Corporate Governance Success Stories

IFC Advisory Services in the Middle East and North Africa

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ABOUT IFC

IFC promotes sustainable private sector investment in developing countries. IFC is a member of the World Bank Group and shares its primary objective: to improve the quality of the lives of people in its developing member countries by financing private sector projects located in the developing world; helping private companies in the developing world mobilize financing in international financial markets; and providing technical assistance and advisory services to businesses and governments.

Corporate governance is a priority for IFC because it adds value to clients, and presents opportunities for the institution to manage its investment and reduce its reputational risks. Working to improve corporate governance contributes more broadly to IFC's mission to promote sustainable private sector investment in developing countries.

IFC provides leadership in promoting good corporate governance practices in developing and emerging markets. IFC is now actively supporting corporate governance reforms in the Middle East and North Africa (MENA) region.

More information on the IFC's Corporate Governance services is available online at **www.ifc.org/corporategovernance.**

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DISCLAIMER AND LIMITATIONS TO THIS REPORT

IFC, a member of the World Bank Group, creates opportunity for people to escape poverty and improve their lives. We foster sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital, and providing advisory and risk mitigation services to businesses and governments. This report was commissioned by IFC through its Corporate Governance program which helps improve access to capital and increase the operational efficiency and financial performance of family-run enterprises and financial institutions serving micro, small and medium enterprises.

Contents

Summary

The purpose of this report is to help demonstrate the business case for good corporate governance in MENA. It shares the experiences of 11 companies that have made governance improvements over the past few years, summarizing the changes they made and the impacts they reported.

Overall, companies reported highly positive impacts as a result of their corporate governance changes. Companies made improvements at all levels of the organization from the board level to the management level. Following are the common themes that emerged.

COMMON THEMES: BOARD LEVEL IMPROVEMENTS

- **Enhancing board stewardship through more diverse boards.** All but one of the companies made changes to their board composition, adding new skillsets and, in most cases, recruiting independent directors.

- **Reinforcing board roles and strengthening its posture towards management.** Many companies took steps to clarify the role between board and management which, in many cases, was indistinct.

- **Maximizing board efficiency and effectiveness with improved procedures.** Most of the companies made substantial improvements to their board work procedures in some form (e.g., setting annual work plans, formalizing board papers, improving agendas and proceedings).

- **Adding depth of analysis through board committees.** Nearly all of the companies made changes to their committee structure, setting up more formal committees with active agendas and proper work procedures.

- **Structuring board nomination and evaluation processes.** Most companies took action to put in place more formal nomination, appointment, and evaluation procedures to continuously ensure their board composition is structured appropriately and not simply hand-picked by key investors.

COMMON THEMES: MANAGEMENT CONTROL & OTHER IMPROVEMENTS

- **Strengthening enterprise risk management and improving risk dialogue.** Nearly every company took strides to enhance their risk management practices to improve monitoring and mitigation at all levels of their organization. This was especially crucial for many companies during the crisis.

- **Upgrading the role of internal audit.** Nearly half of the companies did not have an active internal audit function and most of those that did required further improvements. As a result, many companies strengthened their internal audit by expanding its scope and ensuring its proper independence in the organization.

- **Enhancing In-house financial management practices.** Several firms required significant improvements in their finance function – especially in the areas of accounting and control, financial statement preparation, and business consolidation – and took appropriate steps to strengthen their in-house expertise.

- **Addressing succession and 'key-person' risk.** Management succession was an issue for all types of companies, but was especially acute for fast-growing companies that were transitioning from one generation of leadership to the next. Thus, there were several examples of companies taking action to address succession planning and mitigate over dependence on one to two key persons.

- **Improving reporting and analytics.** Many companies made significant improvements to their internal management analysis and reporting capabilities, which supported effective risk management and board oversight.

- **Improving transparency and shareholder relations.** Nearly all companies in this report made significant strides to improve organizational transparency through enhanced disclosures (e.g., increasing the non-financial information in their annual report and on their websites). Several companies took other actions to strengthen shareholder relations, such as improving minority shareholder protection.

- **Governing the family's role in the business.** Three of the companies in this report had particular family governance issues that were addressed. The actions were typically aimed at putting in place structures and policies to help govern the family's role in the business and prepare the organization for future generations of leadership.

COMMON THEMES: IMPACTS REPORTED

- **Nearly all companies rated the corporate governance impact on their ability to access finance as strong or substantial.** They cited the impact that governance changes had on instilling market confidence and providing added assurance to investors, creditors or other debtors. The changes have reportedly helped these firms access significant financing the past two years, ranging from $2.5 million in one company to $1.5 billion in another.

- **The impact on firm reputation was substantial in most companies.** The respondents noted significant improvements in firm reputation based on feedback from various market actors, such as shareholders, investors, customers, business partners, and other stakeholders.

- **Though difficult to quantify, most companies reported that profitability has been impacted.** For example, several companies cited the actions taken to control costs and avert losses as helping improve their bottom lines.

- **A majority of companies reported that the governance changes had a strong or substantial impact on organizational efficiency.** Companies mostly cited the management control improvements – e.g., establishing more formal processes and controls, clarifying roles and authorities, and improving the level of automation – as leading to efficiency gains.

- **Corporate governance helped several companies improve crisis response.** The global recession and credit squeeze has had a profound impact on firms across the region. Key governance changes – particularly relating to risk management and board stewardship – helped many companies in this report better respond to the crisis by controlling costs and managing liquidity.

- **Sustainability rated consistently high among the companies.** All firms rated the impact on sustainability (the company's ability to continue as a prosperous, operationally-viable entity over the long-term) as strong or substantial, highlighting the long-term benefits associated with good governance, particularly regarding succession planning.

INVESTOR PERSPECTIVE

To help understand how important corporate governance is to investors, we solicited input from three regional private equity firms. The investor feedback confirmed that corporate governance is a crucial part of their investment cycle, noting:

- **An investee company must be committed to making governance changes** or else they will likely not invest.
- Following investment, **corporate governance is a key component of the value creation process**, by establishing formal board and management structures and enhancing firm transparency.

Several examples were cited of companies benefiting from improved performance and access to capital, as well as valuation premiums (e.g., one investor citing a **40% market premium** due to governance changes).

The collective evidence shared by companies and investors leaves little doubt as to the potential impact of good corporate governance in MENA.

"Corporate governance is about shining a light through the whole organization."

Roshaneh Zafar, Managing Director/CEO, Kashf

Introduction

The message is clear and change is happening. Good corporate governance can help companies improve their performance and gain access to capital. In the past few years, significant progress has been made in spreading this message across the Middle East and North Africa (MENA) region. This is due to the determined efforts of various institutes, regulators, and other market participants that have been actively promoting corporate governance in the region. In Egypt alone, for example, the Egyptian Institute of Directors (EIoD) has trained more than 1,300 board directors and executives the past few years and attracts well over 500 people to its annual conference. Similar results can be witnessed across the region from the Gulf to the Maghreb, the Levant, and Pakistan (the Pakistan Institute of Corporate Governance has conducted more than 50 workshops for directors the past few years). For our part, IFC Advisory Services and our various partners over the past four years have helped launch four director institutes, implemented 19 codes of corporate governance, and trained thousands of individuals from all sectors of the market, including private and public companies, regulators, investors, consultancies, and the press (see Annex 2 for more on our program).

Still much work to do, hastened by the crisis. Despite the momentous efforts, substantial challenges remain. IFC and the Hawkamah Institute in Dubai published a region-wide corporate governance study in 2008 (pre-crisis). Among the findings, more than half of companies (56%) do not have a complete understanding of the definition and benefits of corporate governance. In addition, nearly all companies (95%) indicated that their governance practices needed to be improved in some capacity (Figure 1). In particular, companies cited the need to improve their board structures and roles, as well as key control areas such as risk management and internal audit.

The recent financial crisis has escalated the need for change by showing that good governance is no longer an option, but an imperative. Firms in all markets are rethinking and reinforcing their governance structures from the boardroom to the management level. In this region in particular, there has been a strong emphasis on improving organizational transparency to assure investors that they have a full accounting of the crisis impact.

Demonstrating the MENA business case. In the MENA region, the challenge remains in convincing companies to adopt a culture of change. Much of this lies in reinforcing the business case for good governance with local evidence from the region. There have been numerous studies in other regions that clearly demonstrate the effects of good governance; but little evidence has been accumulated in MENA thus far.

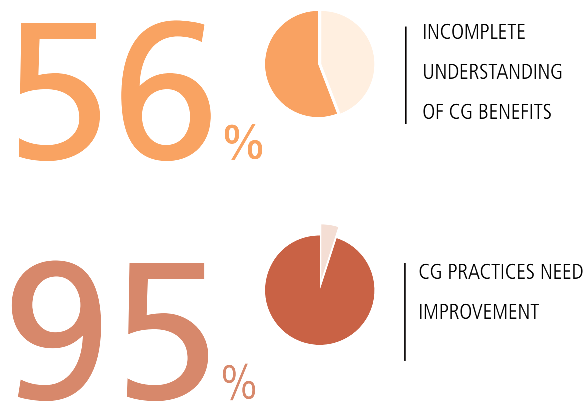
This document aggregates the experiences of eleven former IFC Advisory Services clients that have embraced good governance and reported substantial impacts. It also shares some insight from the Investor's point of view, to better understand their expectations and the premium they place on well-governed companies.

The expectation is that these experiences will compel companies to take similar actions by showing that the benefits of corporate governance are real and happening now across the region.

"We had one new investor tell us that our corporate governance changes played a major factor in their investment decision. Specifically, he noted the changes we made at the board level and our efforts to prepare the company for its second generation of leadership."

MOHAMED EL KALLA, CEO, CID

FIGURE 1: CG SURVEY: NEED FOR IMPROVEMENT



Source= IFC/Hawkama CG Survey, March 2008

Companies and Approach

This report provides summaries of eleven companies from across the region. Each summary highlights key corporate governance changes made and the impacts reported by the company.

The companies represent various countries, sectors, types, and sizes (Figure 3). All of the companies included in this report are former IFC Advisory Services clients (some are also IFC Investment clients).[1] IFC conducted an in-depth corporate governance assessment for each of these companies using IFC's Corporate Governance Methodology (key dimensions summarized in Figure 2, more in Annex 2). This resulted in specific recommendations to improve each company's governance framework and a plan for implementation.

The assessments were conducted at various points of time over the past few years. The time taken to implement changes and realize benefits varied. However, as per testimony, governance changes are continuous and the corresponding benefits manifest themselves in different forms over time. This report provides examples of companies in various stages of change – from recent changes (e.g., *MFW*) to ongoing, longer-term changes (e.g., *Bank Audi*).

The report also includes testimony from three MENA private equity firms (all IFC Investment clients). Collectively, these firms have worked with 72 investee companies (past and present funds) and, therefore, offer learned insights as to the importance of corporate governance from an investor's perspective. They were selected based on their association with IFC and willingness to share their specific insights and experiences.

All of the feedback collected for this report was gathered through individual interviews with each organization, resulting in well-considered responses. It should be noted that the information was collected in late 2009, when the region was still under the stress of the crisis, making the achievements even more notable.

REPORTING ON IMPACTS

There is an 'Impact Report' included for each company to explicitly demonstrate the reported benefits. It should be noted that it is very difficult to quantify impacts related to corporate governance in absolute dollar or percentage terms. For example, while many companies reported a significant impact on profitability, they were unable to precisely quantify the impact (due to attribution and other extenuating factors that affect firm performance). In light of this, companies were asked to rate impacts in various categories using a scale ranging from 'No Impact' to 'Substantial Impact'. The results are summarized on a scorecard in each company's 'Impact Report' and an aggregate scorecard is provided in Section II.C. In addition to the ratings, companies were asked to provide specific examples and other evidence of impact to help demonstrate the results.

As shown in the following sections, the collective evidence reported by the companies provides a compelling case for corporate governance in MENA.

1-There were seven former IFC MENA corporate governance clients not included in this report since they were either still in the process of making changes or chose not to participate otherwise.

FIGURE 2: KEY DIMENSIONS OF IFC METHODOLOGY

Commitment to Corporate Governance	Board Effectiveness
Management Control Environment	Shareholder Relations
Family Governance	Disclosure and Transparency

*FOE= Family Owned Enterprise

Abu Dhabi Commercial Bank (ADCB)

sector: Financial
location: UAE
type: Public
employees: 2,600
IFC assessment date: Oct. 2007

Bank Audi- Audi Saradar Group

sector: Financial
location: Lebanon
type: Public
employees: 4,300
IFC assessment date: Oct. 2005

Butec Holding

sector: Construction
location: Lebanon
type: Private (FOE)
employees: 2,822
IFC assessment date: Aug. 2008

Cairo for Investment and Real Estate Development (CID)

sector: Education
location: Egypt
type: Public
employees: 2,000
IFC assessment date: Jul. 2008

Dana Gas

sector: Energy
location: UAE
type: Public
employees: 400
IFC assessment date: Apr. 2006

Egyptian Transport and Commercial Services (EgyTrans)

sector: Transport
location: Egypt
type: Public
employees: 380
IFC assessment date: Dec. 2007

Kashf

sector: Financial
location: Pakistan
type: Private
employees: 1,000
IFC assessment date: Jul. 2008

Microfund for Women (MFW)

sector: Financial
location: Jordan
type: Private (FOE)
employees: 200
IFC assessment date: May 2009

SABIS ®

sector: Education
location: Lebanon
type: Private (FOE)
employees: 4,500
IFC assessment date: Oct. 2007

Tourism Promotion Services Pakistan (TPSP)

sector: Tourism
location: Pakistan
type: Public (Unlisted)
employees: 1,370
IFC assessment date: Aug. 2007

Wadi Holdings

sector: Agribusiness
location: Egypt
type: Private (FOE)
employees: 3,100
IFC assessment date: Jun. 2007

Common Themes

II. COMMON THEMES

This section highlights common themes that emerged across all of the companies. It first highlights common improvement themes and then provides an aggregate view of the impacts achieved.

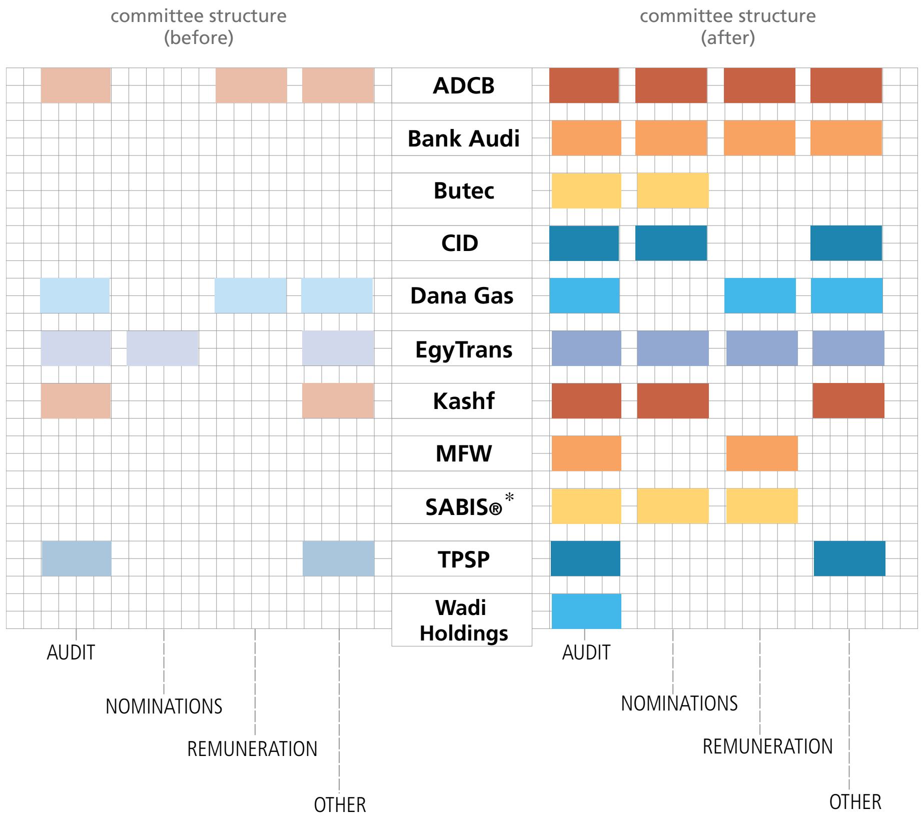
II. A. BOARD LEVEL IMPROVEMENTS

Every company reported significant changes at the board level in some form – whether related to composition, structure, procedures, roles, or other practices. For example, Figure 4 summarizes each company's board composition and committee structure *before* and *after* governance changes were made. The right composition and structure varies by company, but in each company, changes were made to improve board stewardship and oversight. Following are common improvement themes that emerged at the board level.

Enhancing board stewardship through more diverse boards. All but one of the companies made changes to their board composition, adding new skillsets and, in most cases, recruiting independent directors. Several also reshuffled the mix of executive and non-executive directors, especially in the case of *Bank Audi*, which used to be two-thirds executive and now requires that at least half of the board be non-executive. Companies were seeking to improve stewardship and oversight of the organization, which was especially critical for fast-growing entities expanding into new products and markets. *MFW* for example revised its board composition by adding deeper microfinance skills to help guide the company as it diversified into new products and services. Also, given that 96% of its customers are female, *MFW* has placed great emphasis on boardroom diversity and has appointed 42% female directors.

Reinforcing board roles and strengthening its posture towards management. Several companies took steps to clarify the role between board and management. This was particularly true for companies that were transitioning from being heavily founder/owner-controlled to second or third generation leadership. In such cases, the division between board and management was blurred with the board, and typically the Chairman, having active decision-making roles at the management level. For example, in order to transition its Chairman from his active operational role, *Butec* set up a formal Management Executive Committee and defined clear terms of reference between that committee and the board. The decision-making authorities were clarified and the board's posture towards management was strengthened. In other cases, the separation between board and management was unclear due to the board structure itself. *TPSP* used to have a board-level executive

FIGURE 4: SUMMARY OF BOARD COMPOSITION AND COMMITTEE CHANGES



composition (before) EXECUTIVE	composition (before) NON-EXECUTIVE (INDEPENDENT)	COMPANY NAME	composition (after) EXECUTIVE	composition (after) NON-EXECUTIVE (INDEPENDENT)
0	9 (0)	ADCB	**1**	**10 (5)**
9	3 (1)	Bank Audi	**5**	**7 (2)**
2	1 (0)	Butec	**2**	**4 (3)**
2	7 (0)	CID	**1**	**8 (2)**
1	15 (8)	Dana Gas	**2**	**16 (10)**
3	4(0)	EgyTrans	**1**	**8 (2)**
2	10 (10)	Kashf	**1**	**11 (11)**
1	6 (3)	MFW	**1**	**6 (3)**
8	0(0)	SABIS®*	**7**	**2 (0*)**
1	8 (0)	TPSP	**1**	**8 (2)**
3	4 (0)	Wadi Holdings*	**3**	**4 (0)**

*SABIS® & Wadi both have plans to add independent directors; SABIS® is still making committee changes.

committee consisting of an inner-circle of directors and executives that made many day-to-day decisions. This often confused the role between board and management, so *TPSP* eliminated this group to sharpen the distinction between the two. *ADCB* had a similar issue whereby their board had several working committees that were performing certain management-level tasks (e.g., related to loan recoveries). *ADCB* modified their structure and terms of references to sharpen the board/management distinction.

Maximizing board efficiency and effectiveness with improved procedures. Most of the companies made substantial improvements to their board work procedures in some form. The purpose was to add more structure to proceedings to make more efficient and effective use of director time. *SABIS®* instituted a formal board work plan to ensure a balance of topics was covered during the year and now utilizes more formal agendas for each meeting. They also took steps to standardize management reports to the board to help focus discussions on key issues and require information be distributed to members at least five days in advance of each meeting. *Dana Gas* was also able to improve overall board efficiency and effectiveness by improving the working procedures of its committees. The full board meets about 8-10 ten times per year, but meetings have been shortened, with a sharper focus on key issues due to improved analysis and reporting from its committees and standardized discussion papers.

Adding depth of analysis through board committees. Nearly all of the companies made changes to their committee structure. The most typical committees setup across all companies, were Audit, Nomination, and Remuneration, consistent with international practices. Companies cited board committees as a means to improve time utilization and depth of focus. For example, the *MFW* board met nearly a dozen times in 2008. After setting up more active committees (Audit, Remuneration, and Product Development), the general board meets less frequently, yet reports much greater depth of focus due to its committees. In other cases, companies had officially designated committees, but they were not actively functioning. For example, both *Butec* and *CID* had designated an Audit Committee, but it did not meet routinely or function as intended. Therefore, they both took positive steps to establish new charters, authorities, and working procedures for their Audit and other new committees to make them active. At the same time, both companies took the further step of adding new independent members to their boards, and assigning them to these committees to ensure the committees function with proper independence.

Structuring board nomination and evaluation processes. Many of the companies had board directors that were appointed by major shareholders and/or handpicked by the Chairman and other members. Several also had long-serving directors (no set term limits) who had never been subjected to routine performance evaluations. As a result, most companies took action to put in place more formal nomination, appointment, and evaluation procedures to continuously ensure their board composition is structured appropriately. For example, *TPSP* introduced term limits of three years for its directors, with a maximum of ten years in total. At the same time, it adopted an annual evaluation process of its members to assess performance (both group and individual performance) and identify areas for improvement. This information feeds into the annual nomination and appointment process overseen by their new Nomination Committee.

Of Note: Gender Diversity

MFW considers gender diversity a business imperative. They note that it helps them better relate to their customers (96% of which are women), and in some cases is necessary to gain access to a female client's home. Studies have demonstrated the positive correlation between gender diversity and firm performance.[1] In the US and Europe, approximately 10-15% of board directors are female, [2] while in the MENA region, percentages are much lower. For example, in the Gulf countries only 1.5% of directors are female [3] and across the region, about 90% of companies have either one or zero female directors. [4] By comparison, MFW's board is 42% female. Beyond the boardroom, MFW's workforce is 70% female, including 80% of its branch managers, and its top three executives (GM, COO, and CFO).

