Corporate Governance Success Stories

The experience of 19 MENA companies that have embraced corporate governance – what they changed and the impacts they have reported.

In partnership with the United States, the United Kingdom, Japan, the Islamic Development Bank, Canada, Netherlands, Kuwait, France, Switzerland, Denmark, Yemen, Visa International, and the OPEC Fund for International Development.

IFC International Finance Corporation
WORLD BANK GROUP

About IFC

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. Working with private enterprises in about 100 countries, we use our capital, expertise, and influence to help eliminate extreme poverty and boost shared prosperity. In fiscal year 2014, we provided more than $22 billion in financing to improve lives in developing countries and tackle the most urgent challenges of development.

IFC provides leadership in promoting good corporate governance practices in developing and emerging markets. Good corporate governance helps companies operate more efficiently, mitigate risk and safeguard against mismanagement, and improve access to capital that will fuel company growth. Further, companies become more accountable and transparent to investors, which gives them the tools to respond to stakeholder concerns, including implementation of good environmental and social practices.

Corporate governance also contributes to development. Increased access to capital encourages new investments, boosts economic growth, and provides employment opportunities. Businesses that operate more efficiently tend to allocate and manage resources more sustainably. Better stakeholder relationships help companies address environmental protection, social, and labor issues.

With strong donor support, IFC continues to strengthen corporate governance programs in underserved regions, particularly in Sub-Saharan Africa, Latin America, and the Middle East and North Africa, by closely integrating its investments and advice, and focusing on capacity building of intermediaries, resulting in improved operational efficiency.

Second Edition:
Available in Arabic and English.

International Finance Corporation
2121 Pennsylvania Avenue, NW
Washington DC, 20433 USA
IFC, a member of the World Bank Group

Disclaimer

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 Transactional Risk Solutions Department to highlight Corporate Governance practices across the Middle East and North Africa.

The conclusions and judgments contained in this report should not be attributed to, and do not necessarily represent the views of, IFC or its Board of Directors or the World Bank or its Executive Directors, or the countries they represent. IFC and the World Bank do not guarantee the accuracy of the data in this publication and accept no responsibility for any consequences of their use.

More information on the IFC's Corporate Governance services is available online at ifc.org/corporategovernance
For information about this report, please contact:

Khawar Ansari | Program Manager
IFC Corporate Governance Advisory Services, Middle East and North Africa
kansari@ifc.org

Foreword

Corporate governance remains the bedrock of business sustainability and sound stewardship, serving the long-term interests of investors and societies. How this is manifested in the day-to-day operations and the business culture of companies is the subject of 19 company case studies contained in this latest series of Corporate Governance Success Stories in the Middle East and North Africa (MENA).

This publication presents successful reforms introduced by a diverse set of companies—in size, sector, and organizational structure. Commitment to improved performance, transparency, accountability, and value creation are the common denominator, demonstrating real examples that reinforce the business case for good corporate governance. We observe that changes that clarify the composition, diversity, independence, capacity, role, authority, and evaluation of boards, committees, and individual directors' help improve company performance, profitability, and organizational efficiency, sometimes with immediate impact. Equal benefits are observed through actions that improve risk management practices, internal audit functions, disclosure and transparency standards, succession planning, and shareholder rights.

Some of the key findings from these case studies are the important role that investor perspectives play in driving business transformation, and that improving corporate governance yields positive real returns. For the first time ever, in 2012, developing economies absorbed a greater proportion of global foreign direct investment, with the larger proportion going to countries noted for their good corporate governance. However, given the current situation in MENA and the consequent political and economic uncertainties, the resilience of companies to these challenging and uncertain circumstances is being tested on an almost daily basis.

These case studies reveal, therefore, that governance success requires the concerted and sustained effort of multiple reform champions, including corporate governance institutes, regulators, media, and other market participants along with the private sector. In short, effective response to the challenges and opportunities for improved corporate governance within any given market or company must be a sustained and committed partnership between industry, government, investors and stakeholders in seeking to attract capital that will drive job creation and economic development.

An important aspect of the corporate governance success stories is how the featured companies have taken an incremental approach to finding a path and appropriate solutions, which respond to their particular circumstances in seeking corporate governance improvements most applicable and relevant for their size, industry, market, ownership structure, and corporate strategy. The cases demonstrate how key principles can be translated into visible operational procedures relevant to the company's priorities, but requiring strong internal champions to inspire and lead efforts for business transformation and improvement.

The power of this publication stems from its illustration that efforts to improve corporate governance do not come without challenges, and that good corporate governance practices can be associated with better operational performance. The publication reflects IFC's global experience in improving corporate governance through more effective allocation of resources, lowering the cost of capital, and enhancing firm valuation, which increases access to external financing and enhances prospects for higher growth and greater employment creation—all important conditions for economic prosperity in the MENA region.

These success stories will prove invaluable in helping similar companies in the region, which can also be adapted to other regions and markets.

Philip Armstrong
Senior Advisor, Corporate Governance

Contents

Summary

The purpose of this report is to help demonstrate the business case for good corporate governance in MENA. This report shares the experiences of 19 companies that have made governance improvements over the past few years, summarizing the changes they made, and the impacts they reported. In this edition, four of the companies profiled in the earlier publication have provided updates on their continuing efforts to improve their governance. The publication also features the experiences of eight companies that are profiled for the first time.

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. Taken as a whole, several common themes emerge. These commonalities are summarized here.

Common Themes

I. Board Level Improvements

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

- *Reinforcing board roles and strengthening the board's posture towards management.* Many companies took steps to clarify the relationship 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, such as setting annual work plans, formalizing board papers, and 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 ensure their board composition is structured appropriately and not simply hand-picked by key investors.

II. Management Control and 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.

- *Upgrading the role of internal audit.* Nearly half of the companies lacked an active internal audit function; most that did require 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 overdependence on one or two key people.

- *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. It is a particularly critical issue for companies in fast-growth mode. Many of the companies profiled in this report took significant action to strengthen their human resources (HR) functions.

- *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 disclosure, such as increasing the non-financial information in annual reports and on websites. Several companies took other actions to strengthen shareholder relations, such as improving minority shareholder protection.

- *Governing the family's role in the business.* Five of the companies in this report are family owned. These firms addressed governance issues related to family aspects of the business. Typically, the actions were aimed at putting in place structures and policies to help govern the family's role in the business and to prepare the organization for future generations of leadership.

III. Impacts Reported

- *Increasing access to finance.* 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 ranging from $25 million in one company to $2 billion in another.

- *Substantial impact on reputation.* Most companies experienced a significant positive impact on firm reputation. Respondents noted significant improvements in firm reputation based on feedback from various market actors, including shareholders, investors, customers, business partners, and other stakeholders.

- *Contributing to a better bottom line.* Though difficult to quantify, most companies reported that profitability has been impacted in a positive way. For example, several companies said that actions taken to control costs and avert losses helped their bottom lines.

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

- *Improving crisis response.* The global financial crisis of 2007 followed by the wave of uprising in 2011 throughout the Middle East has significantly affected firms across the region. Key governance changes—particularly relating to risk management and board stewardship—helped improve the crisis response of many companies profiled in this report by controlling costs and managing liquidity.

- *Higher sustainability.* 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 in the area of 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 they probably will 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. For example, one investor noted a 40 percent market premium achieved due to governance changes. The collective evidence shared by companies and investors leaves little doubt as to the potential positive impact of good corporate governance in MENA.

"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
Chief Executive Officer, CIRA

Introduction

The message is clear. 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 MENA. 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 859 board members and 2,892 non board members. Similar results can be witnessed across the region from the Gulf to the Maghreb, the Levant, and Pakistan. For our part, over the past six years IFC Advisory Services and our various partners have helped launch eight director institutes, implemented 23 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).

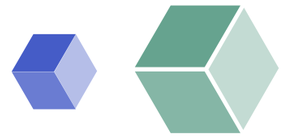
Despite the momentous effort to date, substantial challenges remain. A 2008, pre-crisis, region-wide corporate governance study by IFC and Dubai's Hawkamah Institute of Corporate Governance found that more than half of the companies in the region (56 percent) lacked a thorough understanding of corporate governance and its benefits. In addition, 95 percent of the firms indicated that their governance practices needed some form of improvement (see figure below). 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 2008 financial crisis 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 impact of the financial crisis (2008) and 2011 uprising in the region.

Corporate Governance Survey: Need for Improvement (%)

Incomplete understanding of CG Benefits - 56

CG Practices need improvement - 95



Demonstrating the business case in MENA

In the MENA region, the challenge remains in convincing companies to adopt a culture of change. A large part of the effort involves reinforcing the business case for good governance using local, quantitative, and anecdotal evidence from the region. While numerous studies in other regions clearly demonstrate the effects of good governance, to date there has been little documented evidence to support this in MENA.

This report aggregates the experiences of 19 former IFC Advisory Services clients that have embraced good governance and have reported substantial impacts. It also shares insight into the perspective of investors for a better understanding of investor expectations and the ways in which investors reward well-governed companies by ascribing market premiums.

By demonstrating the very real benefits of corporate governance through the experiences of other local firms, the expectation is that more companies in the region will be inspired to take similar action.

"For us corporate governance is about shining a light through the whole organization. It gives us a clearer picture on how we are performing and where we can improve. At the same, it provides assurances to our key stakeholders."

Roshaneh Zafar
Managing Director/Chief Executive Officer, Kashf

Key Dimensions of IFC Methodology

Commitment to Corporate Governance

Board Functioning

Management Controls (Control Environment)

Disclosure & Transparency

Treatment of Shareholders & Stakeholders

Companies and Approach

This report summarizes the experiences of 19 companies from across the region. Each of the case studies highlights the key corporate governance changes made and the positive impacts that resulted, as reported by the company.

The companies represent various countries, sectors, types, and sizes (see the following table). All of the companies featured are former IFC Advisory Services clients. Some are IFC Investment clients as well. IFC conducted an in-depth corporate governance assessment for each of these companies using IFC's Corporate Governance Methodology (see key dimensions in Figure 2, and more detail in Annex 2). The assessments resulted in specific recommendations on ways to improve each company's governance framework and identified implementation plans.

The assessments were conducted at various points over the past few years. The time taken to implement changes and realize benefits varied. However, all companies reported that 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., Medgulf) to ongoing, longer-term changes (e.g., Bank Audi).

This 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). Selected based on their association with IFC and their willingness to share their insight and experiences, these firms offer a valuable window into the importance of corporate governance from an investor's perspective.

The material in this report is based on feedback gathered through individual interviews with each organization featured, resulting in well-considered responses. The achievements highlighted are all the more notable given that the interviews and information gathering process took place in in late 2009 (first edition) and 2013 (for current edition), when the region was still under the stress of the crisis.

Reporting on Impacts

A key aspect of each company profile is the "Impact Report," to explicitly demonstrate the reported benefits. It is important to note that quantifying impacts related to corporate governance in absolute dollar or percentage terms can be difficult. For example, while many companies reported a significant positive impact on profitability, they were unable to put specific numbers around the reported 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." Each company's results are summarized in the impact report scorecard. 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.

Participating Companies

*Family Owned Business **Unlisted

Company	Sector	Location	Type	#Employees	IFC assessment
ADCB	Financial	UAE	Public	3,000	Oct-07
Ask	Education	Jordan	Private	90	Nov-12
Bank Audi	Financial	Lebanon	Public	5,894	Oct-05
BOP	Financial	Palestine	Public	1, 160	July-09
Butec	Construction	Lebanon	Private*	2,822	Aug-08
CIRA	Education	Egypt	Public	2,200	Jul-08
Capital Bank	Financial	Jordan	Public	411	Dec-12
Credence	Services	Egypt	Private*	1,500	Apr-09
Dana Gas	Energy	UAE	Public	400	Apr-06
EgyTrans	Transport	Egypt	Public	380	Dec-07
JDF	Retail	Jordan	Public	443	May-12
Kashf	Financial	Pakistan	Private	1,000	Jul-08
Medgulf	Insurance	Bahrain	Public	1,600	Oct-12
MFW	Financial	Jordan	Private	200	May-09
NRSP Microfinance Bank	Financial	Pakistan	Private	1,033	Aug-09
SABIS®	Education	Lebanon	Private*	4,500	Oct-07
TPSP	Tourism	Pakistan	Public**	1,370	Aug-07
Wadi Holding	Agribusiness	Egypt	Private*	3,100	Jun-07
YGCE	Contracting & Eng.	Yemen	Private*	50	Aug-10

"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

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.

I. Board Level Improvements

All of the companies profiled reported significant changes at the board level in some form, related to composition, structure, procedures, roles, or other practices. The table below 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.

Summary of Board Composition and Committee Changes

Before | After

	Composition		Committee Structure			
Company	Executive	Non-Executive	Audit	Nomination	Remuneration	Other
ADCB	0 | 3	9 (0) | 8(3)	▼▲	▲	▲	▲
Ask	3 | 3	0(0) | 2(1)	▼▲			
Bank Audi	9 | 5	3 (1) | 5(4)	▲	▲	▲	▲
BOP	1 | 1	10 | 10(8)	▼▲	▲	▲	▼▲
Butec	2 | 2	1(0) | 4(3)	▲	▲		
CIRA	2 | 2	7(0) | 7(3)	▼▲	▲	▲	▲
Capital Bank	4 | 3	7(2) | 2(1)	▼▲	▼▲	▼▲	▼▲
Credence	2 | 1	3(0) | 4(3)	▲	▲	▲	
Dana Gas	1 | 2	15(8) | 16(10)	▼▲		▼▲	▼▲
EgyTrans	3 | 1	4(0) | 8(2)	▼▲	▼▲	▲	▼▲
JDF	1 | 1	8(0) | 8(0)	▼▲	▼▲	▼▲	▼▲
Kashf	2 | 1	10(10) | 11(11)	▼▲	▲		▼▲
Medgulf	1 | 1	2(2) | 4(4)	▲	▲	▲	▲
MFW	1 | 1	6(3) | 6(3)	▲	▲	▲	▲
NRSP Microfinance Bank	1 | 1	6(1) | 6(1)	▼▲	▲		▼▲
SABIS®	8 | 7	0(0) | 2(0)	▲	▲	▲	
TPSP	1 | 1	8(0) | 8(2)	▼▲			▼▲
Wadi Holding	1 | 3	4(0) | 4(0)	▲			
YGCE	4 | 1	1(0) | 4(2)	▲	▲		▲

Enhancing board stewardship through more diverse boards

The majority 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. Microfund for Women (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. Given that 96 percent of its customers are female, MFW placed great emphasis on boardroom diversity with 42 percent of the board seats taken up by female directors. Other examples of change in board composition include NRSP Microfinance Bank and Cairo for Investment and Real Estate (CIRA) adding independent directors and a female board member. Medgulf also added four new directors, bringing the total to nine, of which four are independent directors.

Reinforcing board roles and posture towards management

Several companies took steps to clarify the relationship between board and management, particularly firms in transition from first-generation owner-controlled leadership to second- or third-generation leadership. In such cases, the lines between board and management were blurred. The board, typically the chairman, maintained active decision-making roles at the management level. Butec addressed this issue by setting up a process to transition the chairman from an active operational role. The company set up a formal management executive committee and defined clear terms of reference for the committee and the board. The decision-making authorities were clarified and the board's posture towards management was strengthened. In other companies, the separation between board and management was unclear due to the board structure itself. For example, Tourism Promotion Services Pakistan's (TPSP) board-level executive committee included an inner-circle of directors and executives who made many day-to-day decisions. This often created confusion about the board and management roles. To sharpen the distinction between board and management, TPSP decided to eliminate this board-level executive committee.

Abu Dhabi Commercial Bank (ADCB) faced a similar issue, with several board-level working committees performing certain management-level tasks related to loan recoveries and others. ADCB modified their structure and terms of references to sharpen the board/management distinction. In the case of Bank of Palestine (BOP), the roles of the board and management needed to be clarified. Hence an authority matrix that distinguished the function of the board from that of management was created.

Yemeni Group for Contracting and Engineering (YGCE) formed an executive committee that is responsible for day-to-day, operational issues so the board could focus on strategy and guidance.

Of Note: Gender Diversity : MFW considers gender diversity a business imperative. With a customer base that is 96 percent female, the company notes that increased gender diversity helps them relate better to their customers. In some cases, it enables easier access to the homes of female clients. Studies have demonstrated the positive correlation between gender diversity and firm performance[1]. In the US and Europe, approximately 10 percent to 15 percent of board directors are women,[2] while in the MENA region, percentages are much lower. For example, in the Gulf countries, only 1.5 percent of directors are female[3] and across the region, nearly 90 percent of companies have either one or zero female directors.[4] By comparison, 42 percent of MFW's directors are women. Beyond the boardroom, 70 percent of MFW's workforce is female, including 80 percent of its branch managers. MFW's top three executives—general manager, chief operating officer, and chief financial officer—are all women.

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; 4-IFC/Hawkamah Corporate Governance Survey, March 2008

Maximizing board efficiency and effectiveness with improved procedures

Most of the companies made substantial improvements to their board work procedures. 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 required information be distributed to members at least five days in advance of each meeting. ASK and MFW have reduced the number of board meetings held in the year with discussions in the board meeting focusing more on strategy. Dana Gas increased overall board efficiency and effectiveness by improving the working procedures of its committees. While the full board continues to meet about eight to 10 times each year, meetings are shorter, with a sharper focus on key issues due to improved analysis and reporting from its committees and standardized discussion papers. Capital Bank and YGCE have improved board procedures wherein board meetings are planned in advance and are structured with formal agendas.

Adding depth of analysis through board committees

Most of the companies profiled in this report said that they made changes to their committee structure. 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 was able to reduce the number of meetings while deepening and focusing its discussions. In other cases, committees were designated, but were not actively functioning. For example, both Butec and CIRA had designated audit committees, but they did not meet routinely or function as intended. Therefore, both companies took positive steps to establish new charters, authorities, and working procedures for their audit committees, as well as new committees, which has triggered increased activity and functionality. Meanwhile, the two firms added new independent members to their boards and appointed them to these committees. This has helped ensure committee independence. Of note, for most of the companies, the most typical committees setup were audit, nomination, and remuneration, consistent with international practices. Companies cited board committees as a means to improve time utilization and depth of focus.

Structuring board nomination and evaluation processes

Many of the companies had board directors who were appointed by major shareholders and/or handpicked by the chairman and other members. Several also had long-serving directors, with no set term limits, who had never been subjected to routine performance evaluations. To address the issue and ensure appropriate board composition, most of the companies profiled that faced this situation set up more formal nomination, appointment, and evaluation procedures. Companies also took initiative to set term limits for their directors.

For example, NRSP Microfinance Bank set three-year limits for board members with possibility of reelection, BOP set a four-year limit with possibility of reelection, and TPSP introduced three-year term limits to a maximum of 10 years total service on the board. TPSP also adopted an annual evaluation process to asses group and individual director performance to identify areas for improvement. This information feeds into the annual nomination and appointment process, which is overseen by a nomination committee.

II. Management Control (Control Environment) and Other Improvements

Management control is a crucial aspect of corporate governance. It covers a wide range of operational functions, including risk management, internal control, internal audit, external audit, compliance, information technology, HR, and financial management. Companies took a variety of steps to improve control across these functions, as well as in other areas, such as disclosure and transparency, shareholder relations, and family governance. The common improvement themes that emerged in these areas are summarized in the table below.

Key Management Control and Other Improvement Areas

	Management Control Improvement Areas							
Company	Risk Management	Internal Audit	External Audit	Internal Control	Compliance	IT	HR	FM
ADCB	▲			▲	▲		▲	
Ask	▲	▲	▲					
Bank Audi	▲	▲	▲	▲	▲	▲		▲
BOP	▲	▲	▲	▲	▲		▲	
Butec	▲	▲		▲	▲		▲	▲
CIRA	▲	▲	▲	▲	▲		▲	▲
Capital Bank	▲	▲		▲				▲
Credence	▲	▲	▲	▲			▲	▲
Dana Gas	▲	▲		▲		▲	▲	▲
EgyTrans	▲	▲						
JDF	▲							
Kashf	▲	▲		▲		▲		
Medgulf	▲	▲		▲			▲	
MFW	▲	▲		▲			▲	▲
NRSP Microfinance Bank	▲	▲		▲			▲	
SABIS®		▲		▲	▲		▲	▲
TPSP		▲		▲	▲		▲	▼
Wadi Holding		▲				▲	▲	▲
YGCE	▲	▲	▲	▲			▲	▲

	Other Improvements		
Company	Disclosure	Shareholder Relations	Family Governance
ADCB	▲	▲	
Ask	▲		
Bank Audi	▲	▲	
BOP	▲	▲	
Butec	▲		
CIRA	▲		▲
Capital Bank	▲		
Credence			▲
Dana Gas	▲	▲	
EgyTrans	▲		
JDF	▲		
Kashf	▲		
Medgulf	▲	▲	
MFW	▲		
NRSP Microfinance Bank	▲	▲	
SABIS®	▲	▲	
TPSP	▲	▲	
Wadi Holding	▲		▲
YGCE	▲		▲

Strengthening enterprise risk management and improving risk dialogue

Risk management is important for all organizations. Better risk management proved particularly important for this group of companies. All of the assessed companies 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 took a wide view, looking at how best to integrate their risk management, internal control, and internal audit frameworks to ensure that they worked together and were able to inform the right discussions in the organization. For example, Egytrans created a position for a chief risk officer and designated risk champions in each department to improve risk identification, particularly in their transport business activities, and to increase risk dialogue at all levels of the company. BOP also appointed a chief risk officer and risk appetite is clearly defined. For Bank Audi, which already had in place sound risk management practices, the effort focused on strengthening its existing framework. The bank set up a management-level risk committee, which has helped to aggregate risk management at the top of the bank's organizational structure and improve enterprise-level monitoring. As a result of the crisis, Kashf sharpened its focus on liquidity risk management in particular, taking steps to secure alternative funding sources and strengthen the balance sheet. Medgulf created a risk management department at the group level. Capital Bank also installed a risk management department with direct reporting to the general manager.

