

# New director onboarding

KPMG Board Leadership Centre



The Board of Directors is responsible for the long-term success of an entity and its first responsibility is to provide direction and leadership within a framework of prudent and effective controls. Board members are expected to monitor and challenge the performance of the management, and to take a determined stand in the interests of the entity and its stakeholders. Directors are required to acquire and maintain a sufficiently detailed knowledge of the entity’s business activities and on-going performance to enable them to make informed decisions on the issues before the board.

In the next few months, most of the entities in Saudi Arabia will be holding their general assembly meetings and the shareholders will be appointing new directors, where required. The new directors will be nominated to become members of the board and its various committees. For any new director, a learning curve comes with the territory. Just how steep that learning curve is – and how quickly a new director is able to contribute meaningfully to the work of the board and its committees – can hinge directly on the quality of the onboarding process.

Understanding the business – its strategies, risks, financials, operations, management team, workforce, and culture, and its competitive landscape and stakeholder interests and expectations – is a major undertaking for new directors. Developing that understanding of the business and the external forces impacting the business and the priorities and culture of the board and its committees, takes time.

A robust onboarding process, including essential information and briefing materials, quality discussions with key people, and a “roadmap” for getting up to speed, can greatly accelerate a new director’s integration and contribution to the board’s work. Directors joining their first external board face the added challenge of understanding the unique role of a director – and how it differs from that of management – in helping to oversee and guide the business forward.

In today’s business environment, rife with disruption, uncertainty and turbulence, board members need to be ready to contribute from day one. The onboarding needs for new directors will vary from director to director depending on a number of factors, including the director’s background and experience, and the role the director is expected to play on the board and board committees. As a result, even if there is a formal orientation process, a new director should be prepared to take responsibility for their own onboarding plan – working with management and others to determine how best to get up to speed on the most important issues quickly and build a strong foundation for informed oversight.

In the following pages, we suggest a number of elements for new directors to consider as part of an overall onboarding framework, including:

- Suggested reading.
- An initial orientation session.
- Follow-up one-on-one meetings with key people in the organization to develop a deeper understanding of the business, its key governance processes, and its leaders.



## Suggested background reading materials

A new director will want to review a number of background materials early on, including:

### Information about the entity

- Annual report and financial statements.
- The most recent materials provided to the board and the committees to which they will be assigned, as well as minutes for the past few meetings for the board and all committees.
- The entity’s strategic plan, as well as information prepared by management or third parties regarding customer needs, the existing competitive landscape and emerging competitors.
- Third-party assessments including analyst reports, vulnerability studies, and any communication from institutional investors regarding the entity or the board.

- The entity's top-level organization chart, biographies of the leadership team and the succession plans for the CEO and other key executives.
- Recent reports and/or survey results assessing the entity's reputation, culture, and the strength of its brand(s).
- Presentations made to the board during the past year on risk, strategy, succession, and crisis management.
- Reports on the entity's compliance program as well as any regulatory inspections, investigations or significant litigation.
- The entity's ESG-related goals, risks, and strategies.

### Information about the board and its committees

- By-laws and corporate governance guidelines.
- Committee charters.
- A description of the entity's directors and officers liability insurance, if any.
- Policies applicable to directors such as the entity's Code of Conduct, conflict of interest policies, insider trading policies, and others as applicable.



### Initial orientation

Most entities are now providing an initial orientation session for a new director. While the length and formality of the orientation will vary from entity to entity, it should include an overview of:

- The business including its products and services, customers, and competitors.
- The financial status of the overall entity and its key business units.
- The entity's near- and long-term strategy.
- The entity's risk appetite and its processes for identifying and managing risk as well as the "mission critical" and other key risks facing the entity, including financial, operational, legal, and reputational risks.
- The entity's culture.

Who participates in the initial orientation session will vary depending on how the entity's orientation process is structured, e.g., whether the initial orientation is viewed as the first step in a more lengthy process, or whether it is viewed as a more comprehensive orientation session.

One of the best practices is to create an **orientation manual** for the new directors. This generally include CVs and contact list of directors and each member of the C-suite, a list of related parties, annual independence and disclosure forms, calendar of board and committee meetings, corporate governance manuals, bylaws, latest investor presentations, financial statements, insurance, remuneration and expenses reimbursement details.



### Developing a deeper understanding of the entity and the board

Regardless of whether it is part of a formal orientation process, a new director may wish to have one-on-one discussions with a number of key leaders of the business to gain a better understanding of the entity; the culture, strategy, key risks, strengths, areas of opportunity and concern, etc., and to get to know the leaders outside of the formality of the boardroom.

Initially, it may be helpful to understand how does the entity make money? What are the hot-button issues facing the entity? What issues have management and the board been spending the most time on? What governance processes work well or not so well? What is the culture of the entity and of the board?

The Secretary (or General Counsel) can provide information about the board from a legal and process point of view, including the committee structure, the role of each committee, and how the committees coordinate and communicate about oversight activities. They can also provide advice on the responsibilities of a director and director independence requirements as well as an update on significant litigation, investigations, or other compliance-related matters.

In the weeks and months following the initial orientation session, a new board member, depending on his role in various committees may also wish to meet one-on-one with other leaders in the business – each member of the C-suite, leaders of sales, supply chain, operations, marketing, investor relations, and HR – to get their views on a number of key entity-wide issues, including:

- The entity's strategic direction and key risks.
- Effectiveness of risk management processes and the overall control environment.
- Tone and culture of the organization including ethics/legal/regulatory compliance as well as whether the organization is future-focused, innovative, open to reinvention as necessary.
- Strengths and weaknesses of the management team and the board.
- The entity's acquisition strategy including any potential acquisitions under consideration.
- The entity's capital allocation priorities.
- The philosophy with respect to investor relations, including proactive investor engagement.
- Status of ESG initiatives and roadmap.
- The entity's technology profile including any recent or proposed key digital transformation initiatives.