1-Women in the Boardroom and Their Impact on Governance and Performance Renee Adams & Daniel Ferreira, 2008; 2- Ibid.; 3-TNI Market Insight, May 2008; 3-IFC/ Hawkamah CG Survey, March 2008

II. B. MANAGEMENT CONTROL & OTHER IMPROVEMENTS

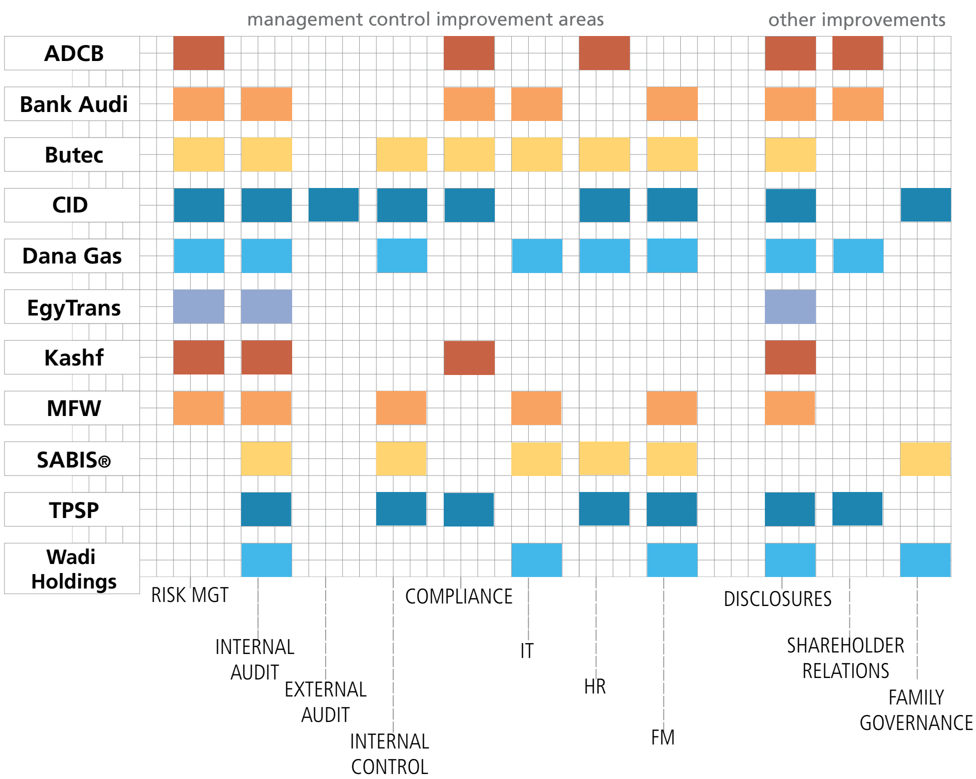
Management Control is a crucial part of corporate governance and relates to a wide scope of functions, such as risk management, internal control, internal audit, external audit, compliance, information technology (IT), human resources (HR), and financial management (FM). Changes were made in varying capacities across these functions, as well as in other areas including disclosure and transparency, shareholder relations, and family governance. Following are common improvement themes that emerged in these areas (summarized in Figure 5).

> "We now have banks running after us. They have noticed the governance changes, and it has greatly aided our access to credit. Also, our partners and customers have noticed the positive change."
>
> MONA AKL, VICE-PRESIDENT, BUTEC HOLDING

Strengthening enterprise risk management and improving risk dialogue. Risk management is important to any type of organization and was especially crucial for these companies since the region was still in the midst of the crisis at the time of this report. Every company assessed sought to improve their risk management practices to some degree. Some companies – primarily the financial institutions – already had relatively sound risk management practices in place, but sought to strengthen them further. While others were more nascent, requiring fundamental processes to be implemented. Most of these companies took a wider view and looked at how best to integrate their risk management, internal control, and internal audit frameworks to ensure they are working together and informing the right discussions in the organization. *Egytrans* assigned a Chief Risk Officer and designated risk champions in each department to improve risk identification – especially in their transport business activities – and increase risk dialogue at all levels of the company. Meanwhile, *Bank Audi* already had sound risk management practices in place, but strengthened them further by establishing a management-level Risk Committee to aggregate risk management at the top of the bank and improve enterprise-level monitoring. As a result of the crisis, *Kashf* sharpened their focus on liquidity risk management in particular, taking steps to secure alternative funding sources and strengthen their balance sheet.

Upgrading the role of internal audit. Nearly half of the companies did not have an active internal audit function and most of those that did required further improvements. The two primary changes made were to: 1) expand the role of the internal audit function to go beyond financial controls and into operational areas; and 2) ensure that the internal audit function reports directly to the board and not to the CFO or CEO as was the case in many companies. *Butec* setup a new internal audit function to focus on all types of activities – including a close look at the risks in its construction projects – and provide consolidated risk reporting directly to the Audit Committee. *MFW* engaged an outside firm (Big 4 audit firm) to co-source with its in-house unit, in order to strengthen its focus on financial and portfolio risks and, at the same time, help develop their in-house capabilities. *MFW*'s Audit Committee now approves the annual internal audit plan, which is informed by a formal risk assessment of their operations to ensure the audit activities are focused on the highest risk branches, product types, and processes. Several other companies – e.g., *Egytrans*, *Bank Audi*, and *CID* – strengthened the independence of their internal audit functions by granting them unfettered reporting access to the board.

FIGURE 5: KEY MANAGEMENT CONTROL & OTHER IMPROVEMENT AREAS



Enhancing in-house financial management practices. Several firms required significant improvements in their finance function – especially in the areas of accounting and control, financial statement preparation, and business consolidation. Many smaller companies that had expanded quickly needed to upgrade their internal processes and controls – including the level of automation – while other companies relied too much on their external auditor to consolidate accounts and prepare financial statements. In general, the companies realized that a strong finance function was the key to driving many other management control changes. *SABIS®*, for example, made significant strides in this area. They appointed regional controllers in the US and Lebanon to improve oversight, help consolidate accounts, and coordinate control activities. They also upgraded their accounting systems to better integrate data and improve reporting. *Wadi* made similar system upgrades in their finance function and other operational areas, which enhanced their monitoring of Key Performance Indicators (KPIs) and helped them implement a balanced scorecard framework. *Bank Audi* created a Group CFO function to centralize all finance, accounting, strategic planning, and investor relations activities under one umbrella to improve coordination. Several companies, such as *SABIS®*, *Dana Gas*, *TPSP*, and others, adopted International Financial Reporting Standards (IFRS) – especially critical for companies such as these working across several geographical markets.

Addressing succession and 'key-person' risk. Management succession was an issue for all companies, but was especially acute for fast-growing companies that were transitioning from one generation of leadership to the next. This commonly resulted in 'key-person' risk, whereby a company was highly dependent on one or two individuals to essentially run the organization. Many companies took steps to develop formal succession plans for key executives to prepare for the next generation of leadership and address 'key-person' risk. For example, *CID* created a formal management executive committee and assigned the Deputy CEO (the likely successor) as committee chair. Not only has this committee helped mitigate 'key-person' risk, but it has also helped prepare the Deputy CEO for his eventual CEO role and allow other executives to grow accustom to his leadership. *Kashf* has defined a 'leadership pipeline' with formal succession plans for the CEO and other key executive officers. They have taken actions to help develop their potential successors by giving them explicit, high-profile assignments to manage as a way to develop their leadership skills.

Making human resources more of a strategic partner to support growth. The ability to attract, retain, and develop the right human capital is an ongoing challenge for most companies in this region, especially when their workforce is expanding rapidly. That was the case for many of the companies in this survey who have taken significant actions to strengthen their HR functions. For example, given the significant expansion of its schools and the corresponding personnel needs, *SABIS®* strengthened its HR function by hiring a Group HR Director who is improving many of the HR and recruitment policies and processes. Importantly, its HR function is now more of a strategic partner to senior management and the board by helping think through and formulate HR strategies needed to support the company's overall business plans. *ADCB* took similar steps to attract talented banking sector individuals, given its expansionary ambitions into new markets (e.g., India). Meanwhile, *CID* improved its staff retention and employee morale by addressing particular HR issues.

Improving reporting and analytics. Many companies made significant improvements to their internal management analysis and reporting capabilities. There were two primary areas of focus: 1) Upgrading management information systems to improve data capture and integration from back to front office; and 2) Upgrading in-house analytical skills to make better use of the data to support management reporting and decision-making. Management reporting was also key factor in improving board effectiveness, since boards often complained about getting lots of data, but little analysis. *Bank Audi* has developed highly effective internal reporting capabilities, with the implementation of new MIS systems capable of generating in-depth financial and non-financial analytical reports for management and the board. *MFW* improved its reporting by better analyzing business trends by product, branch, customer, and other dimensions to strengthen strategic decision-making and support new product development. They also deepened their cost of funds analysis, which helped improve profitability as the company was able to benchmark their costs against more competitive financing offers in the market.

Improving transparency and shareholder relations. Many of the companies in this report made significant strides to improve disclosures. This was particularly important given the heightened emphasis on transparency in the region (in the wake of particular scandals and crises in the Gulf). For example, *Egytrans* made substantial upgrades to its annual report and website, in line with international disclosure standards. This resulted in a dramatic increase in market reputation and several formal recognition awards. *Bank Audi* and *ADCB* made significant upgrades to their disclosures the past couple of years and now showcase best practice examples. Several other companies in this report have taken similar strides to improve their transparency, recognizing it as a way to communicate their positive changes to the market and provide much needed assurance. Beyond disclosures, several companies took other steps to improve shareholder relations. *TPSP* modified the special consent rights that had been granted to its primary investor as a means to improve minority shareholder protection. *Bank Audi* modified its articles to allow for unrestricted trading of its shares by eliminating the requirement to secure board approval for new shareholders. *ADCB* also improved minority shareholder protection by eliminating the shareownership provision to serve as a director.

Governing the family's role in the business. Three of the companies had particular family governance issues that were addressed. The actions were typically aimed at putting in place structures and policies to help govern the family's role in the business. For example, the owning families of *SABIS®* – the Saad and Bistany families – conducted family meetings and developed policies on family employment and share ownership. They have also taken steps to address family succession planning, allowing the co-chairpersons to relinquish much of their day-to-day operational activities and focus on more strategic issues. *Wadi* also made significant strides, establishing a family council that has conducted several meetings. One of the key initial outcomes was a family employment policy approved by all family members for the entire holding group. They also designated one of the family members to serve as lead corporate governance champion for the entire group.

"Corporate Governance was always a very important part of Egytrans, but now CG is a part of our culture from the board down to all levels in the organization. Our reputation has benefitted substantially. We now have companies calling us asking how they can make similar changes."

RANIA FAROUK, CORPORATE SECRETARY, EGYTRANS

II. C. IMPACTS REPORTED

Following are common themes that emerged from the impacts reported by companies. Figure 6 provides an 'Aggregate Impact Scorecard', summarizing the impacts reported by each company.

Nearly all companies rated the corporate governance impact on their ability to access finance as strong or substantial. They cited the impact that governance changes had on instilling market confidence and providing added assurance to investors, creditors or other debtors. In fact, two companies – *Butec* and *CID* – noted that the changes sent such a strong signal to the market, they've had to turn away interested investors. Others cited the improvements as enabling them to reduce their cost of capital by refinancing existing debt with better terms and rates (e.g., *MFW*, *Kashf*). Many companies estimated the amount of financing accessed in recent periods, in which corporate governance played a significant factor (Figure 7). *CID* for example has obtained approximately $8 million in financing the past twelve months to help fuel the expansion of new schools. They are also considering private equity placements and reported a significant impact on a valuation estimate received by one prospective investor (approximate two-fold increase). *Dana Gas* said that their improvements helped raise about $1.5 billion in financing the past two years by demonstrating sound governance to their investors. *ADCB* noted that corporate governance has played a role in their debt financing over the past year (totaling roughly $1 billion to $2 billion), much of which was US-sourced debt, requiring a very high level of diligence in the company's governance practices.

The impact on firm reputation was reported as strong or substantial in almost all companies. The respondents noted significant improvements in firm reputation based on feedback from various market actors, such as shareholders, investors, customers, business partners, and other stakeholders. For example, *Egytrans* noted a substantial level of publicity and brand recognition following their changes in 2008. They won citations recognizing them as corporate governance champions and company with best disclosure practices in Egypt and reported inquiries from many other companies seeking to learn from their efforts. **They also reported a significant impact (53% increase) in their share price immediately following the new disclosures.** *Bank Audi, ADCB,* and *Dana Gas* – all now regarded as having best-in-class corporate governance practices in their respective markets – reported similar positive experiences following their improved disclosure and transparency practices. **Several companies also noted the internal reputational impact** that improved governance has had. Both *CID* and *Kashf* mentioned that the actions taken to strengthen the organization have had a profound impact on employee morale and culture, in essence reinforcing staff confidence in the company's future.

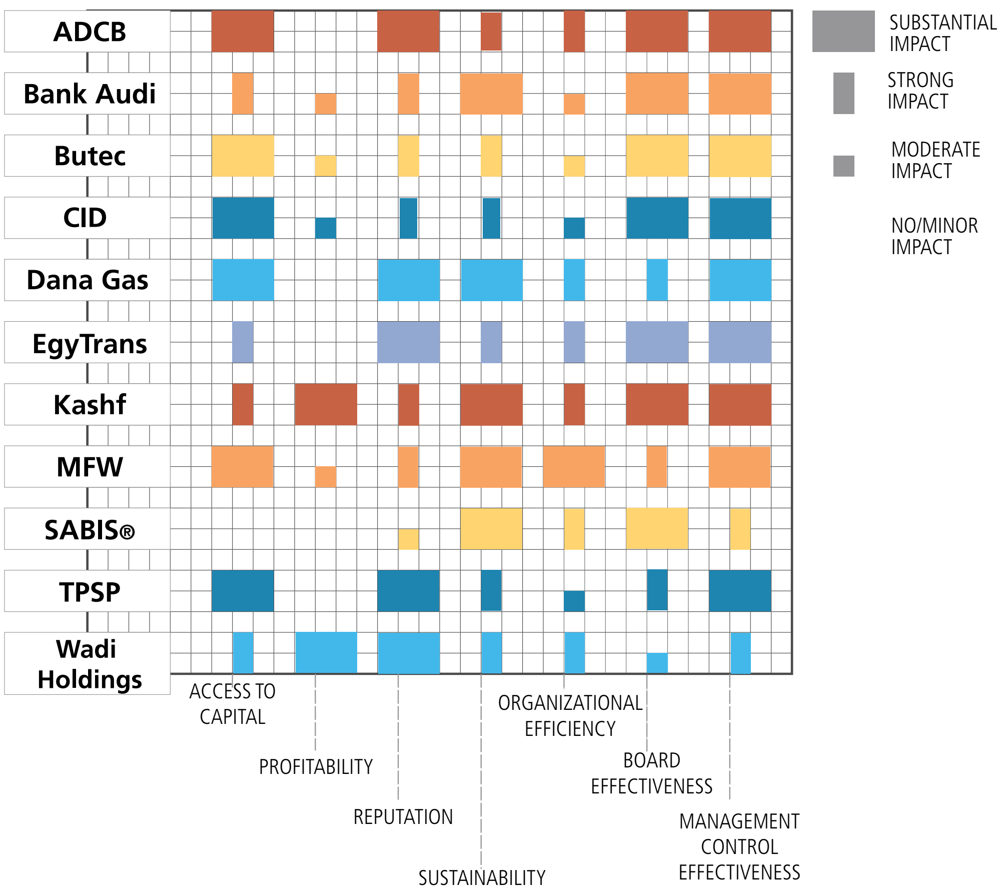
Most companies cited challenges in attributing corporate governance explicitly to profitability. They noted that is too difficult to quantify in terms of precise dollar or percentage terms and there are many extenuating factors that affect firm profitability (e.g., financial crisis has severely affected all companies, even those with good governance practices). **Though difficult to quantify, most companies reported that profitability has been impacted.** For example, despite the economic slowdown last year, *Wadi* recorded strong profitability growth (80% growth during 2008 and 60% during the first three quarters of 2009), reportedly aided by the overall improvements in organizational effectiveness. *MFW* cited their significant improvements in managing their market risk and cost of funds as having strengthened their bottom line. *Dana Gas* cited their transparency and control improvements at helping '*avoid unnecessary losses*'. Similarly, *Kashf* noted that their improved liquidity risk management, especially during the crisis, helped avert potential losses and bolster profitability.

"Our brand recognition both regionally and internationally in the sector is substantial. Banks took notice of our governance improvements and it played a key factor in our financing [about $1.5bn] the past two years."

DR. MOHAMMED NOUR EL TAHIR, GENERAL COUNSEL, DANA GAS

A majority of companies reported that the governance changes had a strong or substantial impact on organizational efficiency. Companies mostly cited the management control improvements – e.g., establishing more formal processes and controls, clarifying roles and authorities, and improving the level of automation – as leading to efficiency gains. Companies noted that efficiency gains manifested themselves in different forms. For example, *Butec* noted that the various process changes in the organization have led to reduced rework, higher productivity, and decreased backlog. *Dana Gas* reports that their various process changes have helped their young company (founded only in 2005) operate as an efficient, structured organization with formal processes, clear lines of authority, and effective decision-making. Many companies also noted that board-level procedural changes contributed to organizational efficiency due to the improved decision-

FIGURE 6: AGGREGATE IMPACT SCORECARD



making coming from the board and its committees.

Corporate governance helped several companies improve crisis response. At the time of this report, the region was still enduring the difficulties of the financial crisis. The global recession and credit squeeze has had a profound impact on firms in all sectors. Key governance changes – particularly relating to risk management and board stewardship – helped many companies in this report better respond to the crisis. This was especially true in the financial sector where many banks and other financial institutions faced severe portfolio risk. For example, *Kashf*'s microfinance borrowers were hit by both the financial crisis and inflationary food prices during 2008; nonperforming loans skyrocketed and commercial lending dried up at the same time. However, due to its improved board leadership (developed particular crisis response strategies) and strengthened risk management practices, *Kashf* successfully minimized the impact on its loan portfolio. *Bank Audi*, who posted strong results in 2008, cited their governance enhancements as a crucial part of their crisis management. Further, *ADCB* now plans to incorporate corporate governance principles more firmly into its own credit review processes as a means to further mitigate portfolio risk.

Sustainability is the longer term result of several other positive impacts and rated consistently high among the companies. In this context, firm sustainability measures the company's ability to continue as a prosperous, operationally-viable entity over the long-term. This was an especially key challenge for family-owned enterprises (e.g., *CID, Butec, Wadi, SABIS®*) that were transitioning from one generation of leadership to the next; or for other companies that were quickly expanding in size and complexity (e.g., *Dana Gas, MFW*). In these situations, there is significant stress placed on the organization and a very real risk that the firm may not sustain itself over the long-term. *CID* cited the various improvements taken to add more structure to its operations and explicitly address succession issues as having a substantial impact on sustainability. They even said that one investor took note of their actions to address sustainability, and was a key factor in the investor's financing decision. *SABIS®* and *Wadi* both reported that their family governance efforts have helped align the respective families' interests and secure the next generation of leadership.

FIGURE 7: ACCESS TO FINANCE IMPACT

company	approximate $ financing accessed*
ADCB	$1bn to $2bn past 12 mos.
Butec Holding	$30m to $35m past 12 mos.
CID	$8m past 12 mos.
Dana Gas	$1.5bn past 24 mos.
EgyTrans	$20m to $40m past 18 mos.
Kashf	$26m past 12 mos.
MFW	$18m to $22m past 9 mos.
TPSP	$20m to $30m in 2008
Wadi Holdings	$68m past 24 mos.

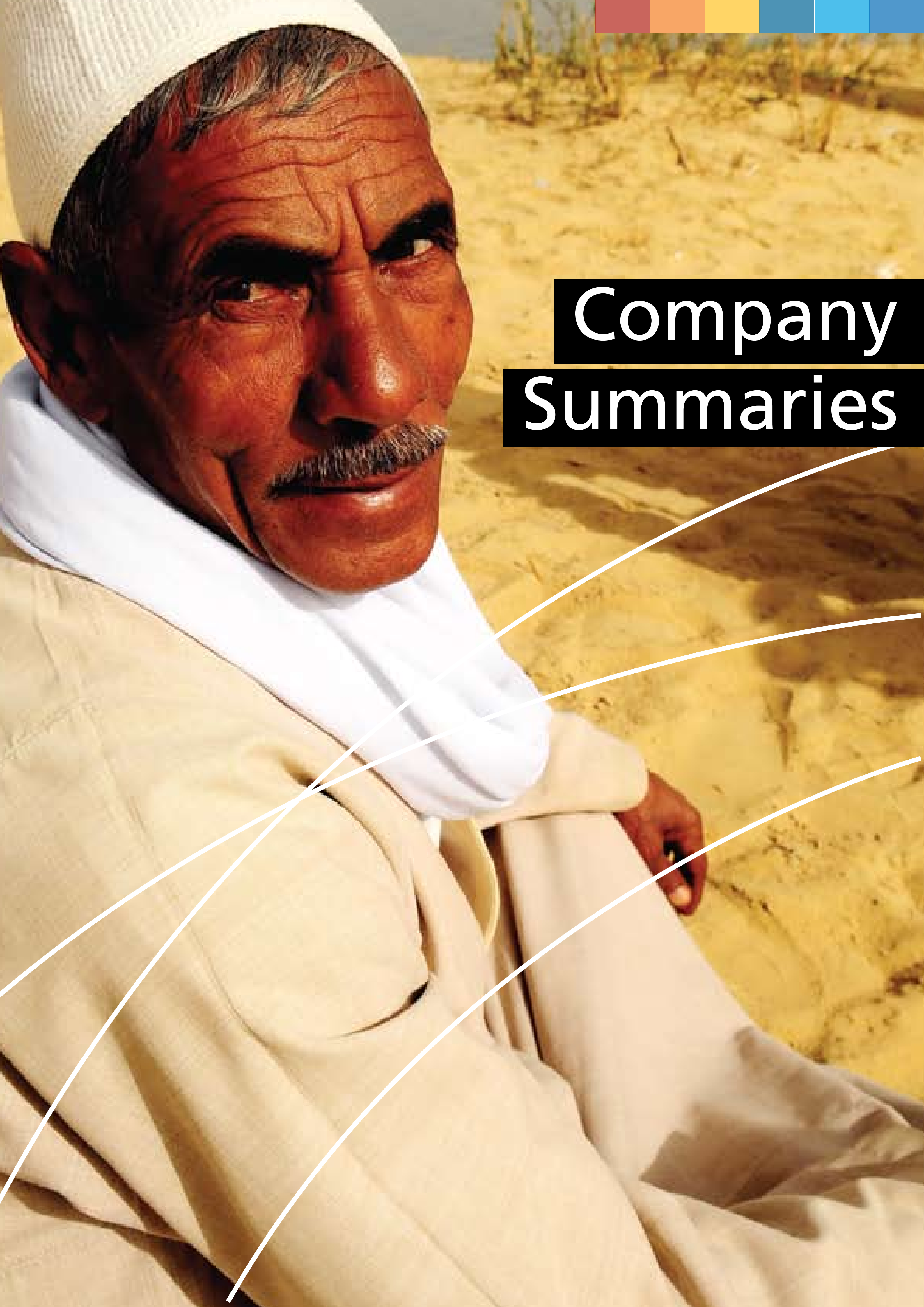
*Estimate of $ in financing accessed in which CG played a significant factor.