Upgrading the role of internal audit

Nearly half of the companies profiled lacked an active internal audit function. Of the companies reporting the existence of an internal audit function, most said they needed further improvements. In general, companies made two major changes. The first was to expand the role of the internal audit function beyond financial control and into operational areas. The second change was to ensure that the internal audit function reports directly to the board and not to the chief financial officer (CFO) or chief executive officer (CEO), as was the case at many companies. Butec setup a new internal audit function to focus on all types of activities—including risks associated with the company's construction projects—and provide consolidated risk reporting directly to the audit committee. MFW engaged a top outside audit firm to partner with its in-house unit. The goal was to strengthen the company's focus on financial and portfolio risks while developing in-house capabilities. Now, MFW's audit committee approves the annual internal audit plan, which is informed by a formal operations risk assessment to ensure proper focus on the highest risk branches, product types, and processes. Several other companies, including Egytrans, Bank Audi, and CIRA, strengthened the independence of their internal audit functions by granting them unfettered reporting access to the board. Credence and NRSP Microfinance Bank developed an internal audit function that reports directly to the audit committee. YGCE invested in hiring a manager who looks after internal audit and reports to the audit committee. ASK hired external consultants to structure its in-house audit function.

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 rapidly needed to upgrade their internal processes and controls, including the level of automation, while other companies placed too much reliance on their external auditor for account consolidation and financial statement preparation. 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 United States (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 the finance function and other operational areas, which enhanced monitoring of key performance indicators and helped implement a balanced scorecard framework. Bank Audi created a group CFO function, centralizing all finance, accounting, strategic planning, and investor relations activities under one umbrella to improve coordination. Medgulf restructured its group financial management function and hired departmental finance heads who report to the CEO. YGCE also hired qualified people and upgraded the financial reporting function. CIRA hired a CFO and has made changes to strengthen the finance function. Credence restructured its group financial management function and departmental heads were hired who report directly to the CEO. Several companies that operate in several geographic markets, including SABIS®, Dana Gas, and TPSP, took the important step of adopting International Financial Reporting Standards (IFRS).

"Corporate Governance was always a very important part of Egytrans, but now corporate governance 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

Addressing succession and key person risk

Management succession was an issue for all companies, but was particularly acute for fast-growing companies that were transitioning from one generation of leadership to the next. This often resulted in "key-person" risk, a situation in which a company is overly reliant on one or two key individuals, who essentially run the organization. Many companies took steps to address this risk by developing formal succession plans for key executives to prepare for the next generation of leadership. For example, CIRA created a formal management executive committee and assigned the deputy CEO (the likely successor) as committee chair. By doing so, the company has helped mitigate key-person risk, prepare the deputy CEO for his eventual accession into the CEO role, and accustom other executives to this deputy's leadership style. Kashf has identified a leadership pipeline, with formal succession plans for the CEO and other key executive officers. The company delegates the management of certain high-profile assignments to its future potential leaders as a way to develop their leadership skills. NRSP addressed the critical issue of dual role played by the CEO of the NGO and the NRSP Microfinance Bank by appointing a separate CEO for NRSP Microfinance Bank.

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. The issue is particularly acute for companies in fast-growth mode, with rapidly expanding work forces. Many of the companies profiled in this report have taken significant actions to strengthen their HR functions. For example, ADCB took steps to attract talented banking sector personnel, as it, looks toward expansion into new markets. Meanwhile, by addressing specific HR issues, CIRA improved staff retention and employee morale. Other companies took action as well: Credence and NRSP Microfinance Bank hired HR managers and developed terms of reference for key positions, BOP put in place 360 degree feedback from employees, and Medgulf developed a group-level HR manual. SABIS®, which was facing growing personnel needs as its network of schools expanded, strengthened its HR function by hiring a group HR director who works towards improving HR and recruitment policies and processes. Of note, SABIS's HR operation now functions as more of a strategic partner to senior management and the board, helping to think through and formulate HR strategies that will support the company's overall business plans.

Improving analytics and reporting

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 a 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.

Improving transparency and shareholder relations

Many of the companies featured in this report focused on improving disclosure. 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, CIRA and ADCB disclose financial and non-financial information on their website and in the annual report. Capital Bank has also placed significant importance on disclosing non-financial information. NRSP Microfinance Bank has put in place a disclosure policy specifically outlining what will be disclosed through public documents and the internet. MFW and BOP place significant importance on social responsibility and disclose their activities on their website. 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 vastly improved their disclosure in the past few years. Now, they are showcased as best practice examples. Several other companies in this report have taken similar steps to improve their transparency, which has the added benefit of helping to communicate positive changes to the market and providing much needed assurance. Beyond disclosure, several companies took additional steps to improve shareholder relations, such as NRSP Microfinance Bank and BOP. They established new policies to protect shareholder rights. ADCB also improved minority shareholder protection by removing the share ownership requirement to serve as a director. 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.

Governing the family's role in the business

Four of the companies profiled here had particular family governance issues that were addressed. Typically, the actions centered on establishing 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. The owners also addressed family succession planning, allowing the co-chairpersons to relinquish much of their day-to-day operational activities and focus on more strategic issues. Wadi made marked progress as well, establishing a family council that has conducted several meetings. An important early outcome from these meetings was a family employment policy for the entire holding group that all family members approved. Wadi's owners also designated one family member to serve as lead corporate governance champion for the entire group. Credence hired a consultant who helped address the unique governance needs of a family-owned company by putting in place governance policies for the family.

Aggregate Impact Scorecard

No Impact	--
Moderate Impact	▲
Strong Impact	▲▲
Substantial Impact	▲▲▲

Company	Access to Capital	Profitability	Reputation	Sustainability	Organizational Efficiency	Board Effectiveness	Management Control Effectiveness
ADCB	▲▲▲	▲▲	▲▲▲	▲▲	▲▲▲	▲▲▲	▲▲▲
Ask	▲▲	▲▲	▲▲	▲▲▲	▲▲▲	▲▲▲	▲▲▲
Bank Audi	▲▲	▲▲	▲▲	▲▲▲	▲▲	▲▲	▲▲
BOP	▲▲	▲▲	▲▲▲	▲▲▲	▲▲	▲▲	▲▲
Butec	▲▲▲	▲	▲▲	▲▲	▲	▲▲▲	▲▲▲
CIRA	▲▲▲	▲▲▲	▲▲▲	▲▲▲	▲▲▲	▲▲▲	▲▲▲
Capital Bank	▲▲▲	▲▲▲	▲▲	▲▲▲	▲▲	▲▲	▲▲▲
Credence	▲▲▲	▲▲	▲▲▲	▲▲▲	▲▲▲	▲▲	▲▲▲
Dana Gas	▲▲▲	--	▲▲▲	▲▲▲	▲▲	▲▲	▲▲▲
EgyTrans	▲▲	--	▲▲▲	▲▲	▲▲	▲▲▲	▲▲▲
JDF	▲	▲	▲▲▲	▲▲▲	▲▲	▲▲	▲▲▲
Kashf	▲▲	▲▲▲	▲▲▲	▲▲▲	▲▲	▲▲▲	▲▲▲
Medgulf	▲▲	▲	▲▲▲	▲▲	▲▲	▲▲	▲▲
MFW	▲▲▲	▲▲	▲▲▲	▲▲▲	▲▲▲	▲▲▲	▲▲▲
NRSP Microfinance Bank	▲▲	▲▲▲	▲▲	▲▲▲	▲▲▲	▲▲▲	▲▲
SABIS®	▲▲▲	--	▲▲▲	▲▲	▲	▲▲▲	▲▲
TPSP	▲▲▲	--	▲▲▲	▲▲	▲	▲▲	▲▲▲
Wadi Holding	▲▲	▲▲▲	▲▲▲	▲▲	▲▲	▲	▲▲
YGCE	--	--	▲	▲▲	▲▲▲	▲▲▲	▲

Approximate financing accessed ($)*

*Estimate of $ in financing accessed in which corporate governance was a significant factor from 2008 to 2013

ADCB	More than $ 2 billion		
Butec	$ 30-35 million	MFW	$ 25 million
Dana Gas	$ 1.5 billion in debt	NRSP	4 times of Equity
EgyTrans	$ 20-40 million	TPSP	$ 20-30 million
Kashf	$ 26 million	Wadi Holding	68 million

III. Impacts Reported

Companies reported a number of positive impacts as a result of improved corporate governance. The following are the common themes that emerged from the impacts reported by companies; The Table provides the aggregate impact scorecard, summarizing the impacts as reported by each company.

"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 $1.5 billion] the past two years."

Dr. Mohammed Nour El Tahir
General Counsel, Dana Gas

Nearly all companies rated the corporate governance impact on their ability to access finance as strong or substantial. They cited that governance changes instilled market confidence and provided added assurance to investors, creditors, or other debtors. In fact, for two companies—Butec and CIRA—the changes sent such a strong signal to the market, that they had to turn away interested investors. Others, including MFW and Kashf, cited that the improvements enabled them to reduce their cost of capital by refinancing existing debt with better terms and rates. Many of the companies said that corporate governance played a significant factor in the amount of financing accessed in recent periods. CIRA, for example, has obtained approximately $8 million in financing, which has helped fuel the expansion of new schools. The company is considering private equity placements as well. It reported an approximate two-fold increase in a valuation estimate received by one prospective investor, which CIRA attributes to governance improvements. Dana Gas said that by demonstrating sound governance to their investors, the company was able to raise about $1.5 billion in financing. ACCB noted that corporate governance has played a role in its ability to raise approximately $1 billion to $2 billion in debt financing (2009). Since, much of this funding was US-sourced debt, it required a high level of diligence in the company's corporate governance practices.

The impact on firm reputation was reported as strong or substantial in almost all companies. 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 received substantial publicity and brand recognition in 2008, following their governance upgrades. The company won citations for best disclosure practices in Egypt, and was acknowledged as a corporate governance champion. Other companies have contacted them, seeking to learn from their efforts. Egytrans also reported a remarkable 53 percent increase in 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. Credence has received several awards due to the changes made, significantly improving its market reputation. *Several companies noted the internal reputational impact resulting from improved governance.* Both CIRA and Kashf said that the actions taken to strengthen their organizations have profoundly influenced employee morale and culture, reinforcing staff confidence in the company's future. BOP reported that its customers call it their "favorite" bank. Pakistan's central bank has taken note of NRSP Microfinance Banks's successful efforts to improve governance, and this has reverberated throughout the market. ASK reports improved relationship with its clients, business partners, and employees due to more structured operational framework.

Though difficult to quantify, most companies reported positive impacts on profitability. However, they cited challenges in linking corporate governance directly to profitability. Specifying precise dollar amounts or percentage proves difficult and there are many extenuating factors can affect firm profitability (e.g., the financial crisis had severely affected all companies, even those with good governance practices). Nevertheless, companies were still able to acknowledge a clear connection. NRSP Microfinance Bank reported that the corporate governance changes had improved efficiency, thus, contributing to its profits in its first full year of operations. Prior to economic slowdown in 2009, Wadi recorded strong increases in profitability: 80 percent growth for 2008 and 60 percent for the first three quarters of 2009. The company attributed these impressive numbers in part to the overall improvements in organizational effectiveness. MFW credited significant improvements in managing market risk and cost of funds as strengthening the bottom line. Dana Gas said that transparency and control improvements helped avoid unnecessary losses. Similarly, Kashf noted that improved liquidity risk management, especially during the crisis, helped avert potential losses and bolster profitability. BOP reported that governance improvements significantly improved the bank's profitability and sustainability. Despite the instability of the Egyptian market in 2011, Credence reported increased profits. This is due to the changes made to the board structure resulting in increased effectiveness of the board.

A majority of companies reported that governance changes had a strong or substantial impact on organizational efficiency. Primarily, companies attributed efficiency gains to management control improvements, such as establishing more formal processes and controls, clarifying roles and authorities, and improving the level of automation. They also noted that efficiency gains manifested themselves in different forms. For example, Butec said that the various process changes in the organization have led to reduced re-work, higher productivity, and decreased backlog. Dana Gas' process changes have enabled an efficient and well-structured organization with formal processes, clear lines of authority, and effective decision making. Many companies also noted that board-level procedural changes enabled better board and committee decision making, further contributing to improved organizational efficiency. During 2008-2009 the region continued to face the fall-out from the financial crisis. The global recession and the subsequent credit squeeze had profoundly affected all types of firms.

Key corporate governance changes helped several companies improve crisis responses. Changes, particularly relating to risk management and board stewardship, helped improve the crisis response of many companies profiled in this report, most notably the financial firms, which faced severe portfolio risk. For example, in 2008, as Kashf's microfinance borrowers were stricken by the dual blows of the financial crisis and inflationary food prices, nonperforming loans skyrocketed while commercial lending dried up. However, due to newly established crisis response strategies and strengthened risk management practices stemming from improved board leadership, Kashf successfully minimized the impact on its loan portfolio. Bank Audi posted strong results in 2008, citing governance enhancements as a crucial part of its crisis management. ADCB has incorporated corporate governance principles more firmly into its own credit review processes 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 especially challenging for family-owned enterprises like CIRA, Butec, Wadi, and SABIS® that were transitioning from one generation of leadership to the next; or for other companies that were quickly expanding in size and complexity, like Dana Gas and 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. CIRA cited the various improvements taken to add more structure to its operations and explicitly address succession issues as having a substantial impact on sustainability. In fact, one of the firm's investors cited CIRA's efforts to address sustainability as a key factor in the 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.

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 investment and pricing decisions. The firm says that it is simply one of those things that any good company should have in place. Foursan noted that family-owned companies, in particular, are reluctant to set up proper boards because they do not want to relinquish control. Nor are they inclined to become more transparent, even with potential investors. In fact, Foursan noted that most companies do not sufficiently appreciate the competitive advantage and value creation that governance can offer.

Exit attracts 40 percent premium: Foursan citied that when it exited an investment in MENA, it attracted a 40 percent premium over the market price, due in large part to good corporate governance. The company was an insurance company that 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 apparent to the investor, a North American investment firm, resulting in a high comfort level with the investee, a smooth deal closure process and a substantial market premium (approximately 40 percent).

Company Profiles

Abu Dhabi Commercial Bank

"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 and Board Secretary, ADCB

"Corporate governance is a mindset before being anything else. It's about doing the right thing because you want to, not because you have to."

Rami Raslan
Senior Corporate Secretary, ADCB

Business	:	Commercial banking, investment banking, asset management and Islamic banking
Location	:	United Arab Emirates
Sector	:	Financial
Type	:	Publicly Traded (Abu Dhabi)
2012 Net Profit (1 Year Growth)	:	$ 1.4 billion (+11.2%)
# Branches	:	52
# Employees	:	3000+
IFC assessment	:	October 2007

UAE | Financial Sector

Abu Dhabi Commercial Bank (ADCB) is a financial institution operating in the United Arab Emirates (UAE), Jersey, and India. It is majority-controlled by the Abu Dhabi government and publicly traded on the Abu Dhabi Stock Exchange. ADCB was established in 1985, following the merger of Emirates Commercial Bank, Khaleej Commercial Bank, and Federal Commercial Bank.

ADCB is the third largest bank in the UAE in terms of total assets. At the 2012 Banker Middle East Awards, ADCB received several honors, namely: the Best Bank in UAE, the Best Transaction Bank, and the Best Corporate Bank. The bank's areas of strategic focus have included expanding business in its consumer and wholesale client franchising, 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.

Why Change?

ADCB first embraced the importance of corporate governance several years ago. 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 and profitability. The bank reorganized its board and management structure and revised the board's operational and financial profile. ADCB also took significant steps to improve transparency.

To keep up with the increasingly globalized and competitive international landscape and to implement the financial requirements of the rapidly developing UAE market, 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.

ADCB Ownership Structure (%)

Abu Dhabi Investment Council	58.1
Other National Investors	34.9
Foreign Investors	3.5
Government of Abu Dhabi	3.5

Why did they Change?

The original IFC corporate governance assessment for ADCB took place in October 2007. 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 board and management roles and to revise board composition. The bank also made changes at the management level to improve the coordination of risk management. Board and management committees were restructured as well. ADCB also made changes to particular shareholder policies and improved their disclosures to put it on par with the highest international standards.

Since the initial assessment and implementation of changes, the bank has continued to make changes in governance structure, while bringing in corporate governance policies and procedures to its Islamic banking group in India. ADCB has continued to make enhancements in its board functioning and board committees. Today, the board includes independent directors with required skill-set and committees are formed with sufficient independent director representation. Other recent governance efforts have improved the functioning of the HR department. As part of training, it has initiated corporate governance e-learning courses for all its employees.

Summary of Key Changes: Abu Dhabi Commercial Bank

Board Effectiveness

Key Challenges

Composition: The nine-member board had no independent directors, and included six directors who were Abu Dhabi government officials. Board skills in risk management and information technology (IT) function needed strengthening.

Roles: The lines between board and management were blurred in some areas due to existence of an executive committee that included representatives from both.

Structure: Had several working committees, though some were performing management type tasks (e.g., loan collections and recoveries).

Procedure: Board discussions tend to include areas of day-to-day management issues.

Terms and Appointments: Unclear terms of directors and appointments were made by shareholders directly without a formal board nomination and selection process.

Key Changes

Composition: ADCB adopted a target of one-third independent directors. Newly appointed directors come with international banking and risk management expertise. The bank appointed a board advisor who also has international 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: ADCB adopted a revised committee structure including audit, risk, nomination/remuneration and human resources, and corporate governance. The bank developed clear terms of reference for each committee, detailed composition to ensure sufficient independent representation, and clarified roles so that committees were no longer handling management tasks. Committee charters are reviewed each year.

Procedure: With the help of the board secretary, the board now follows a formal schedule and a structured agenda for meetings. Discussions are focused on key business issues.

Terms and Appointments: The bank established three-year terms for directors with the possibility of re-election by shareholders and one-third of the board seeks re-election on an annual basis. Established a formal process for identifying and nominating appropriate directors for approval by the Annual General Meeting (AGM), led by the nominations committee. The bank also Introduced a formal induction program for new board members.

Evaluation and Training: A standardized internal and external evaluation process is now in place to assess board performance. Established new training programs and seminars on various topics, board members have a variety of learning options to enhance their knowledge.

Management Control

Executive Committee: An executive committee made up of board directors and senior executives created some confusion and undermined management authority.

Risk Management: Risk management needed to be better coordinated centrally to improve information flow.

Human Resources: With high turnover, a shortfall of key skill sets and an expanding business, ADCB faced significant HR risks.

Compliance: The profile of the compliance function needed to be elevated in the organization and its scope expanded.

Executive Committee: Committee composition was altered and roles were clarified. As the top management committee, it now only includes executive directors.

Risk Management: Established a management-level risk committee (distinct from the board) and reports regularly to the board risk committee. A chief risk officer was hired to oversee the bank's risk management activities and report to the board. The bank now makes use of more advanced tools to help address market risk and operational risk.

Human Resources: ADCB took several steps to improve HR, as a way to attract and retain qualified staff, to support the bank's changing needs, and enable the bank's expansion into new markets. A new HR head has initiated several beneficial changes. In addition, an independent consultant has helped restructure management remuneration and variable pay scales, so that the compensation framework is in line with international standards.

Compliance: A new central compliance unit, embedded within the risk function, has helped raised the profile of compliance, while ensuring accordance with internal codes and external laws and regulations.

Disclosure & Transparency

Key Challenges

Public Disclosure: While the bank's disclosure was adequate, by way of an annual report and company website, there were opportunities to better align with international standards.

Key Changes

Public Disclosure: Today, the bank discloses significant financial and non-financial information on its website. An electronic version of the annual report is posted on the site, within formation about the board, compensation, meeting attendance, and company performance. The annual report also includes extensive detail on the ADCB's governance framework.

Family Governance

Director Share Ownership: The bank's articles required board members to hold a minimum, and quite large, number of shares in the bank. This requirement was not conducive to minority shareholder interests.

Director Share Ownership: The share ownership requirement has been removed from the bank's articles. Requirement to own shares to be a director is no longer part of the bank's director nomination criteria.

Minority Protection: Updated articles have improved protections for minority shareholders.

Impact Report

Abu Dhabi Commercial Bank has reported the following impacts in the four-to-five years after embarking on the corporate governance changes.

ADCB's governance reputation in the market has improved significantly. The added disclosures are widely considered best in class among peers and helped improved the bank's profile and image.

