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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 region.

Welcome to the sixth issue of your Newsletter.

EID Mubarak

Mudara IOD wish its member's and families a Happy EID.

Recent events

Mudara IOD's Power Breakfast Meeting



'Duties & Liabilities Directors and Officers face in the UAE - Legal Aspects, Risk Management and Insurance Solutions'

Mudara Institute of Directors (IOD) in association with the Capital Club invited the members for a power breakfast on July 16, 2009. The breakfast was presented by Muhammad Abdullah Al-Harith Sinclair, Partner, DLA Piper and Alexander Blom, FINPRO, Vice President, Marsh Middle East.



For complete list of events and programmes, please visit our website www.mudara.org

Governance for the future

AROUND 20 participants from the Middle Eastern and developing countries came together in Cairo for the second workshop for Building Sustainable Directors' Training Organisations. Mudara IOD was represented by its Executive Director, who spoke at the event. The main topic of the two-day event was 'Developing and Marketing your Training Programmes'

A special report written by Doaa Soliman on the event, which appeared in the Egyptian Mail, Tuesday May 12, 2009.

This workshop was organised by the International Finance Corporation (IFC) along with the Global Corporate Governance Forum (GCGF), while the first was held in Morocco in October 2008.

As said by Martin Steindl, Manager of the IFC's Corporate Governance Programme for the Middle East and North Africa (MENA), "The IFC started work almost five years ago to support the application corporate governance standards and it didn't only give them financial aid, but also invited experts to provide academic input and other sorts of training."

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The IFC Corporate Governance Programme in MENA includes various countries – Algeria, Egypt, Gaza and the West Bank, Jordan, Lebanon, the UAE and Pakistan. Through the programme, it provides consultancy and perspective as a global investor to governments, regulators and companies. It also collaborates with different educational and financial institutions in creating more awareness of the importance of corporate governance.

As for the 'Developing and Marketing your Training Programmes' workshop, it was another step towards raising the professionalism of corporate governance institutes in the region, as the participants, with their different backgrounds and experiences, tackled various training organisation-related issues.



Participants of 'Developing and Marketing your Training Programmes' workshop, posing for a group photo.

Leonardo Viegas, a founding member and the director of the Brazilian Institute of Corporate Governance (BICG) said "We share our work experience with colleagues from all over the world. This, itself, is priceless as each of our cases has its particular context. It varies from one country to another."

Each country having its particular code for corporate governance is what Steindl views as a sign of success and a challenge as well. It's considered a success as it means that the country has perceived corporate governance well and developed a distinctive code to cope with its economic and cultural context.

Steindl, of IFC quoted "Yet cultural differences could be among the obstacles facing corporate governance. I believe in the saying 'Culture is procedures over time', thus introducing some new, more professional procedures into the practice of directors and board members could overcome these obstacles with time."

Besides the direct support both the IFC and the GCGF offer private and public corporations in applying corporate governance standards, they also supply them with the necessary technical and informational support.

In addition to workshops, they put on other events, such as seminars and open discussions for professional institutes

of directors or corporate governance centres, which are centres for the training of directors and/or board members for the application of corporate governance principles.

"Corporate governance is an excellent way to improve a business," stressed Emmanuel du Boullay, a senior GCGF consultant and independent director. "But still, it's not a proof of good business."

Du Boullay explained that corporate governance relies on several other elements, without which success won't be achieved; the working strategy is a key element in this regard. He said

"If the strategy is inefficient or vague, failure will come sooner or later. Good corporate governance will tell the board that they are moving in the wrong track, so giving them the opportunity to manage their strategic mistakes and hence save the corporation,".

With the economic crisis blowing away numerous worldwide corporations, IFC, GCGF and all corporate governance institutes have a double burden to carry: on one side they are supposed to manage their own financial problems and on the other they ought to create more awareness of the role of corporate governance.

"To get people to understand the importance of corporate governance is a hard task," said du Boullay. "But doing it amidst the crisis is even tougher. People need to comprehend that it's mainly about creating sustainable, professional and well-managed businesses, making stronger corporations and diminishing the effect of the current crisis.

"As for their own financial problems, corporate governance institutes obtain funding from the training courses, memberships or sponsorships. But Viegas believes that the latter should be the least percentage of the institutes' income, in order to guarantee their independence.