INVESTOR PERSPECTIVE

Corporate Governance Key to Value Creation
Foursan Group, a private equity firm in Jordan, reports that corporate governance is a significant factor in their investment and pricing decisions. They say that it is simply one of those things that any good company should have in place. They noted that family-owned companies, in particular, are reluctant to setup proper boards because they do not want to relinquish control. Nor are they inclined to become more transparent, even with potential investors. Foursan noted that most companies do not sufficiently appreciate the competitive advantage and value creation that governance can offer.

Recent Exit Attracts 40% Premium. Foursan cited a recent investment exit which attracted a 40% premium over the market price, due largely to good corporate governance. The company was a MENA insurance company who had taken great care to put in place proper governance structures, including a diverse, well-functioning board, sound management control processes, and strong reporting and transparency practices. Foursan noted that the changes were very apparent to the investor, a North American investment firm. It gave the investor a very high comfort level with the investee, which made the deal go very smoothly and helped attract a substantial market premium (approximately 40%).

Company Summaries



BUSINESS:	Commercial banking, investment banking, asset management and Islamic banking.
LOCATION:	UAE
SECTOR:	Financial
2008 REVENUE (YR GROWTH):	$ 1.2 billion (+15%)
TYPE:	Publicly Traded (Abu Dhabi)
# EMPLOYEES:	2,600
# BRANCHES:	48
IFC ASSESSMENT DATE:	Oct 2007

Abu Dhabi Commercial Bank (ADCB)

Abu Dhabi Commercial Bank (ADCB) is a financial institution operating in the United Arab Emirates (UAE) and India. It is majority controlled by the Abu Dhabi government, but also publicly traded on the Abu Dhabi Stock Exchange. ADCB was estbalished in 1985, subsequent to the merging of Emirates Commercial Bank, Khalij Commercial Bank and Federal Commercial Bank.

In 2008, ADCB was the third largest bank in UAE based on its total assets. In recent years, areas of strategic focus have included: Expanding business in its consumer and wholesale client franchises; establishing an Islamic banking group; and expanding its business to a market or markets similar to the U.A.E. market, where ADCB can leverage its core assets and capabilities.

"The board's overall effectiveness and the bank's reputation for governance has benefitted significantly as a result of the improvements."

SIMON COPLESTON, GENERAL COUNSEL & BOARD SECRETARY, ADCB

WHY CHANGE?

ADCB had first embraced the importance of corporate governance several years back. As part of a strategic review in 2003, ADCB commenced a restructuring program assessing its products and services, with the goal of making the bank capable of sustainable growth in profitability. The board and management structure was reorganized, and revisions to the operational and financial profile of the board were made. Furthermore, ADCB took significant steps in improving its transparency structure.

However, to keep up with the increasingly globalised and competitive international landscape and to implement the financial requirements of the rapidly developing UAE, ADCB elected to re-assess its corporate governance framework and identify ways to strengthen it even further. In this way, the Bank hoped to stay current with international best practices and serve as a model for the market.

OWNERSHIP PROFILE

Abu Dhabi Gov't: 64.8%

Public Float: 22.4%

Abu Dhabi Royal Family: 12.8%

WHAT DID THEY CHANGE?

IFC conducted a CG Assessment for ADCB in October 2007 (Nicholas Krasno, consultant, supported IFC). While the Bank already had in place many strong governance practices, additional changes were made to strengthen the overall framework. At the board level, changes were made to clarify particular roles between the board and management and revise the composition of its directors. Steps were taken at the management level to improve the coordination of risk management through the bank and restructure the board and management committees. The Bank also made changes to particular shareholder policies and improved their disclosures to put it on par with the highest international standards.

Summary of Key Changes: ADCB

	KEY CHALLENGES	KEY CHANGES
BOARD EFFECTIVENESS	**Composition:** Comprised nine directors, six of which were Abu Dhabi government officers and no 'independent' directors. Needed to strengthen board skills in risk management and IT. **Roles:** Board vs. Management roles were blurred in some areas due to existence of an Executive Committee that included reps from both. **Structure:** Had several working committees, though some were performing management type tasks (e.g., loan collections and recoveries). **Terms & Appointments:** Unclear terms of directors and appointments were made by shareholders directly without a formal board nomination and selection process.	**Composition:** Adopted target of one-third independent directors. Appointed five new members since the CG assessment was completed, including the CEO and members with additional banking experience. **Roles:** Clarified distinction between Board and Management, emphasizing the Board's role to monitor performance of the latter. Removed directors from the combined Executive Committee. **Structure:** Adopted a revised committee structure including Audit, Risk, Nomination/Remuneration, and Corporate Governance Committees. Developed clear TORs for each, removed management duties (e.g., loan recoveries), and ensured adequate independent composition. **Terms & Appointments:** Set three-year terms with possibility for reelection to ensure healthy turnover of directors. Established a formal process for identifying and nominating appropriate directors for approval by the AGM, led by the Nominations Committee. **Evaluation & Training:** Introduced a formal annual evaluation process (internal & external) to assess its performance and established more formal training programs on various subjects over the course of the year.
MANAGEMENT CONTROL	**Executive Committee:** Had an Executive Committee including both board directors and senior executives, which tended to confuse roles between board and management and undermine other management authorities. **Risk Management:** Risk management needed to be better coordinated centrally to improve information flow. **Human Resources:** Bank faced great HR risk given expanding business as it was experiencing high turnover and had a shortfall of key skillsets. **Compliance:** The profile of the compliance function needed to be elevated in the organization and its scope expanded.	**Executive Committee:** Reformed the committee to include only executives (no more non-executive directors). Clarified roles and authorities of this committee as the highest management-level committee. **Risk Management:** Established a management-level Risk Committee (distinct from the board) and reported regularly to the board Risk Committee. Hired a Chief Risk Officer to oversee all Risk Management activities in the bank and report to the board. Adopted more advanced tools to help address market risk and operational risk. **Human Resources:** Took steps to improve HR in the Bank to ensure attraction and retention of good staff to support the changing needs of the Bank and expansion into new markets. **Compliance:** Raised the profile of compliance creating a central compliance unit embedded within the risk function. Helps ensure compliance with external laws and regulations and internal codes.
DISCLOSURE & TRANSPARENCY	**Public Disclosures:** While the Bank's disclosures were adequate through its Annual Report and website, there were opportunities to better align with international standards.	**Public Disclosures:** The Bank's disclosures have been improved significantly including in its Annual Report and on their website. Now include ample information related to its performance and its governance framework.
SHAREHOLDER & STAKEHOLDER RELATIONS	**Director Shareownership:** The Bank's articles required board members to own a minimum number of shares in the bank, which was prohibitive and not conducive to minority shareholder interests.	**Director Shareownership:** Requirement to own shares to be a director is no longer part of the bank's director nomination criteria. **Minority Protection:** Articles are now being updated to improve protection of minority shareholders.

Impact Report: ADCB

ABU DHABI COMMERCIAL BANK REPORTED THE FOLLOWING IMPACTS ABOUT ONE YEAR AFTER EMBARKING ON THE CHANGES.

- **Corporate governance played a significant role in helping the bank access debt financing (estimated $1 billion to $2 billion past 12 months.).**

- **There has been significant positive impact on the Bank's governance reputation across the market.** The added disclosures are widely considered best in class among peers and helped improved the Bank's profile and image.

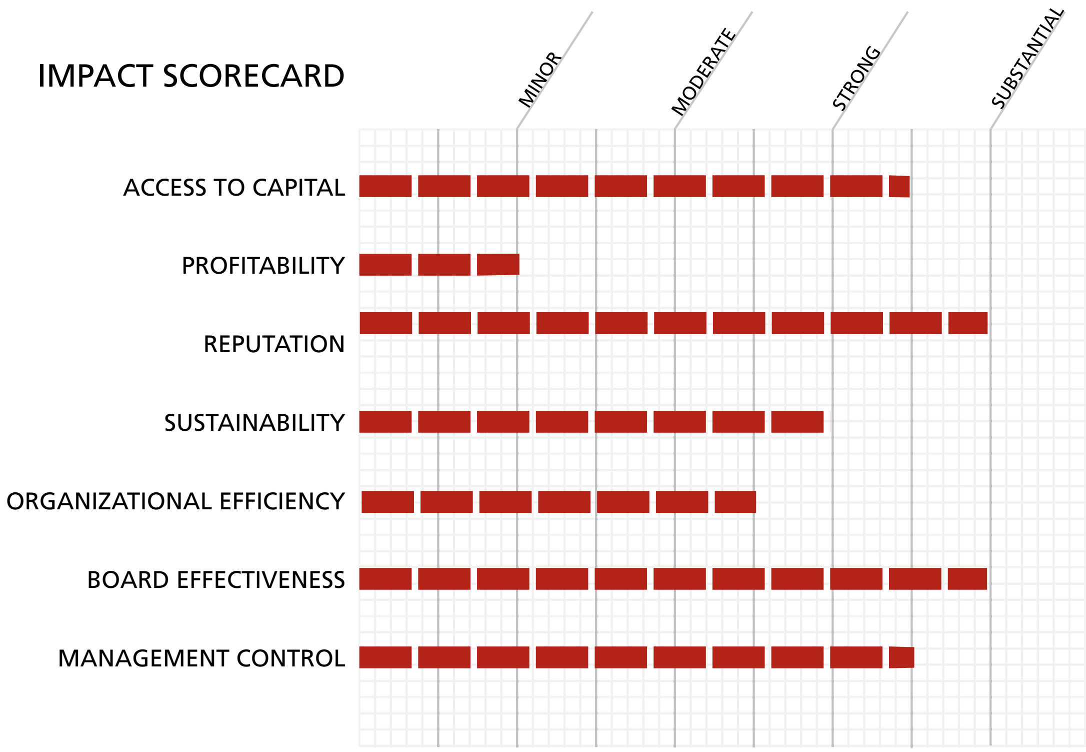
- **They were awarded "Gold Category" for submission of financial statements** by the Emirates Securities and Commodities Authority (ESCA) as a result of their disclosure and transparency improvements.

- **The board has demonstrated a higher level of effectiveness.** Reports that the board is more vigilant and actively challenges management.

- **Risk management changes have improved monitoring and mitigation of all types of risk. Board oversight of risk is stronger** and improvements to the Audit Committee and compliance function have enhanced controls throughout the bank.

- **Process efficiency and effectiveness has improved significantly** due to the tightening of controls, use of more automation, and clarification of roles.

- **Not only have the changes helped their own governance practices, but in the future the Bank intends to use this knowledge to examine the practices of potential clients.** This will help ADCB mitigate portfolio credit risk.



$ FINANCING ACCESSED (WHERE CG WAS MAJOR FACTOR)) $1bn- $2bn over the past year in the form of new debt.

BUSINESS:	Provides Commercial, Corporate, Retail, Private and Investment Banking services in Lebanon, the MENA region, and Europe
LOCATION:	Lebanon
SECTOR:	Financial
2008 PROFIT (YR GROWTH):	$ 238 million (+19%)
TYPE:	Publicly Traded (Beirut & London)
# EMPLOYEES:	4,300
# BRANCHES:	148
IFC ASSESSMENT DATE:	Oct 2005

Bank Audi

Bank Audi – Audi Saradar Group's history dates back more than 175 years. It is now a universal bank operating in Lebanon, the Middle East, North Africa and Europe, offering a full range of products and services that cover commercial and corporate banking, retail banking, private banking and investment banking. It also provides insurance services through its subsidiary, LiA insurance sal. Bank Audi has been listed on the Beirut Stock Exchange and the London Stock Exchange (through GDRs representing its shares) since 1997.

In recent years, while strengthening its activities beyond traditional commercial banking, Bank Audi undertook a significant local and regional expansion. It is now the largest Lebanese bank and ranks comfortably within the top 20 Arab banking institutions in terms of deposits. The Bank intends to continue pursuing expansion opportunities hence fully integrating the inner circle of large regional banks.

Bank Audi has long been considered the vanguard of best practice among Lebanese banks. It has performed consistently well in recent years. Even during the global financial crisis, the Bank's net profits increased by about 19% in 2008 (and another 18% during the 1st nine months of 2009 compared to the corresponding period of 2008), total assets by 18% (plus 21% in the first nine months in 2009) and total deposits by 21% (plus 24% in the first nine months of 2009).

WHY CHANGE?

Despite its continuous success, Bank Audi realized that changes were needed in its governance structures to keep up with international best practices. Prior to its Corporate Governance enhancement program initiated in 2005, its Board of Directors was largely a validating body for the main shareholders and resembled a 'mini-shareholder' meeting. With two-thirds of its members being executives, the Board's ability to independently oversee the company was compromised. More importantly, the Bank understood that better governance will bring added value. They understood that value creation would come from better management of risks – especially given its anticipated expansion at the time. By spearheading a review of its corporate governance the Bank's Management once again showed its proactive stance and foresight.

OWNERSHIP PROFILE

Public Float (UK & Beirut): 47%
EFG Hermes: 22%
Audi Families: 7%
Saradar Holding: 7%
Al Homaizi Family: 6%
Al Sabbah Family: 5%
Sheikh Al Nehayan: 5%

WHAT DID THEY CHANGE?

IFC in conjunction with Nestor Advisors in the UK conducted a CG Assessment for Bank Audi in October 2005. The Assessment confirmed that overall, Bank Audi was a well-run bank with many highly capable individuals. However, the Assessment also showed that crucial changes were required to reconfigure its Board of Directors. In particular, the Board took action to revise its composition by changing the mix of executives and non-executives. It also revised its structure by setting up key Board committees and took steps to clarify the Board's role vis-à-vis Management, which was somewhat blurred.

The Bank also made important changes at the Management-level, including formalizing and consolidating activities related to risk management, financial management, and compliance.

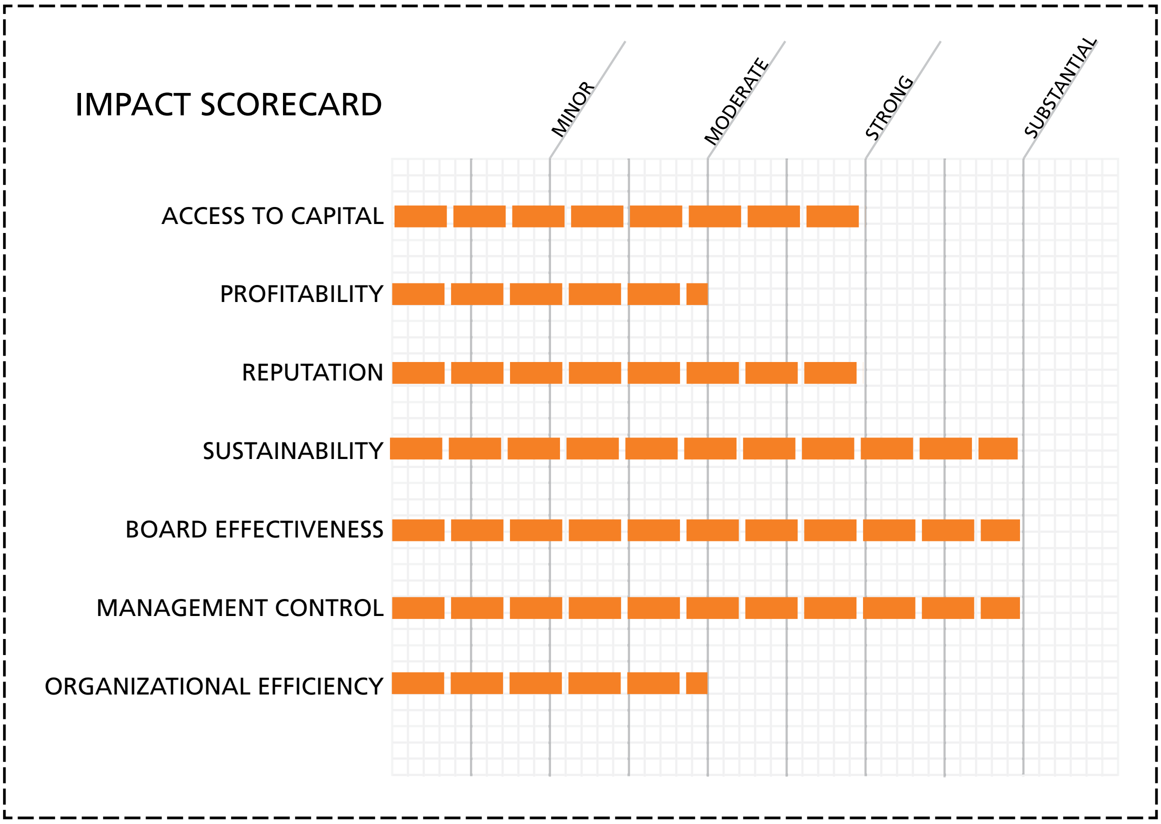
Summary of Key Changes: Bank Audi

	KEY CHALLENGES	KEY CHANGES
BOARD EFFECTIVENESS	**Composition:** Comprised of two-thirds executives and functioned as a 'mini-AGM' given low level of independence. Many shareholder interests were represented by particular executives. **Structure**: There was no Audit Committee or other types of formal Board committees. **Roles:** They had blurred division between Board and Management given the large number of executives on the Board.	**Composition:** They changed their composition, adopting a formal policy requiring at least half the Board to be non-executives and at least two fully independent. **Structure:** Developed Board committees for Audit and Corporate Governance & Remuneration, as well as an Executive Committee. **Roles:** Developed formal CG Guidelines and a Board Charter to clarify roles between Board and Management and emphasized the important roles in setting the Bank's strategy. **Evaluation:** Established an annual process to evaluate its performance and identify areas for improvement.
MANAGEMENT CONTROL	**Structure:** Organization structure required more clarity; it was confused by large number of executives on the Board. **Risk Management:** Needed to formalize Risk Management coordination and setting of risk policy and overall enterprise monitoring. **Finance:** There was no central CFO. Financial Management oversight was performed by different individuals. **Internal Audit:** The IA reporting lines were blurred with no direct, unfettered reporting to the Board. **MIS:** Information systems were relatively un-integrated with limited functionality.	**Structure:** Created a more formal Executive Committee chaired by the CEO and including eleven senior executives to better coordinate planning, monitoring, and management activities across the Bank. **Risk Management:** Established a management-level Risk Management Committee to aggregate risk management at top of the Bank (e.g., setting risk policies and risk appetite per Board approval) and improve enterprise-level monitoring. They also limited board credit decisions to high value/ high risk transactions. **Finance:** Created a Group CFO and centralized all finance, accounting, strategic planning, and investor relations activities under one umbrella to improve coordination and oversight. **Internal Audit:** IA now reports directly to the Audit Committee to help ensure independence. **MIS:** Developed a more integrated MIS with improved reporting functionality capable of generating in-depth financial and non-financial analytical reports for the Board and Management.
DISCLOSURE & TRANSPERANCY	**Disclosures:** The Bank's Annual Report and website had limited information about key non-financial information.	**Disclosures:** Established a management committee to coordinate all disclosures and ensure compliance with all requirements and better communicate the Bank's many positive governance and management practices. Improved non-financial information in the Annual Report, including CG, vision and strategy, values, and risks. Improved the Bank's website to include more Investor Relations content, as described in the Annual Report.
SHAREHOLDER & STAKEHOLDER RELATIONS	**Approval of New Shareholders:** The Bank's articles required Board approval for new shareholders, limiting the liquidity of common stock.	**Shareholder Policy:** The Bank's statutes were modified to allow for unrestricted trading on all of the Bank's shares.

Impact Report: Bank Audi

BANK AUDI REPORTED THE FOLLOWING IMPACT AS A RESULT OF THE CHANGES. THIS WAS REPORTED ABOUT TWO YEARS AFTER IMPLEMENTING THE KEY CHANGES.

- **Corporate Governance changes have had a strong impact on the Bank's capacity to access capital,** by providing added assurances to investors and the market.
- **Strong corporate governance was a key factor in helping Bank Audi manage the crisis period. It posted strong 2008 (net profit increased 19%) and year-to-date 2009 results (another 18% increase).**
- **The Bank's already strong reputation in the Lebanese and UK markets has been reinforced** by demonstrating its commitment to sound international best practices.
- **The Board functions more effectively in providing strategic stewardship** to the Bank.
- **Board committees have strengthened oversight of key activities** (e.g., Audit, HR) and separated oversight from management.
- **The Bank achieved clarity of roles, improved coordination, and improved transparency and oversight,** through the changes made in key management control functions (e.g., risk management, finance, compliance).
- **Decision-making at the Board and Management levels has been strengthened** due to improved information and communication.
- There is recognition among shareholders, the Board, and Senior Management that the corporate governance changes are critical to **maintain corporate longevity and sustainability.**



BUSINESS: Provides Engineering, Procurement and Construction operations in Lebanon, Algeria, Qatar and Abu Dhabi
LOCATION: Lebanon
SECTOR: Construction
2008 REVENUE (YR GROWTH): $ 114 million (+33%)
TYPE: Family-Owned
 # EMPLOYEES: 2,822 staff & labor
IFC ASSESSMENT DATE: Aug 2008

Butec Holding

OWNERSHIP PROFILE

Younes Family: 90 %
Other Investors: 10%

Butec Holding, founded in 1963, has expertise in design civil engineering, installation of specialized plant and equipment, public works and building construction. Butec focuses primarily on oil & gas, utilities, waste-water management and infrastructure projects, which account for around 90% of its revenues. In its projects, Butec partners with international contractors, such as Vinci, Suez-Degremont, Siemens and others, where Butec provides general contracting services within the contract structure.

