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Mudara IOD

Mudara IOD welcomes its new members, and looks forward to working with them in advancing corporate governance and directorship in the region.

Board Members and Senior Directors are invited to apply for membership of Mudara IOD.

Mudara IOD serves the entire Middle East and North Africa (MENA) region.

Welcome to the seventh issue of your Newsletter.

Recent events

October 19, 2009

'Directorship, Development and Diversity: Challenges for Women'

Mudara Institute of Directors (IOD) and The Arab International Women's Forum (AIWF) held the First Women's Corporate Governance Seminar *'Directorship, Development and Diversity: Challenges for Women'* which was held at the Kempinski Hotel in Amman, Jordan.

The seminar was in cooperation with and jointly hosted in partnership with the Business & Professional Women's Federation – Amman, Jordan Chapter and the International Women's Forum, Jordan Chapter, with the valuable support of AIWF Global Partners DLA Piper and The World Bank.



Panel Guest Speakers from left: Kalyani Santoshkumar -IFC, Ziad Badr- World Bank, Haifa Al Kaylani- AIWF, Karl Tabbakh- DLA Piper, Dr Omar Aljazy-Aljazy & Co, Amman, Noora Al Abbar- Mudara IOD.

In the opening address, Mrs Haifa Al Kaylani, Chairman Arab International Women's Forum said "AIWF is firmly committed to putting corporate governance squarely onto the Arab business agenda. We believe that the development of good governance skills, and indeed the enhanced participation of Arab women with regard to Board Directorship, is vital

to the region's future economic sustainability."

"AIWF firmly believes that the relevance and significance of effective corporate governance practices must not be underestimated in the region's current environment of fast-track economic and social growth. Through this seminar, AIWF hopes to reiterate the need for a paradigm change in the attitude and mindset of business houses of the Arab World towards good governance."

The seminar programme featured a very distinguished group of speakers, including the Mudara Institute of Directors (IOD), AIWF, the World Bank, DLA Piper, the International Finance Corporation (IFC), Middle East and North Africa (MENA), Alijazy & Co.

The seminar was one of many joint initiatives being hosted in partnership on corporate governance. The partnership was to advocate corporate sector reform and strengthen corporate governance for women entrepreneurs with businesses and investments in the MENA region.

Mudara IOD is delighted to have AIWF to be part of this ongoing initiative and looks forward to working together with its distinguished partners to put corporate governance squarely onto the Arab business agenda, as an essential part of economic development and an invaluable tool for women entrepreneurs across the MENA region looking to integrate their businesses into the global marketplace.

October 21, 2009

Mudara IOD in association with Al Tamimi & Company, the Middle East's largest law firm, hosted a

seminar at Jumeirah Emirates Towers in Dubai, UAE on the topical issue of ***'Shareholders' Rights and Corporate Governance in the GCC.'***

The seminar included speakers from Al Tamimi & Co represented by its founding and senior partner Mr. Essam Al Tamimi as well as guest speaker Dr. Hani Sari Eldin, former chairman of the Egyptian Capital Market Authority, who discussed the overall effects of corporate governance in the MENA region and commented that the failure of risk management rules led to the economic crisis. In which Dr. Eldin added "Corporate governance is not a luxury, it is a must, it is vital for the growth of the economy as a whole."

October 26, 2009

Mudara IOD participated at the workshop on ***'IT Governance and Risk Management'*** held at the Dubai International Financial Centre (DIFC), in UAE.

The workshop was arranged to make the banks and other company executives aware of the importance of IT Governance covering the techniques available for IT risk management and the latest strategies on how to tackle risk management.

October 26 – 29, 2009

As part of Mudara IOD's efforts to enhance the directorship and Corporate Governance in the Middle East and North Africa (MENA) region, Mudara IOD delivered two double intensive workshops to a distinguished group of CEO's, Senior Managers and Board Members from organizations and companies represented by private and public sectors, a 4-day workshop on Director Development Programme held at the Dubai International Financial Centre (DIFC), in Dubai, UAE covering two main topics: ***'Introduction to Corporate Governance' and 'The Board'*** and on,

November 8 - 11, 2009

'Strategic Leadership' and 'Financial Stewardship, Accountability & Leading, Planning Improvement'.

December 7, 2009

'Good Corporate Governance: The Priority' Mudara IOD was invited to be on the panel of a Private Equity Seminar Series organized by National Bank of Kuwait (NBK) Capital, held in Kuwait.

For further information on our Director Development Programmes please visit us on http://www.mudara.org/professional_dev/dev_prog/

Are you Ready for Our Challenge

Take our challenge and test your knowledge on corporate governance and Board Directorship.

An increasing number of organizations and business leaders across the MENA region are recognizing the vital importance of good corporate governance and directorship to long-term business growth – Are you one of them?