"Donations are important to launch the institute, but it should then find its independent funding resources," he said, adding that, because of the importance of these institutes and organisations in their countries' economies, governments should pay them attention particularly during times of crisis.

"We, as a part of the world's economy, have a crisis," Viegas said calmly. "But we've to live with it, adopt it and find new sources of funding. Having a long-term vision is crucial to survive any crisis and this vision is at the core of corporate governance principles."

SUPPORTING GOVERNANCE

By Paul Webb - Jones, *Managing Director of Computershare Middle East, UAE*

For many companies good governance is much more than the makeup of the board and its pay structure. It's about managing with a maze of regulatory and compliance obligations, locally, across the globe and in through its entire group structure.

It's easy to understand why companies fall foul of regulatory requirements. Even the smallest entities have to satisfy the demands of several regulators, and those demands are increasing all the time. With resources limited, and systems often simply not up to the task, the problem of managing governance can quickly deteriorate into a big shapeless mess. One of the most important developments in business thought over the past few years, then, is the idea that effective entity management is not just an essential part of compliance – it can add value across a company's entire governance program.

Earlier this decade, a certain famous company found itself at the sharp end of the regulatory stick when it was handed a multi-million dollar fine after one of its subsidiaries was found to have fallen down on a number of basic compliance obligations. Faced with the prospect of damage to its reputation, plus a dropping share price, the company realized it had to bring the way it managed its various subsidiaries – its entities, in other words – back under tight control. And it had to do it fast.

That involved asking some pretty fundamental questions. What businesses did it own, and where? Who were regulators in each instance, and what they regulating? Most significantly, what were the reporting and compliance obligations of each subsidiary? In order to complete the exercise, they needed to invest in a technology that would accommodate and help what would be a small mountain of data. Then, from the information collected, the company decided to design a 'subsidiary governance framework', which included corporate governance standards; alignment of policies procedures; an 'entity lifecycle policy' data integrity program for go forward management.

Along the way it uncovered four different versions of the group structure, all of them supposedly the 'correct' one, and – thanks to inter-company rivalry and poor administration – more subsidiaries than it ever needed, and more costs and waste than it could afford. Completing the exercise was a significant investment – but the payback was immediate. Not only was the company able to avoid fines going forward, it was able to rationalize its entities, save on administration, improve transparency and save on maintenance.

Good governance

This is a classic story of the importance of good entity management – and beyond that, of good corporate governance. Technology has stripped away the geographical barriers to global investment, opening up new capital markets and new locations for expanding companies everywhere. From, Delhi to Dubai, businesses are investing in new opportunities, putting down fresh roots and as such setting up new companies to manage that growth in a (hopefully) tax efficient manner. That's a big challenge in administrative terms – and an even bigger one

in terms of governance. Consider this: there are a number of companies in the US now which are operating with upwards of 6,000 subsidiaries worldwide. That's a huge number of entities for a business to cope with, and it can all quickly mushroom into an unmanageable amorphous mass.

And as technology aided to the problem, it provides the solution too. The company in the anecdote above chose the GEMS application from Computershare to manage the data structure and reporting mechanism to meet its obligations. GEMS is the market leading solution for entity management and incorporates the many facets of legal entity governance and compliance that an international company has come to expect today. Typically hosted in secure facilities by the vendor, these applications have the benefit of being fast and secure, and are available for updating and access 24/7 – essential in this global economy. Needless to say, they also eliminate all the confusion, duplication, cost and time involved in the use of hard copy documents.

No longer are applications like GEMS considered a luxury for the more tech-savvy compliance departments, they are a fundamental part of governance management, and an accepted discipline. The mentality that you could do without it has been almost entirely driven out by the increased regulatory demands being put on companies. Entity management systems have moved on from being repositories of information to become a proactive tool that's designed to ensure company secretaries stay on top of all aspects of their role – from local filings to international registrations. E-mail reminders for statutory dates – automatically generated according to jurisdiction – are common, for example.

Beyond that administrative role, systems like GEMS go to the next level by measuring just how compliant you are, and present that performance data in an easily interpreted graphical way, so that it's useful for target setting. Think about that – they don't just help you perform the tasks – they help you measure, monitor, and improve!