Butec is in the first generation of leadership, but approaching the second. Its founder, Dr. Younes, serves as the Chairman/General Manager (GM), while his son, Ziad Younes, serves as a Deputy GM.

Butec possesses a very strong corporate culture, primarily stemming from the values and principles espoused by the Chairman and other long-serving executives. As a result, Butec has a solid reputation in the marketplace and has enjoyed financial success the past several years with revenues increasing from $24 million in 2005 to $88 million in 2007 (266% increase). Much of Butec's success is a result of its market diversification strategy (approximately 73% of Butec's revenues in 2007 came from markets outside Lebanon).

Looking forward, Butec is positioning itself as the preferred local partner for international engineering and contracting companies by teaming up with them on large projects around the region.

WHY CHANGE?

Despite its success and promising outlook, the company recognized that it faced many significant governance challenges as it prepared for the future. Foremost, the company had a limited board of directors and little separation between the owners, directors, and management of the company. In addition, the company had mostly outgrown its management infrastructure and needed to strengthen its control environment. The company knew that it had to make crucial changes to support its fast-expanding business and attract new investment.

WHAT DID THEY CHANGE?

IFC conducted a corporate governance assessment of Butec in August 2008. The primary changes that Butec pursued were to improve the functioning of its board of directors. They moved from a small, limited functioning board, to an expanded board that performs much stronger oversight and strategic roles for the company. Butec also made several changes in its management control environment, especially regarding risk management in its large project work. It has also made significant improvements in its financial management and control processes. Butec is still in the process of making other management-level changes, especially in the area of human resources.

Summary of Key Changes: Butec Holding SAL

	KEY CHALLENGES	KEY CHANGES
BOARD EFFECTIVENESS	**Composition & Structure:** Did not have a fully functioning board; Had only three members designated, of all which were executives. **Procedures:** Meetings held infrequently and proceedings were primarily perfunctory with topics focused on basic issues. **Succession Planning:** The company had not specifically addressed the succession issue of the Chairman/GM, leaving significant 'Key-Person' risk in the company.	**Composition:** Elected three new members to the board, all of which are independent; one has financial expertise to serve as chair of the Audit Committee. **Structure:** Created an Audit Committee and planning to create an HR/ Nominations Committee. Audit Committee staffed with independent members and is designing formal charters and procedures. **Procedures:** Introduced formal board schedule with more frequent and formal meetings discussing a variety of topics. Audit Committee shall adopt formal procedures and report back to the board. Discussions more in-depth and focused on key business issues. **Succession Planning:** The company strengthened the senior management team and developed a formal Executive Committee, giving needed support to the Chairman's son to soon take over the GM position. The son is now overseeing the day-to-day management of the company, allowing the Chairman to focus on more strategic issues.
MANAGEMENT CONTROL	**Internal Audit:** The company had no internal audit function. **Risk Management:** Risks were considered reactively and not managed according to any formal process. The company has significant inherent risk in its large construction projects and required a more proactive approach. **Management Structure:** There was no central management committee; decisions were centralized with the Chairman/GM and communication relied on informal channels. **Financial Management:** In-house FM capabilities required upgrading as they relied on external assistance to consolidate and prepare financials. **Human Resources:** Recognized as one of the company's biggest risk areas given anticipated growth, rising labor costs, and increased competition; the previous HR programs required upgrading to address these issues.	**Internal Audit:** Established a new internal audit function that will focus on all types of risks and controls, including financial, operational, and project risks, and report directly to the new Audit Committee. **Risk Management:** Improved risk management by escalating risk discussions throughout the organization and embedding formal risk assessments in project decisions. **Management Structure:** Established a Management Committee consisting of senior management staff to take key decisions, coordinate activities, and monitor overall performance across the company. **Financial Management:** Hired well-qualified CFO who made many upgrades to the FM function and is implementing more structured planning, risk management, and control processes. **Human Resources:** Searching for a new HR lead to oversee upgrade of HR function, including new benefits and compensation schemes to attract and retain qualified staff; improved staff training; and upgraded HR management processes and systems.

Impact Report: Butec Holding SAL

BUTEC REPORTED THE FOLLOWING IMPACTS ABOUT ONE YEAR AFTER THE REVIEW.

- **Access to capital has improved substantially with many banks offering credit to Butec on more favorable terms; helped them access about $30 million to $35 million the past year,** largely due to recognition of positive changes by investors/banks and supported by better quality of information provided to them – both financial and non-financial.

- **Reputation, especially with banks, has improved significantly** as they are reassured about the current management and stewardship of the company and about its future sustainability to the next generation.

- **The firm's clients, business partners (e.g., joint venture partners), and suppliers have reportedly noticed the changes and are responding with increased confidence** in Butec as a long-lasting partner.

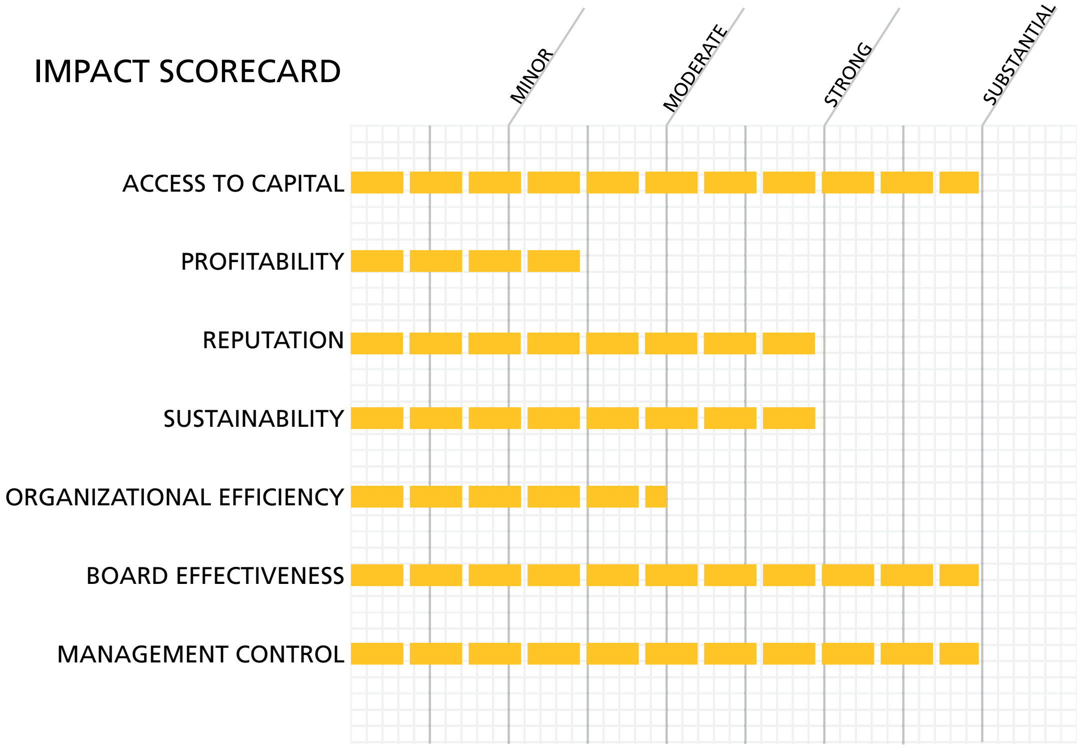
- **Organizational efficiency has improved due to a much sharper focus on backlog** and cut down of rework; many internal administrative processes are also being automated and streamlined.

- **The company has much more informed decision making** supported by more insightful information and better discussion of issues.

- **Board oversight of management is much stronger; the board challenges management** on particular issues and requires better reporting and analysis at meetings.

- **Risk management has improved significantly** through the organization with more dialogue and discussion of risk mitigation, especially when assessing large projects.

IMPACT SCORECARD



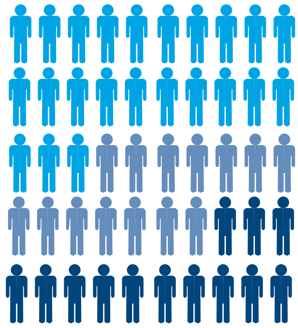
$ FINANCING ACCESSED (WHERE CG WAS MAJOR FACTOR)) $30m to $35m over the past year.

BUSINESS:	Builds and operates private schools ("Futures Schools") in Egypt
LOCATION:	Egypt
SECTOR:	Education
2008 PROFIT (YR GROWTH):	$ 5 million (+18%)
# EMPLOYEES:	2,000
#SCHOOLS:	18
#STUDENTS:	13,000
TYPE:	Publicly Traded (Cairo)
IFC ASSESSMENT DATE:	Jul 2008

Cairo for Investment and Real Estate Development

OWNERSHIP PROFILE

El Kalla Family : 46 %
Free Float: 28%
Other Investors:26%



Cairo for Investment and Real Estate Development (CID) was founded in 1992. The company's primary purpose is building, owning, and operating schools throughout Egypt.

CID's flagship business is the Futures Educational System (FES). FES is now the largest network of schools in Egypt, with 18 schools and five international education systems. The company has plans to further expand its schools, including into the areas of special needs education, and has began to offer a university-level curriculum.

The company was founded with the intent of trying to improve the educational standards in Egypt. Until recently, Dr. Hassan El Kalla served as Chairman and CEO of the company since its founding. In 1993, the company went public on the Egyptian Stock Exchange (EGX). From 2007 to 2008 alone, CID's stock ownership changed dramatically going from about 100 shareholders to over 1,000 (see chart below).

CID enjoyed financial success in recent years with its net consolidated operating profits growing steadily from about $0.5 million in 2004 to over $5 million in 2008.

Of Note: Eliminating 'Key-Person Risk'

Key-Person Risk occurs when an organization becomes highly dependent on one or two individuals to function effectively. This is a common risk in many MENA companies, especially in those that have evolved from a small, closely-held organization (e.g., FOE) to a larger company, but still have a strong founder/CEO that makes all key decisions.

This was the case for CID whose Chairman was also serving as CEO and taking many day-to-day decisions. To mitigate this, CID set up a Management Executive Committee to improve management-level communication and coordination, but also to take key decision making responsibilities. The Chairman's son now chairs the Committee, helping with his own succession plan. And the Chairman has transitioned most day-to-day decisions to this group, enabling him to take more of a strategic focus in the company.

WHY CHANGE?

Despite its recent success, the company faced many significant challenges as it prepared for the future. The company had essentially outgrown its governance framework and management infrastructure. In many ways, the company still ran itself as a small, closely-held business. Further, the company was on the precipice of transitioning to a new generation of leadership as its then Chairman/CEO and other Board members were approaching retirement. In light of this, crucial actions needed to be taken to strengthen CID's Corporate Governance framework.

WHAT DID THEY CHANGE?

IFC conducted a CG Assessment for CID in July 2008. One of the key challenges for CID over the medium-term was to change the composition and structure of its Board. CID adopted a Board with independent directors, a more diverse set of backgrounds, and improved financial expertise. It also added functioning committees, which it did not have before.

Succession planning was another critical issue for CID over the medium-term that they addressed. The then Chairman and CEO, Dr. Hassan, was undoubtedly the 'heart and soul' of the company. As with many organizations that have evolved in this manner, the company risked losing sight of its vision and diminishing its cohesiveness once the current CEO departed. Therefore, CID began a formal process of succession planning for the CEO successor. CID also addressed important challenges at the management-level. Given the increasing size and complexity of its business, it was apparent that the company was experiencing 'growing pains' and so made key changes to staff composition and functional capacity. They took other steps to strengthen the management infrastructure, such as regarding internal control, internal audit, risk management, financial management, and other key control functions.

Summary of Key Changes: CID

	KEY CHALLENGES	KEY CHANGES
BOARD EFFECTIVENESS	**Composition:** Most of the nine members were long-serving (10+ yrs). They had no independent directors and lacked financial expertise. **Structure:** They had no sub-committees; they had designated an Audit Committee, but it did not function. **Roles:** There was unclear division between the Board, especially the Chairman, and Management. **Procedures:** Met infrequently – many key decisions taken by Chairman.	**Composition:** Added six new members, including two female independent directors and financial expertise. **Structure:** Established committees for Audit, HR/Nomination, and Strategy. Audit is chaired by an independent, financial expert. **Roles:** Clarified distinction between Board and Management. Chairman able to relinquish day-to-day management role. **Procedures:** Meet on routine basis (at least quarterly, plus committees); formal agendas, structured briefings, formal annual plan.
MANAGEMENT CONTROL	**Financial Management:** They had no CFO and required improved in-house financial management expertise. **Internal Audit:** There was no internal audit function. **External Audit:** Had small, long-serving auditor which was also providing advisory work. **Key-Person Risk:** The Chairman/CEO made all key decisions on day-to-day basis. **HR:** There was high staff turnover and an inability to attract high quality candidates for key positions.	**Financial Management:** Hired a new CFO, who has made many changes to strengthen finance function, including strengthening of controls and redesign of processes. **Internal Audit:** Established a new IA function that is now producing routine reports for senior management and the board, including previously unaudited areas. **External Audit:** Replaced long-serving auditor with new, reputable firm to reinforce independence. **Key-Person Risk:** Setup an Executive Committee including key senior managers to share decision-making and coordinate activities. Chairman/ CEO relinquished many day-to-day activities and designated a new CEO. **HR:** Hired a new HR lead, reviewed staff compensation, invested in staff training, and lowered turnover.
DISCLOSURE & TRANSPERANCY	**Disclosures:** The company only reported the very basic financial statements (w/out notes) and had no dedicated company website or annual report.	**Disclosures:** Improved the non-financial information disclosed to the market each quarter beyond the basic financials to include key corporate events and news; developing a dedicated web-site for the parent company and annual report.
SHAREHOLDER & STAKEHOLDER RELATIONS	**Conflict Policies:** The company required formal conduct policies to safeguard against potential misconduct.	**Conflict Policies:** The company now has documented and disclosed formal policies for insider trading and related party transactions along with a Code of Conduct.
FAMILY GOVERANCE	**Succession Planning:** The company had not specifically addressed the succession issue of the Chairman/CEO, leaving significant 'Key-Person' risk in the company.	**Succession Planning:** The company strengthened the Senior Management team and developed a formal Executive Committee, giving needed support to the Chairman's son to soon take over the CEO position. The son is now overseeing the day-to-day management of the company, allowing the Chairman to focus on more strategic issues.

Impact Report: CID

CID REPORTED THE FOLLOWING IMPACTS ABOUT ONE YEAR AFTER EMBARKING ON THE CHANGES.

- **Access to Capital improved dramatically helping access $8 million in debt the past year (and currently helping access approximately $20 million in equity).** CID reported that several investors have approached them following the changes.

- **Market reputation has been solidified.** Word has spread through the market about the improvements made and preparations for the next generation of the company.

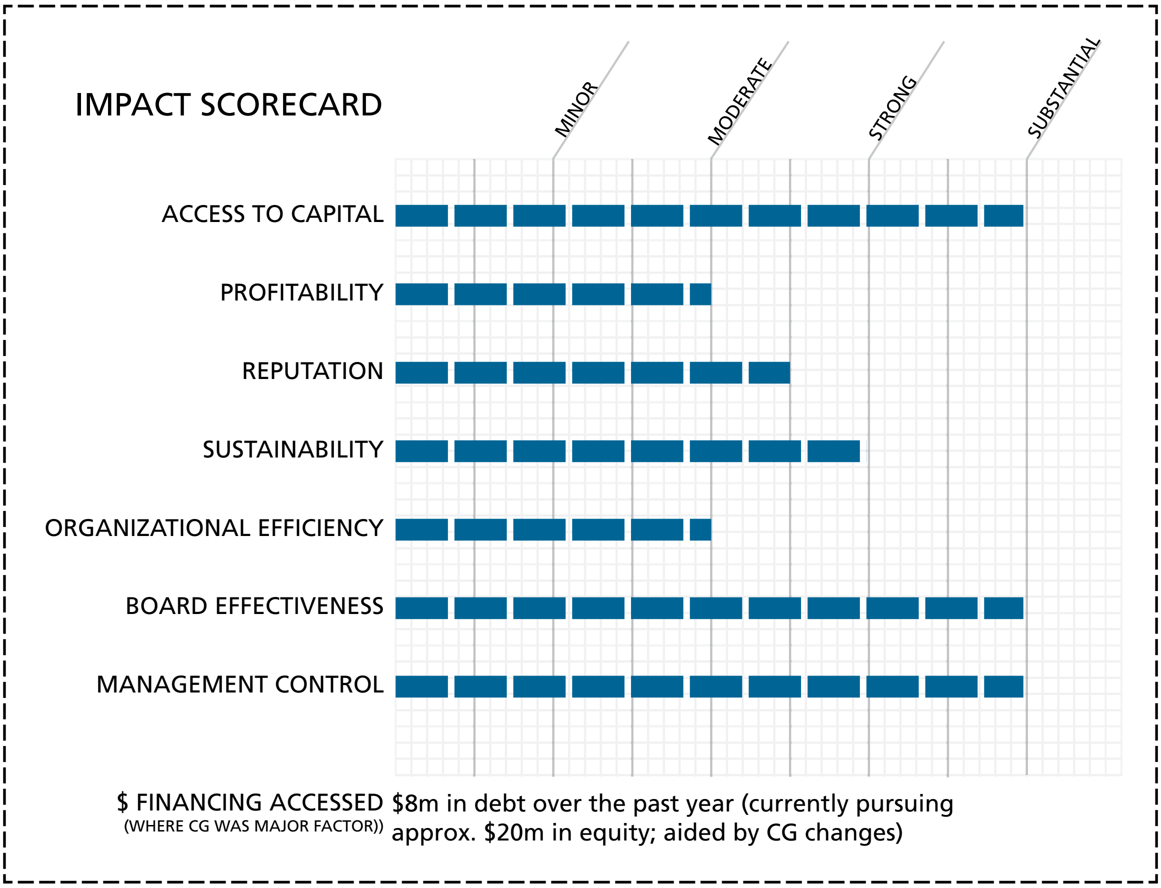
- **One valuation performed showed a two-fold increase in the past year.** One private investor pointed to governance improvements – especially Board changes – as a major factor for the substantial valuation increase.

- **Board discussions and decision-making is significantly improved.** The Board now meets on a regular basis and discussions are much better with issues presented in a structured manner and decisions taken after open and candid deliberations. Committees now function as intended with regular meetings and formal procedures.

- **Management control is much stronger, including in the schools.** New CFO has strengthened financial processes with improved internal controls. Management reporting has also improved, leading to better transparency in all subsidiaries.

- **Sustainability has improved with one investor specifically noting the efforts to prepare for its second generation** (i.e., strengthening the senior management team, eliminating the key-person risk associated with the Chairman, and preparing the Chairman's son for succession). Also, staff turnover has decreased dramatically resulting from new training and compensation schemes.

- **They experienced significant efficiency gains due to changes in financial processes that have significantly reduced mistakes and rework.** Processes have also been streamlined to reduce a layer of management review.

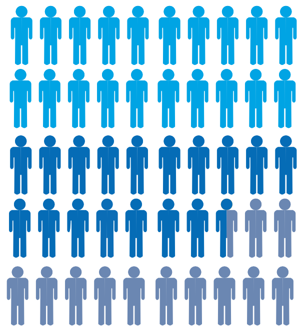


BUSINESS:	Natural gas producer, focusing on upstream activity.
LOCATION:	UAE
SECTOR:	Energy
2008 REVENUE (YR GROWTH):	$ 311 million (+10%)
# EMPLOYEES: :	400
TYPE:	Publicly Traded (Abu Dhabi)
IFC ASSESSMENT DATE:	Apr 2006

Dana Gas

OWNERSHIP PROFILE

Founding Investors: 40%
Public Float: 35%
Private Investors: 25%



Dana Gas was founded in 2005 and is the first regional, private sector natural gas resource enterprise established in the gulf area. It was started by Crescent Petroleum and other strategic investors to pursue particular opportunities in the gas sector. Today, the company's primary focus is on upstream activities in the gas sector. In all, their business focuses on: Natural gas ownership through long term supply agreements; onshore/offshore gas transmission; gas processing; sale of dry gas to Federal and State-owned utilities and other large industrial natural gas consumers in the UAE; and sale of associated petroleum liquids and other related products in the international markets.

Driven by the vision and leadership of its Chairman, Mr. Hamid Jafar, and its board of directors, Dana Gas, within a very short time of its founding, became a listed entity (Abu Dhabi exchange) via a successful, oversubscribed IPO. The core founders (comprised of prominent individuals and institutions mainly across the Gulf) of Dana Gas hold 40% of the Company's equity.

Dana Gas currently holds assets and contractual entitlements to the largest private sector integrated natural gas supply chain in the Gulf. Looking forward, the company plans to expand throughout the Gulf as well as the wider Middle East, North Africa and South Asia (MENASA) region.

WHY CHANGE?

The leadership of Dana Gas had set as one of its goals the attainment of best practice standards in corporate governance. Dana not only sought to separate itself from its founding company, Crescent, as a fully independent and self-sustaining organization, but it also wanted to build a strong brand name in the gas sector. A further push came in 2007 when Dana Gas issued about $1bn in convertible bonds in the UK market, increasing the need for a review of its governance practices. This helped finance the acquisition of Centurion Petroleum in Egypt, which served as a major strategic milestone for Dana Gas.

WHAT DID THEY CHANGE?

IFC, in conjunction with Nestor Advisors, conducted an assessment for Dana Gas in April 2006. The primary focus of the changes pursued by the company were aimed at improving board effectiveness, strengthening elements of their control environment, and bringing their transparency and disclosure practices in line with international standards. They made both composition and structural changes at the board level and took steps to create more active committees. They made perhaps their most significant changes at the management level, separating the Chairman/CEO position and putting in place key senior executives (e.g., CFO, IT, HR, Legal). These changes have helped Dana Gas operate fully independently of its founding company in a very short time.