The bank has become an award-winning corporate governance standard bearer in the region. As a result of disclosure and transparency improvements, ADCB regularly achieves "Gold Category" honors from the Emirates Securities and Commodities Authority (ESCA) for the submission of financial statements. In 2012, the ADCB earned "The Hawkamah Bank Corporate Governance Award" for superior governance practices in the Middle East and North Africa region. In 2013, World Finance honored ADCB with its "Best Corporate Governance in UAE" award.

ADCB has enhanced the diversity of its board, with an eye toward building shareholder value. For the first time, ADCB appointed a woman to its board, additional evidence of the bank's commitment to global best practices in corporate governance, and in alignment with the government of Abu Dhabi.

The board has demonstrated a higher level of effectiveness. Board has strengthened oversight and provides strategic stewardship to the bank.

The bank reports that its organizational efficiency has improved significantly since it streamlined its decision-making process.

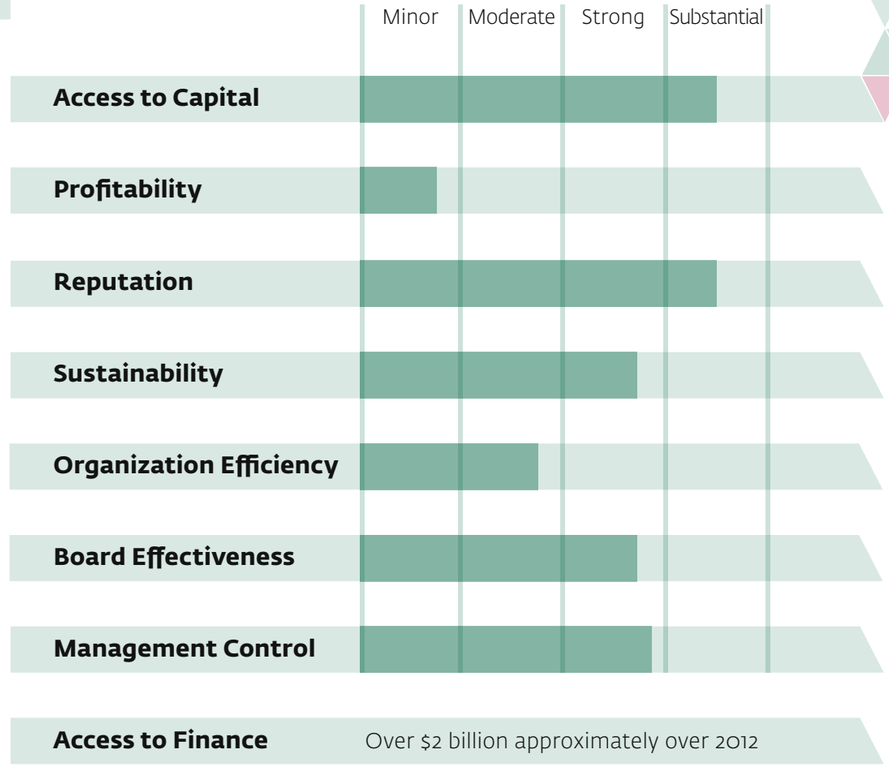
Risk management changes have improved monitoring and mitigation of all types of risk. Board oversight of risk is stronger and improvements to the audit committee and compliance function have enhanced controls throughout the bank.

ADCB's process efficiency and effectiveness has improved significantly due to the tightening of controls, use of more automation, and clarification of roles.

Bank subsidiaries have benefited from the prioritized focus on governance. The corporate governance changes made have not only helped their own (bank's) governance practices, but has raised corporate governance standards of its subsidiaries, including the Islamic finance group and its India operations.

Impact Scorecard

How have the changes impacted...



ASK for Human Capacity Building

"The issue of corporate governance is so critical for our growth and sustainability. Your feedback has been an eye opener and I truly appreciate all your efforts to enhance corporate governance in Jordan."

Dr. Amin Amin
President and Chief Executive Officer, ASK for Human Capacity Building

Business	:	Training, consulting services, and capacity building
Location	:	Jordan
Sector	:	Education
Type	:	Private Shareholding Company
2012 Revenues (1 Year Growth)	:	$ 1.5 million (+108%)
# Branches	:	1
# Employees	:	90
IFC assessment	:	November 2012

Jordan | Education Sector

ASK for Human Capacity Building (ASK) is a Jordanian learning organization that specializes in quality education, monitoring, evaluation, and human capacity building services. Established in March 2011, ASK provides services in the education and employment sectors. The firm's acronym reflects a mission is to empower proactive citizens with:

- *Positive **A**ttitude*
- *Twenty-first century **S**kills*
- *Relevant **K**nowledge*

ASK has worked with both the public and private sector and has successfully managed capacity-building projects in the country and throughout the region. ASK continues to grow and expand into different focus areas as it delivers advanced, tailored, capacity-building solutions.

ASK is owned by three shareholders and has a three-member board. ASK is also governed by an advisory board includes six distinguished representatives of the local and global community. Dr. Amin Amin, President and Chief Executive Officer of ASK, handles the day-to-day operations of the business. Dr. Amin's considerable knowledge and expertise enables strong management of the enterprise.

Why Change?

In the 18 months since its founding in 2011, ASK grew from its five-employee roots to a larger enterprise with 90 employees. Such dramatic growth required ASK to revisit its organizational structure to ensure continued success and sustainability.

This rapid growth also gave rise to an immediate need to revisit existing governance policies and put in place new governance policies and procedures. Against this backdrop, ASK requested technical assistance from IFC, through its intermediary the Jordan Institute of Directors (JIoD), to help develop a robust governance framework that could serve the needs of its growing business.

Why did they Change?

The Jordan Institute of Directors (JIoD), having been trained by IFC and using IFC methodology, conducted a corporate governance assessment for ASK in November 2012.

To strengthen the board's commitment to good governance and transparency (as witnessed by the company's code of ethics), important changes were made at the board level. The focus was on raising awareness of governance issues and elevating the importance of audit and risk. Several non-executive directors were added, and an audit committee was established.

As a young enterprise, the firm also had some management-level gaps, which were addressed through changes to audit and internal controls and procedures.

The first priority was establishing internal audit and internal controls and procedures. ASK accomplished this by engaging with external experts to develop internal control systems and manuals. Currently, the organization is in the process of setting up an internal audit unit.

Summary of Key Changes: ASK

Board Effectiveness

Key Challenges

Structure: ASK had no formal committees.

Procedures: As a start-up firm, ASK required a great deal of support. The board met more than once a month—about 14 times—throughout 2012.

Roles: The board limited its activity to addressing issues as they arose and monitoring key financial information. It was not carrying out the full range of typical board responsibilities.

Relationship with management: Although the board was not involved in the day-to-day management of the business, there was no clear distinction between board and management roles.

Key Changes

Structure: The firm set up a three-member audit committee, which has an independent chairman. The board and committees meet regularly and are in the process of formalizing a work plan for their meetings.

Procedures: As the firm has solidified its business model, it requires less day-to-day support, so the board does not need to meet with the same level of frequency. The reduced meeting schedule is also due to the increased activity of the audit committee, which enables board focus on more strategic growth and expansion-related issues.

Roles: A new, formalized board charter highlights key board roles and responsibilities.

Relationship with management: The board set up an authority matrix that clarifies board and management roles and responsibilities and helps streamline decision making for improved efficiency.

Management Control

Internal Audit: There were no written policies and procedures to manage the internal audit function.

Internal Controls: ASK did not have formalized internal control policies or procedures.

Risk Management: ASK did not have a formal risk management process.

Internal Audit: To close the gap, ASK brought in external consultants to structure an in-house internal audit function. This function will cover financial management and key operational activities, especially high-value contracts.

Internal Controls: ASK brought in external consultants to review current structure and set up formal internal control policies and procedures. The consultants helped build the administrative team's monitoring capacity to ensure proper implementation of the new policies and procedures.

Risk Management: Although not completed yet, but review of the organizations risk management process was undertaken and the necessary policies and procedures are being reviewed to be put in place.

Disclosure & Transparency

Disclosure: Disclosure was minimal and lacked in-depth information about the company's business.

Disclosure: ASK is in the process of upgrading its website, with plans to share more information about the firm's structure, processes, and activities.

Impact Report

ASK reported the following impacts from the changes it made before and after the corporate governance assessment. This was reported about six months after recommendations were made to the board and about three months after the implementation of major management changes.

Operational efficiency has improved substantially. ASK has more structured internal audit, and control systems and procedures, which has helped streamline operations.

Access to capital has improved dramatically. With a better governance structure, investors interested to invest have only had to undertake minor due diligence reviews instead of long lasting reviews and with more positive terms and results.

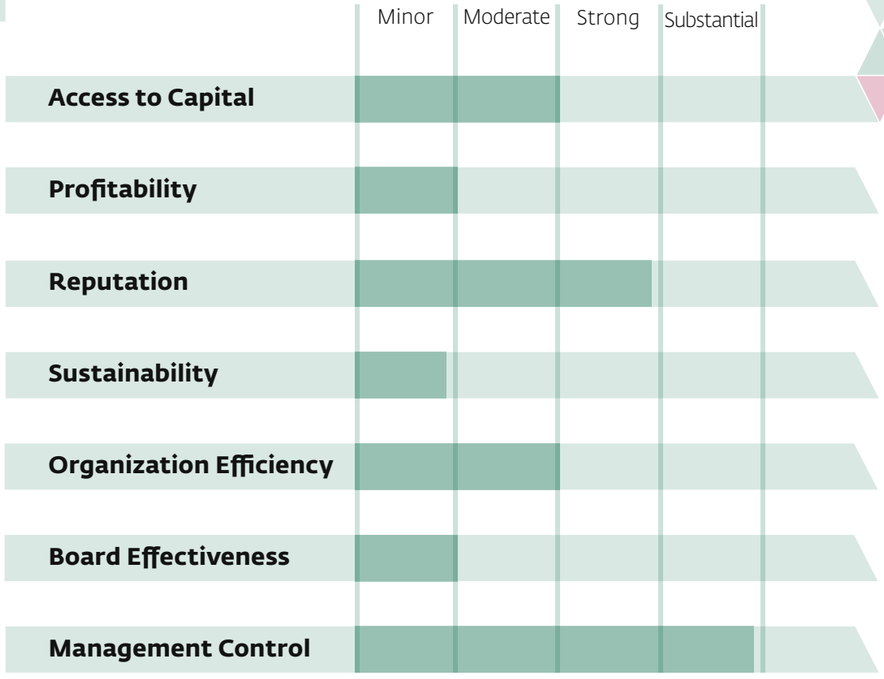
The board functions more effectively and addresses more strategic issues, such as regional growth and diversification of product portfolio. Time is utilized more efficiently with the new committee in place.

ASK's market reputation has been enhanced significantly. Relationships with clients, business partners, and employees have improved as a result of a clarified and more structured operational framework.

ASK has become a more efficient firm. Improvements include more rapid decision making, streamlined processes, and better follow-up for staff at all levels.

Impact Scorecard

How have the changes impacted...



Bank Audi *

The history of Bank Audi dates back more than 175 years. With operations in Lebanon, the Middle East, North Africa, and Europe the bank offers a full range of products and services for commercial, corporate, investment, private, and retail, banking. Bank Audi has been listed on the Beirut Stock Exchange and the London Stock Exchange (represented by global depository receipts) since 1997.

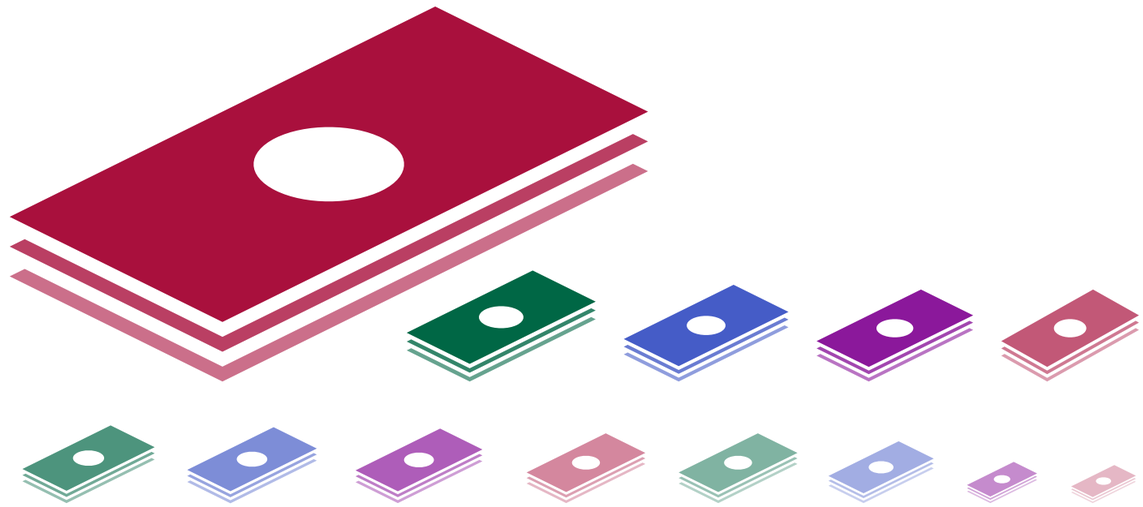
While strengthening its activities beyond traditional commercial banking, Bank Audi undertook a significant local and regional expansion. It is the largest Lebanese bank and ranks among the top 20 Arab banking institutions in terms of deposits.

Bank Audi has long been considered the vanguard of best practice among Lebanese banks, with consistently strong performance in recent years. Even during the global financial crisis, the bank's net profits rose. In 2008, profits increased by about 19 percent with total assets showing an 18 percent increase and total deposits were rising by 21 percent. In 2009, net profits climbed an additional 21 percent, with assets increasing by 30 percent and deposits showing a 33 percent rise. In 2012 and 2013, amidst the regional turmoil, assets grew by 9 percent and 16 percent respectively. Bank Audi's compounded average annual growth rate over the past six years has been strong: 13 percent growth in both the asset base and deposits, with 8 percent increase in profits.

Bank Audi Ownership Structure as of March 31, 2014

***In its capacity as depositary under the Bank's GDR Program (%)

Deutsche Bank Trust Company Americas***	29.3	Executives and employees	4.7
Audi Family	7	Investment Finance Opportunities Ltd.	4.4
Al Homaizi Family	6.1	Middle East Opportunities For Structured Finance Ltd.	4.4
Saradar Family	5.8	Investment and Business Holding sal	3.9
Sheikh Dhiab Bin Zayed Al Nehayan	5.1	Al Hobayb Family	2.6
FRH Investment Holding sal	4.9	Said El-Khoury Family	2.4
Al Sabbah Family	4.8	Others	14.6



* Bank Audi is also featured in the 2010 edition of this publication. This profile includes an update of accomplishments since the first edition was published.

** (before the exceptional profits related to discontinued operations), decreasing by 15.6 percent mainly due to the initial launching stages of the Turkish banking subsidiary, whose network encompasses 31 branches with the subsequent normal time lag between immediate operating expenses and expected revenues.

Business	:	Commercial, Corporate, Retail, Private and Investment Banking services in the MENA region, Turkey and Europe
Location	:	Lebanon
Sector	:	Financial
Type	:	Publicly Traded (Beirut & London)
2013 Profit	:	$305 million**
# Branches	:	189
# Employees	:	5894
IFC assessment	:	October 2005

Lebanon | Banking Sector

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 the 2005 initiation of a corporate governance enhancement program, the bank's board of directors was largely a validating body for the decisions of the primary shareholders. Board meetings resembled mini-shareholder meetings. 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. As a result, Bank Audi's management decided to spearhead a corporate governance review, once again, demonstrating foresight and a proactive stance.

Why did they Change?

In conjunction with Nestor Advisors in the United Kingdom (UK), IFC conducted a corporate governance assessment for Bank Audi in October 2005. The assessment confirmed that Bank Audi was a well-run bank with a staff comprised of highly capable individuals.

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 clarifying the previously blurred lines between board and management.

Among the key management-level changes were formalizing and consolidating activities related to risk management, financial management, and compliance. From the time of the initial assessment and subsequent implementation, the bank has had in place a functional governance framework for six-to-seven complete fiscal periods. During this time, the bank worked to promote a sound governance structure throughout the group.

This 2005 assessment represents the beginning of the bank's ongoing governance development process. With well-established processes and annual agendas, Bank Audi's board and committees now function well, but enhancements continue. Bank Audi also added a board risk committee to its structure. There are a lot of board and management efforts directed at ensuring that the controls put in place are well monitored throughout the bank.

Summary of Key Changes: Bank Audi

Board Effectiveness

Key Challenges

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: Given the large number of executives on the board, the distinction between board and management was unclear.

Key Changes

Composition: Bank Audi adopted a formal policy on board composition, requiring 50 percent non-executive membership, with independent directors representing at least one-third of the membership. This is the current structure of the board.

Director nomination: A formal process for the appointment of directors has been set.

Structure: Board committees were established, including audit and corporate governance and remuneration, as well as an executive committee. After 2010, they have also added board risk committee. All committees have charters that are updated on a regular basis.

Roles: Developed formal corporate governance guidelines and an organization chart to identify the chain of authority have helped clarify board and management roles and enabled more focus on bank strategy. With clear lines of responsibility and accountability identified, there is continuous oversight and supervision of the entire group.

Evaluation and Training: The board now has an annual process in place to evaluate performance and identify areas for improvement. Training is available for board members.

Key Challenges

Key Changes

Management Control

Structure: Organization structure required more clarity; it was confused by large number of executives on the board.

Structure: Structure was clarified with the creation of a more formal executive committee, which also has helped to improve the coordination of the bank's planning, monitoring, and management activities Chaired by the CEO, the committee includes senior bank executives.

Risk Management: Needed to formalize risk management coordination and setting of risk policy and overall enterprise monitoring.

Risk Management: Established a board-level risk committee to assist the board in discharging its risk-related responsibilities, such as adopting risk policies, approving risk limits, setting risk appetite, and monitoring the bank's risk profile. Also reinforced and expanded the risk management division in charge of identifying, measuring, monitoring and reporting risks.

Finance: Bank Audi did not have a group-wide CFO. Various individuals handled financial management oversight.

Finance: A group CFO position was created. All finance, accounting, strategic planning, and investor relations activities were centralized under one umbrella to improve coordination and oversight.

Internal Audit (IA): The IA reporting lines were blurred. There was no direct, unfettered reporting to the board.

Internal Audit: IA now reports directly to the bank's audit committee to help ensure independence.

MIS: Information systems were not well integrated and had limited functionality.

MIS: A more integrated MIS was developed, with improved reporting functionality. The system can generate in-depth financial and non-financial analytical reports for the board and management.

Disclosure & Transparency

Disclosure: The bank's annual report and website provided limited detail on key non-financial information.

Disclosures: A management committee was set up to coordinate disclosure, ensure compliance with all requirements, and better communicate the bank's many positive governance and management practices. The annual report was enhanced with more in-depth, non-financial information about the bank including corporate governance, vision and strategy, values, and risks. The website was upgraded to feature more content on governance and investor relations.

Social Responsibility: The bank adopted a formal corporate social responsibility (CSR) policy. Implementation of Bank Audi's code of ethics and conduct is routinely monitored.

Shareholder Rights and 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 the all of the bank's shares.

Impact Report

Bank Audi reported the following impact as a result of the changes about six years after implementing the key changes.

Bank Audi reports that the corporate governance changes that it started to make in 2006 with the board have 'created a corporate governance seed' and changes have been ongoing throughout the group. Sound corporate governance is also reflected in the material subsidiaries and is given the highest level of priority.

The 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. Over the past six years, Bank Audi reported a compounded average annual growth rate in profits of 14 percent.

Bank Audi's already strong reputation in the Lebanese and UK markets has been reinforced. The market has reacted favorably to the bank's demonstrated commitment to international best practices in corporate governance.

The board functions more effectively in providing strategic stewardship to the bank.

Board committees have strengthened oversight of key activities (e.g., audit, risk) and separating oversight from management. The board risk committee effectively monitors the risks faced by the bank and supports the board in setting the risk appetite of the bank.

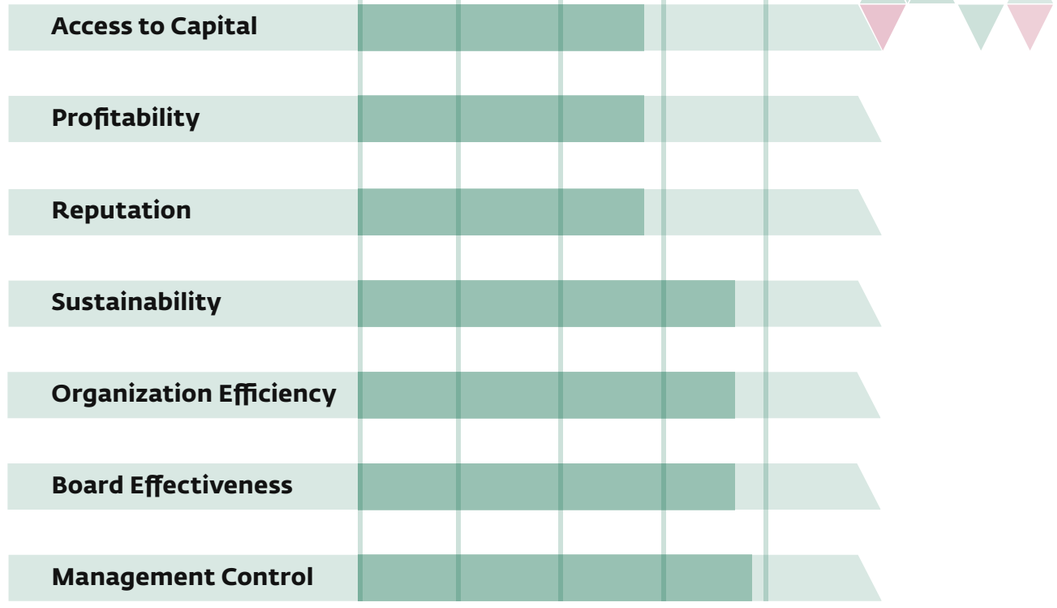
The Bank achieved clarity of roles, improved coordination, improved transparency and oversight, through the changes made in key management control functions (e.g., risk management, finance, and compliance).

