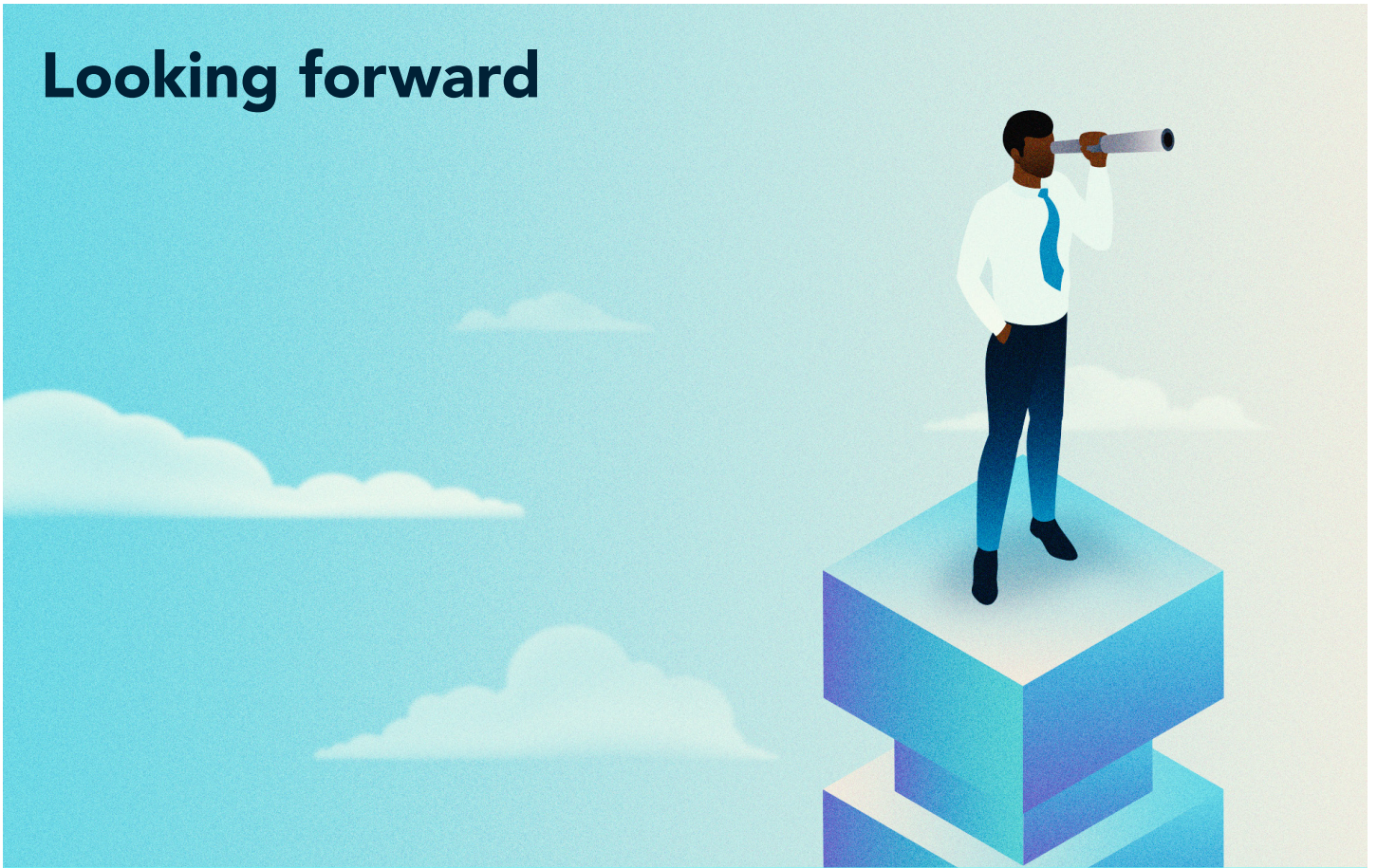
There is a strong preference for directors with a financial services sector background. More than half (56%) came from this industry. Unsurprisingly, this is even higher in the financial services sector itself, where 72% of board appointments in 2022 went to people with financial industry experience. Consumer sector companies appear to be more open to appointing directors from diverse sector backgrounds, with no single industry making up more than 33% of the seats filled.