دانة غاز
DANAGAS

Summary of Key Changes: Dana Gas

	KEY CHALLENGES	KEY CHANGES
BOARD EFFECTIVENESS	**Composition & Roles:** Board had sixteen members, with just one executive who is the Chairman/CEO; all others were non-execs. Had a good mix of skills on the board, but needed to clarify its roles and responsibilities. **Structure:** Company had established four committees: Audit & Compliance, Executive, Compensation, and Business Development. They needed to refine scope and functioning of committees. **Procedures:** The Board met four times a year as a whole board, but committees did not actively meet. They had extremely lengthy agendas for the meetings. Corporate Secretary was appointed, but needed better definition. There was no annual evaluation of the board.	**Composition & Roles:** They added four new members to the board, including two executives to total 18 members; 10 of which are independent. They refined roles of board and its committees in formal charters with clearer terms of reference and director duties. **Chairman/CEO:** The company separated the role of Chairman/CEO with the Chairman resigning his executive duties (focusing on his board chairman duties). The company has hired a new CEO. **Structure:** They now have three committees with Audit & Compliance, combined Business Development and Executive into a Steering Committee, and expanded Remuneration to include Corporate Governance. The committees function more actively and the Board meets every six weeks with a focused agenda including formal committee reports. **Advisory Board:** Setup an international Advisory Board (after founding) consisting of highly accomplished, former industry executives. The advisory group meets twice annually to provide strategic advice to the Board and Management and also helps develop strategic business relationships when needed. **Procedures:** With more active committees, general board meetings are more efficient; formalized many of the work proceedings including standard reports to the Board.
MANAGEMENT CONTROL	**Internal Audit:** The IA function was somewhat limited in their scope and did not report to the board directly. **Risk Management:** Lacked a formal risk management system and needed to sharpen focus and monitoring of project risks. **Internal Control:** As a new company, they required improved documentation and training on internal controls in both financial and operational processes and an improved level of automated controls.	**Internal Audit:** Hiring an Internal Auditor and expanding the role of the Internal Audit function to ensure coverage of financial and operational activities; reports independently to the Board. **Risk Management:** Engaged firm to conduct risk assessment and establishing more formal risk management processes throughout the company; increased level of reporting on risk – especially in projects – and improved discussion of risks at management meetings. **Internal Control:** Improved level of documentation of controls in financial and operational functions; redesigned key processes to strengthen checks and balances and improved level of automation of controls. **Management Team Changes:** Put in place key senior executives including CFO, HR, IT, Legal; overseen by the new CEO (recently separated from Chairman position). **Performance Monitoring:** Strengthened their management oversight processes by formalizing internal management meetings and oversight procedures.
DISCLOSURE & TRANSPERANCY	**Disclosures:** Disclosures were limited to what is required by a publicly listed company; sought to become best-in-class, but lacked information about the company's business performance and elements of its governance framework.	**Investor Relations & Disclosures:** Setup formal IR function to help improve company transparency and outreach to shareholders, investors, and the public. Upgraded disclosures on its website to include more candid company information. They proactively conduct investor road shows and other industry outreach activities and setup an IR office in the UK.

Impact Report: Dana Gas

DANA GAS REPORTED THE FOLLOWING IMPACTS ABOUT TWO YEARS AFTER FIRST EMBARKING ON ITS KEY GOVERNANCE CHANGES.

- **The overall changes played a significant factor in helping Dana Gas access about $1.5 billion in financing the past two years.** Banks inquired heavily into the company's corporate governance practices and structures during the financing and the changes reportedly helped comfort the banks in their decision.

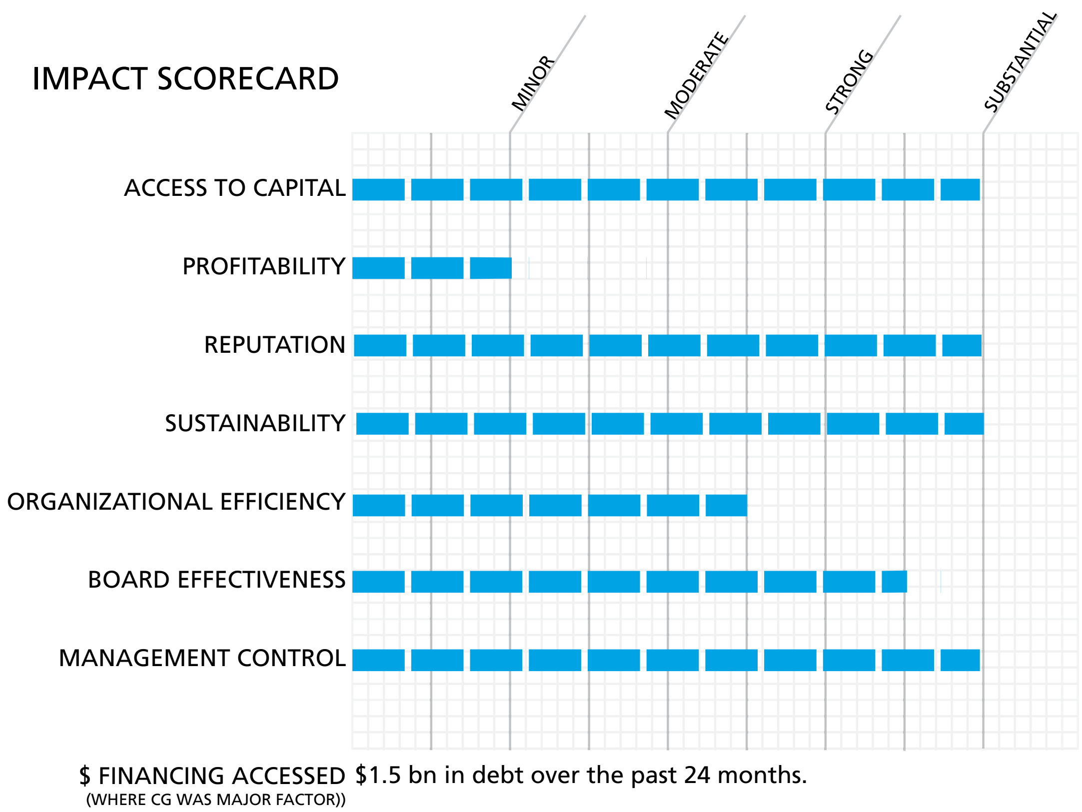
- **Reputation of the company has improved dramatically,** due to efforts of the new investor relations function and the improved transparency practices. Dana's brand recognition and image has been heightened both regionally and internationally and they have received very positive feedback from investors and shareholders.

- **The improvements have helped avoid unnecessary losses for the company,** especially with regard to related party transactions. There is more transparency in major transactions, so the Board can ensure they are being competitively sourced.

- **Board of Directors is much more efficient and effective now** with in-depth discussions and better decision-making. Committee structures and new working procedures have improved time utilization.

- **Organizational efficiency and effectiveness has improved significantly.** Processes are more streamlined and automated with less manual processing and embedded controls. They report operating as a formal, well-structured company rather than a start-up despite being relatively young.

- **Management control and risk management has been substantially strengthened** with a sharper focus on risk and more formal processes and controls in place. Performance monitoring is much more active and effective given the new internal reporting activities and the level of transparency through the entire organization is at a high level.



BUSINESS: Provides transport services in Egypt
LOCATION: Egypt
SECTOR: Transportation
2008 PROFIT (YR GROWTH): $ 2 million (+106%)
 # EMPLOYEES: : 380
TYPE: Publicly Traded (Cairo)
#BRANCHES: 8
IFC ASSESSMENT DATE: December 2007

Egyptian Transport & Commercial Services

Egyptian Transport and Commercial Services Company SAE (Egytrans) was established in 1973 by the Leheta family in Egypt. The company provides integrated transport and other related services (e.g., warehousing, customs, distribution, packing, etc) across Egypt. Since its inception, it has grown into a leader in the transportation sector with nearly 400 employees. It operates from eight branches located strategically near Egypt's main ports, airports, and transportation centers.

The company is now publicly traded on the Egyptian Stock Exchange (EGX), but the Leheta family still owns about one-third of the shares (see chart below). The family is actively involved in the company with Mr. Hussam Lehata, the son of the founder, serving as Chairman and Ms. Abir Lehata, daughter of the founder, serving as board member and senior executive. The company has enjoyed financial success recently with return on equity growing 15% in 2008, despite the economic slowdown.

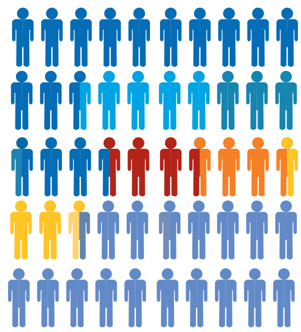
WHY CHANGE?

The company has long recognized the value of corporate governance and first began its journey to upgrade its governance processes in 2006 (prior to IFC's engagement). At that time, the company adopted a formal Code of Corporate Governance and other key policies to help instill a strong level of commitment in the organization. In late 2007, the company wanted to go further and ensure it was best-in-class among its EGX-listed peers. It asked IFC to benchmark them against international standards and help make other key structural improvements. For example, they sought changes in the boardroom to strengthen the Board's oversight role and establish an appropriate mix of skills. They also wanted to upgrade their public disclosures and address particular succession issues to secure the next generation of leadership.

WHAT DID THEY CHANGE?

IFC conducted a CG Assessment for Egytrans in December 2007 to help them address these issues. After the assessment, Egytrans made immediate changes to the composition of the Board, adding new executives, non-executives, and two independents, that collectively

OWNERSHIP PROFILE
National Investment Bank : 24%
Hussam Leheta: 9%
Abir Leheta: 7.3%
Heba Lehata: 6.1%
Amani Leheta: 6.1%
Soad Sallam: 6.5%
Mostafa Mostafa: 5.8%
Other: 35.2%



Of Note: Transparency as Competitive Advantage

Transparency practices in the MENA region are relatively poor. Only about 61% of listed companies in MENA have an annual report and of those, only about 25% include substantive non-financial information.[2] However, 69% of the world's largest institutional investors in 16 countries identified transparency as a top priority when considering an initial investment.[1]

In view of these factors, Egytrans made a significant effort to upgrade its public disclosures. For example, it now discloses information such as governance and ethics practices, performance indicators, management discussions, ownership information, director details, committee proceedings, director attendance records, and even remuneration information (less than 5% of MENA public companies disclose remuneration).[2] As a result, Egytrans won the 2009 GTM/EGX Best Corporate Governance Award and the 2008 EIOD Best Disclosures Citation. More importantly, they have received positive market response from investors, business partners, and clients, and even received inquiries from other companies seeking to do the same.

1-E&YSurvey, 2005; 2-IFC/Hawkamah CG Survey 2008 offer a more complete set of skills. Egytrans also adopted a formal board charter that sets out the Board's newly defined roles and responsibilities.

Egytrans strengthened their management control environment by redefining the terms of the internal audit function, ensuring that it reports directly to the audit committee. This also led to improvements taken by the Audit Committee itself, such as defining a more complete workplan to focus more time on oversight of the company's risk and control frameworks (in addition to their traditional financial reporting oversight).

Egytrans addressed the issue of succession planning for key senior management positions. Egytrans adopted formal succession plans and is in the process of implementing the plans, preparing several department heads as potential senior management successors.

One of the major areas of change for Egytrans, and one which has earned them much positive recognition, is the area of transparency and disclosure. Egytrans significantly upgraded its public disclosures, adopting the highest level of international best practices. As a result, the company received much public praise and was granted an honorary award for their efforts in 2008 by the EIOD.

Summary of Key Changes: Egytrans

	KEY CHALLENGES	KEY CHANGES
BOARD EFFECTIVENESS	**Composition:** The Board had seven members, with four non-execs and no independent directors. They also lacked crucial skills for the fast growing company. **Structure:** Company had established an Audit Committee, but it was not very active. **Procedures:** The Board met five times a year as a whole board, but committees did not actively meet. Proceedings were relatively informal with no set workplan.	**Composition:** Changed Board Composition to have a mix of executives, non-executives and two independents. Independents bring much needed skills of marketing and HR to the board. **Structure:** They now have two active committees: Audit & Corporate Governance and Nomination & Compensation Committees. Both have formal charters and active proceedings. The Audit Committee now has a formal annual work plan in place, and has linked its plan with the internal audit workplan. **Procedures:** Board now meets frequently during the year, plus active meetings from committees that report back to the full board. They have a set workplan in place and formal agendas circulated before each meeting.
MANAGEMENT CONTROL	**Internal Audit:** IA function was under resourced and somewhat limited in their scope. It did not report to the board directly. **Risk Management:** Risk was handled as part of a combined unit with corporate governance and parochial in scope. Nor did it focus on key risks across the enterprise.	**Internal Audit:** Enhanced the IA function to increase their scope and capabilities and changed their authority lines to report directly to the Audit Committee. **Risk Management:** Created a separate, dedicated risk management department to more actively monitor all types of business risk – especially transport-specific risk. They created a Chief Risk Officer position and have risk management staff sitting in each department to help increase the risk dialogue across the company.
DISCLOSURE & TRANSPERANCY	**Disclosures:** Disclosures via website and annual report were minimal. They required more insightful information about the company's business performance and governance framework.	**Disclosures:** Made significant improvements in disclosures on its website as well as in their annual report to include ownership information, relationship between directors and major shareholders, composition of Board, details of Board members, details of Committees and their meetings, attendance record of each director at Board meetings, and remuneration of individual directors.
SHAREHOLDER & STAKEHOLDER RELATIONS	**Succession Planning:** The company had not specifically addressed the succession issue of senior management – especially the CEO, which was combined with the Chairman position.	**Succession Planning:** The company has defined succession plans for the CEO, CFO, Chief Commercial & Operations Officer, and Chief Systems Officer; plans are being implemented now with key individuals being prepared as potential successors. **Investor Relations:** Added an Investor Relations function to improve shareholder outreach and dialogue and developed dedicated site on webpage (ir.egytrans.com).

Impact Report: Egytrans

EGYTRANS REPORTED THE FOLLOWING IMPACTS FROM BOTH ITS INITIAL CHANGES IN 2007 AND ITS SUBSEQUENT CHANGES IN 2008.

- **Share Price rose about 29% in the three months after first improvements in 2007 and then another 53% after its subsequent changes in 2008.** The market reacted strongly with a sharp rise in volume and price, reportedly largely attributable to the governance changes disclosed by Egytrans (via website and other) both in 2007 and 2008.

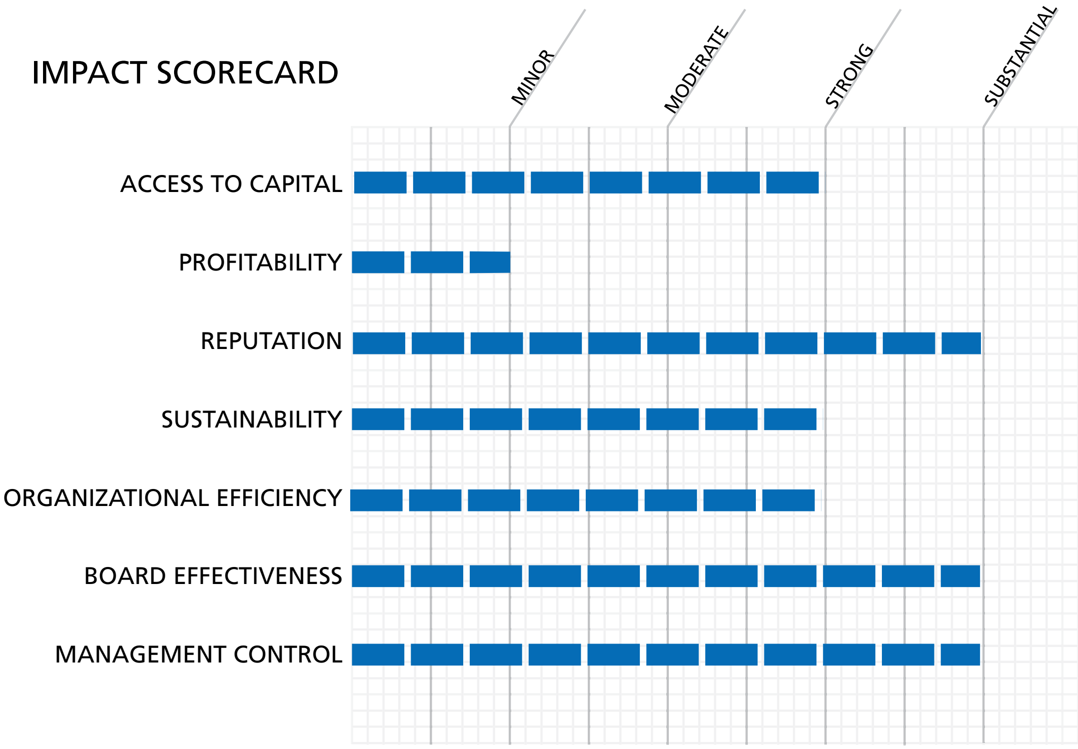
- **Access to capital improved significantly with interest from private investors aiding Egytrans in raising about $20 million to $40 million in equity;** following its initial changes in 2007 and then its subsequent improvements in 2008, Egytrans reported heightened activity from private equity firms; and for its current expansion plans (opening three sister companies).

- **Market reputation has been significantly impacted – Egytrans was awarded the 2009 GTM/EGX Best Corporate Governance Award and the 2008 EIOD Best Disclosures Citation.** Its public disclosures via its website have set the benchmark for companies in Egypt and are often cited as best practice examples at conferences and workshops across the MENA region.

- **Other companies are contacting Egytrans for guidance** on how they can make corporate governance changes in their own companies. They have received numerous calls the past year asking to share their experiences and lessons and received much press coverage.

- **Management efficiency and effectiveness has been impacted significantly** from the Board's improved oversight and stewardship. The new directors have contributed significantly to matters of financial management, HR, and risk; this has also helped transform the company's culture.

- **Shareholder dialogue and confidence has improved substantially,** resulting from the new Investor Relations regime and the improved transparency and disclosure practices of the company.



$ FINANCING ACCESSED (WHERE CG WAS MAJOR FACTOR)) $20m to $40m over the past 18 months (primarily equity).

BUSINESS:	Provides microfinance services to women in Pakistan
SECTOR:	Microfinance
2008 REVENUE (YR GROWTH):	$ 11.9 million (+47%)
# EMPLOYEES: :	1,000
TYPE:	Not-for-profit
#BRANCHES:	152
IFC ASSESSMENT DATE:	July 2008

Kashf

Kashf is one of the leading microfinance institutions in Pakistan. Kashf was set up in 1996 and is now ranked among the top 5% of microfinance institutions worldwide in terms of outreach. From small operations in 2001 with five branches in Lahore, and a client base of 5,088 customers, Kashf has today grown to have a total network of 152 branches with 290,000 active clients. Kashf employs around 1,000 headquarter-based and field staff. Over the years, Kashf has diversified its services to include general and emergency loans, small business loans, home renovation loan products, and credit for life insurance coverage.

In 2008, Kashf family expanded to include an investment vehicle, Kashf Holding Limited (KHL), and a microfinance bank, Kashf Microfinance Bank (KMB). KMB, a subsidiary of KHL, is a for-profit microfinance bank established under relevant microfinance laws and regulated by State Bank of Pakistan.

Of Note: Good Governance Help Crisis Response

In 2008, the global financial crisis coupled with food inflation significantly impacted the growth projections for the microfinance sector in Pakistan. Several microfinance institutions struggled with an increase in non-performing loans and drained sources of commercial financing at the same time. This significantly heightened the credit risk for Kashf's existing portfolio.

Kashf's Board and Management realized it was essential to formulate appropriate counter strategies for the continued financial sustainability of the organization. Taking on the role of a crisis manager, the Board met twice to formulate a new strategy against the liquidity risk and the prospect of sudden increase in its loan defaults. This new policy in part focused on leveraging donor funds to offset the risk of expensive commercial loans. As a result, Kashf was able to raise $1M in grants immediately and, at the same time, negotiate for an additional $7 million of funds for the following year.

Kashf also strengthened its risk management activities by increasing risk training for loan officers and reducing the number of branches under supervision by its Area Managers to concentrate their focus. The PAR for all loans made in 2009 is now below 0.3%. Kashf also made its Internal Audit (IA) function independent, with the Head of IA reporting directly to the Board, and established a compliance function reporting to the CEO. As a result of these crisis response actions, Kashf was able to successfully manage the crisis and address its ongoing liquidity and refinancing needs.

WHY CHANGE?

Kashf puts high value on its governance. By virtue of its not-for-profit status, good corporate governance practices are central to its operations and help it leverage its relations with its customers, donors, and commercial lenders. During the first round of corporate governance reforms in 2007, Kashf established key Board Committees to enhance board's independence and effectiveness. As a testimony to its commitment to good governance practices, Kashf underwent an IFC Corporate Governance Assessment in 2008. The review provided further impetus for and led to a number of key corporate governance reforms at Kashf.

WHAT DID THEY CHANGE?

To enhance board's effectiveness, after the CG Assessment, Kashf added to its board a non-executive member with an accounting background to enhance board's skill mix. Kashf in addition made changes to the committees' structure by establishing a new Nominations Committee, enlarging the scope of Audit Committee, and appointing a non-executive as head of the Audit Committee. Kashf appointed two advisors with necessary skills to the Human Resources and the Program and Finance Committees, respectively.

Kashf took several key measures to strengthen its management control environment. The internal audit function has been further strengthened by ensuring that it reports directly to the Board's Audit Committee. At the management level, Kashf instituted a compliance function that reports directly to the Managing Director/CEO.

Kashf formalized succession planning for key senior management positions. At the highest level, Kashf created a 'leadership pipeline' to identify and designate potential successors to the current Managing Director/CEO and other key executives.

In the area of transparency and disclosure, Kashf has established an inter-party transaction committee to advise on related party transactions among group companies.