Organizational efficiency has been enhanced with improved decision-making at board and management levels. The corporate secretary has been instrumental in streamlining this process. Improved information sharing and communication across the bank have resulted in better functioning of the bank.

There is recognition among shareholders, the board, and senior management that the corporate governance changes are critical to maintain corporate longevity and sustainability.

Impact Scorecard

How have the changes impacted...



Bank of Palestine

"I am proud that Bank of Palestine now has in place a clearly defined and well-structured corporate governance framework to support our aim of achieving long term sustainable growth. Over the past few years we have realized the benefits of having a framework to provide us with the guidance for promoting the highest standards of corporate governance, thus creating trust and engagement between the bank and our various stakeholders."

Hashim Shawa
Chairman and General Manager
of Bank of Palestine

Business	:	Commercial banking
Location	:	Palestine
Sector	:	Financial
Type	:	Publicly traded (Palestine Exchange)
2012 Profit (Year growth)	:	$38.4 million (12.85%)
# Branches	:	48
# Employees	:	1,160
IFC assessment	:	July 2009

Palestine | Banking Sector

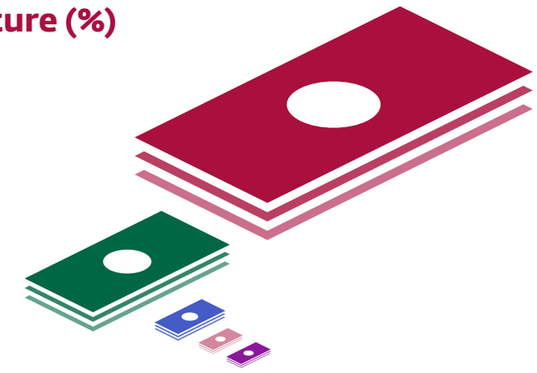
Bank of Palestine (BOP) is Palestine's first and largest national bank, providing financial services in Palestine since 1961. With 48 branches and sub-branches, serving more than 600,000 customers, BOP has a widespread operation throughout Palestine.

The Bank was listed on the Palestine Exchange (PEX) in 2005 and represents around 15 percent of total PEX market capitalization. BOP has $150 million in paid-up capital, and has captured about 23 percent of market share of deposits and loans in the Palestinian banking sector. In 2007, BOP set up a brokerage subsidiary, providing access to stocks listed on the Palestine Stock Exchange. A second subsidiary—PalPay®—was created in 2011, offering electronic payment solutions for bank and non-bank customers alike.

BOP has been promoting the financing of the small and medium enterprise and microfinance sector in Palestine and, thus, helping its customers gain wider access to finance. It is the only bank in the region with its own card processing center. BOP has played a leading role in some of the largest syndication projects in Palestine. Through the years, BOP has demonstrated a commitment to community-based economic development. Therefore the bank has adopted a holistic sustainability strategy and has been the leader in Corporate Social Responsibility (CSR) in Palestine; BOP designates a 5 percent annual set-aside for CSR initiatives.

Bank of Palestine Ownership Structure (%)

Other Investors (Include foreign & local, intitutional & individual)	55.3
Shawa Family (Directly & Indirectly)	26.8
A.M. Al-Kharafi & Sons Trading Co.	7.6
Blakeney Management	5.3
IFC	5



Why Change?

BOP, a very profitable bank, went through a change of leadership in 2008 and was seeking additional financing. Although BOP was doing well, its leaders realized the importance of improving the bank's corporate governance framework and upgrading internal control and risk management frameworks, as part of the process to move forward. Management also wanted the bank to serve as a role model for the region and become aligned with international standards of corporate governance.

For these reasons, BOP's leadership decided to engage with IFC for assistance in assessing the bank's risk and corporate governance structures.

What did they Change?

IFC conducted a corporate governance assessment of BOP in 2009, and the bank took action on the findings. For example, with some overlap among the board, its committees, and management, BOP made several board-level changes to help improve its functioning, including a revised board committee structure and charters for each of the committees. BOP also clarified the roles between the board and the management, by developing, an authority matrix and, thus, created a clear line of authority and decision-making.

Additional changes included upgrades to internal control frameworks and HR functions. Steps were taken at the management level to improve the coordination of risk management throughout the bank. Modifications, from certain shareholder policies and enhancements, to disclosure, have helped align the bank with international standards.

Summary of Key Changes: Bank of Palestine

Board Effectiveness

Key Challenges	Key Changes
Composition: Existing board size of 11 members was appropriate, but they lacked the necessary skills needed on the board.	*Composition:* The board brought on directors with financial expertise, risk management skills, and regional and international banking experience.
Roles: Missing detailed charters for board, management, and committees.	*Roles:* Clarified distinction between board and management, by creating an authority matrix and delineating roles and decision making authorities.
Structure: Audit, credit, and investment board committees existed but lacked charters.	*Structure:* Adopted a revised committee structure including audit, risk, credit, HR and corporate governance, and investment committee. Developed charters with provisions for adequate representation of independent directors on each committee.
Succession Planning: BOP did not have succession plans for key senior management positions.	*Terms and Appointments:* To ensure healthy turnover of directors, four-year terms with the possibility for reelection were set. The HR and corporate governance committee charter specifies the process for nomination and approval of new directors. *Evaluation and Training:* A formal annual evaluation process to assess board performance was introduced. Formal training programs on various topics were made available over the course of the year. *Succession Planning:* Senior management succession plans have been put in place to mitigate against key person risk.

Management Control

Risk Management: Risk management needed to be more centrally coordinated to improve information flow.	*Risk Management:* A board risk committee was created and a chief risk officer was hired to oversee the bank's risk management activities and report to the board. The bank's risk appetite is now strictly defined.
Human Resources: Bank faced substantial HR risk given expansion and evolution of business.	*Human Resources:* The bank put in place HR policies for its employees and seeks yearly 360 degree feedback from employees. Positions in the bank have defined terms of reference.
Compliance: Although a compliance function existed, it was limited in scope.	*Compliance:* A newly-established compliance unit ensures compliance with external laws and regulations and internal codes and expansion of the business in Palestine.

Disclosure & Transparency

Public Disclosure: The annual report lacked non-financial disclosure.	*Public Disclosure:* Disclosure has improved significantly, with financial and non-financial information included in the annual report and on the bank's website. A dedicated section in both offers detail on the bank's corporate governance framework.

Shareholder Rights and Stakeholder Relations

Shareholder rights: Key codes and policies needed improvement and better documentation.	*Shareholder Rights:* Explicit policies related to shareholder protection were added to the relevant charters.

Impact Report

Bank of Palestine has reported the following impacts three years after embarking on the changes.

BOP's decision-making process has improved significantly because the board functions more effectively and board meetings are planned with more efficient discussions and quick decision making. Adopting the new committee structure has resulted in better information flow between committees, management, and the board.

Clear delineation of roles: The bank has placed clear responsibility of roles between management and board, thus, making decision making more effective.

BOP's market reputation has been enhanced considerably. The bank's customers refer to BOP as their "favorite bank." BOP has been honored for three years running (2011, 2012, and 2013) with Euromoney magazine's Award for Excellence, and along with it the designation as "Best Bank in Palestine." The bank takes seriously its important role in developing the Palestinian economy and society and has set up several social programs to help the community.

The bank's profitability has increased appreciably and sustainability has been strengthened markedly. These improvements are attributed to the governance improvements, which have also contributed to a dramatic increase in the bank's share price over the past three years.

Impact Scorecard

How have the changes impacted...

Butec Holding

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 and gas, utilities, waste-water management and infrastructure projects, which accounts for around 90 percent 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.

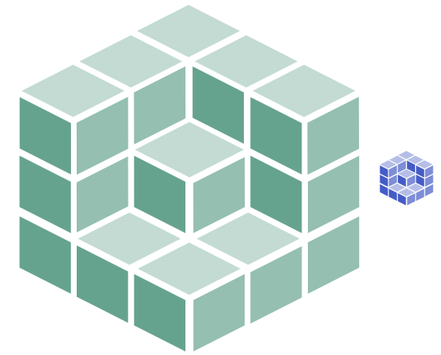
Butec is in the first generation of leadership, but approaching the second. Its founder, Dr. Younes, serves as the Chairman/General Manager (GM), while his son, Ziad Younes, serves as a Deputy GM.

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

Butec Ownership Structure (%)

Younes Family	90
Other Investors	10



Business	:	Provides engineering, procurement, and construction operations in Lebanon, Algeria, Qatar, and Abu Dhabi
Location	:	Lebanon
Sector	:	Construction
Type	:	Family-Owned
2008 Revenue (1 Year growth)	:	$114 million (+33%)
# Employees	:	2,822 staff & labor
IFC assessment	:	August 2008

Lebanon | Construction Sector

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 HR.

Summary of Key Changes: Butec Holding SAL

Board Effectiveness

Key Challenges

Composition and Structure: Lacked a fully functioning board with only three designated members, all of whom were executives.

Procedures: Meetings were 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/general manager, leaving significant 'key-person' risk in the company.

Internal Audit: The company had no internal audit function.

Key Changes

Composition: Butec elected three new members to the board, all of whom 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: A formal board schedule, with more frequent and more formal meetings covering a variety of topics was introduced. The audit committee will report back to the board once it adopts its own formal procedures. Now, discussions are 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, who will soon take over the general manager 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

Key Challenges

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/general manager 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.

Key Changes

Internal Audit: Butec 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: Butec hired a 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 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 (around 2009), 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 into 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.

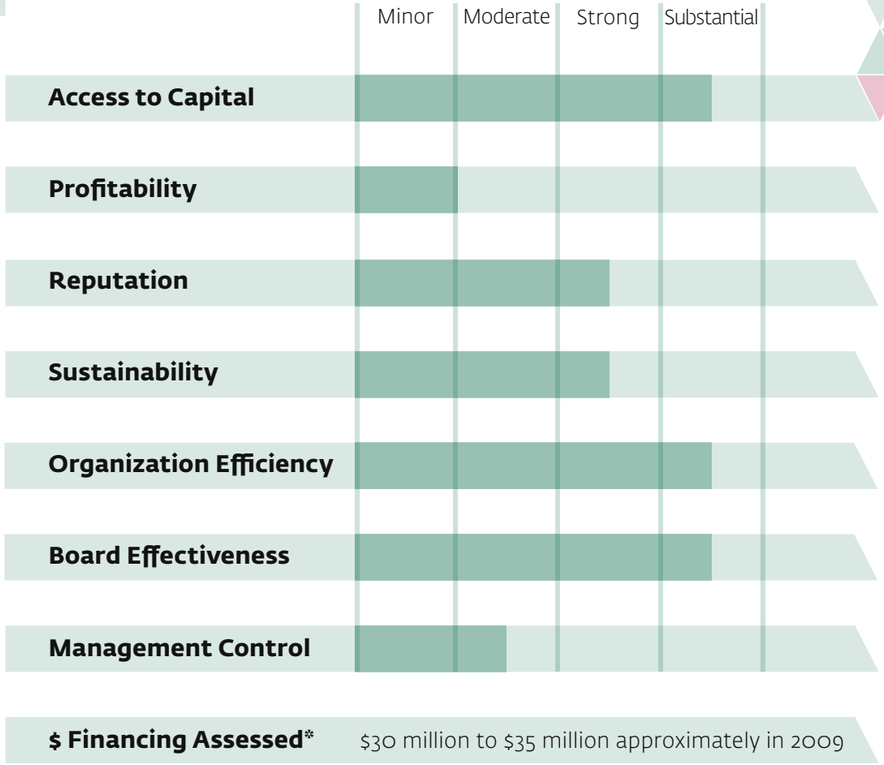
The company has more informed decision making, supported by more insightful information and better discussion of issues.

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 throughout the organization with more dialogue and discussion of risk mitigation, especially when assessing large projects.

Impact Scorecard

How have the changes impacted...



* where CG was major factor

Cairo for Investment and Real Estate Development (CIRA)*

Cairo for Investment and Real Estate Development (CIRA) was founded in 1992, with Dr. Hassan El Kalla as Chairman and Chief Executive Officer. The company's primary purpose is building, owning, and operating schools throughout Egypt, with the goal of improving Egypt's educational standards.

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

The company went public in 1998, with a listing on the Egyptian Stock Exchange (EGX). In the course of a single year (2007 to 2008) CIRA's stock ownership skyrocketed, from only about 100 shareholders to over 1,000 (see chart below). CIRA has enjoyed financial success, from about $0.5 million in 2004 net consolidated operating profits having grown steadily, reaching more than $5 million in 2008. By 2012, CIRA posted a net profit of $8.2 million.

CIRA Ownership Structure (%)

El Kalla Family	46
Free Float	28
Other Investors	26

Why Change?

The company faced many significant challenges as it prepared for the future. The company had essentially outgrown its governance framework and management infrastructure. In 2008–2009, the company was run as a small, closely-held business. The company was transitioning to a new generation of leadership as its chairman/CEO and other board members approached retirement. As a result, the company was in need of key actions to strengthen its corporate governance framework.

* CIRA is also featured in the 2010 edition of this publication. This profile includes an update of accomplishments since the first edition was published.

Business	:	Builds/operates the Futures Schools network of private schools
Location	:	Egypt
Sector	:	Education
Type	:	Publicly traded (Cairo)
2008 Profit (1 Year growth)	:	$8.2 Million (+27%)
# Employees	:	2,200
# Schools	:	18
# Students	:	16,000
IFC assessment	:	July 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, particularly for those that have evolved from a small, closely-held organization to a larger company, while the strong founder/CEO continues to makes all key decisions.

This was the case for CIRA. CIRA's chairman also served as CEO and made many day-to-day decisions.

To mitigate this, CIRA set up a management executive committee to improve management-level communication and coordination, but also to take on key decision-making responsibilities. The Chairman's son now chairs the committee, helping with his own succession plan. With most of the day-to-day responsibilities shifted to this group, the chairman can focus more on offering strategic guidance.

What did they Change?

IFC conducted a corporate governance assessment for CIRA in July 2008. One of the key challenges for CIRA over the medium term was to change the composition and structure of its board. CIRA altered its board composition, bringing independent directors and individuals with more diverse of backgrounds, and improved financial expertise. It also added functioning committees, which it did not have before. CIRA also addressed the critical issue of succession planning. Then Chairman and CEO, Dr. Hassan, was heart and soul of the company. But as with many organizations that have evolved in this manner, the company risked losing sight of its vision and diminishing its cohesiveness once this key figure departed. Following the assessment, CIRA began a formal succession planning process, naming Dr. Hassan's son, Mohamed El Kalla as CEO.

CIRA also addressed important challenges at the management level, such as growing pains associated with the increasing size and complexity of its business.

To tackle these challenges, the company made key changes to staff composition and functional capacity. In addition, CIRA focused on strengthening its management infrastructure, such as internal control, internal audit, risk management, and financial management, and other key control functions.

Since the initial assessment in 2008 and subsequent implementation, CIRA has continued to make changes in its governance structure. Additional board-level improvements include enhancing gender diversity with the addition of a female director. CIRA's ongoing efforts at the management level include strengthening the management control environment and human resource function, while improving day-to-day decision making and communication within the company. Succession planning for senior management is in now place.

Board Effectiveness

Summary of Key Changes: CIRA

Key Challenges

Composition: Most of the board's nine members had served for 10 years or more. The board had no independent directors and lacked financial expertise.

Structure: While an audit committee existed, it was non-functioning; there were no sub-committees in place.

Roles: The division between the board, especially the chairman, and management was unclear.

Procedures: The board met infrequently and the chairman made many key decisions.

Key Changes

Composition: CIRA created a more diverse board, adding three independent directors, including a woman with a business and marketing background, and individuals with international finance and HR expertise.

Structure: Committees for audit, HR and nominations, and strategy and investment were set up. The audit committee is chaired by an independent, financial expert. Both the HR and strategy committees are chaired by non-executive directors. The audit committee now has its own charter.

Roles: Board and management roles were clarified. A new authority matrix has been adopted that helps clarify the roles and responsibilities between management, CEO and board and its committees.

Procedures: The board meets regularly (six-to-seven times a year), with formal agendas, structured briefings, and an annual plan. Committees also meet regularly.

	Key Challenges	Key Changes
Management Control	*Financial Management:* CIRA did not have a CFO and was in need of more in-house financial management expertise. *Internal Audit:* There was no internal audit function. External Audit: A small, long-serving external audit firm also provided advisory work. *Key-Person Risk:* The chairman/CEO made all key decisions on a day-to-day basis. *HR:* The company was dealing with high staff turnover and had a hard time attracting high quality candidates for key positions.	*Financial Management:* The company hired a CFO, who has made many changes to strengthen the finance function, including strengthening of controls and redesign of processes. *Internal Audit:* An internal audit function was established and a senior executive was hired to oversee internal audit and internal controls. Today, IA generates regular reports for senior management and the board, including on previously unaudited areas. *External Audit:* The long-time auditor was replaced with a new, reputable firm to reinforce independence. *Key-Person Risk:* CIRA set up an executive committee that includes key senior managers who share decision-making responsibilities and coordinate activities. The chairman/CEO relinquished many day-to-day responsibilities to focus on strategy. *HR:* Hired a HR lead, reviewed staff compensation, invested in staff training, and lowered turnover. Succession planning for senior management is done on an on-going basis.
Disclosure & Transparency	*Disclosure:* The company reported only the most basic financial statements—without notes or explanation. CIRA did not have a dedicated company website or annual report.	*Disclosure:* 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 Rights and Stakeholder Relations	*Conflict Policies:* CIRA required formal conduct policies to safeguard against potential misconduct. *Other Policies:* CIRA did not have a governance code or code of ethics.	*Conflict Policies:* CIRA has documented and disclosed formal policies for insider trading, conflict of interest, and related party transactions. *Other Policies:* CIRA adopted a corporate governance code and a code of ethics.
Family Governance	*Succession Planning:* The company had not specifically addressed the chairman/CEO succession issue, leaving the company exposed to significant key-person risk.	*Succession Planning:* With a strengthened senior management team and a formalized executive committee, the new CEO—the chairman's son—has much needed support and expert assistance, as he oversees the day-to-day management of the company, allowing the chairman to focus on more strategic issues.

Impact Report

CIRA has reported the following impacts four years after making corporate governance changes in the organization.

Access to capital improved dramatically. There has been increased interest from several investors following the changes.

Market reputation has been solidified. Making governance changes has added value. The market is buzzing about CIRA and the improvements made as it transitions to the next generation of the company.

The board is very involved in strategic planning process. The board meets on a regular basis with a formal agenda. Discussions are open and issues are presented in a structured manner. Decisions are made following candid deliberations.

CIRA functions very efficiently due the organizational changes made in the company. The authority matrix has effectively distributed responsibility between the management and board. Management provides appropriate input, so that the board can make good decisions.

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

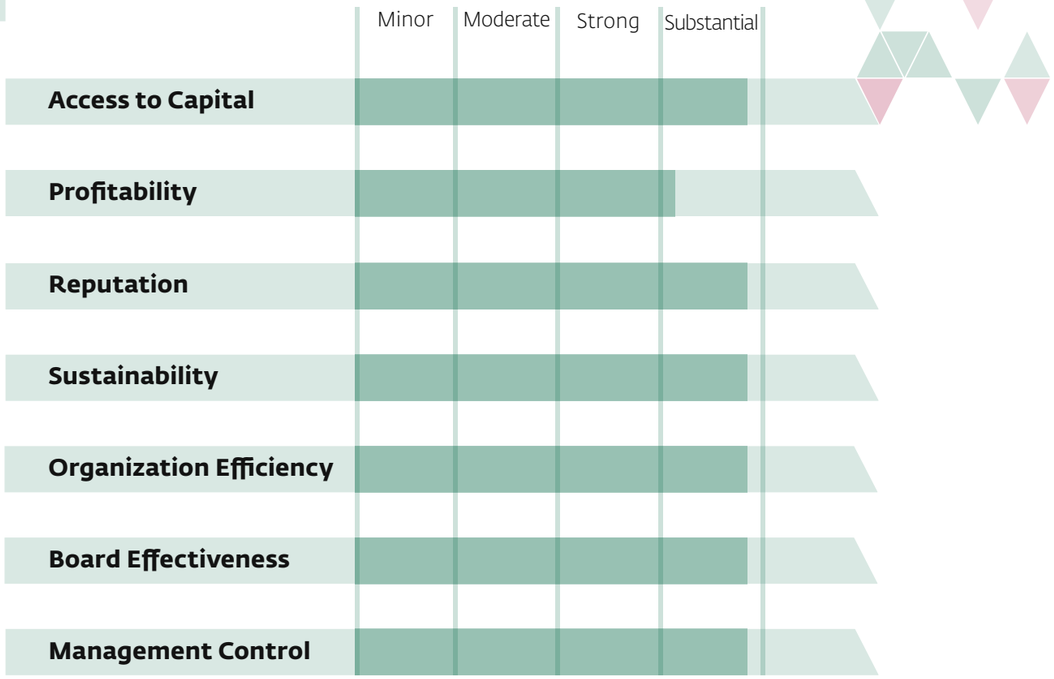
Financial processes are more efficient and mistakes and rework have been reduced significantly. Streamlining of processes includes eliminating a layer of management review. Overall, the company has experienced significant efficiency gains as a result of changes.