Profitability

This could be the most pivotal aspect and is especially important for getting board buy-in. Boards are becoming increasingly aware that good entity management is absolutely fundamental to corporate profitability. After all, if you're having to restate your whole group's results because you've just discovered several entities that you didn't know you owned – perhaps they came along with a recent acquisition – there are severe repercussions in the market, let alone with regulators.

Executives need to know how compliant a company is, and how efficiency can be improved. It's that elusive link between compliance, business strategy and profitability that means the use of entity management software as a management tool is only likely to grow. The technology is developing in such a way that it will disseminate key entity information across the executive and other departments, and extrapolate even more information about performance, productivity and ultimately profitability. They are rapidly growing far beyond the scope of their original administrative and tactical function. From here on in, they're going to be absolutely crucial as a strategic tool.

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

Recommended Reading for Directors

Corporate Governance – A Practical Guide to the Legal Frameworks and International Codes of Practice

Book review by Azhar Zia-ur-Rehman

This book is probably the latest on the subject of legal frameworks and codes of practice and includes developments in its year of publication – 2008.

Starting with a chapter on the history of corporate governance, the book covers the USA, the European Union and the UK. Lack of coverage of the Arab Gulf and many other regions is certainly a weakness of the book.

The chapter on duties of directors is comprehensive but short. The other chapters that are found in any book on corporate governance include those on the board, the company secretary and directors remuneration. The information in all of these is comprehensive and up-to-date, though short. The chapter on the “combined Code and financial reporting” is one that is not very common in most of the books on the subject.

There are three chapters that deal with audit and control. This is unusual for books on the subject and is probably due to the realization that proper audit and control may have avoided some aspects of the current financial crisis.

Two chapters in the book are very unusual for books on corporate governance although it is very logical for them to be there – risk management and IT governance. In fact, most of the courses and books on corporate governance neglect these two very important aspects of corporate governance in spite of the fact that the lack of risk management

and the lack of controls using IT governance have contributed greatly to the present crisis.

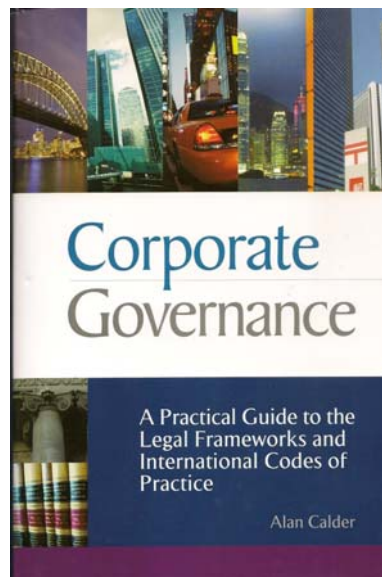
The chapter on IT governance, however, lacks reference to the “IT Governance Institute” and ISACA who are the de facto flag bearers of IT governance. It also lacks reference to CobIT, the best practice for IT governance. The absence of this reference, on the other hand, also indicates the weakness of these institutions in effectively pursuing their case with their proper audience.

The book is excellent as a first book on the subject of legal frameworks and international codes of practice in corporate governance. The reader can then go into the required level of detail using the numerous references cited in the book.

The main strength of this book is that it contains the latest information on all aspects of corporate governance, something that very books do. It will lose this strength very soon unless the publisher or the author create a Web-site for the book and keep it updated.

This book can be purchased online from Amazon.

*Calder, Alan, 1957
ISBN 978-0-7494-4817-2282pp.*



Planned Events

Introduction to Corporate Governance

26 – 27 October, DIFC, Dubai

The Board

28 – 29 October, DIFC, Dubai

Strategic Leadership

8 – 9 November, DIFC, Dubai

Financial Stewardship, Accountability & Leading, Planning Improvement

10 – 11 November, DIFC, Dubai

Other Events:

Mudara IOD Power Breakfast: Every Month, 2nd Tuesday

Seminar

Directorship, Development & Diversity Challenges for Women in Governance
19 October 2009, Amman Jordan
(Arab International Women's Forum)

Seminar

Shareholders' Rights and Corporate Governance in the GCC
21st October, 2009

Conference

Hawkamah Annual Conference
9-10 November, Dubai
<http://www.hawkamahconference.org/>

For more information on Mudara IOD please visit

<http://www.mudara.org>

For membership details, please email

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