Summary of Key Changes: Kashf

	KEY CHALLENGES	KEY CHANGES
BOARD EFFECTIVENESS	**Composition:** Board had twelve members, with ten non-executive and two executive directors. Lacked finance and accounting skills and had no fixed tenures for board members. **Structure:** Company established Audit, Program and Finance, HR, Ethics & Management, and Formalization Committees. The Audit Committee was headed by a non-executive who had close family ties with the President. Most committees needed to improve their capacity. **Procedures:** The Board met on a quarterly basis, but committees did not actively meet. Committee proceedings were relatively informal with no set agendas.	**Composition:** While the board size is the same, a non-executive member who possesses accounting experience now heads the Audit Committee. Formal terms have been set at three years, with a maximum of three terms. **Structure:** Made recommended changes to the committee structure, establishing a new Nominations Committee, enlarging the scope of Audit Committee. Appointed a non-executive as head of the Audit Committee and added two advisors to the Human Resources and the Program and Finance Committees. **Procedures:** The Board now meets five times a year and focused on improving the level and quality of discussions. Committees are meeting one/two days prior to the board meetings and their meetings have become more structured and result-oriented. There are set workplans in place and formal agendas circulated before each meeting.
MANAGEMENT CONTROL	**Internal Audit:** The IA function was instituted, but the Head of IA did not report directly to the Audit Committee of the Board. **Risk Management:** Risk management systems were in place, but the relevant staff had to monitor the high number of branches and regions that compromised the quality of risk management. In addition, political risk was not identified as major risk areas for its operations.	**Internal Audit:** Changed the IA function's authority lines to report directly to the board to ensure its independence against management's interference. The IA function now reports to the Board on a monthly basis. **Risk Management:** Supervision of branches and various regions has been enhanced with a fewer number of branches now being supervised by each manager (Area Manager scope reduced from 10 to 5 and Regional Manager reduced from 70 to 35). There is greater emphasis on political risk due to a smear campaign run by certain political elements against Kashf resulting in strings of defaults. Increased staff training and took actions to improve liquidity risk by targeted analysis of the balance sheet. **Compliance:** Kashf instituted a compliance function that reports directly to the Managing Director/CEO. This provides Kashf with a pre-audit tool with the flexibility to report more frequently on compliance issues within the organization.
DISCLOSURE & TRANSPERANCY	**Disclosures:** Non-financial disclosures, including those relating to its governance, were not optimal. They required more insightful information about the governance framework and other non-financial aspects of its operations.	**Disclosures:** Made significant improvements in making non-financial disclosures in its dealing with donors and other investors. **Related-Party Transactions:** Established an inter-party transaction committee to advise on related party transactions among group companies.
SHAREHOLDER RELATIONS & OTHER	**Succession Planning:** The CEO shared her powers with the President, who in addition was the CEO of KMB. The 'key-person' risk was heightened due to less emphasis on succession planning for the key executive positions.	**Succession Planning:** The company has defined a 'leadership pipeline' with formal succession plans for the CEO and other key executive officers. They have taken actions to help develop their potential successors by giving them explicit, high-profile assignments to manage as a way to develop their leadership skills. They have identified and designated three potential successors to the Managing Director/CEO. Kashf also invested in a 'coaching' program for the new CEO at KMB to further strengthen the Board-Management relationship.

Impact Report: Kashf

KASHF REPORTED THE FOLLOWING IMPACTS ABOUT ONE YEAR AFTER MAKING KEY GOVERNANCE CHANGES TO ITS ORGANIZATION.

- **Board effectiveness increased significantly.** The Board is more visionary now and actively involved in setting strategy and guiding management. It enhanced its oversight capabilities by improving its accounting expertise.

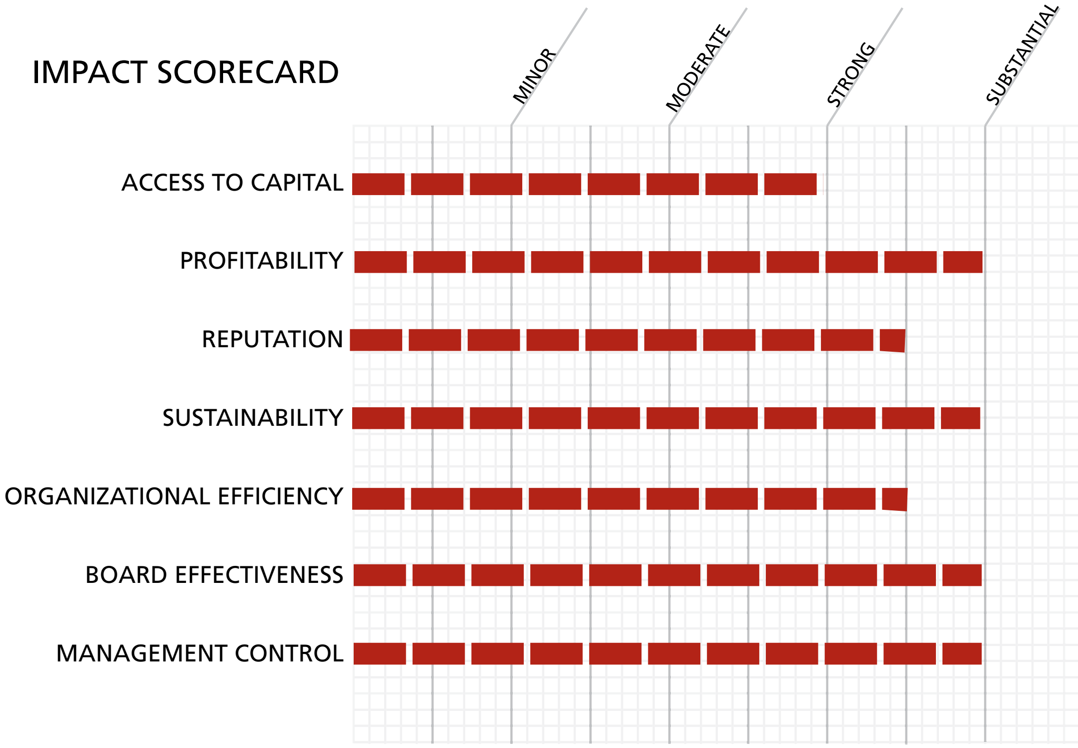
- **Crisis response was strengthened.** The changes in the company improved overall stewardship and leadership by **helping Kashf's board and senior management develop effective crises response strategies** (e.g. led to action to improve balance sheet liquidity) in the wake of the current financial crisis.

- **Access to additional sources of funding improved.** Against the backdrop of credit crunch and commercial lenders increasing risk premium on their loans; the governance changes were a **strong factor in Kashf accessing $25 million in commercial loans and $1 million in grants the past year.** Also helping in negotiations with donors for additional $21 million of grants in the coming year to offset the risk of losing a substantial part of its loan portfolio.

- **Market reputation has been significantly impacted among donors' community.** Kashf is one of the lead recipients of DFID grants in the microfinance sector in Pakistan. Its reputation has also improved internally with staff morale and corporate culture being highly impacted with the changes.

- **Risk management and control has been impacted significantly.** The various risk management and control changes have reportedly strengthened Kashf's capacity to address credit and other types of risk and will help protect them from potential crises in the future. **The PAR for all loans made in 2009 was below 0.3%.**

IMPACT SCORECARD



$ FINANCING ACCESSED (WHERE CG WAS MAJOR FACTOR)) $25m in loans and $1m in grants over the past year (seeking another $21m next three years).

BUSINESS:	Provides microfinance products and services to entrepreneurs (primarily female) in Jordan.
LOCATION:	Jordan
SECTOR:	Financial
2008 REVENUE (YR GROWTH):	$ 5.2 million (+31%)
# EMPLOYEES :	200
TYPE:	PRIVATE
#BRANCHES:	17
IFC ASSESSMENT DATE:	May 2009

Microfund for Women

Microfund for Women (MFW) is a Jordanian microfinance organization, first started as a pilot program by Save the Children in 1994. It has since expanded to become the leading women's microfinance service provider in Jordan, with its overarching goal of empowering female entrepreneurs throughout the country.

MFW has long been recognized as an innovative leader in the Jordanian microfinance sector. It provides different types of micro-loans (average loan size is about $380) to individuals or groups and is now expanding to offer forms of non-financial services (e.g., vocational training) to help its customers develop their trade. Its current portfolio is the largest with about 40,000 active loans, of which 96% are with female customers.

MFW is 60% owned by the Sukhtian family and 40% owned by Save the Children. Mr. Ghiath Sukhtian currently serves as Chairman of the Board, while his daughter, Ms. Muna Sukhtian, serves as Vice-Chairperson and General Manager (GM). It has nearly 17 branches located around Jordan, including several near Palestinian and Iraqi refugee camps to help promote female entrepreneurs in those hardship areas.)

"The changes have helped improve our cost of funds and access to financing. We are able to get much better terms and pricing from the market, which ultimately helps our clients and our long-term operational sustainability."

MUNA SUKHTIAN, DEPUTY CHAIRPERSON AND GM, MFW OWNERSHIP STRUCTURE

WHY CHANGE?

2008 was a transition year for MFW. It went through an expansion from about 13 branches and 120 staff to 15 branches and about 200 staff. As a result, the transition placed significant strain on the organization and its board. In early 2009, the entire Board of Directors resigned in order to reevaluate its own structure and effectiveness during this transition period.

The transition also impacted the management level as the Company endured three different GMs and experienced a downturn in performance (e.g., Portfolio at Risk (PAR) increased from around 2% to 4.7%). These various issues ultimately took a toll on MFW's operational sustainability and profitability. Given these issues, MFW engaged IFC to help reset their path forward.

OWNERSHIP PROFILE

Sukhtian Family: 60 %
Save the Children: 40%

WHAT DID THEY CHANGE?

IFC conducted an assessment for MFW in May 2009. The first priority was reestablishing its board of directors since its previous board had officially resigned. Through a selection committee, MFW appointed three new members with diverse skillsets to join four prior members that were reappointed. It established formal committees for Audit/Risk, HR/Nomination, and Product Development and modified its work procedures to grant more responsibilities to the committees.

Important changes were made at the management level to address its performance issues. It appointed a new GM, COO, and CFO (prior to the study) who made substantial improvements in risk management and control, particularly regarding credit risk at the branch level, thereby reducing its PAR. It also took significant steps to improve its internal audit and financial management functions.

Summary of Key Changes: Microfund for Women

	KEY CHALLENGES	KEY CHANGES
BOARD EFFECTIVENESS	**Composition:** Board had seven members but resigned in Jan 2009, due to ineffectiveness. Required new skills and experiences to improve boardroom discussions and dynamics. **Structure:** No formal committees existed. **Procedures:** Met about 10 times during 2008, but usually in crisis response mode. Lacked structured annual program; discussions often dominated by Chairman. **Roles:** Board was not executing full range of board responsibilities – limited to addressing ad hoc issues and monitoring key financial information; directors required better understanding of their individual terms of reference and expectations.	**Composition:** Reconstituted the board in Spring/Summer 2009, adding three new independent members. The additions bring deeper financial and microfinance expertise to board discussions. Retained gender diversity with 3 of 7 (42%) female directors. **Structure:** Now have three active committees: Audit, HR/Nomination, and Product Development; Independent chairs Audit Committee. Committees meet regularly with a formal work plan and report back to the board frequently. **Procedures:** Board as a group does not need to meet as frequently given new committees. Board has a formal work plan and the Chairman's role as facilitator has been reviewed to help balance discussions. **Roles:** Developed formal board charter highlighting all key board roles that feeds into annual plan; developed director terms of reference to make clear what is expected from each in terms of commitment, participation, and preparation. **Management Relations:** Management reporting to the board has improved and Board members have been encouraged to interact more with management and offer expertise as needed – e.g., new board banking expert has already made substantial contributions on particular banking issues.
MANAGEMENT CONTROL	**Internal Audit:** Had small in-house function that narrowly focused on particular loan functions; required stronger, wider role in the company especially given fast growth and recent performance issues. **Risk Management:** Portfolio at Risk had increased from about 1.5% to above 4% in 2008 due to fast growth and influx of new loan officers; branch processes required strengthening. **Financial Management:** Had weaknesses in its financial reporting processes; books had not been properly closed in several months in 2008 and controls required improvement. **Treasury:** No formally active treasury function existed; funds managed reactively.	**Internal Audit:** Engaged external world-class consultants to augment their in-house internal audit function to expand scope and increase activity; expanded focus to cover both financial management and key operational activities, especially in high-risk branches; co-sourcing arrangement will also help build in-house IA staff capabilities. **Risk Management:** New COO led redesign of credit risk processes and formally documented credit risk procedures; established new Credit Committee and enhanced training to loan officers; revised credit thresholds to add more control over credit decisions. **Financial Management:** Hired new CFO who revamped many financial management processes including the financial close and reporting process; streamlined the chart of accounts and strengthened the controls in key financial processes; upgraded skillsets and job functions of finance staff; hired a Chief Accountant who has improved financial reporting. **Treasury:** Setup more formal treasury operations including better monitoring of foreign-exchange and market risk; more actively manage funds and monitor portfolio risk. **Cost of Funds Control:** Significantly improved their control over cost of funds; improved their internal analysis of funds costing and stepped up their market analysis to find more optimal credit terms.
DISCLOSURE & TRANSPERANCY	**Disclosures:** Disclosures via website and annual report were minimal; they required more insightful information about the company's business.	**Disclosures:** In the process of upgrading its website and company disclosures to better publicize its highly positive socially responsible activities.

Impact Report: Microfund for Women

MFW REPORTED THE FOLLOWING IMPACTS FROM THE CHANGES IT MADE BEFORE AND AFTER THE IFC ASSESSMENT. THIS WAS REPORTED ABOUT NINE MONTHS AFTER INITIAL CHANGES WERE MADE AT THE MANAGEMENT LEVEL AND ABOUT SIX MONTHS AFTER THE MAJOR BOARD CHANGES.

- **Access to capital has improved dramatically, helping access around $20 million in financing this year. MFW has been approached by many lenders** recently who have taken account of the positive changes. The company is now able to achieve better terms as a result.

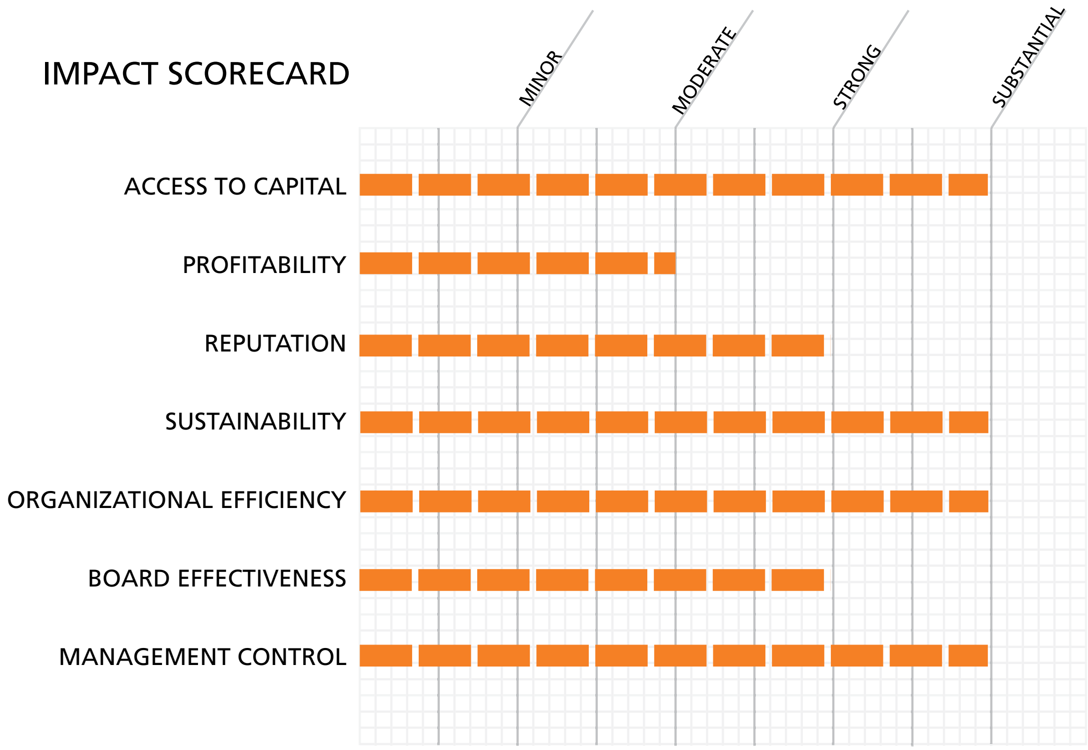
- **MFW's cost of funds has decreased significantly, which has helped profitably. They are able to negotiate better terms with creditors** and have sharpened their oversight and monitoring of costs; they have refinanced much of their debt in favor of better terms.

- **The board functions more effectively and addresses more strategic issues now such as regarding product development.** Time is utilized more efficiently with the new committees and there is more depth of focus especially with product development.

- **Credit and market risk mitigation is much stronger** with better credit monitoring and analysis and improved management of foreign exchange and interest rate risk.

- **Reputation in the market has improved substantially. Creditors and business partners have taken notice of the changes and responded very positively.** MFW is once again considered leading company in the microfinance sector.

- **Efficiency has been improved significantly** with quicker decision-making, more efficient processes, and better follow-up from staff at all levels.



$ FINANCING ACCESSED (WHERE CG WAS MAJOR FACTOR)) $18m to $22m in debt and credit over the past nine months

BUSINESS: Operates private and public schools in 15 countries.
SECTOR: Education
TYPE 100% Family-Owned
 # SCHOOLS: 75
#STUDENTS: 56,000
#EMPLOYEES: 4,500
IFC ASSESSMENT DATE: October 2008

SABIS®

SABIS® is a global education management organization that operates public and private schools around the world. The first school, the International School of Choueifat, was founded in a suburb of Beirut, Lebanon in 1886, and in the mid-1970's, SABIS® started expanding with schools outside Lebanon. It currently has a well-reputed global network consisting of 75 schools in 15 countries with over 56,000 students and 4,500 employees. Its main management centers are located in Lebanon and the US.

SABIS®'s leadership in the education sector is a result of the vision and ambition of the current co-chairpersons, Mrs. Leila Saad and Mr. Ralph Bistany (hence, the name Sa-Bis). The 'family touch' instilled by these two individuals is indeed evident throughout the company and into the classrooms. SABIS® is 100 % owned by the Saad and Bistany families.

"We expect that our governance efforts will allow SABIS® to continue on its impressive growth path by creating the necessary corporate and family structures to support that growth. Building robust governance structures will ensure the long-term sustainability of the company and help guide future generations to continue to contribute to the SABIS® success story."

JOE ACHKAR, BOARD MEMBER OF SABIS®.

WHY CHANGE?

The company identified corporate governance to be a key factor to the company's sustainable growth. Being an organization that evolved from a small, family-run company to a larger, multi-national enterprise, it required more formal internal structures and sounder systems of management. The company had outgrown many of its processes and needed to upgrade its oversight and control. Rapid expansion strains any company and SABIS® realized that its internal structures and processes—some of which remained informal, nascent or untested—were failing to keep up with its evolving business. The company also realized that, with members of the third and fourth generations now involved at the board and management levels, and with members of the fifth generation having recently joined the company, it needed to address succession issues.

WHAT DID THEY CHANGE?

IFC conducted a CG Assessment for SABIS® in October 2007. The IFC review discovered that SABIS® was clearly committed to good corporate governance. They had demonstrated this commitment by implementing initial reforms in this area before the IFC review. For example, they had revised the Board's composition and clarified its role (it used to mix Board, Management, and Family issues). Yet, important corporate governance challenges remained. One of the key challenges for SABIS® over the medium-term was to improve its accountability and decision-making structures. SABIS® developed a chart of authorities and clear reporting and communication lines, thus establishing a proper system of responsibility and accountability across the company. SABIS® also clarified its board responsibilities vis-à-vis Management through a formal charter and matrix of authorities. There was a particular emphasis placed on the Board's role in providing strategic guidance and oversight of Management. This is helping the Board stay out of day-to-day management issues and focus more on stewardship of the company.

SABIS® strengthened its control environment in several ways, such as adopting IFRS accounting standards across the group on a consolidated basis. SABIS® also improved its core financial and key operational systems and upgraded its management reporting capabilities.

Perhaps the more important changes for SABIS® relate to succession planning and family governance. Succession plans are being developed for all senior management positions to help ensure the long-term continuity of the company. The two families also are adopting several family governance mechanisms (e.g., employment policy, share transfer policy, and plans for family council) to help manage the family- business relationship.

Summary of Key Changes: SABIS®

	KEY CHALLENGES	KEY CHANGES
BOARD EFFECTIVENESS	**Composition:** The Board had eight members, all of which were family members and executives. The Board was dominated by the families and had no independent directors. **Structure:** There were no board sub-committees. **Roles:** The Board was covering not only Board topics, but also Management and Family issues all together. **Procedures:** The Board met infrequently – many key decisions, including management decisions, were taken by Co-Chairpersons.	**Composition:** Revised the composition of the Board and the term of office. The Board is now nine, with two non-executives and one other non-family member. The Board to include independent board members while maintaining family members at a minimum 50% of composition. **Structure:** Defined committees to increase board effectiveness and utilization of director time. These include a Finance Committee, a Nominating Committee, and a Management Development Committee. **Roles:** Clarified distinction between Board, Management, and Family duties/issues. They now have separate bodies for each of these areas. Co-Chairpersons relinquished their day-to-day management role and now focus more on strategic issues. **Procedures:** Upgraded the working procedures of the Board. The Board meets on regular basis (quarterly) and utilizes formal agendas which, along with adequate supporting materials, are distributed at least five working days before the meeting.
MANAGEMENT CONTROL	**Management Structure:** Much of the decision-making and issue resolution was concentrated with the Chairpersons; needed better coordination between geographical locations. **Financial Management:** Required more robust and better automated systems and processes to manage its finances. **HR:** Needed a more formal HR function to enable the growth of the business, especially given the resource-intensive nature of schools.	**Management Structure:** The Company strengthened the senior management team by putting in place management teams in the US, Lebanon, and elsewhere, which collaborate with each other frequently. The group management team looks at more macro-level issues, giving needed support to the CEO. **Internal Audit:** Hired an Internal Auditor to conduct objective assessments of high risk processes. **Financial Management:** Now have corporate controllers at the regional level to improve checks and balances and sharpen regional focus of operations. Implemented new core financial system and improved the management reporting capabilities. **HR:** Put a more formal HR function in place. Hired a group HR director to help address more strategic personnel and HR issues affecting the company. Re-vamping the hiring process to make it more controlled and improve the quality of recruitment.
FAMILY GOVERANCE	**Succession Planning and Family Governance:** The Company needed to develop a formal family constitution with key family policies and formal family structures. There was no formal process for succession of Chairperson and CEO in place.	**Succession Planning:** The fourth generation is now overseeing the day-to-day management of the company, allowing the Co-Chairpersons to relinquish control and transition on a gradual basis. A formal succession planning process is being put in place. **Family Governance:** Family Employment policy has been developed. Developing a policy on share ownership including ownership and transfer rights, and a share valuation methodology. Conducted formal training for family members on board and family governance. Established a budget for a family council to start addressing family issues on an ongoing basis.