CIRA's sustainability has been strengthened substantially. The company has gone from a one-person show to a firm that has established systems and plans in place. One investor took special notice of the progress in preparing for the second generation of leadership, such as strengthening the senior management team, eliminating key-person risk, and preparing the chairman's son for succession. The chairman himself noted that his time has been freed up to address the company's more strategic needs, rather than spending his days dealing with multiple large and small daily decisions.

CIRA's profitability has increased despite instability in the Egyptian market. CIRA has experienced the positive impact of having an efficient board, effective management and robust systems in place during a challenging market situation.

Impact Scorecard

How have the changes impacted...



Capital Bank

"Strong corporate governance and prudent risk management are crucial for sustainable growth. This will remain a priority for Capital Bank, as it focuses on maintaining its unique positioning in the market and implementing its expansion plans in Iraq."

Basem Khalil Al Salem
Chairman, Capital Bank

Business	:	Commercial banking, investment banking, brokerage and asset management
Location	:	Jordan
Sector	:	Financial
Type	:	Public shareholding Company
2011-2012 Profit	:	$ 31.1 million (after tax)
# Branches	:	13
# Employees	:	411
IFC assessment	:	December 2012

Jordan | Financial Sector

Shareholder Structure (%)

Saad Asim Abboud al-Janabi	10
Black Pearl Global Opportunity Fund	9.7
Social Security Corporation	9.3
Said Samih Taleb Darwazeh	7.8
IFC	7
Investment & Integrated Industries Co	5
Raad Asim Abboud al-Janabi	5
Abdullah Saad Asem al-Janabi	5
Bassem Khalil Salem al-Salem	4.8
Muhammad Bin Mousaed Bin Sail al Saif	4.2
Abdull Raouf Waleed Al Bitar	3.5
Hitaf Investment Company	3
Darhold Limited	1.8
Kim Fouad Saad Abu Jaber	1.5
Muhammad Ali Khaldoun Sate Al Husari	1.5
Mazen Samih Taleb Darwazeh	1.5
Salah Al-Din Mahmoud Bitar	1.4
Saad Abu Jaber Company & Sons	1.3
Middle East Specialized Cables Company Jordan	1.1
Total	**84.4***

* Remaining shares are floating shares on the stock market.

Capital Bank is a Jordan-based financial institution that recently expanded operations into Iraq. Publicly traded on the Amman Stock Exchange, Capital Bank is a Jordanian bank that serves corporate, small and medium enterprise, and high-end retail customers. The bank's financial services offerings include commercial banking and investment banking through capital investments. It offers easy access to Iraq through its subsidiary, National Bank of Iraq (NBI).

In 2012, Capital Bank was ranked eighth (out of 25 banks) in Jordan, based on its total assets. In recent years, the bank's areas of strategic focus have included: expanding into new sectors and additional markets.

Why Change?

Capital Bank has always recognized the value and importance of corporate governance and has integrated key governance elements into its operations. Some governance practices were based on best practices while others were driven by regulatory requirements.

As part of a broader review of the organization's performance to ensure sustainable growth and increased profitability, areas of improvement were identified and corporate governance became a priority.

More broadly, the MENA economy has continued to grow in recent years, with an increasingly developed financial sector. Capital Bank has been a part of this growth and development. But with growth comes an occasional need for new capital. The bank's leaders recognized that corporate governance plays an important role in the ability to attract the capital needed to fuel future growth—yet another reason that they have placed emphasis on governance improvements.

What did they Change?

As part of its efforts to support growth and address increased investment needs, the bank decided to arrange for an IFC-conducted corporate governance assessment.

As a highly developed and advanced financial institution, the bank made changes across every dimension following the assessment, with a focus on the board of directors, internal controls and disclosure practices.

The first priority was altering the composition and structure of the board and committees. Engagement of the board members and senior executives helped identify new directors with specialized skills, diversifying board composition and enhancing the board's capabilities. Board committee composition was addressed as well, with particular emphasis on improving the make-up of the bank's risk and compliance. Efforts also focused on enhancing the board's working procedures.

Several additional recommendations that emerged from the assessment have been approved and are being implemented now, such as board evaluations and establishing a formal nomination process.

Other recent changes include strengthening the bank's risk management framework. A new chief risk officer (CRO) has been hired for the risk management department and the department reports directly to the general manager. This department has developed an action plan based on a proposed risk strategy. In addition, the board updated and approved the charter for its risk management committee.

A risk appetite framework was drafted for the board and risk management committee approvals. The risk management policies (general risk management policy, credit risk, market risk, liquidity risk, and operational risk) were reviewed and updated. In addition, a review of Basel III looked at how implementing this would impact the bank and its liquidity.

The bank hired a full-time board secretary to help implementing the governance recommendations.

Summary of Key Changes: Capital Bank

	Key Challenges	Key Changes
Board Effectiveness	*Composition:* The board only had two independent board members. *Committee Composition:* The membership of the audit committee and the risk committee overlapped considerably. *Procedures:* No formal work plan existed for board meetings. *Relationship with Management:* No board charters were in place. The bank lacked an authority matrix to define board and management roles and responsibilities.	*Composition:* The number of independent directors was increased to three. *Committee Composition:* Board members with specialization were identified and assigned to committees for a broader membership base and reduced membership overlap between the audit and risk committees. *Procedures:* A formal work plan lays out issues to be discussed and a timeline for discussion throughout the year. *Relationship with Management:* The board put in place a clear board charter and is working on an authority matrix that integrates all authorities identified in existing policies making it accessible ensuring accountability of management and the board.
Management Control	*Risk Management:* The bank needed to formalize risk management, update the committee charter and risk policies. *Internal Audit and Controls:* There was room for improvement of internal audit and control through a more equipped audit committee.	*Risk Management:* Among the many changes made, risk management department reports directly to the general manager; the update and board approval of the risk management committee charter, and the review and update of the bank's risk management policies. Risk management policies (General Risk Management Policy, Credit Risk, Market Risk, Liquidity Risk, and Operational Risk) were reviewed and updated. *Internal Audit and Controls:* The composition of the audit committee was altered to include more independent members, which have helped strengthen internal audit and controls procedures.
Disclosure & Transparency	*Disclosure:* Focus on non-financial and corporate governance disclosure was minimal.	*Disclosures:* Now, Capital Bank is more focused on non-financial and corporate governance disclosure.

Impact Report

Capital Bank reported the following impacts from the changes it made before and after the corporate governance assessment about two years after recommendations were made to the board.

The control environment improved significantly. With a more specialized and independent audit committee in place, the bank experienced a clear and positive impact on the effectiveness of the control environment.

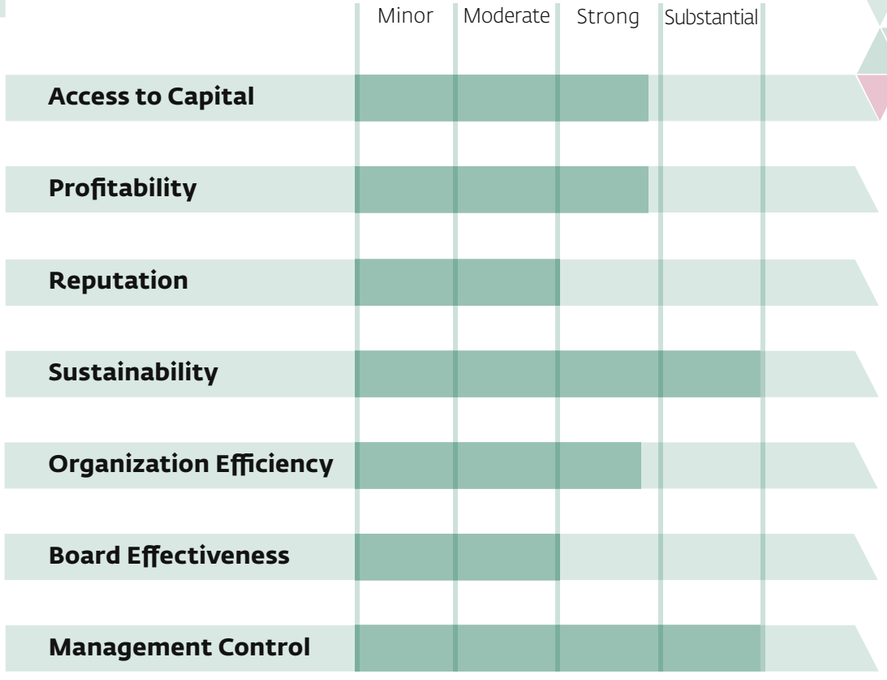
Operational sustainability was enhanced. The collective impact of structure and composition changes implemented contributes to improved sustainability.

The board functions more effectively and is more engaged. With deeper board engagement comes increased management sustainability.

The board operations run smoother making engaging the board easier and more productive. With clear work plans and a full- time board secretary board meetings and board engagement has improved.

Impact Scorecard

How have the changes impacted...



Credence *

"Our turning point was when our team experienced the change, and finally saw that improving our corporate governance was worth all the time, effort, and money invested in it. They realized that having the team and resources in place without a system to direct it was like having a computer without an operating system."

Islam Mahdy
Chief Executive Officer/Chairman

*IFC conducted a Corporate Governance Assessment of Sinbad Group. Following-up on the recommendations, Credence was created as a holding company.

Business	:	Hotels, restaurants, and attractions
Location	:	Egypt
Sector	:	Services
Type	:	Family-Owned Business
2012 Profit (1 Year growth)	:	60% (5 year average is 10%)
# Employees	:	1500
# Hotels & Restaurants	:	3 hotels
IFC assessment	:	April 2009

Egypt | Real Estate Sector

Founded in Egypt in 1983 by Mohammed Mahdy, Credence is a private family owned enterprise wholly owned by the Mahdy family. The company has four primary lines of business: real estate, hotels, attractions, and restaurants.

Credence is in its second generation of family leadership. Its strong corporate culture stems primarily from the values and principles of the late founder, the current family leadership, and other long-serving executives.

Credence Ownership Structure (%)

Mahdy family	100

Why Change?

Over the past 30 years, the company has experienced aggressive growth, although it faced several challeges as the market went through rough cycles. Credence also underwent significant change, as it restructured its business and reduced its debt financing. To support its growth, Credence recognized the need for a strong corporate infrastructure, including a sound framework for corporate governance.

Why did they Change?

In August 2009, IFC conducted a corporate governance assessment of Credence. Following the assessment, one of the first changes made was the creation of a new holding company, called Credence, which would oversee the two subsidiaries, Sindbad Club and Urbane. Credence implemented all of IFC's recommendations.

The company also changed board structure and composition, enabling the board to provide stronger strategic direction to the company. In addition to setting up separate committees for audit, HR and nominations, Credence created a separate management executive committee for each of the two subsidiaries, which has helped strengthen daily operations. To minimize risk exposure in key business areas, audit and risk management functions were formalized and a process was established for annual audits. In addition, Credence altered the structure of its finance team, and clarified lines of authority.

Summary of Key Changes: Credence

Board Effectiveness

Key Challenges

Composition: Board comprised of mainly family members - three of the five board directors were family and lacked necessary skill-set.

Roles: The board focused mainly on reviewing company financials.

Committee Composition: There were no board committees.

Succession Planning: There were no succession plans for key executives.

Key Changes

Composition: Revised the board to include three non-executive directors and two family members, only one of whom is an executive. Non-executive members have strong financial backgrounds.

Roles: Today, the board is involved in oversight. It approves strategy, business plans, and investment decisions and sets the company's risk appetite. A corporate governance charter and code of conduct have been developed, and, these are reviewed and approved by the board annually.

Committee Composition: New committees were set up, including an audit committee comprised of all non-executive directors, and an HR and nominations committee headed by a non-executive director. The board developed charters for both committees.

Succession Planning: HR has put in place a process for succession planning. HR conducts annual performance appraisals for key executives, which are a reviewed by the board's HR and nominations committee.

Corporate Secretary: Appointed a corporate secretary of the board that organizes board meetings, and serves as the liaison between the board and the management executive committee.

Management Control

Management Executive Committee: The company did not have adequate coordination and communication across the group.

Internal Audit Function: The company was in the process of developing an internal audit function.

Risk Management: Credence did not have formal risk management procedures and policies.

External Audit: The same external auditor had been in place for five years.

Financial Management: The external auditor prepared and consolidated accounts, which compromised the independence of the audit process.

Human Resources: The HR management function needed to be formalized and policies and procedures needed to be put in place.

Management Executive Committee: A management executive committee is formed at the subsidiary level that is involved with day-to-day functioning. The key performance indicators are reported and discussed with the CEO on a monthly basis. Committee meetings have formal agendas with documented minutes.

Internal Audit Function: Developed an internal audit function that reports quarterly to the audit committee.

Risk Management: The company created a separate risk management department to effectively manage risks.

External Audit: Credence changed the external audit and non-audit/advisory services are handled by a separate firm.

Financial Management: The group financial management function was restructured and departmental heads were hired who report directly to the CEO, and improved capability of the department in consolidating of financial statements.

Human Resources: A newly hired HR head has helped to organize the HR function. Among the additions and improvements are written terms of reference for various positions, a new annual appraisal system, and yearly staff training programs.

Family Governance

Family Governance: It did not have any family governance policies in place.

Family Governance: The company engaged an external consultant to develop family governance policies.

Impact Report

Credence reported the following impacts in about two years after making corporate governance changes in the organization.

Board effectiveness and functionality has increased. The appointment of non-executives with specific expertise has added an outside dimension to decision making. The board's perspective was especially helpful in dealing with a volatile market in the aftermath of the revolution in Egypt.

Organizational efficiency has improved significantly. Organization-wide change, along with the institutionalizing of functions like HR and finance, has reduced reliance on a single individual and has made a major difference in day-to-day operations.

Ability to attract and retain better talent has increased. Corporate governance changes have made a real difference in the company's ability to recruit—and keep—good people.

Management control across the subsidiaries has been strengthened. Replacing the group CFO with independent heads who report to the subsidiary's managing director has improved reporting and increased transparency for all units.

Market reputation has been enhanced. The company has received several awards. Most recently, the Egyptian ministry of tourism has selected one of its hotels as the top four-star hotel from among the 10 cities on the entire Red Sea for 2013. Credence was also named among the top three Red Sea businesses for protecting the health, safety, and welfare of its 1,500 employees by the ministry of labor.

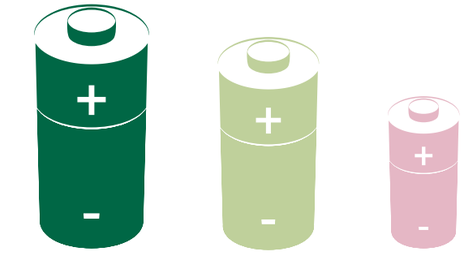
Impact Scorecard

How have the changes impacted...

Dana Gas

Business	:	Natural gas producer, focusing on upstream activity
Location	:	United Arab Emirates
Sector	:	Energy
Type	:	Publicly Traded (Abu Dhabi)
2008 Revenue (1 Year growth)	:	$311 million (+10%)
# Employees	:	400
IFC assessment	:	April 2006

UAE | Energy Sector



Dana Gas Ownership Structure (%)

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 international markets.

Driven by the vision and leadership of its chairman, Hamid Jafar, and 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 percent stake in 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 set a goal to attain 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 $1 billion 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.

Why 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

Summary of Key Changes: Dana Gas

Board Effectiveness

Key Challenges

Composition and Roles: Board had sixteen members, with just one executive who was the chairman/CEO; all others were non-execs. Had a good mix of skills on the board, but needed to clarify roles and responsibilities.

Structure: Company had established four committees: audit and 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.

Key Changes

Composition and Roles: The company added four new members to the board, including two executives. Ten of the 18 board members 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 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: After its founding, the company set up an international advisory board of highly accomplished, former industry executives. The advisory group meets twice annually to provide strategic advice to the board and management. The advisory group also helps develop strategic business relationships when needed.

Procedures: With more active committees, general board meetings are more efficient. Many work proceedings have been formalized, including standard reports to the board.

Management Control

Internal Audit: The IA function was somewhat limited in scope and did not report directly to the board.

Risk Management: Dana Gas lacked a formal risk management system. The company also needed to sharpen focus and monitoring of project risks.

Internal Control: As a new company, Dana Gas required improved documentation and training on internal controls in both financial and operational processes and an improved level of automated controls.

Internal Audit: The company hired an internal auditor and expanded the role of the internal audit function to ensure coverage of financial and operational activities. The IA reports independently to the board.

Risk Management: Dana Gas hired an outside firm to conduct a risk assessment and help establish more formal risk management processes throughout the company. Other changes include increased level of reporting, especially in projects, and improved discussion of risks at management meetings.

Internal Control: Changes included 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 & Transparency

Key Challenges

Disclosures: Disclosures were limited to what is required by a publicly listed company. Dana Gas sought to become best-in-class, but lacked information about the company's business performance and elements of its governance framework.

Key Changes

Investor Relations and Disclosures: Dana Gas set up a 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 reported the following impacts about two years after first embarking on its key governance changes.

The overall changes played a significant role in helping Dana Gas access about $1.5 billion in financing in the two years that followed. 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 have 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 have been 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.

Impact Scorecard

How have the changes impacted...

Egytrans

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, such as warehousing, customs, distribution, and packing, 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 percent in 2008, despite the economic slowdown.

Egytrans Ownership Structure (%)

National Invesment Bank	24
Hussam Leheta	9
Abir Leheta	7.3
Soad Sallam	6.5
Heba Leheta	6.1
Amani Leheta	6.1
Mostafa Mostafa	5.8
Other	35.2

Business	:	Provides transport services
Location	:	Egypt
Sector	:	Transportation
Type	:	Publicly traded
2008 Profit (1 Year growth)	:	$2 million (+106%)
# Branches	:	8
# Employees	:	380
IFC assessment	:	December 2007

Egypt | Transportation Sector

Of Note: Transparency as Competitive Advantage Transparency practices in the MENA region are relatively poor. Only about 61 percent of listed companies in MENA have an annual report and, of those, only about 25 percent include substantive non-financial information.[2] However, 69 percent 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 percent of MENA public companies disclose remuneration2). 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 Corporate Governance Survey 2008

Why Change?

The company has long recognized the value of corporate governance. It began the journey to upgrade its governance processes in 2006, prior to the engagement with IFC. 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 EGX-listed peers. Egytrans asked IFC to benchmark the company compared to international standards. The company also requested assistance in making other key structural improvements. For example, Egytrans sought changes in the boardroom to strengthen the board's oversight role and establish an appropriate mix of skills. The company also wanted to upgrade public disclosure and address certain succession issues to secure the next generation of leadership.

Why did they Change?

IFC conducted a corporate governance 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 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 also strengthened its management control environment by redefining the terms of the internal audit function, ensuring a direct reporting line to the audit committee. This also led to audit committee improvements, such as defining a more complete work plan to focus more time on oversight of the company's risk and control frameworks, in addition to the committee's traditional role in financial reporting oversightt.

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-executives and no independent directors. The board also lacked crucial skills needed for the fast-growing company. *Structure:* Company had established an audit committee, but it was not very active. *Procedures:* The board met as a whole five times a year, but committees did not meet on a regular basis. Proceedings were relatively informal with no set work plan.	*Composition:* The board composition was altered to include a mix of executives, non-executives, and two independents. Independents bring much needed skills of marketing and HR to the board. *Structure:* The board now features two active committees: the audit and corporate governance committee and the nomination and compensation committee. Both have formal charters and active proceedings. The audit committee's formal annual work plan is in place, linked with the internal audit work plan. *Procedures:* The board now meets frequently during the year, plus active meetings from committees that report back to the full board. They have a set work plan in place and formal agendas circulated before each meeting.
Management Control	*Internal Audit:* The IA function was under- resourced and somewhat limited in their scope. It did not report to the board directly. *Risk Management:* Narrow in scope and lacking focus on key risks across the enterprise, risk management was handled as part of a combined unit with corporate governance.	*Internal Audit:* The company enhanced the IA function to increase its scope and capabilities, while changing the authority line so that IA now reports directly to the audit committee. *Risk Management:* Egytrans set up 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 & Transparency

Shareholder Relations & Other

Key Challenges

Disclosure: Disclosures via website and annual report were minimal. They required more insightful information about the company's business performance and governance framework.

Succession Planning: The company had not specifically addressed the succession issue of senior management, especially the CEO, which was combined with the chairman position.