The business leaders will also have important insights to offer on issues that are specific to their areas of focus and responsibility. In the Appendix, we have identified possible issues to explore.

Board members can also develop insight into the culture of the board by keenly observing the board dynamics and looking to an experienced and well-respected board member as a mentor.



### No one-size-fits-all

Onboarding is not a one-size-fits-all process, and may vary considerably depending on the entity and the background, experience, and areas of interest of a new director. While management obviously plays a key role in shaping the onboarding program, every new director needs to take charge of their own onboarding in order to make sure that it is properly tailored and focused.

Continually seeking out relevant information (from internal and external sources) and a deeper understanding of the business, the competitive landscape, and emerging opportunities and threats, will be essential to providing effective oversight and bringing insight and foresight to the boardroom dialogue.



## Appendix: Function-specific enquiries

### Chairman of the board

- How the board interacts with the CEO and other officers, and how important decisions are made (formal and informal processes).
- Toughest issues facing the board/committees.
- What is the process developed by the entity in respect of governance of transactions with related parties?
- Succession planning.
- Board culture including the openness and candor of communications and debate among management and the board, and among directors.

### Chairs of the various committees of the board

- Expectations and role of the committee members.
- Current composition of the committee (skills, backgrounds, experience, and expertise)
- Most difficult/challenging issues facing the committee.
- Scope of the committee's oversight responsibilities.
- Strength of the committee's oversight processes.
- Results of the committee's last two self-assessments.

### Chief Executive Officer

- Any significant issues, opportunities, or concerns identified during your discussions with other business leaders.
- What does the CEO view as the top opportunities and challenges for the entity?
- On what issues does the CEO expect to spend the most time over the next few months?
- What keeps the CEO up at night?
- How can the skills and background of the new board member – and board members, generally – be best leveraged for the benefit of the board and the entity?

### Chief Operations Officer

- How the entity leverages its supply chain for strategic advantage.
- The entity's business continuity and crisis management plans and immediate challenges.

### Chief Marketing/Sales/Strategy Officers

- How the entity defines its target customers and what methods it uses to understand and develop products that address the customers' needs.
- The entity's approach to innovation.
- How the entity monitors and leverages evolving competitive, social, economic, and political trends.
- The strategic planning process, the frequency with which the strategy is reviewed, the process by which external trends are assessed with respect to their implications for entity strategy, and the measures and metrics used to track progress.

### Chief Financial Officer

- Entity's earnings trends.
- Disclosure philosophy, including level of transparency.

- Adequacy of control environment, including fraud controls, pressures, and vulnerabilities.
- Capital allocation processes, and degree of alignment between short-term and long-term objectives.

### Chief Technology Officer

- How the entity leverages technology for strategic advantage.
- How the entity manages data security, data ethics, and other "defensive" IT risks.
- Nature and frequency of CIO communications with board, audit and/or risk committee.
- Entity's programs and resources to identify, protect, and respond to cybersecurity threats.
- Entity's policies and practices for data governance, use of social media, and adoption of emerging technologies.

### Secretary to the board, Legal Counsel

- Impact on the board and its members on the implementation of new regulations for companies.
- Governance process around transactions and balances with related parties.
- Board remuneration process.
- Significant litigation and results of regulatory inspections.

### Chief Risk Officer

- CRO's view of the entity's risk awareness, "appetite," and "tolerance".
- How the CRO views the tone and culture of senior management.
- How the entity's risks compare to others in the industry.
- Strengths and weaknesses in management's and the board's risk oversight processes.
- The degree to which the risk organization has a seat at the table and input into significant business decisions.

### Chief Human Resources Officer

- The entity's remuneration philosophy, overview of compensation programs, and linkage between compensation incentives and both long-term and short-term strategic goals.
- How the entity attracts, motivates, and retains top talent and the diverse mix of skills, experiences, and backgrounds needed to design and implement entity strategy.
- History of key challenges including discrimination and harassment issues.

### Head of investor relations

- The entity's key shareholders and its positioning in the market (eg growth or share value).
- The investor engagement strategy, and any history (or current issues).

### Chief Sustainability Officer

- The entity's philosophy, goals, and results with respect to ESG issues, in terms of both substantive policies and degree of transparency.

# Contacts

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## Abdullah Akbar

Senior Director, Audit &  
Head of Board Leadership Centre  
E: [amakbar@kpmg.com](mailto:amakbar@kpmg.com)



## Kamran Sial

Senior Director, Tax  
E: [ksial@kpmg.com](mailto:ksial@kpmg.com)



## Dr. Samer Abdallah

Senior Director, Advisory  
E: [samerabdallah@kpmg.com](mailto:samerabdallah@kpmg.com)



## Mohammed Alkhelaiwi

Director, Audit  
E: [malkhelaiwi@kpmg.com](mailto:malkhelaiwi@kpmg.com)



## Muhammad Arsalan

Senior Manager, Audit  
E: [muhammadarsalan1@kpmg.com](mailto:muhammadarsalan1@kpmg.com)

## KPMG Board Leadership Centre

The KPMG Board Leadership Centre offers support and guidance to non-executive directors, whether managing a portfolio non-executive career or embarking on a first appointment. We aim to equip you with the tools you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business.

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