The number of Saudi nationals appointed to boards declined from 90% to 84%, indicating a possible desire for more international experience—and a willingness to bring in different perspectives—as opportunities for Saudi companies open up within the region and internationally. These perspectives may also be seen as more valuable now as boards continue their journey of professionalization.

Industry experience, by board industry (%)

	Overall	Consumer	Financial services	Industrial
Business services	8	17	8	5
Consumer	16	33	12	16
Financial services	56	33	72	42
Industrial	26	17	12	47
Life sciences	4	17	4	0
Technology	14	33	8	16
Other	24	33	24	21

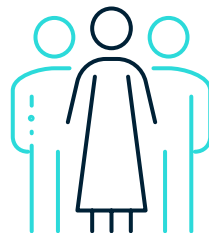
Looking forward



Saudi companies are navigating a new era of inspiration, innovation, and growth—underpinned by the Kingdom’s Vision 2030. Change at this scale brings immense challenges and opportunities, and companies are looking to their boards to help them seize the moment and steer them to success.

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

Ensuring diversity of perspectives and backgrounds. Disruption from technology, particularly AI and machine learning, is forcing boards to reexamine the mix of experience around the table. The preference for CEO backgrounds in Saudi Arabia means fewer board opportunities for CTOs or CIOs. Given the dominance of digital and AI—and the pace at which these technologies are changing how we work and do business—Saudi boards could benefit from having more people from tech industries or tech-related roles. As a lot of Saudi Arabian companies are looking to regionalize and go global, another area for consideration should be the share of non-national directors, because their experience in leading and expanding across markets in global companies could be critical in the success of those growth strategies. Saudi boards should also stay focused on increasing the gender diversity of those around the table—not only to tap into wider pools of talent but also to empower future generations of women.



Emphasizing people as strategic assets.

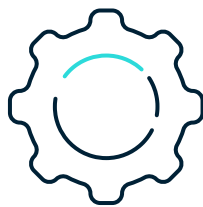
The most successful global companies see people as an important strategic asset—but this is often not reflected in their board composition. Chief human resources officers (CHROs) are underrepresented on Saudi boards and tend to be overlooked in favor of people with strong operational experience. Saudi boards overall tend to focus discussions on financial performance; bringing in more CHROs could help to bring people front and center of conversations.

**Evaluating performance to drive continued improvement.**

Global best practice dictates that in-depth board reviews should be conducted at least every three years. While the Capital Markets Authority has issued regulation to ensure regular reviews of board performance in Saudi, there is a sense that some of this activity is being done to satisfy the requirements through “box ticking” exercises, rather than as a means to genuinely improve board effectiveness. In year one, reviews are conducted by an independent agency, followed by a nominations and remunerations committee-led self-review in years two and three.



Avoiding over-boarding. As the demands on boards increase, companies need to ensure board members have the head space and time to dedicate to their board responsibilities. Our conversations with Saudi directors indicate there may be an over-boarding problem in the Kingdom, with a high proportion of directors sitting on multiple boards. The Saudi preference for active board members over retired ones further suggests directors could be over-stretched and unable to dedicate the time and energy to be truly dialed into each board conversation at the same time with navigating their day-to-day leadership responsibilities.

**Conclusion**

Of course, there is no single formula for board effectiveness, and every company needs to shape its ideal mix of board experience, perspectives, and appropriate governance mechanisms based on its own stage of maturity, strategic goals, and organizational strengths and weaknesses. But the key principle of board composition has remained unchanged: for competitive advantage, companies should maintain the overall strategic value of the board in its entirety, rather than focus on individual appointments.

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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