Key Changes

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 member, details of committees and meetings, attendance record of each director at board meetings, and remuneration of individual directors.

Succession Planning: The company has defined succession plans for the CEO, CFO, chief commercial and 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 reported the following impacts from the initial round of changes in 2007 and subsequent changes made in 2008.

Share price rose about 29 percent in the three months following the first improvements in 2007 and then another 53 percent following subsequent changes in 2008. The market reacted strongly, with a sharp rise in both 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 $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 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.

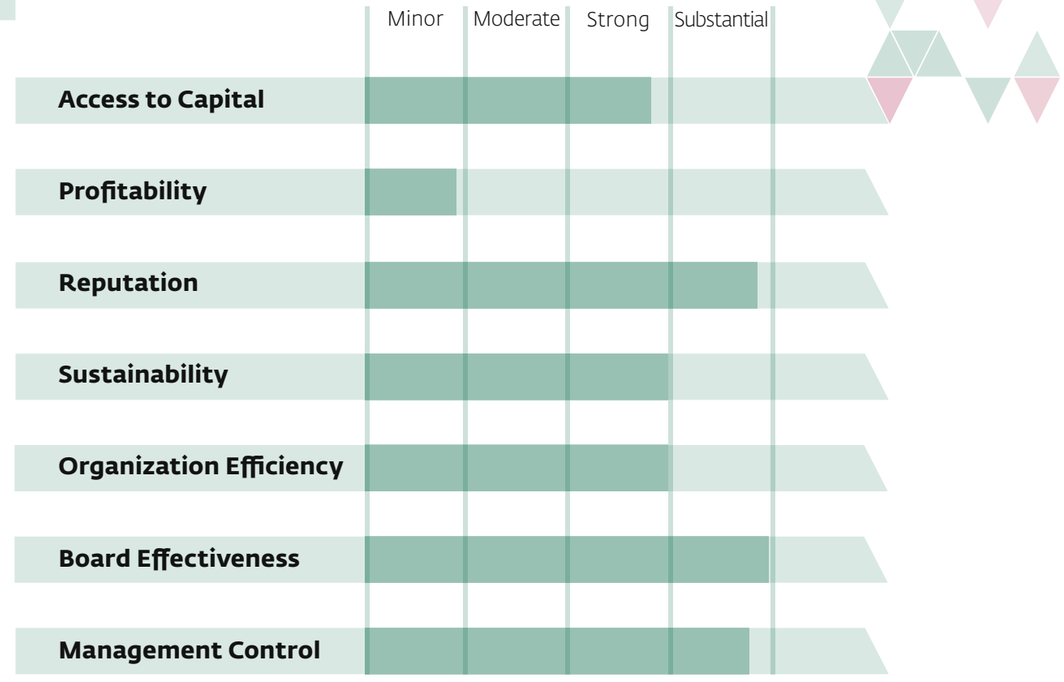
Other companies are contacting Egytrans for guidance on how they can initiate corporate governance changes. Egytrans has received considerable press coverage, and has fielded many requests to share experiences and lessons.

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 have improved substantially, resulting from the new investor relations regime and the improved transparency and disclosure practices of the company.

Impact Scorecard

How have the changes impacted...



$ Financing assessed* * where CG was a major factor	$20 million approximately from 2008 to 2009/2010 (in 18 months) primarily in equity

Jordan Duty Free Shops

- Business : Outlet, sales, trading
- Location : Jordan
- Sector : Retail
- Type : Public Shareholding Company
- 2012 Profit (1 Year growth) : $11.24 million (-7%)
- # Employees : 443
- # Shops : 16
- IFC assessment : May 2012

Jordan | Trading Outlet

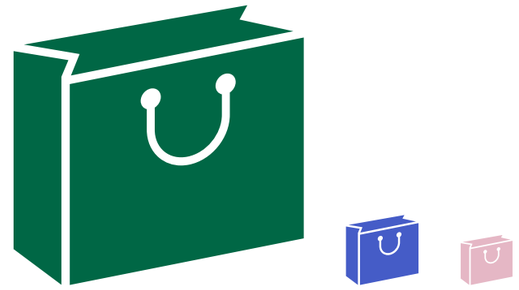
Jordan Duty Free Shops (JDF) is a public shareholding company that operates 17 outlets in the Kingdom of Jordan. The company was founded in collaboration between the public and private sectors.

As a listed company on the Second Market of Amman Stock Exchange (ASE), JDF understood that strengthening corporate governance would yield benefits, impacting operational efficiency, the quality of decision making, and improve risk management.

In recent years, JDF has focused on increasing sales in all categories to reduce reliance on revenue streams from its tobacco and alcohol categories.

JDF Ownership Profile (%)

Jordanian Social Security Corp. (SSC)	56.5
Jordanian Company for Joint Investment (JCJI)	13.8
Investbank	9.8



Why Change?

JDF faced some challenges as a result of political events, in 2011-2012, in the Middle East that negatively affected tourism and regional travel. In order to address such challenges and enable continued growth, sustainability and diversification of its portfolio, JDF recognized the value and importance of corporate governance as a tool to achieve such an outcome.

In addition, JDF has grown exponentially since its establishment in 1997. The company's leadership recognized that improving and upgrading JDF's corporate governance framework would be essential for its continued success.

Why did they Change?

To support its growth and sustainability, JDF arranged for IFC to conduct a corporate governance assessment. The assessment included governance change recommendations that focused on improving the internal control environment, disclosures, board committee structure, and policies.

Through the engagement of board members and senior executives, the company was able to implement advanced policies and procedures to manage risk. JDF also altered the structure of its board committees, with independent board members as chairs, representing the majority of the committee members.

In addition, the company improved its public disclosure, with additional information in the annual report for shareholders and stakeholders. Important new policies and procedures, such as a code of ethics, were put in place as well.

The company is in the process of introducing a number of key changes to its risk management framework, including a new risk structure with specific policies and procedures, for both board and management.

Several other recommendations have been approved and are in the process of being implemented. Among these ongoing initiatives are changes to the board composition to include more independent members.

Summary of Key Changes: Jordan Duty Free Shops

	Key Challenges	Key Changes
Board Effectiveness	*Committee Composition:* Committee membership overlapped a great deal. Changes were needed in the number and types of committees. *Procedures:* The board did not have a formal annual work plan.	*Committee Composition:* Committee roles were detailed; the number of committees was reduced; committee membership was adjusted to minimize overlap and potential conflicts of interest. *Procedures:* A formal work plan is now in place, covering the range of issues to be addressed throughout the year.
Management Control	*Risk Management:* Risk management was not a formalized function; risk policies and procedures needed updating.	*Risk Management*: Among the key changes in this area was the formation of special unit for risk management, comprised of executives and directors.
Disclosure & Transparency	*Disclosures:* JDF needed to improve disclosure on its website and by way of other public documents.	*Disclosures:* There is more focus on regular review and updates to the information that is publicly disclosed on the company website.
Commitment to Corporate Governance	*Code of Ethics:* There was no explicit commitment to a code of ethics or corporate governance. *Resources:* The company did not have in place an individual to manage the implementation of corporate governance improvements within the organization.	*Code of Ethics:* The board approved and put in place a clear code of ethics that commits them to a high level of ethical conduct and corporate governance. When the website update is complete, the codes will be posted. *Resources:* JDF appointed a project manager to oversee the implementation of all corporate governance recommendations from the IFC assessment.

Impact Report

Jordan Duty Free Shops reported the following impacts from the changes made, both, before and after the corporate governance assessment, about two years after recommendations were made to the board.

Internal controls and risk management have improved markedly. The formation of the specialized unit has increased the company's focus on risk and improved overall results.

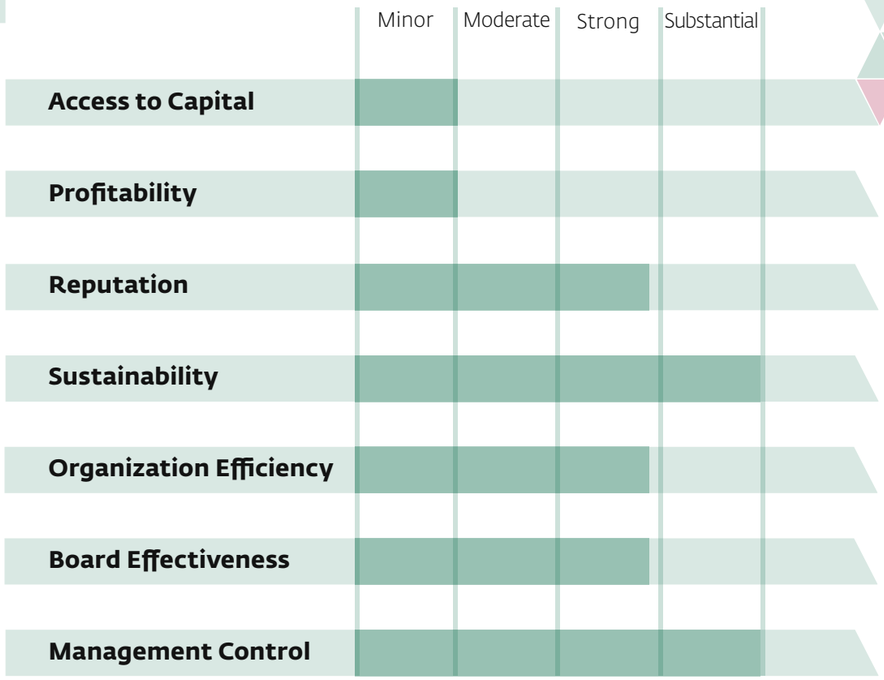
Board committees are performing better. With the restructuring of board committees, the performance of board committees has improved.

The board functions more effectively with greater engagement. With a deeper understanding of the roles and responsibilities of individual directors and the board of directors as a whole, the board is adding value to the company.

Efficiency, transparency and accountability have all increased. By formalizing a number of existing practices into formal policies has helped the company improve in all of these critical areas.

Impact Scorecard

How have the changes impacted...



Kashf

Business	:	Provides microfinance services to women
Location	:	Pakistan
Sector	:	Microfinance
Type	:	Not-for-Profit
2008 Revenue (1 Year growth)	:	$11.9 million (+47%)
# Employees	:	1,000
# Branches	:	152
IFC assessment	:	July 2008

Pakistan | Microfinance Sector

Kashf is one of the leading microfinance institutions in Pakistan. Kashf was set up in 1996 and is now ranked among the top 5 percent of microfinance institutions worldwide in terms of outreach. Beginning with a small operational base, five branches in Lahore, and 5,088 customers, Kashf has grown into a 152- branch network with 290,000 active clients. Kashf employs approximately 1,000 headquarter-based and field staff. Through 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, the Kashf family expanded to include an investment vehicle, Kashf Holding Limited (KHL), and a microfinance bank, Kashf Microfinance Bank Limited (KMBL), a for-profit microfinance bank. In 2013, KMBL was rebranded as FINCA Microfinance Bank Limited after FINCA acquired a majority stake in the bank.

Why Change?

Kashf places 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.

Why did they Change?

To enhance the board's effectiveness, after the corporate governance assessment, Kashf added to its board a non-executive member with an accounting background to enhance board's skill mix. In addition, Kashf changed its committee structure, setting up a new nominations committee and enlarging the audit committee's scope, while designating a non-executive as its head. Two advisors with the relevant skills and experience were appointed to the HR and program and finance committees.

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 also 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.

Of Note: Good Governance Helps Crisis Response In 2008, the confluence of the global financial crisis with steep food price inflation caused a significant decline in growth projections for Pakistan's microfinance sector. Several microfinance institutions struggled as the number of non-performing loans increased, while as sources of commercial financing dried up at the same time. This significantly heightened the credit risk for Kashf's existing portfolio.

Kashf's board and management realized the importance of strategies to ensure the organization's continued financial sustainability. Taking on the role of crisis manager, the board met twice to formulate a new strategy against the liquidity risk and the prospect for a sudden increase in loan defaults. This new strategy focused in part on leveraging donor funds to offset the risk of expensive commercial loans. The approach enabled Kashf to raise $1 million in grant funding for immediate use 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 that each area manager must supervise, which has helped to concentrate their focus. The result: the PAR for all loans made in 2009 is now below 0.3 percent. Kashf also created an independent internal audit function. The head of internal audit reports 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.

Summary of Key Changes: Kashf

Board Effectiveness

Key Challenges

Composition: The board had 12 members, with 10 non-executive and two executive directors. It lacked finance and accounting skills and had no fixed tenures for board members.

Structure: Company established audit, program and finance, HR, ethics and 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 meet on a regular basis. Committee proceedings were relatively informal, with no set agendas.

Key Changes

Composition: Elected While the board size has remained the same, a non-executive member with accounting experience now heads the audit committee. Formal terms have been set at three years, with a maximum of three terms.

Structure: The company has implemented the recommended changes to the committee structure, establishing a new nominations committee and enlarging the scope of the audit committee. Appointed a non-executive head of the audit committee. Two experienced advisors were added to the HR and program and finance committees.

Procedures: The board now meets five times a year and is focused on improving the level and quality of discussions. Committees are meeting one-to-two days prior to board meetings. These meetings have become more structured and result-oriented. Work plans are in place and formal agendas are circulated before each meeting.

Management Control

Internal Audit: The IA function was instituted, but the head of IA did not report directly to the board's audit committee.

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 the company's risk management. In addition, political risk was not identified as an important area of focus.

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. Each area manager now supervises five branches—compared to 10 previously—and regional managers oversee 35 branches—compared to 70 previously. Following a smear campaign run by certain political elements against Kashf, which resulted in strings of defaults, the company has now placed more emphasis on addressing political risk. Other changes include increased staff training and actions to improve liquidity risk by targeted analysis of the balance sheet.

Compliance: Kashf instituted a compliance function with a direct reporting line to the managing director/CEO. This gives the company a helpful a pre-audit tool, providing flexibility to report more frequently on compliance issues within the organization.

Key Challenges

Key Changes

Disclosure & Transparency

Disclosure: Non-financial disclosures, including those relating to its governance, were not optimal. The disclosure failed to provide more insightful information about the governance framework and other non-financial aspects of company operations.

Disclosure: Kashf has significantly improved non-financial disclosure in its dealings with donors and other investors.

Related-Party Transactions: An inter-party transaction committee was created to advice 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. There are formal succession plans in place for the CEO and other key executive officers, with three potential successors to the managing director/CEO identified. 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. To further strengthen the board-management relationship, Kashf invested in a coaching program for KMB's new CEO at KMB.

Impact Report

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. It is actively involved in setting strategy and guiding management. Adding a member with accounting expertise enhanced its oversight capabilities.

Crisis response was strengthened. The changes in the company improved overall stewardship and leadership by helping the board and senior management develop effective crises response strategies, such as improving balance sheet liquidity, in the wake of the financial crisis.

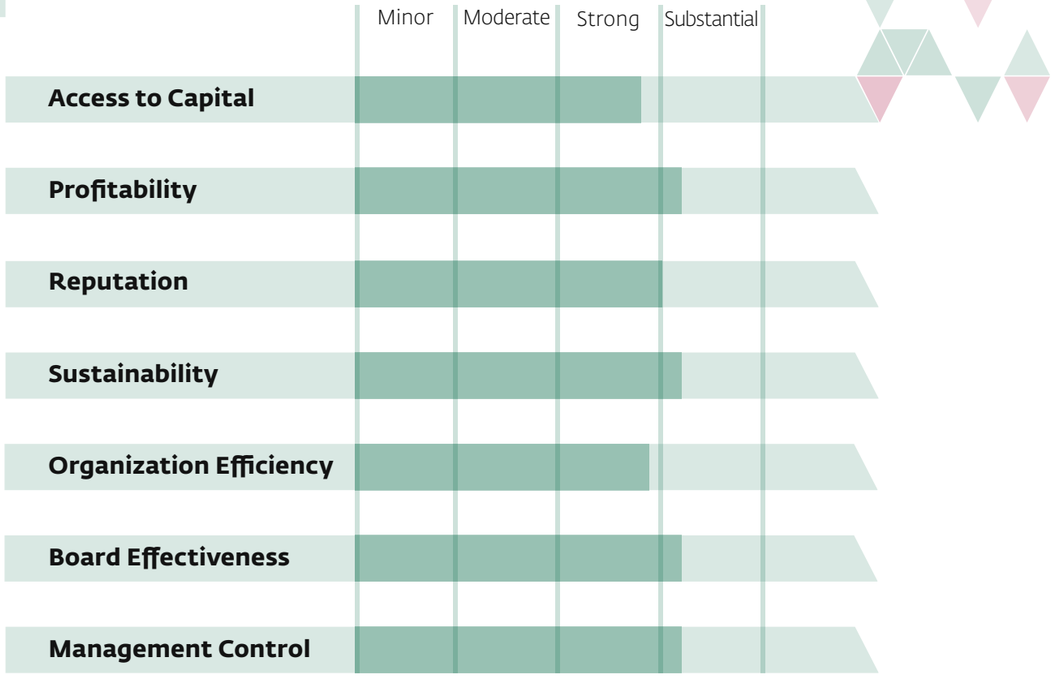
Access to additional sources of funding improved. Against the backdrop of a credit crunch and commercial lenders increasing risk premium on their loans. Kashf was able to access $25 million in commercial loans and $1 million in grants. The governance changes played a strong role in this success. It also helped in negotiations with donors for an additional $21 million in grants in the coming year to offset the risk of losing a substantial portion of the loan portfolio.

Kashf's reputation in the donor community has improved significantly. Kashf is a leading recipient of DFID grants in Pakistan's microfinance sector. Its reputation has also improved internally with staff morale higher and the company's corporate culture being highly impacted with the changes.

Risk management and control are much improved. The various risk management and control changes have reportedly strengthened Kashf's capacity to address credit and other types of risk. This will help protect the company from potential future crises as well. The PAR for all loans made in 2009 was below 0.3 percent.

Impact Scorecard

How have the changes impacted...



$ Financing assessed* * where CG was a major factor	$25 million in loans and $1 million in grants approximately over 2009 (seeking another $21 million over the next three years)

Medgulf

"We at Medgulf believe strongly that corporate governance is one of the corporate pillars of any institution. The leadership team in our group has been an ardent supporter of the implementation of our corporate governance program, and we are grateful for IFC's help in facilitating, monitoring and supporting this program."

Muhammad Bachar El Zein
Executive Vice President, Medgulf

Business	:	Insurance
Location	:	Bahrain (Group office) 6 locations
Sector	:	Insurance
Type	:	Private and Public (subsidiaries)
2012 Profit (1 Year growth)	:	$46.4 million (N/A)
# Employees	:	1.600
IFC assessment	:	October 2012

Bahrain | Insurance & Reinsurance Sector

The Mediterranean & Gulf Insurance & Reinsurance Company B.S.C. (Medgulf) was founded in Lebanon in 1980. Since then, Medgulf has expanded into the Gulf area, specifically targeting the Kingdom of Saudi Arabia (KSA) and the Kingdom of Bahrain in addition to other countries, such as Jordan.

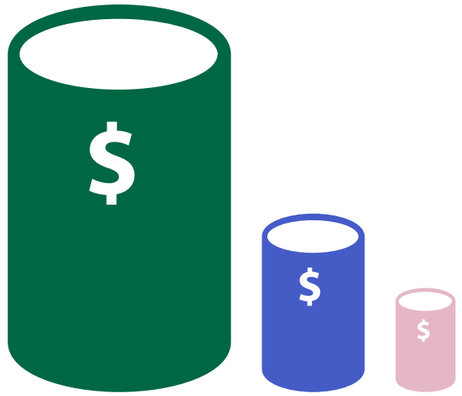
In 1995, leading investment groups and major players in the financial and insurance sectors pooled their resources to create one of the largest insurance groups in the Middle East: Al Azizia Commercial Investment Company, Saudi Oger Ltd., Saudi Investment Bank and Lutfi El Zein Holding.

These subsidiaries, along with Medgulf itself, comprise the Medgulf Group. Today, the Medgulf Group is among the leading Arab and regional insurance companies. The group provides the full range of risk coverage, serving retail and institutional markets through its operations in Lebanon, KSA, Egypt, Bahrain, UK, UAE, Turkey, and Jordan. Medgulf Group is registered and incorporated in the Kingdom of Bahrain as a Bahraini Joint Stock Company.

Medgulf Ownership Profile (%)

SLH Holding*	60.2
Orix	25.7
IFC	14.1

* SLH is 100 % owned by LFZ Holding



Why Change?

Medgulf Group was anticipating sustained growth, including continued expansion in the Middle East and other regions. To support this growth, Medgulf Group recognized the need for a strong corporate infrastructure, including a sound framework for corporate governance.

Why did they Change?

In October 2012, IFC conducted a corporate governance assessment for the Bahrain office of the group as a whole, as well as three key subsidiaries in the Kingdom of Saudi Arabia, Jordan, and Lebanon. The markets in Saudi Arabia and Jordan are strictly regulated, so the recommendations for these two subsidiaries were in line with the legal requirements in these markets. Although changes were mandated by law, Medgulf has gone beyond the letter of the law with its corporate governance changes. There is a clear process in place for implementation of policies and a clear line of authority.

Most of the changes have taken place at the group level, including a better board structure and improved group oversight of all subsidiaries. A newly appointed board secretary works closely with the compliance department to implement the governance changes.