Impact Report: SABIS®

SABIS® IS STILL IN THE PROCESS OF MAKING GOVERNANCE CHANGES, BUT ALREADY REPORTS THE FOLLOWING IMPACTS ABOUT TWO YEARS AFTER BEGINNING THE IMPROVEMENTS.

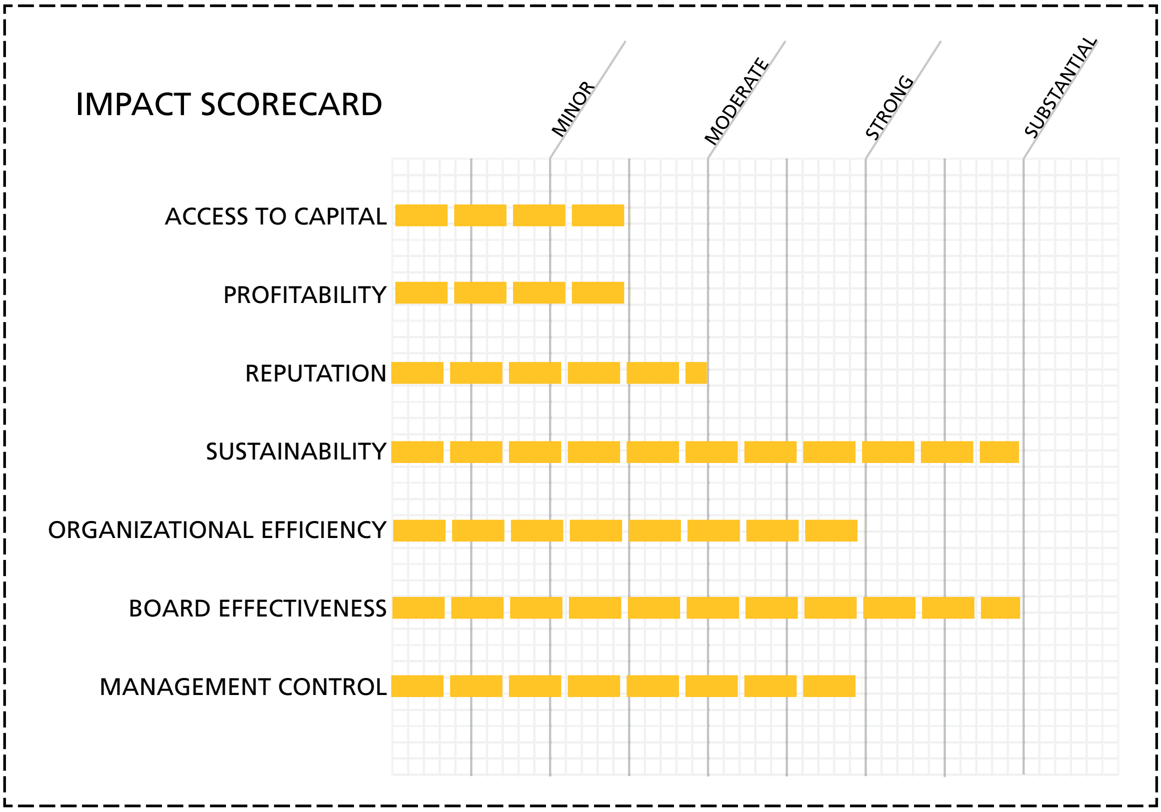
- **Sustainability of the company to operate in future generations has improved dramatically.** The family members are aligned in their approach to the families' involvement in the business and there is agreement on how the next generation should be managed. Mechanisms are in place to objectively govern family involvement in the company and to regulate share ownership.

- **Board stewardship is enhanced significantly.** The board now meets on a regular basis and has fuller, more in-depth deliberations. The board focuses more on strategic issues for the company rather than day-to-day management issues, which has helped make better-informed decisions. Family issues are now handled in a separate forum.

- **Organizational efficiency and effectiveness has been strongly impacted, especially regarding SABIS®' School Management System,** which has helped streamline processes and improve school and operational decision-making.

- **Board and management oversight of risk across the network of schools has improved sharply.** The new systems and processes with better information reporting has helped management oversee its vast network of schools across several countries and better anticipate and respond to potential operational issues.

- **Management control has improved significantly.** The company's financial management is much better coordinated across the schools and relies less on manual processing; the company can produce consolidated IFRS reports in-house and the improved depth of financial analysis has improved decision-making across the management ranks.

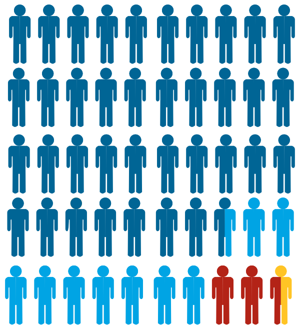


BUSINESS: Owns and operates hotels and a business complex in Pakistan under 'Serena' brand name.
SECTOR: Tourism Services
TYPE Public (Unlisted)
2008 REVENUE (YR GROWTH): $ 21.6 million (+5%)
#EMPLOYEES: 1,370
#HOTELS: 7 (parent has 32 globally)
IFC ASSESSMENT DATE: Aug 2007

Tourism Promotion Services Pakistan

OWNERSHIP PROFILE

AKFED: 75%
IFC: 19%
Norfund: 5%
Pakistan Gov't :1%



Tourism Promotion Services (Pakistan) Limited (TPSP) is a subsidiary of The Aga Khan Fund for Economic Development (AKFED). AKFED is part of the larger Aga Khan Development Network (AKDN), a group of development agencies working in health, education, culture, rural and economic development.

TPSP owns and operates a network of seven hotels and a Business Complex in Pakistan, under the brand name of "Serena".

TPSP is supported by its parent affiliate company, Serena Tourism Promotion Services S.A. (TPS) based in Switzerland. The broad mandate of TPS is to realize tourism's potential in selected areas of the developing world, in an environmentally sensitive manner. TPS also operates Serena hotels in Kenya, Tanzania, Uganda, Zanzibar, Mozambique, Rwanda, Afghanistan, and Tajikistan. It builds, rehabilitates and manages hotels and lodges that contribute to economic growth in an environmentally and culturally sensitive manner.

TPS, through TPSP, has been active in Pakistan for many years. It has a strong local presence and is familiar with the local environment. The Serena Hotels have provided a showcase and a stimulus for local traditions and crafts, as well as accommodation in underserved regional centers.

"The governance changes have had a direct effect our credit lines – our rates are low relative to other companies in the market, stemming partly from our governance improvements."

AZIZ BOOLANI, CEO

WHY CHANGE?

TPSP was growing rapidly and its business becoming more multipart as it moved into commercial property development and leasing. TPSP acknowledged that managing the business required a higher level of skills, an optimal internal organization, and efficient decision-making structures to help address these challenges. The changes were needed not only to optimize their current performance, but to further prepare the organization for continued growth. TPSP is also considering an eventual public offering and therefore needed to be sure its governance practices were in line with market expectations.

WHAT DID THEY CHANGE?

IFC conducted a CG Assessment for TPSP in August 2007 (Nicholas Krasno, consultant, supported IFC). The board of directors at the time included very capable individuals with ample experience in the hotel and construction industries, as well as others with accounting, finance, and legal backgrounds. To build on this, TPSP made changes to its board composition, adding new non-AKFED affiliated directors. It also revised its committee structure to help clarify roles between the board and management. TPSP made several changes at the management control level, including strengthening the independence of its internal and external auditor, enhancing internal controls, and strengthening its human resources function – critical for an expanding tourism sector business. TPSP also made crucial changes regarding its disclosure practices and addressed particular shareholder consent rights issues to help protect and attract minority shareholders. Much of this was done to help prepare the company for an eventual public offering.

Summary of Key Changes: TPSP

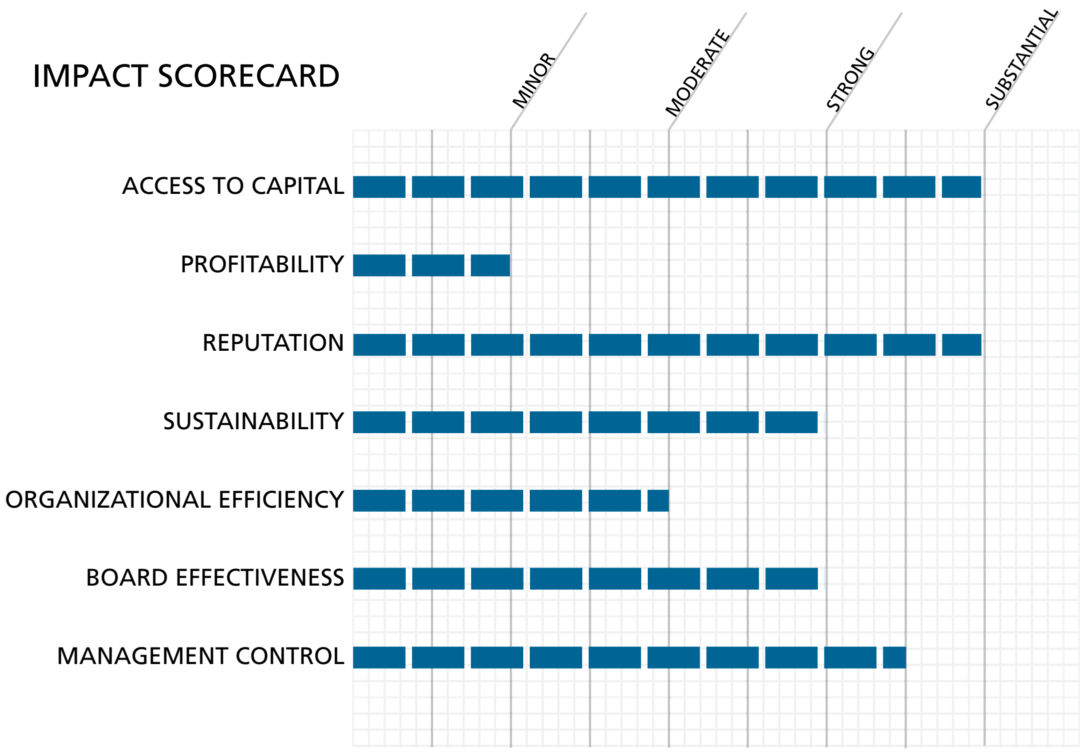
	KEY CHALLENGES	KEY CHANGES
BOARD EFFECTIVENESS	**Composition:** All nine board members were affiliated with another company that is controlled AKFED, the main TPSP shareholder, thus compromising objectivity at times. **Structure:** Board had an Audit & Finance Committee with non-independent individuals. **Roles:** Lack of clarity between board and management roles; many management type tasks were being done by the board. **Procedures:** Required improvements to its agenda preparation and information flow to the board; most management input to the board came through the CEO with little input from other executives.	**Composition:** Changed composition adding two new non-AKFED affiliated directors to the board to ensure representation of new minority investors. This helps ensure that issues are vetted with alternative points of view. **Structure:** A new charter for the Audit and Finance Committee of the Board was developed and the Committee now consists of non-executive directors. **Roles:** Clarified roles of the board by developing an explicit Board Charter and clear lines of authority; shifted some of the management duties from the board. **Procedures:** Improved procedures; board agenda is set by the chairman in advance with input from other members ; ensure briefing material is succinct, insightful, and circulated to members well in advance for review.
MANAGEMENT CONTROL	**Strategic Planning:** Management lacked a documented strategic plan to support financial projections; also lacked adequate board engagement in strategy development. **Internal Audit:** The IA function needed to strengthen is independence by reporting directly to the board. It also needed to expand its scope of effort given the expanding business. **Internal Controls:** There were weaknesses in conformity to established polices in key operational areas and many procedures were outdated. **Human Resource:** The company had no head of HR which was a big risk given the HR challenges associated with the anticipated expansion of the business. **Basis of Accounting:** The company was accounting according to Pakistan GAAP only which hindered attraction of international investors.	**Strategic Planning:** Improved the strategic planning process by developing more robust three-year plans for review and approval by the board. Fully engaged the board with discussions of strategy and alternatives; developed more formal reviews of performance against plan. **Internal Audit:** A new head of Internal Audit was hired to expand its scope and reinforced its independence by ensuring direct access to the board Audit & Finance Committee. **Internal Controls:** Renewed focus on internal control effectiveness including increased effort by Internal Audit to help ensure conformity; and conformity is now also part of employee performance appraisals. **Human Resources:** The company now has a head of HR which is helping strengthen the various HR policies and procedures in the company. **Basis of Accounting:** The company is now reporting against IFRS standards to accommodate potential investors and other market stakeholders.
DISCLOSURE & TRANSPERANCY	**Disclosures:** Company had very limited disclosure of information to outsiders given its concentrated ownership.	**Disclosures:** Made improvements in the public disclosure of financial and non-financial information to help prepare for ultimate public offering.
SHAREHOLDER & STAKEHOLDER RELATIONS	**Conduct Polices:** TPSP has many dealings with other AKFED affiliated companies including the payment of management fees and dividends to other AKFED companies for various services. **Minority Protection:** All resolutions voted by shareholders and board decisions required the consent of AKFED representatives.	**Conduct Policies:** Adopted a Code of Conduct and formal policies and procedures on how to handle dividend payments, related party transactions, and conflicts of interest to help improve transparency in dealings with AKFED affiliates. **Minority Protection:** The company has revised the favorable consent right for AKFED to help attract and protect other minority investors. Minority shareholders are involved and encouraged to take part in all major/critical decisions of the Company. Each shareholder has the right to participate in shareholders' meetings and to raise questions or seek clarifications from the Directors of the Company.

Impact Report: TPSP

TPSP REPORTED THE FOLLOWING IMPACTS SINCE MAKING THE IMPROVEMENTS ABOUT TWO YEARS AGO.

- **Access to credit has been impacted substantially as the company has been offered lower rates** on credit lines resulting from improvements.
- The company reports that corporate governance played a significant factor in **helping them access credit facilities of approximately $20 million to $ 30 million** in 2008.
- **The changes have helped position the company for an eventual IPO** and helped send a signal to the market about their emphasis on good governance.
- **TPSP- Serena Hotels have improved their reputation in the market** and in dealings with customers and other stakeholders; improvements in disclosures have helped communicate many of the company's CSR attributes.
- **Decision-making at the board level has improved significantly;** discussions are much more open and candid; the board considers issues in more depth including more discussion of alternatives and risks.
- **Efficiency and transparency in the organization has improved substantially;** positive changes in various administrative processes such as procurement have streamlined processes, reduced costs and improved overall control.
- **TPSP-Serena Hotels was awarded the ACCA Pakistan's Approved Employer certificate in 2009,** due largely to its strong focus on HR improvements stemming from the governance effort.
- **There is a feeling within the company and with key business partners that sustainability has improved;** changes have added more management structure to the company and positioned it for growth and performance on an ongoing basis.

IMPACT SCORECARD



$ FINANCING ACCESSED (WHERE CG WAS MAJOR FACTOR)) $20m to $30m during 2008.

BUSINESS:	Includes poultry farming, olive oil production, feed manufacturing, land cultivation, and other non-agribusiness manufacturing.
LOCATION:	Egypt
SECTOR:	Agribusiness
TYPE:	Family-Owned Business
2008 PROFIT (YR GROWTH):	$31 million (+80%)
#EMPLOYEES:	3,100
IFC ASSESSMENT DATE:	August 2007

Wadi Holdings

OWNERSHIP PROFILE

Freiji & Nasrallah Families: 80.4%
Institutional Investors: 19.6%

Wadi Holdings Company SAE (Wadi) is a family-owned company comprising 14 subsidiaries, primarily in agribusiness. Its subsidiaries include business lines in poultry farming, olive oil production, feed manufacturing, and land cultivation. Wadi also has two companies that focus on glass container and cooling cell pad manufacturing.

Wadi Holdings was incorporated in 1995, but its roots go back to the 1980s when four partners from Lebanon created Wadi Poultry in Egypt. Wadi Poultry remains the company's leading subsidiary and its products have been awarded several quality awards in Egypt and the Middle East. In 1995, Wadi planted its first olive tree in Egypt. This quickly led to successful rise of Wadi Foods, another prominent subsidiary, which now produces over 100 gourmet (many olive-related) products for export around the globe.

Wadi is still majority owned and managed by members of the Freiji and Nasrallah families. The company now includes three generations of family members, led by the Chairman Musa Freiji. Additional two other family members make up the core senior management team.

'Any investor seeing that we are structuring our business and structuring our family, will have a greater degree of assurance to invest in Wadi.'

RAMZI NASRALLA, VP, FINANCE & ADMINISTRATION, WADI HOLDINGS

WHY CHANGE?

Wadi has a very strong corporate culture, with a high level of staff loyalty and respect. It has long had a commitment to continuously improve itself and seek ways to maximize performance. In this spirit, Wadi recognized the need to address not only its corporate governance but also its family governance framework to keep pace with its fast-expanding holding group. More specifically, Wadi wanted to organize family assemblies to involve all family members in broader business decisions that may affect the family and to initiate an inclusive succession planning process. Furthermore, Wadi wanted to evaluate the effectiveness of its board and professionalize many of their management processes.

WHAT DID THEY CHANGE?

IFC conducted a CG Assessment for Wadi from June to August 2007. Most of the changes were aimed at structuring the family vis-à-vis the business, improving the Boards' structure, and formalizing the management control environment.

Wadi initiated many of the board-level changes, including increasing the frequency of the Board meetings and formalizing proceedings to increase engagement. They also setup a formal Audit Committee with an active annual work plan.
Arguably most importantly, they have made significant progress in regard to family governance. They established a Family Council that has conducted several meetings. One of the key initial outcomes is a Family Employment Policy approved by all family members for the entire holding group. They also designated one of the family members (who also holds a senior management position) to serve as lead corporate governance champion for the company to help push through critical reforms needed.

They have made very good progress in improving many of their control activities. For example, they have taken steps towards structuring their planning and control processes, such as developing more formal business and staffing plans for each of the business lines and systematically monitoring performance.

WADI HOLDINGS

Summary of Key Changes: Wadi Holdings

	KEY CHALLENGES	KEY CHANGES
BOARD EFFECTIVENESS	**Composition:** They had seven Board members with diverse skills, but no independent directors. **Structure:** There were no committees. **Roles:** There was unclear division between Board, especially Chairman, and Management. **Procedures:** Met infrequently – many key decisions taken without a board majority.	**Composition:** The composition is kept the same, but is currently looking to hire an independent director. **Structure:** Established an Audit Committee with an active work plan, including reviewing the financial reporting, risk management, internal control, and internal and external audit procedures. **Roles:** Clarified distinction between Board and Management. Chairman is gradually relinquishing day-to-day management role. **Procedures:** Meets on routine basis and meetings are planned in advance with formal agendas. Quality and frequency of reporting has improved and the formalized procedures have improved engagement and activity of the board.
MANAGEMENT CONTROL	**Key-Person Risk:** The Chairman/CEO made most key decisions on day-to-day basis. **Planning & Monitoring:** They had no formal strategic planning, risk management, performance monitoring processes. **Internal Audit:** There was no Internal Audit function. **External Audit:** The External Auditor was not fully independent (performed some transaction work) and did not have the full confidence of the Board. **Systems:** Required an upgrade of its core financial systems and other key operational systems.	**Key-Person Risk:** Restructured the organizational chart by business units, appointed business unit heads with more authority, started working on group strategy, and empowered leaders within the organization. **Planning & Monitoring:** Began a formal strategic planning process each year with continuous reviews by Board and Management. All business units prepare business plans and staffing/resource plans. Designed process to monitor performance more systematically. **Internal Audit:** Streamlined the internal audit process that is now producing reports for Senior Management and reporting to the Board. **External Audit:** Clarified the roles of external auditors and selected one firm to conduct audit for the entire group. **Financial Management:** Implementing a new core financial system and other modules across group. Setting KPI's for the group and applying a balanced scorecard.
DISCLOSURE & TRANSPERANCY	**Disclosures:** Need to upgrade its disclosures; lacked many basic corporate details about the group on their website.	Disclosures: The Wadi Foods subsidiary has improved their disclosures especially regarding CSR related information; rest of the group is still work-in-progress.
FAMILY GOVERANCE	**Succession Planning and Family Governance:** The company had not specially addressed the succession issue of the Chairman/CEO, leaving significant 'Key-Person Risk' in the family; the family also, needed to consider mechanisms to help govern their expanding family, well into in the third generation of the business.	**Succession Planning:** Have taken action on succession planning for key senior positions. Defined plans for family members involved in the management and directorship of the business, as well as planning succession at various levels within the organization. **Family Assembly & Policies:** Established a Family Council that meets four times a year. Established a Family Assembly that meets once a year. Developed a Family Employment Policy governing the hiring of family members across the whole group.

Impact Report: Wadi Holdings

WADI HOLDINGS REPORTED THE FOLLOWING IMPACTS ABOUT ONE AND HALF YEARS AFTER EMBARKING ON THE CHANGES.

- **Reports that the governance changes significantly helped their profitability in 2008.** Despite economic slowdown last year, group profitability was at a record high for Wadi (80% growth during 2008 and 60% during the first three quarters of 2009), largely aided by the overall improvement in organizational effectiveness stemming from the governance changes.