Take our quiz to test your knowledge of corporate governance and board directorship and get the chance to win a **free 1 year Mudara IOD Membership**, or a **free delegate pass** in one of our **Director Development Program (DDP) workshops**.

To log on please click here:

<http://www.surveygizmo.com/s/78119/ddp-public-interest-test>

You can visit our website www.mudara.org or click on, <http://www.mudara.org/highlights/index.html>

Poll Questions

Answer the Poll Questions and let us have your feedback? Visit our website on <http://www.mudara.org/>

Today's question:

Do you think company boards in the MENA region are well governed?

Interesting Highlights:

CEO Compensation:

A new study released in November by **Korn/Ferry International**, a premier global provider of talent management solutions, indicates results of a five-year analysis focused on compensation for newly hired executives in 2009. The Korn/Ferry Executive Compensation Index shows declining pay in 2009 for the majority of new senior executives around the world after reaching a peak in 2008; showing that pay for first-year CEOs also declined in the North American and Asian markets in 2009, but increased in Europe, raising the global average CEO compensation to a five-year high.

Summary of the Compensation Index include:

- In 2009, compensation for first-year executives declined globally for the first time in five years. The index decreased from 131 to 121, or -7.3%.
- CEO pay declined in both North America (from 122 to 114, or -7.0 %) and Asia (from 123 to 114, or -7.2 %), but increased in Europe (from 98.4 to

113, or +15%) contributing to an overall increase in global CEO compensation (from 110 to 112, or 2.0%). However, 2009 was the first year that European CEO compensation surpassed the 2005 base year.

- CIO/CTO positions saw the greatest growth over the five-year study, increasing year-over-year to a high of 136 in 2009, or +35.7% since 2005.
- Geographically, executives in Asia saw the largest increase in compensation, climbing to 136 in 2009, or a 36.2% increase. European executives, however, totaled the lowest growth in compensation at just a 4.5%.

The index analyzes the first-year salary and bonus for executives placed by Korn/Ferry globally, using 2005 as a base year. The index score allows for comparisons between titles and across geographies. Data from Asia, Europe and North America is analyzed and aggregated to determine global trends. The study breaks out data by title in the C-suite including CEO, CFO and CTO/CIO. Senior vice presidents or equivalent titles are added to the C-suite for a cumulative index score which provides a full picture of executive compensation.

Survey: What Directors Think 2009

Directors say their risk has increased since Last Year, a survey by PricewaterhouseCoopers & Corporate Board Member Survey Highlights

69% Say Risk as Director has Increased - Nearly a Twofold Jump from 38% in 2008.

The 8th Annual "What Directors Think" survey released on Oct 29, was very focused on risk: 69 percent believed their risk as a director had increased during the prior 12 months - a substantial jump from the 38 percent who answered so in 2008. Seventy-five percent of directors surveyed also stated that responsibility for risk management rests with the full board.

Overall, respondents were cautiously optimistic about their ability to monitor their companies' multitude of risks: 88 percent of directors consider their board to be capable, and they rated risk first among responsibilities to which directors should pay the greatest attention, after their focus on profitability and shareholder value. However, while most directors indicated they had sufficient board meeting time to comply with their duties as directors, 66 percent preferred to increase the amount of time spent discussing risk management.

In addition to risk management, the current business environment is among boards' highest of priorities and when asked how their board meeting time should be spent, more than half (60 percent) of the respondents said they should spend more board meeting time discussing the effects of changes in the economy.

Directors want to spend more time on the uncertainties of the economy during their meetings and fewer than 25

percent worry about the ability of the CEO to manage through the current challenges. Instead, 59 percent cite unknown risks.

The 8th year for the annual "What Directors Think" survey, which measures the opinions of more than 1,000 directors serving on the boards of the top 2,000 publicly traded companies (by revenue) listed with the NYSE Euronext, the NYSE Amex, and the NASDAQ OMX Group stock exchanges. The 2009 survey findings are highlighted in Fourth Quarter 2009 Corporate Board Member issue.

Did you know?

THE INFLUENCE OF REGIONAL CULTURE AND CORPORATE STRUCTURE ON CORPORATE GOVERNANCE

By: Matthew Lewis, Managing Director - MENA, Correlate Search

Good corporate governance is a crucial part of private sector-led economic growth in the MENA region and it needs to be recognized as a public policy concern of rapidly growing importance. Employment generation, development of technology, and ultimately the international competitiveness of the MENA economies must rest on a base of firms that do not suffer from cost of capital disadvantages, and that adapt sound management and corporate governance practices to domestic circumstances.