Summary of Key Changes: Medgulf (group level)

	Key Challenges	Key Changes
Board Effectiveness	*Composition:* The six-member board lacked the skill set, considering the company's future direction. *Committee Composition:* There were no board committees. *Procedures:* Needed implementation of best practice procedures.	*Composition:* Four new members were added, bringing the total number to nine. The board now includes four independent members with backgrounds in international insurance industry expertise, finance, and investment. Shareholders are also represented on the board. *Committee Composition:* Audit, nomination and remuneration, and executive management committees were set up. The audit committee meets four times a year and oversees internal and external auditors, as well as the compliance department. The nomination and remuneration committee follows up on board assessments while the executive management committee follows up on executive management. All committees have active charters. *Procedures:* The board meets quarterly, more often if necessary. The meeting agenda and papers are circulated – target 15 days in advance and company secretary compiles comments before the meeting.
Management Control	*Risk Management:* Medgulf lacked formal risk management procedures and policies. *Internal controls and internal audit:* The internal audit function needed improvement. Internal controls were not documented. *Human Resources:* The HR function needed to be improved, with the need for increased staffing.	*Risk Management:* A risk management department was formed in the Saudi entity. A similar unit is being set up at the group level. *Internal controls and internal audit:* A full-time internal auditor has been appointed with direct access to the audit committee. Internal controls are defined and documented. Internal audit continues to improve. *Human Resources:* The company has developed a group-level HR manual that includes detailed job descriptions.
Disclosure & Transparency	*Disclosure:* At the group level, Medgulf needed to improve their reporting to the shareholders.	*Disclosures:* Medgulf follows the regulatory requirements of disclosure through board reports and is in the process of developing its website, which will include both financial and non-financial information about the company. *Corporate Governance Policies:* Several corporate governance policies have been approved, including disclosure, investment, connected party, and introduction to the board/new board member policies. In addition, the company has approved a code of conduct and a corporate governance manual.

Impact Report

Medgulf reported the following impacts about one year after making key governance changes to its organization.

Medgulf Group's status in the region has been elevated. With the implementation of corporate governance directives, the Medgulf Group is moving fast to become a leading institution in the region, incorporating transparent, efficient, and compliant procedures and systems, including adequate succession planning for all levels of management as well as at the board level.

Shareholder involvement is more measurable. With more effective communication channels, shareholders get necessary and adequate information, making it possible for them to be more involved.

Access to capital has increased. Changes in the group's structure and operations have made it easier for the company to access the capital it needs to fuel continued growth.

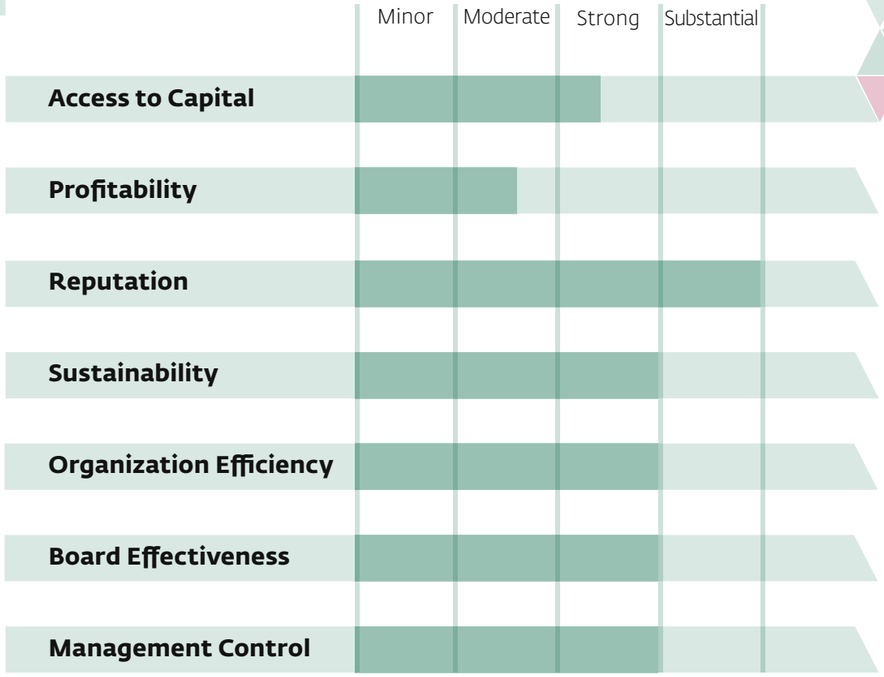
The board functions more effectively. Meetings are conducted with greater efficiency and organization. With a more diverse mix of backgrounds and expertise, board members can provide valuable input at meetings.

Company efficiency has improved. Forming committees that periodically report to the board (i.e., every quarter) has helped increase efficiency at the company.

Organizational and procedural controls are stronger. The audit committee has been effective in putting effective organizational and procedural controls. The employees of Medgulf have reported a positive impact and increased confidence in the company.

Impact Scorecard

How have the changes impacted...



Microfund for Women*

"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 General Manager, MFW

* Microfund for Women is also featured in the 2010 edition of this publication. This profile includes an update of accomplishments since the first edition was published.

Business	:	Microfinance products and services for entrepreneurs (primarily female)
Location	:	Jordan
Sector	:	Financial
Type	:	Privately held
2012 Revenue (1 Year growth)	:	$6.5 million (17%)
# Branches	:	44
# Employees	:	200
IFC assessment	:	May 2009

Jordan – Microfinance Sector

Microfund for Women (MFW) is a Jordanian microfinance organization that was founded in 1994 as a pilot program of Save the Children, a prominent international charity. MFW has since expanded to become the leading women's microfinance service provider in Jordan, with an overarching goal of empowering female entrepreneurs throughout the country.

With an average loan size of $380, MFW provides various types of micro-loans to individuals and groups. MFW's current portfolio of about 87,000 active borrowers is the largest in the country, with 96 percent of its customers being women.

MFW has long been recognized as an innovative leader in the Jordanian microfinance sector. Now, the organization is expanding to offer forms of nonfinancial services, such as vocational training, to help customers develop their trade skills.

The Sukhtian family holds a 60 percent ownership stake in MFW; the remaining 40 percent share is held by Save the Children. Mr. Ghiath Sukhtian currently serves as chairman of the board, while his daughter, Ms. Muna Sukhtian, is deputy chairperson and general manager (GM). It has nearly 44 branches located around Jordan, including several near Palestinian and Iraqi refugee camps, to help promote female entrepreneurs in those hardship areas.

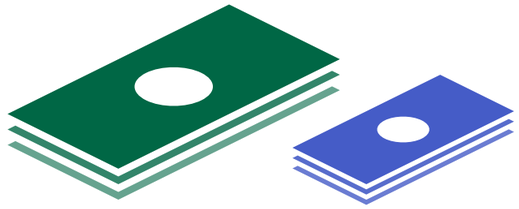
Why Change?

2008 was a transition year for MFW. It went through an expansion, going from 13 branches and 120 staff to 15 branches and 200 staff. 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 management level. The company had significant turnover at the top, with three different GMs during this period. Performance declined as well: Portfolio at Risk (PAR) increased from about 2 percent to 4.7 percent. These issues ultimately took their toll on MFW's operational sustainability and profitability and led to the company's decision to engage with IFC, as a way to help reset the path forward.

Microfund for Women (%)

Sukhtian Family	60
Save the Children	40



Why did they Change?

IFC conducted a corporate governance assessment for MFW in May 2009. The first priority was reestablishing the board of directors, following the resignation of the prior board. Through a selection committee, MFW appointed three new members with diverse skill sets to join four prior members who were reappointed. It established formal committees for audit and risk, HR and nomination, and product development. Work processes were modified to delegate more responsibilities to the committees. Important management-level changes were aimed at addressing 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. This has helped reduce MFW's portfolio at risk. Internal audit and financial management functions were strengthened as well.

Since the implementation of its governance framework following the initial 2009 assessment, the governance framework that MFW had started to put in place has continued to date. MFW has further made significant changes to its management control environment by establishing an executive management committee. Risk management and financial management functions have been strengthened with the establishment of formal planning and monitoring process. In 2011, MFW hired an independent internal auditor, which has helped to expand the scope of internal audit function. On-going efforts include additional board restructuring.

Summary of Key Changes: Mircrofund for Women (MFW)

Board Effectiveness

Key Challenges

Composition: The entire seven-member board resigned in January 2009 because of the group's ineffectiveness. MFW was in need of members with new skills and experiences to improve boardroom discussions and dynamics.

Structure: No formal committees existed.

Procedures: The board met about 10 times during 2008, but usually in crisis- response mode. It lacked a structured annual program and the chairperson often dominated discussions.

Roles: The board was not carrying out the full range of its responsibilities. It was limited to addressing ad hoc issues and monitoring key financial information. Directors required better understanding of their individual terms of reference and expectations.

Key Changes

Composition: MFW reconstituted the board during the Spring and Summer of 2009, adding three new independent members who have brought deeper financial and microfinance expertise to board discussions. The board's diversity remains the same: three out of seven members are women, representing 47 percent of board membership.

Structure: Three active committees—audit, HR/nomination, and product development—now meet regularly. They have formal work plans and report frequently to the board. The audit committee is chaired by an independent director.

Procedures: The board as a whole meets less frequently due to the work of the committees. The board has a formal work plan in place. The chairperson's role as facilitator has been reviewed to help balance discussions.

Roles: A new formal board charter highlights key board roles and feeds into annual plan. The company also developed terms of reference for its board of directors, clarifying expectations from each on time commitment, participation, and preparation.

Management Relations: Management reporting to the board has improved. Board members are encouraged to interact more with management and offer expertise as needed. For example, a new board member with banking expertise has already contributed important input on some specific banking issues.

Management Control

Internal Audit: A small in-house function was focused narrowly on certain loan functions. MFW was in need of a stronger IA function, with a wider mandate, particularly in light of the company's rapid growth and recent performance issues.

Risk Management: Portfolio at Risk had increased from about 2 percent to above 4.7 percent in 2008 due to rapid growth and an influx of new loan officers; branch processes required strengthening.

Financial Management: Financial reporting processes were weak and controls needed to be improved. For several months in 2008 the books were not closed properly.

Treasury: MFW did not have a formal, active treasury function. Funds were managed in a reactive manner.

Internal Audit: An internal auditor—a female—was hired to oversee the work of the IA team, which also includes three junior auditors. This has helped expand IA's scope and activity to cover both financial management and key operational activities, particularly in high-risk branches.

Risk Management: MFW hired a COO who led the redesign of credit risk processes and formally documented credit risk procedures. Other improvements include the creation of a new credit committee, better training for loan officers; revised credit thresholds to add more control over credit decisions.

Financial Management: MFW hired a CFO who revamped many financial management processes, including the financial close and reporting process. The new finance team also streamlined the chart of accounts, strengthened key financial process controls, upgraded skill sets and job functions of finance staff, and 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: MFW significantly improved their control over cost of funds by improving internal analysis of funds costing and strengthening market analysis to find more optimal credit terms.

Human Resources: The company has compiled detailed job descriptions and implemented new HR-related policies and procedures, which has improved HR functionality.

Disclosure & Transparency

Key Challenges

Disclosure: With minimal website and annual report disclosure, MFW needed to increase the flow of information to the public.

Key Changes

Disclosures: Today, MFW's website details the company's positive socially responsible activities as well as its financial information. The finance department has hired staff that focuses on ensuring accurate disclosure.

Impact Report

MFW reported the following impacts about three years after making key governance changes to its organization.

Access to finance has improved dramatically. Now, banks approach MFW with financing proposals—a marked change from the past when MFW had to seek out financing. This is due in large measure to the organizational changes that MFW has made that have enhanced its reputation in the market.

MFW's cost of funds has decreased significantly, which has helped profitability. The company can negotiate better terms with creditors, and has refinanced much of its debt for more favorable terms. Sharpened oversight and cost monitoring have helped as well.

The board functions more effectively. The board focuses on more strategic issues now, such as new product development. The creation of the new committees has enabled better time utilization and more in-depth focus.

Credit and market risk mitigation is much stronger. Better credit monitoring and analysis, and improved management of foreign exchange and interest rate risk. MFW interest rates are the lowest in Jordan.

MFW's market reputation has improved substantially. Creditors and business partners have taken notice of the changes and responded very positively. MFW is considered the leading microfinance company in the country.

Efficiency has been improved significantly. Notable benefits include quicker decision making, more efficient processes, and better follow up from staff at all levels.

Client retention is strong, and stands at 86 percent. Clients continue to renew their loans with MFW on the strength of its good reputation, an important aspect of MFW's mission and vision for the community.

MFW has become an acknowledged regional leader. Among the honors received are a 2011 award for financial sustainability, a 2012 award for innovation, and a designation as the best fund to support women in the Arab world from Dubai SME, an agency of Dubai's Department of Economic Development.

Impact Scorecard

How have the changes impacted...

$ Financing Assessed* * where CG was major factor	$25 million approximately from January 2011 to April 2013

NRSP Microfinance Bank Limited

"Corporate governance is like coffee. It is bitter in the beginning but once you get used to it, it is fantastic."

Dr. Rashid Bajwa
Chairman, NRSP Bank

Business	: Microfinance banking
Location	: Pakistan
Sector	: Microfinance
Type	: Privately held
2012 Post Tax Profit (1 Year growth=3.65 times)	: $1.5 million
# Branches	: 39
# Employees	: 1,033
IFC assessment	: August 2009

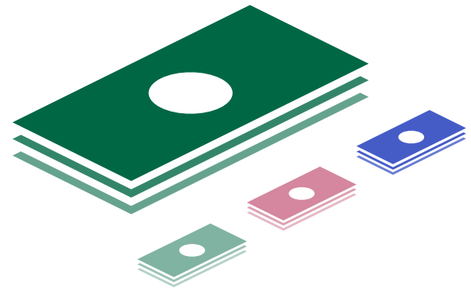
Pakistan | Microfinance Sector

Beginning in March 2011, Pakistan-based NRSP Microfinance Bank Limited (NRSP Bank), has provided microfinance services to economically challenged people, helping to mitigate poverty while promoting social welfare.

NRSP Bank finds its roots in the National Rural Support Program, an NGO, which is the largest rural support program in Pakistan in terms of outreach, staff, and development activities. NRSP was established in 1991, and microcredit became one of its main activities. NRSP Bank was formed to develop a range of microfinance services and broaden access to finance to its client base.

NRSP Ownership Structure (%)

NRSP	52
IFC	16
KFW	16
Acume n Fund	16



Why Change?

In 2007, NRSP's board decided to transform its microfinance operations into a regulated microfinance bank, taking a phased approach, the bank was incorporated with a capital base of Pakistani Rupee 1 billion-- (approximately $10 million). Of this, NRSP contributed 52 percent. A group of investors, including IFC, Acumen Fund and KFW Development Bank, provided the remaining 48 percent.

NRSP Bank set a goal to become a corporate governance champion in Pakistan's microfinance sector. NRSP Bank faced several governance challenges during the transformation process, but it remained committed to proceed to establish sound corporate governance structures and processes, by avoiding potential conflicts with the founding NGO. These actions sent positive signals to its investors to participate in the bank's development and success.

Why did they Change?

IFC conducted a corporate governance assessment of NRSP's banking operations in August 2009, with a specific focus on the nominated board and management structures. Corporate governance was part of a broader IFC package of equity financing, strategic advice on transformation, and advisory services focusing on deposit mobilization and business planning.

Based on IFC recommendations, the banking operation made several changes, starting with separating the roles of the founding organization and NRSP Bank to mitigate potential conflicts of interest. Other changes focused on board composition. While the NRSP Bank already had an experienced independent director for its board, it added more independent directors in response to the assessment recommendations. Board committees were formed and corporate governance policies were formally put in place.

In addition, the bank developed a risk management framework and set up internal audit functions. Before it began operations as a regulated entity, NRSP Bank addressed another critical issue: the dual role played by the CEO of the non-profit founding organization, who also served as CEO of the NRSP banking project. A separate fulltime CEO for the bank was appointed under the State Bank's fit and proper criteria. Appropriate disclosure, and fair and transparent management practices, supervised by an active board of directors have raised stakeholder confidence. The bank continues to make changes and plans to split its audit and risk committee, and conduct annual board evaluations as a way to further improve governance.

Summary of Key Changes: NRSP Bank

	Key Challenges	Key Changes
Board Effectiveness	*Composition:* Six out of seven directors were members of the founding non-profit NRSP board. *Committee Composition:* Since the bank as a separate entity was not functional in 2009, it did not have any formal board committees. *Procedures:* Needed implementation of best practice procedures. *Key-Person Risk:* One person held the dual title of CEO of the NGO and CEO of NRSP Bank. Although this was preferred during the bank's formation, a subsequent transition plan was recommended.	*Composition:* The bank added two members to the board. Of this nine-member board, two are independents who have banking expertise, three were nominated by investors, and one is a woman. Three-year board term limits were established. *Committee Composition:* An audit and risk committee headed by an independent director was created, along with an HR committee, also chaired by an independent director. Committee roles and responsibilities were clarified. *Procedures:* The bank's board meets quarterly and more often if necessary. *Key-Person Risk:* After seeking approval from Pakistan's state bank and with the consent of investors, NRSP Bank appointed a new—and separate—CEO to head for NRSP Bank.
Management Control	*Risk Management:* There were no formal risk management procedures. *Internal Controls and Internal Audit:* There was no internal audit function. Internal controls were not documented. *Human Resources:* The bank needed to hire for key managerial positions.	*Risk Management:* The bank set up a board committee for audit and risk management and also formed an asset and liability committee of the management that looks at risks faced by the Bank. *Internal Audit and Controls:* An internal audit function was created and a fulltime internal auditor with direct access to the audit committee was appointed. Internal controls have been defined and documented and staff is trained on them. *Human Resources:* The bank developed terms of references for key positions and hired managers.
Disclosure & Transparency	*Disclosure:* The bank lacked disclosure and governance policies.	*Disclosure:* A disclosure policy was put in place, along with a board charter, corporate governance code and a code of conduct. Given the ownership structure and NRSP's majority involvement, the bank also established policies for related party transactions and conflicts of interest.
Shareholder Rights	*Minority Shareholder Rights:* The needed to put in place minority shareholder protections.	*Minority Shareholder Rights:* Minority shareholders are well represented on the board, with each of the minority owners nominating a director. Shareholder agreements protect minority rights.

Impact Report

NRSP Bank reported the following impacts in about two years after embarking on the changes.

The board functions effectively. The inclusion of women and independent directors with industry expertise has improved the board's functioning and contributed to a more effective decision-making process.

Organizational efficiency has been enhanced. Separating the non-profit from the bank has helped to clarify roles and streamline organizational processes.

Early performance indicators are strong. The improved operational efficiency resulting from the governance changes has contributed to a strong performance—the bank earned about $1.7 million in profit from its first full year of operations.

NRSP Banks' market reputation has been enhanced. Governance changes have not gone unnoticed, with Pakistan's central bank reacting positively. NRSP Bank has set a goal to be a market leader in corporate governance.

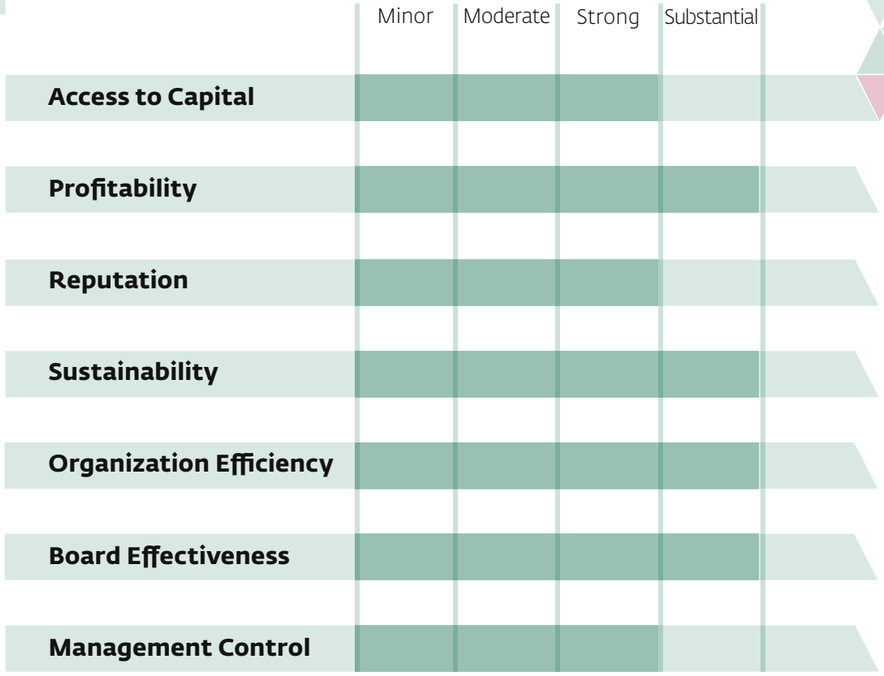
Information sharing and communication have improved markedly. By reducing key-person risk and adding key managers, the management team functions more effectively, enabling better information flow.

Access to capital has increased. Following the adoption of corporate governance recommendations, the bank has had an easier time accessing the capital it needs.