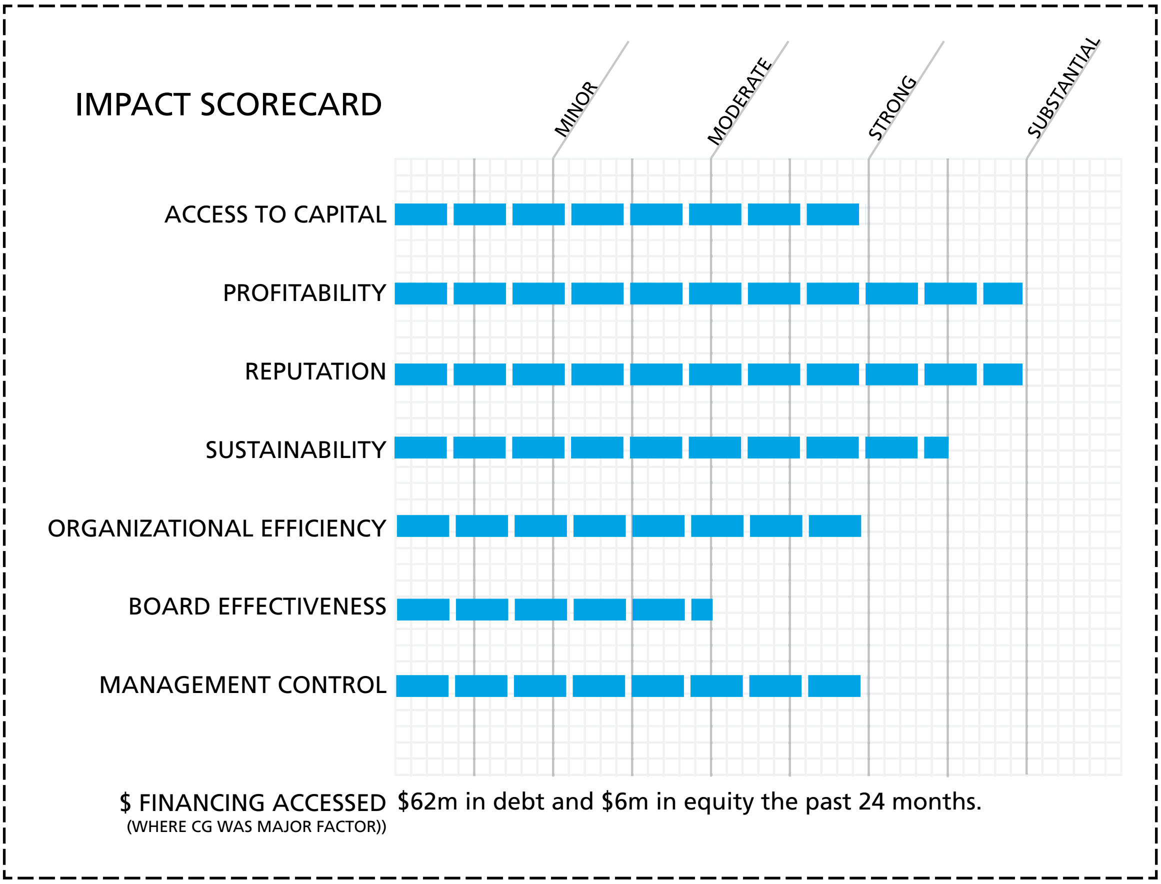
- **Changes have aided their access to financing and credit.** Since the governance changes, Wadi reports that they are able to access bank financing and credit lines much easier with better terms and rates. Wadi estimates that financing of $62 million in debt and $6 million in equity has been supported by their improved corporate governance practices.

- **Significant improvement in the efficiency and functioning of the organization.** They report better control mechanisms across the group, supported by efficient processes and better systems support.

- **Market reputation has been solidified.** Wadi reports that there is more awareness in the market about the activities and performance of the group. This is felt even when family members attend business and social functions, and in the qualifications of candidates applying for employment at Wadi.

- **Better handle on risks and control mechanisms across the subsidiaries.** Wadi can better identify risks and has revised their processes to monitor risk more actively in all units. They have improved their compliance oversight and reporting of non-compliance issues.

- **Sustainability of the group for the next generation of leaders has improved dramatically.** The positive steps taken by Wadi to address key succession and family governance issues will help ensure there is an appropriate balance between the family and the business; the next generation of leaders from the family is being prepared now.



Investor Perspectives

IV. INVESTOR PERSPECTIVE

What about the investor's point of view? How do they view corporate governance and how important is it to their investment process?

A key part of the IFC Corporate Governance Program in MENA is working with private equity firms to incorporate corporate governance principles into their investment cycle. The goal is to equip these firms with the tools and knowledge needed to help their investee companies improve their governance and increase performance. This is an especially important form of outreach for Small and Medium Enterprises (SMEs) in the region – which comprise more than 90% of the total private sector market – since many of these private equity firms target those companies.

We solicited input from three regional private equity firms – Tuninvest, Catalyst Private Equity, and Foursan Group – who collectively have worked with 72 investee companies (of which 15 are from current funds and 57 from prior funds) across MENA. We asked them how corporate governance fits into their investment cycle and for examples of investee companies that have realized the impact of good governance.

HOW DOES CORPORATE GOVERNANCE FIT INTO YOUR INVESTMENT CYCLE?

The investor feedback confirmed that corporate governance is a crucial part of their investment cycle. From initial investment through to exit, corporate governance is a key part of their business model (Figure 8). Following are highlights.

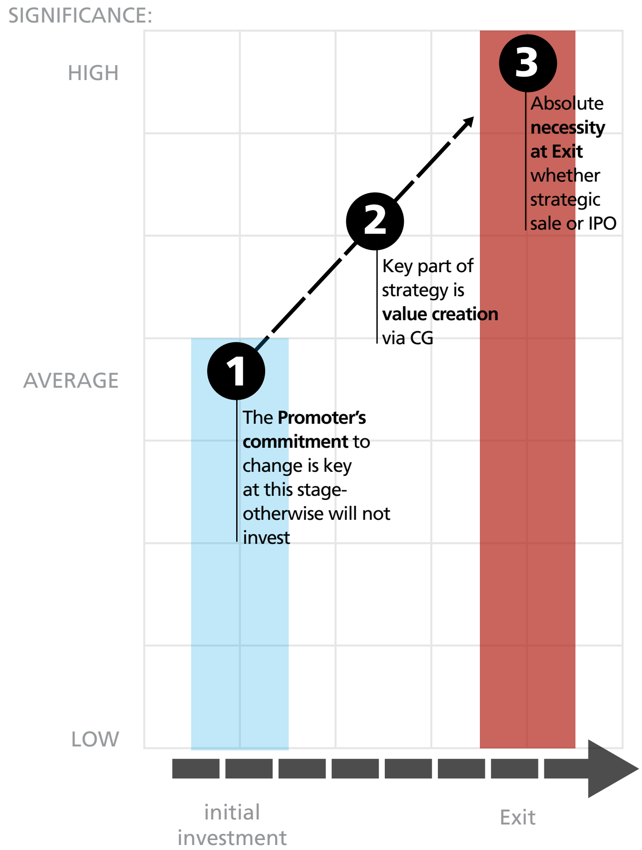
- **During the initial investment, the investors said that corporate governance is important, but most firms they target have average to poor governance practices in place. Therefore, the critical point at this stage is the promoter's commitment to make change.** If they deem that the promoter is not committed to change and, for example, only interested in the investor's money, they will not invest. Commitment is the key to the value creation process and a prerequisite for investment.

- **They emphasized that it is important to work with the company at the onset during the investment to discuss and agree upon major changes needed** and even incorporate the most significant changes into the shareholder agreements. This helps ensure there is clear alignment of interests and expectations.

"CG is a core component of our Value Creation strategy. We generally target early stage SMEs, with the goal of increasing revenue five-fold in two years. About 20% to 30% of that value creation is from improved corporate governance."

ENNIS RIMAWI, CATALEST PRIVATE EQUITY

FIGURE 8: HOW IMPORTANT IS CORPORATE GOVERNANCE IN INVESTEE COMPANIES?



- **They also noted the importance of establishing minority shareholder protection mechanisms upfront**, for example securing consent rights related to management selection and remuneration, auditor selection, investment and divestment decisions, by-law changes, or changes to the capital.

VALUE CREATION THROUGH GOOD GOVERNANCE

- **All firms said that value creation through improved corporate governance is a key part of their business model.** After investment, the investors will immediately begin to work with the investees to strengthen their governance.

- **Value creation comes in many forms, but starts at the board level. Investors cited changes to the board structure and composition**, including the addition of other 'outsiders' to upgrade the skillsets and add different perspectives. They take immediate action to put in place more formal committees and work procedures – starting with a properly functioning audit committee. Many also cited increasing the board's engagement in strategy and financing activities to help develop more comprehensive strategies and ensure capital is being allocated optimally.

- **Value creation also comes at the management level with particular control functions.** Investors commonly cited targeting the finance function, including upgrading the CFO position if necessary. They ensure there is an internal audit function that is independent and active and that a qualified, reputable external auditor is retained. The management team is scrutinized and changed as needed and key processes related to planning and control are often formalized.

- **Information disclosure is another high priority area that is typically addressed straightaway since it is a means of demonstrating firm value to the market.** The investors cited the importance of improving both internal and external reporting, disclosure of governance and management practices, and transparency of risk and performance. This is especially crucial when trying to access finance from banks or other investors.

Tuninvest Helps Turnaround Plastics Company through Good Corporate Governance

Tuninvest took a 30% equity stake in a large plastics company. The company was family-owned and had a family-dominated board and management team. The company required stronger control processes in various functions and there was little transparency of even basic financial information. Yet, the company knew it needed to change and was committed to do so. Through active engagement, Tuninvest helped the company achieve the following:

Key Changes

- Revised board composition by adding new members with more diverse skillsets and perspectives.
- Formalized board procedures to meet more regularly with formal proceedings.
- Setup Finance/Audit Committee with mixed directors, led by an outsider (non-family).
- Encouraged the board to become more active in formulating strategy.
- Hired a new CFO to oversee changes in the finance function and improve accounting and control activities, including introduction of IFRS.
- Improved the management reporting and disclosures of the company.

Impact

- Tuninvest sold their equity recently and reported that **the sale could not have taken place without the changes** in corporate governance.
- **Board stewardship and oversight was improved significantly;** company strategy was better informed and led to a 100% increase in their revenue over five years, due to market diversification strategies (revenue was 100% local; now 50% foreign).
- **Investor and creditor confidence grew** due to better financial management, control, and transparency.
- **They were able to attract additional capital** from a European investor during the process, who committed to stick with the firm over the long-term and add outside expertise to the transformation process.
- Overall, Tuninvest estimates that **the valuation of the company increased by about 50%** over a five year period, due largely to the governance changes made.

Impact Report: Investor Perspective

Overall, investors cited significant impact of improved corporate governance in their investee companies. Investors reported benefits during the term of their equity participation in the form of reduced risk and improved performance, as well as benefits during investment exits in the form of valuation premiums. Some impacts were difficult to quantify or were too early to indicate, but overall the investors provided a wealth of evidence of the positive impact of good governance.

- **Improved valuation.** One investor cited a recent **strategic sale exit which attracted a 40% premium over the market price, due largely to good corporate governance.** The company was an Insurance company that had made significant improvements to its governance structures, including a diverse, well-functioning board, sound management control processes, and strong reporting and transparency practices. The investor noted that the good governance practices were very apparent to the buyer, a western investment firm, and **gave them a very high comfort level with the investee, making the deal go very smoothly.**

  In another example, **the valuation of a Plastics company increased by about 50%** over a five-year period, due largely to the governance changes made at the board and management levels (see text box).

- **Improved performance.** A Technology investee company **improved their profitability by 20% over a two-year period** due to improvements at the board level (separated Chairman/CEO, created Audit Committee, clarified board vs. management roles) and several changes in their management control processes (e.g., made internal audit independent, streamlined procurement, and improved coordination of decision-making). The improvements also **improved creditor confidence and made it more 'financeable'**, according to the investor.

- **Improved access to finance. Governance improvements were a significant factor (attributed at about 80%) in helping an energy company secure capital of $4.5 million.** That same company is now seeking an additional $16 million, where again good governance is reportedly playing a key factor.

- **Improved risk management and cost control.** One investor cited an energy services investee where there was an approximate **30% risk factor in new projects due to poor governance. This was eliminated due to improvements** in their project risk management activities and increased board oversight and control. The improvements also **led to better decision-making and a 20% improvement in process efficiency.**

- **Improved stewardship.** One investee company that produces consumer beverages took great strides to improve board stewardship, especially in the setting of product and market strategy. The beverage company had over expanded into new products and markets. Changes to the board structure, including improved strategy setting and oversight led the company to drop unprofitable products and re-focus on its core, high-value products, taking them to new markets. **The change helped turnaround the company from a net loss of 5% to a net profit of 10% in three years.**

INDICATOR	VALUE
NUMBER OF INVESTEES (PAST & PRESENT FUNDS)	72
% CG IMPROVED PERFORMANCE*	79%
% CG IMPROVED ACCESS TO FINANCE*	63%
$ FINANCING CG HELPED ACCESS**	≈$120M TO $150M

*Many are still in-progress and too soon to tell
** Some could not estimate accurately

Final Word

V. FINAL WORD

The collective evidence reported by these companies leaves little doubt as to the potential impact of good corporate governance in MENA. Nearly every firm reported that corporate governance has had a substantial impact on their ability to access capital. The evidence also clearly demonstrates the significant impact on firm performance in various forms – profitability, reputation, sustainability, efficiency, and effectiveness. At the same time, investors emphasized the transformative properties of corporate governance in managing risk and creating firm value.

Looking forward, there is still much progress to be made. In light of the ongoing recession and particular high-profile crises that have shaken the region, efforts will need to focus across entire market systems. A stronger push for good governance from the various market intermediaries (Figure 9) will help strengthen market forces and encourage action in companies. Ultimately, this will benefit economies on a macro-level, as the individual firm-level improvements will, collectively, fuel private sector growth.

"Transparency and good governance are more and more demanded by investors looking at inward investment opportunities into the MENA Region. Good governance is now a key ingrediant for long-term business performance and a core component of sustainable market growth in the Region."

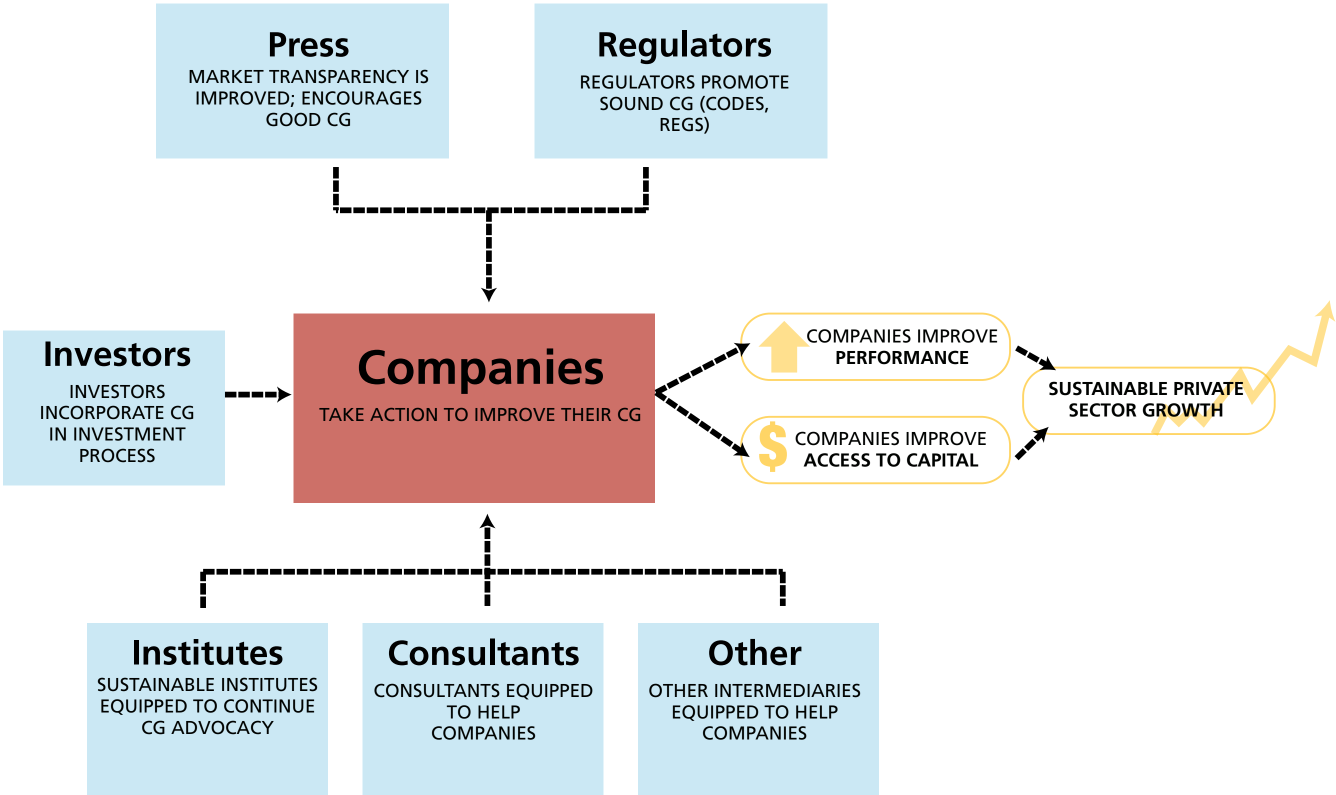
MICHAEL ESSEX, DIRECTOR, MIDDLE EAST & NORTH AFRICA REGION, IFC

PRACTICING WHAT WE PROMOTE

IFC has long recognized the value of good corporate governance. We have taken great strides to firmly integrate it into our investment processes, such that every investment we make includes some form of corporate governance due diligence. IFC Advisory Services works closely with the IFC Investment Officers and Portfolio Managers to help address corporate governance challenges in client companies. It is a core component of our business model and part of the value addition we seek to offer firms.

It is a result of our own positive experiences that we now actively promote corporate governance in MENA and markets across the globe.

FIGURE 9: INSTILLING CORPORATE GOVERNANCE ACROSS MARKET SYSTEMS - ULTIMATELY BENEFITTING MACRO-ECONOMIES



Annex 1: Contributors

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Annex 2: About the IFC Programs

PROGRAM PURPOSE AND OBJECTIVES

The IFC MENA Corporate Governance Program, based in Cairo, aims to advance corporate governance practices across the MENA region. The program has been active since 2005. The goals of the program are to help MENA companies:

- Improve access to affordable financing leading to greater investment, higher growth, and more employment.
- Improve performance through better strategic decision-making and managerial oversight leading to more efficient management and better asset allocation.

The intended developmental impact is to stimulate private sector development, leading to job creation and poverty alleviation.

To achieve these goals, the program has the following primary objectives:

i. Build the business case for corporate governance among banks and companies and help them implement good corporate governance practices;
ii. Assist investors in improving corporate governance practices of investee companies;
iii. Build capacity of key market intermediaries, including regulators, advisors, institutes, educators, and the press, leading to sound market systems;
iv. Help create sustainable corporate governance institutes and institutes of directors.

PROGRAM ACTIVITIES

Capacity Building in Intermediaries

We help build capacity in market intermediaries to support adherence to corporate governance practices across market systems on a sustainable basis. We work with various intermediaries, such as regulators, corporate governance institutes, centers for directors, consultancies, educational institutions and the media. We provide subject matter training to these entities on board practices, shareholder rights, risk management & control, transparency & disclosure practices, and family governance. We advise regulators on development of codes and listing rules related to corporate governance. Through these various activities, we also promote diversity and gender participation.

Company Assessments

A key part of our program is working with individual companies and banks in MENA to assess their corporate governance practices and identify opportunities for improvement. The goal is to demonstrate the impact of good corporate governance to the market by providing actual company experiences (i.e., the basis of this report).

When conducting assessments, we follow our IFC Corporate Governance Methodology (for more go to *www.ifc.org/corporategovernance*). Broadly, our IFC Methodology considers these dimensions:

- **Commitment to Good Corporate Governance:** The demonstration of a clear focus on effective structures and processes for achieving the benefits of good corporate governance.
- **Board Effectiveness:** The existence of a competent, legitimate, well-structured, and effective board, with proper composition, structure, and work procedures.
- **Management Control Environment:** The presence of an environment facilitating the achievement of organizational objectives; management of risk; and the integrity of assets and financial information.
- **Disclosure & Transparency:** The availability of timely, accurate, relevant, complete, and actionable information equally to shareholders and, as appropriate, to other stakeholders, including regulators.
- **Shareholder Practices:** The equal treatment of all shareholders, including protection from abuse from company insiders.
- **Family Governance** (as needed): The existence of appropriate mechanisms to help govern the involvement of the family in the business and address other family matters.

The methodology is tailored for each specific company. The primary outputs of each assessment are a list of recommended changes to improve corporate governance and a plan for implementation.

The corporate governance improvements of the 11 assessment companies featured in this report have reportedly helped these firms access significant financing over the past two years, ranging from $2.5 million in one company to $1.5 billion in another.

4,035 ENTITIES RECEIVED ADVISORY SERVICES THOUGH AWARENESS RAISING EVENTS MODEL DOCUMENTS, ETC.

68 COMPANIES AND BANKS WERE REACHED THROUGH IN DEPTH ADVISORY SERVICES, HELPING TO FACILITATE OVER $2.5 BN OF INVESTMENTS

8,798 PARTICIPANTS FROM OVER 10 COUNTRIES IN THE PROGRAM'S WORKSHOPS, TRAINING EVENTS, SEMINARS, AND CONFERENCES

Four CORPORATE GOVERNANCE INSTITUTES OF DIRECTORS IN EGYPT, PAKISTAN, LEBANON, AND UAE LAUNCHED WITH IFC SUPPORT

128 DIRECTOR TRAINING WORKSHOPS WERE CONDUCTED BY THESE INSTITUTES REACHING 268 INDIVIDUALS FROM 1,100 COMPANIES

19 CORPORATE GOVERNANCE CODES WERE LAUNCHED IN 13 COUNTRIES WITH IFC'S ASSISTNCE

Sixty JOURNALISTS TRAINED IN 4 CORPORATE GOVERNANCE WORKSHOPS FOR FINANCIAL PRESS IN EGYPT, UAE, AND MOROCCO

Eleven NEW TRAINING MODULES DEVELOPED

114 TRAINERS TRAINED IN CORPORATE GOVERNANCE

26 RECOMMENDED LAWS, REGULATIONS, AMENDMENTS OR CODES WERE ENACTED WITH IFC SUPPORT

ABOUT IFC

IFC, a member of the World Bank Group, creates opportunity for people to escape poverty and improve their lives. We foster sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital, and providing advisory and risk mitigation services to businesses and governments. Our new investments totaled $14.5 billion in fiscal 2009, helping channel capital into developing countries during the financial crisis. For more information, visit www.ifc.org.

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