Banking needs to take the lead

The challenge regionally is also about creating a culture of transparency and ethics at a personal and corporate level. The recent announcement by ADCB that it would disclose packages for its senior executives is a good initial step towards increased transparency. The question now needs to be asked of a wider audience of companies as to how far they are prepared to go.

Good corporate governance is important for the sound development of the banking sector. Banks channel public savings to the corporate sector. If banks are not in a position to assess the viability of debtor companies, they risk accumulating non-performing loans and be forced into direct or indirect re-nationalization to avoid systemic risk.

Corporate not exempt

Apart from its importance in ensuring access to capital, good corporate governance provides more effective mechanisms for building competitive businesses. Proper checks and balances within the corporation support strategic thinking, while competent company directors add real value to the decision making of the firms. The benefits of good governance for long-term value creation raise confidence among all stakeholders of the corporation.

It should be pointed out that the improvement of corporate governance should have an important spill-over effect on the society as a whole. Adequate checks and balances within the corporation, proper oversight of executive management by the board of directors, better internal

controls and clear lines of accountability reduce the opportunities for managers and others to engage in corrupt activities. The development of good corporate governance can, thus, be seen as key institution-building ingredient for a transparent and accountable society.

Family firms beware

The corporate landscape is characterized by an extreme level of concentration, due to large, family dominated companies and company groups, that also include banks and by a very strong presence of the state. The vast majority of large companies in the region have come to existence as family businesses or businesses of a number of influential families. Family control by the founders or the descendants remains the norm in most of the countries among the large non-listed, as well as small and medium- sized enterprises.

The ownership composition in the region suggests substantial role of families, often facilitated through nominee accounts. Individuals among the top five shareholders are mostly family members or close relatives holding high level executive positions within the companies. Moreover, the distribution of shares among individual investors is extremely narrow.

Most family companies in the MENA region are characterised by a strong family leader. Not surprisingly, families play also an important role in shaping boards of directors, by nominating family members, close relatives or senior managers. Evidence also suggests that the higher the ownership share of the dominant family shareholder, the more likely it is for the chief executive officer to be members of that family. This leads to tight oversight of management by the family with little role for the board. Family and other controlling shareholders influence corporate decisions also indirectly through their stakes in a number of holding companies and subsidiaries.

Under such circumstances the market for corporate control is not very active throughout the region. In spite of stronger disclosure provisions and other legal improvements to ensure that mergers and acquisitions are conducted in an orderly fashion and with due respect to minority shareholder rights, their number has

only modestly increased in recent years.

Although strong control by families might have worked well in the past, due to their entrepreneurial spirit, this was in time when relationship-based systems could be sustained under the circumstances of an opaque regulatory regime and wide-spread rent seeking behaviour. There is a question whether such a governance system is well adapted to the future as competition grows and the need for an efficient allocation of resources in response to market signals increases.

Ownership concentration and dominance-of control-oriented shareholders of publicly listed companies have a negative impact on liquidity and trading, but also on transparency and disclosure standards and substantive corporate governance practices observed on these markets. Large and sometimes politically powerful shareholders are less likely to actively pursue transparency and corporate governance mechanisms, which may ultimately erode their control.

Room and time for improvement

In spite of this situation, following efforts of liberalisation and improvements of the underlying legal framework, some MENA capital markets have shown considerable growth in recent years. This development underlines the urgency of corporate governance reforms, which are critical for the sustainability of capital market growth and in order to avoid the potential drawbacks stemming from inadequate corporate governance arrangements of new share issues and newly listed companies. Such reforms should focus in particular on transparency and disclosure, equitable treatment of shareholders and regulatory capacity building, which is critical in ensuring compliance and enforcement

In summary the mix of executives and cultures on the board of both public and private firms can have a profound effect on the transparency and ethics of a business. To truly flourish on a global stage regional firms will need to address this by aligning and enforcing the transparency, ethics and in turn governance of their firms from the inside out and the top down.

The views expressed in this article are personal views of the author.

Planned Events in year 2010

Director Development Programmes (DDP)

Introduction to Corporate Governance

Feb 15 – 16 (Tentative)

April 19 – 20 (Tentative)

The Board

Feb 17 – 18 (Tentative)

April 21 – 22 (Tentative)

Strategic Leadership

March 1-2 (Tentative)

May 17 –18 (Tentative)

Financial Stewardship, Accountability & Leading, Planning Improvement

March 3-4, (Tentative)

May 19 –20, (Tentative)

Other Events in 2010

Bankers Forum - February

(Dubai & Abu Dhabi), (Tentative)

Seminar

'Good Corporate Governance: The Priority'

National Bank of Kuwait (NBK) Capital and Mudara IOD

Dec 7, 2009, Kuwait

For more information on Mudara IOD please visit

<http://www.mudara.org>

For membership details, please email

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