Credit ratings have benefited. The JCR-VIS Credit Rating Company has maintained the bank's entity ratings at BBB+ (medium-to-long term) and A – (short term). Outlook from the assigned rating has been revised from "stable" to "positive."

Impact Scorecard

How have the changes impacted...



Access to finance	Access to finance increased 4 times of equity due to the corporate governance improvements in the bank

SABIS®

"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
SABIS® board member

Business	: Operates private and public schools in 15 countries
Location	: Lebanon and US
Sector	: Education
Type	: 100% Family-Owned
# Schools	: 75
# Students	: 56, 000
# Employees	: 4,500
IFC assessment	: October 2008

Lebanon | Education Sector

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. SABIS® began to expand outside Lebanon in the mid-1970s. SABIS®'s well-regarded global network includes 75 schools in 15 countries with over 56,000 students and 4,500 employees. Its main management centers are in Lebanon and the United States.

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 as well as in the classroom. SABIS® is 100 percent owned by the Saad and Bistany families.

Why Change?

The company identified corporate governance as a key factor in sustaining the company's growth. As 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.

Why did they Change?

IFC conducted a corporate governance assessment for SABIS® in October 2007. The IFC review revealed that SABIS® was clearly committed to good corporate governance. The company had already demonstrated this commitment by implementing some initial reforms prior to the IFC review, such as revising the board's composition and clarified its role. In the past, the company would 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 and relationship with management through a formal charter and matrix of authorities, with particular emphasis on the board's role in providing strategic guidance and management oversight. This has helped the board stay out of day-to-day management issues so it can 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—including employment and share transfer policies, and plans for a family council— to help manage the family- business relationship.

Summary of Key Changes: SABIS®

Board Effectiveness

Key Challenges

Composition: The eight-member board was comprised entirely of family members and executives. Dominated by the families, the board had no independent directors.

Structure: There were no board sub-committees.

Roles: In addition to traditional board topics, the board also handled management and family issues, all together.

Procedures: The board met infrequently – many key decisions, including management decisions, were taken by co-chairpersons.

Key Changes

Composition: Board composition and terms of office were revised. It now consists of nine members, including two non-executives and another non-family member. The board is to include independent board members while maintaining family members at a minimum 50 percent of composition.

Structure: To increase board effectiveness and make better use of directors' time, committees were set up, including for finance, nominations, and management development.

Roles: The distinction between board, management, and family duties and issues was clarified. They now have separate bodies for each of these areas. The co-chairpersons relinquished their day-to-day management role and now focus more on strategic issues.

Procedures: The board's working procedures were upgraded. It meets on a regular, quarterly basis, making use of formal agendas that are distributed at least five working days before the meeting, along with supporting materials.

Management Control

Management Structure: Much of the decision-making and issue resolution was concentrated with the co-chairpersons. In addition, better coordination between geographical locations was needed.

Financial Management: To improve the management of company finances, more robust systems and processes—along with increased automation—were necessary.

HR: Given the resource-intensive nature of schools, SABIS® was in need of a more formalized HR function, which could help support business growth.

Management Structure: SABIS® strengthened the senior management team by setting up regional management teams in the US, Lebanon, and elsewhere, which collaborate with each other frequently. The group management team considers more macro-level issues, giving needed support to the CEO.

Internal Audit: An internal auditor was hired to conduct objective assessments of high risk processes.

Financial Management: To improve checks and balances and sharpen the regional focus of operations, a network of regional corporate controllers was put in place. The company also implemented a new core financial system and improved management reporting capabilities.

HR: A more formal HR function is now in place, headed by a group HR director who helps address more strategic personnel and HR issues affecting the company. The company is revamping its hiring process to improve control and quality of recruitment.

Family Governance

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: A family employment policy has been developed. Developing a policy on share ownership that includes guidelines for ownership and transfer rights, as well as a share valuation methodology. Conducted formal training for family members on board and family governance. A budget was set up to support the creation of a family council that will begin to address family issues on an ongoing basis.

Impact Report

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. 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 led to better-informed decisions. Family issues are now handled in a separate forum.

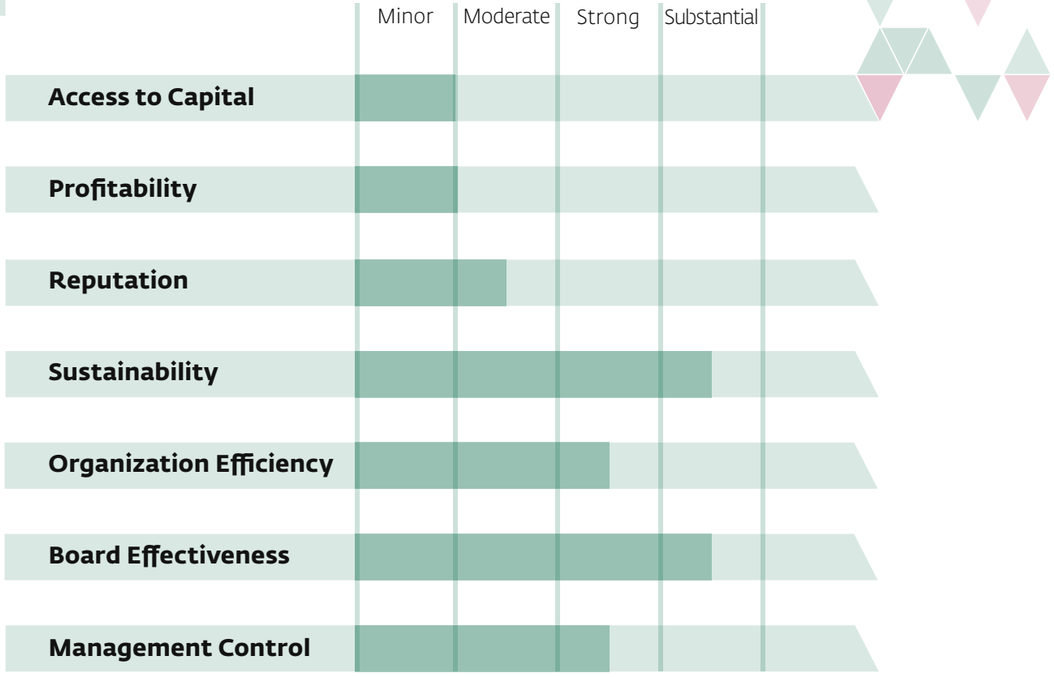
Organizational efficiency and effectiveness has been strongly impacted, especially regarding SABIS®' School Management System, which has helped streamline processes and improve school and operational decision-making.

Board and management oversight of risk across the network of schools has improved sharply. The new systems and processes—with better information reporting—have 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 better coordinated across the schools and less reliant on manual processing. The company can produce consolidated IFRS reports in-house and the deeper financial analysis has improved decision-making across the management ranks.

Impact Scorecard

How have the changes impacted...



Tourism Promotion Services

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

Aziz Boolani
CEO, TPSP

Business	: Owns and operates hotels and a business complex under 'Serena' brand name
Location	: Pakistan
Sector	: Tourism Services
Type	: Public (Unlisted)
2008 Revenue (1 Year Growth)	: $21.6 million (+5%)
# Employees	: 1,370
# Hotels	: 7 (parent has 32 globally)
IFC assessment	: August 2007

Pakistan | Tourism Sector

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, and rural and economic development.

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

TPSP is supported by its Switzerland-based parent affiliate company, Serena Tourism Promotion Services S.A. (TPS). The broad mandate of TPS is to realize tourism's potential in selected areas of the developing world, in an environmentally sensitivity 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 way.

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

TPSP Ownership Structure (%)

AKFED	75
IFC	19
Norfund	5
Pakistani Govt	1

Why Change?

TPSP was growing rapidly and its business becoming more diversified as it moved into commercial property development and leasing. To help address the challenges and manage this growing business, TPSP realized that it needed a higher skill level, an optimal internal organization, and efficient decision-making structures. The changes were necessary to optimize current performance and to further prepare the organization for continued growth. TPSP is also considering an eventual public offering. As a result, the company wanted to do what was needed to align its governance practices with market expectations.

Why did they Change?

IFC conducted a corporate governance assessment for TPSP in August 2007. At the time, TPSP's board of directors included 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 board and management roles.

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 HR function—critical for an expanding tourism sector business. TPSP also made critical changes to its disclosure practices. In addition, the company addressed some specific shareholder consent rights issues to help protect and attract minority shareholders. These efforts have helped prepare the company for a future public offering.

Summary of Key Changes: Tourism Promotion Services

Board Effectiveness

Key Challenges

Composition: All nine board members were affiliated with another company that is controlled by AKFED, TPSP's primary shareholder, thus compromising objectivity at times.

Structure: The board's audit and finance committee lacked independent members.

Roles: Board and management roles were not clearly defined, with the board handling many management-type tasks.

Procedures: Agenda preparation and information flow to the board needed improvement. Most of management's input to the board came through the CEO, with little input from other executives.

Key Changes

Composition: To ensure minority investor representation and that issues are vetted with alternative points of view, TPSP added two new, non-AKFED-affiliated directors to the board.

Structure: A new charter for the board's audit and finance committee 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: Improvements include better agenda and briefing materials preparation. For example, the chairman now sets the board agenda prior to the meeting, with input from other members. Briefing materials are succinct, insightful, and circulated to members well in advance of the meeting to enable more thorough 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 its independence by reporting directly to the board. It also needed to expand its scope of effort given the expanding business.

Internal Controls: Controls in some key operational areas did not conform to established policies, while many procedures were outdated.

Human Resources: The company did not have a head of HR— a big risk given the HR challenges associated with the anticipated business expansion.

Basis of Accounting: Accounting standards complied with Pakistan GAAP only, which hindered the company's ability to attract international investors.

Strategic Planning: Improved the strategic planning process by developing more robust three-year plans for review and approval by the board. The board is fully engaged with discussions of strategy and alternatives and formal performance reviews enable benchmarking against the agreed-on strategic plans.

Internal Audit: A new IA head was hired to expand its scope and reinforcing its independence by ensuring direct access to the board audit and 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 company's various HR policies and procedures.

Basis of Accounting: The company's reporting is aligned with IFRS standards to help attract potential investors and other market stakeholders.

Disclosure & Transparency

Shareholder Rights and Stakeholder Relations

Key Challenges

Disclosure: Given its concentrated ownership, the company disclosed limited information to outsiders.

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 Protections: All resolutions and board decisions required the consent of AKFED representatives.

Key Changes

Disclosure: To help prepare for a future public offering, TPSP increased the level of public disclosure of financial and non-financial information.

Conduct Policies: TPSP adopted a code of conduct, as well as formal policies and procedures for dividend payments, related party transactions, and conflicts of interest to help improve transparency in dealings with AKFED affiliates.

Minority Protections: To attract and protect other minority investors, TPSP revised AKFED's favorable consent right. 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 company's directors.

Impact Report

TPSP reported the following impacts since making the improvements about two years ago.

Access to credit has been impacted substantially as a result of the corporate governance changes made by the company. As a result it was offered lower rates on credit lines.

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 the company's emphasis on good governance.

TPSP and the Serena Hotel brand have an improved 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 more open and candid. The board considers issues in depth including more discussion of alternatives and risks.

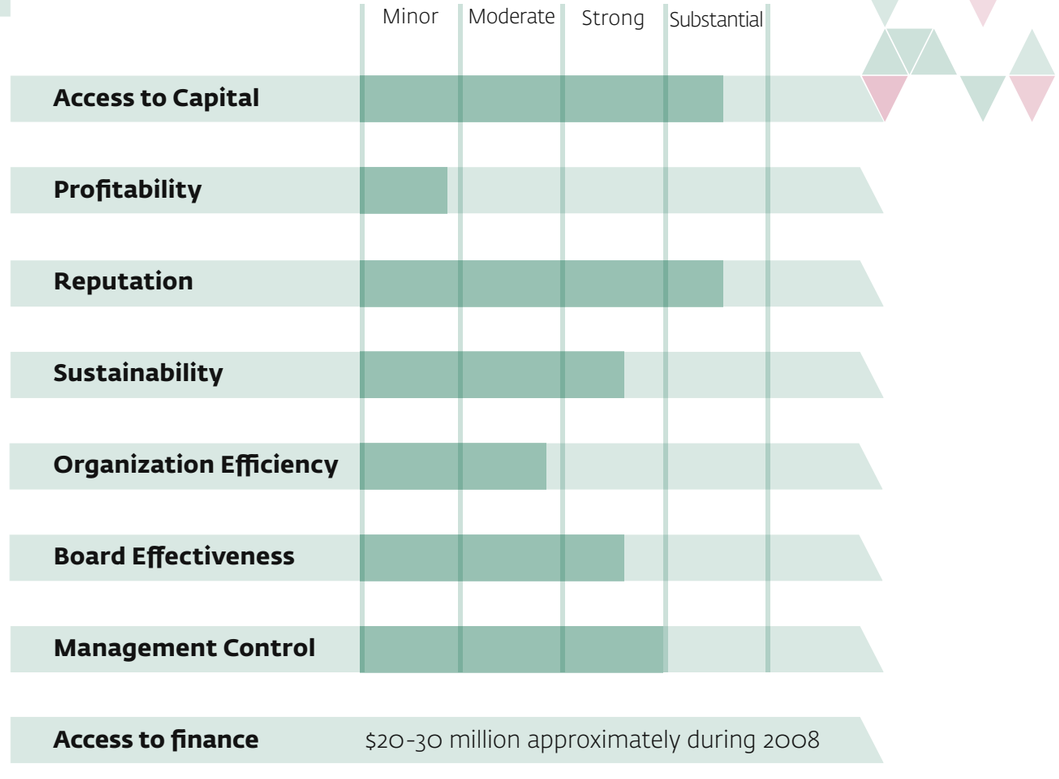
Efficiency and transparency in the organization has improved substantially; Positive changes in various administrative processes such as procurement have streamlined processes, reduced costs, and improved overall control.

TPSP-Serena Hotels was awarded the ACCA Pakistan's Approved Employer certificate in 2009, due largely to its strong focus on HR improvements that resulted 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

How have the changes impacted...



Wadi Holdings

"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 and Administration, Wadi

Business	: Includes poultry farming, olive oil production, land cultivation, feed & other non-agribusiness manufacturing
Location	: Egypt
Sector	: Agribusiness
Type	: Family-Owned Business
2008 Profit (1 Year Growth)	: $31 million (80%)
# Employees	: 3,100
IFC assessment	: August 2007

Egypt | Agribusiness Sector

Wadi Holdings Company SAE (Wadi) is a family-owned company with 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 the 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. In addition to the chairman, two other family members make up the core senior management team.

Wadi Ownership Structure (%)

Freiji & Nasrallah Families	80.4
Institutional Investors	19.6

Why Change?

Wadi has a very strong corporate culture, with a high level of staff loyalty and respect. The company has long been committed to continuous improvement and new ways to maximize performance. In this spirit, Wadi recognized the need to address its corporate governance as well as 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. The company also sought to initiate an inclusive succession planning process. Furthermore, Wadi wanted to evaluate the effectiveness of its board and professionalize many of their management processes.

Why did they Change?

IFC conducted a corporate governance assessment for Wadi from June to August 2007. Most of the changes were aimed at structuring the family relative to the business, improving the board's structure, and formalizing the management control environment. Wadi initiated many of the board-level changes, including increasing the frequency of board meetings and formalizing proceedings to increase engagement. A formal audit committee with an active annual work plan was created as well. The company, made significant progress in family governance. They established a family council that has conducted several meetings. An important initial outcome is a family employment policy that all family members approved for the entire holding group. One family member—who also holds a senior management position—now serves as the lead corporate governance champion for the company, helping to drive critical reforms.

Wadi has made strong progress in improving many control-related activities. Efforts to structure planning and control processes include developing more formal business and staffing plans for each of the business lines and systematically monitoring performance.

Summary of Key Changes: Wadi Holdings

	Key Challenges	Key Changes
Board Effectiveness	*Composition:* Wadi's seven-member board had diverse skill sets, but lacked independent directors.	*Composition:* While composition has remained the same, with the board looking to hire an independent director.
	Structure: There were no committees.	*Structure:* An audit committee was created. It has an active work plan, including reviewing the company's financial reporting, risk management, internal control, and internal and external audit procedures.
	Roles: The division between the board— especially the chairman— and management was not clear.	*Roles:* Board and management roles were clarified. The chairman is gradually relinquishing his day-to-day management role.
	Procedures: The board met infrequently and many key decisions were made without a board majority.	*Procedures:* Now, the board meets on a regular basis. Meetings are planned in advance and formal agendas are circulated beforehand. The quality and frequency of reporting has improved. The implementation of more formalized procedures has increased the board's engagement and activity.
Management Control	*Key-Person Risk:* The chairman/CEO made most key day-to-day decisions.	*Key-Person Risk:* Wadi restructured the organizational chart by business unit, appointed business unit heads with more authority, started working on group strategy, and empowered leaders within the organization.
	Planning and Monitoring: Wadi lacked formal strategic planning, risk management, and performance monitoring processes.	*Planning and Monitoring:* The company began a formal strategic planning process each year with continuous board and management review. All business units prepare business plans and staffing/resource plans. Designed process to monitor performance more systematically.
	Internal Audit: The company did not have an internal audit function.	*Internal Audit:* Streamlined the internal audit process that is now producing reports for senior management and reporting to the board.
	External Audit: The external auditor was not fully independent—he performed some transaction work and did not have the board's full confidence.	*External Audit:* The role of external auditors was clarified. Wadi selected one firm to conduct the audit for the entire group.
	Systems: Required an upgrade of its core financial systems and other key operational systems.	*Financial Management:* Wadi is implementing a new core financial system and other modules across the group. Group-wide key performance indicators were established; a more balanced scorecard is used.
Disclosure & Transparency	*Disclosure:* The website lacked many basic corporate details about the group; the disclosure process needed improvement.	*Disclosures:* The Wadi Foods subsidiary has improved their disclosures especially for corporate social responsibility-related information. Improved disclosure for the rest of the group remains a work in progress.
Family Governance	*Succession Planning and Family Governance:* The company had not specifically addressed the chairman/CEO succession issue, elevating key-person risk. The family also needed ways to govern the expanding family, as they moved into in the third generation in the business.	*Succession Planning:* Succession planning for key senior positions is underway. The company has defined plans for family members involved in the management and directorship of the business and has carried out succession planning at various levels throughout the organization.
		Family Assembly and Policies: Established a family council now meets four times a year. Established a family assembly meets on an annual basis. Developed a family employment policy governing the hiring of family members across the group.

Impact Report

Wadi Holdings reported the following impacts about a year-and-a-half after embarking on the changes.

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

Changes have increased Wadi's access to financing and credit. Since the governance changes, Wadi reports that they are able to access bank financing and credit lines. The company has received 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.

The organization functions more efficiently and effectively. The group has better control mechanisms, supported by efficient processes and improved systems support.

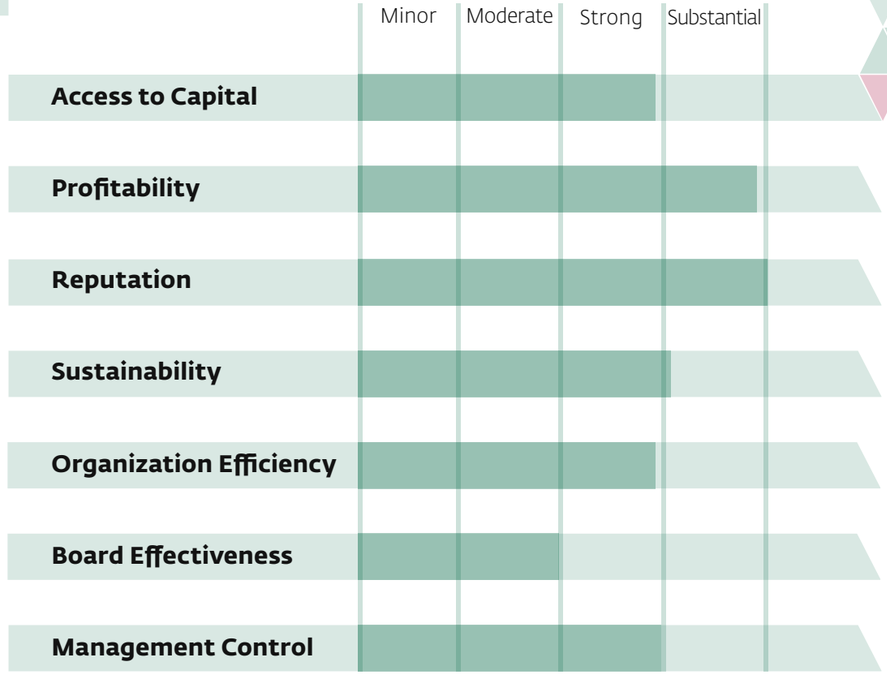
Wadi has solidified its market reputation. Wadi reports that there is more awareness in the market about the activities and performance of the group. This is felt even when family members attend business and social functions, and in the qualifications of candidates applying for employment at Wadi.

Across the subsidiaries, there are improved control mechanisms and a better handle on risks. Risks are more easily identified. Processes have been revised for more active risk monitoring in all units. The company has improved its compliance oversight and reporting of non-compliance issues.

The sustainability of the group for the next generation 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 is preparing now for future leadership roles.

Impact Scorecard

How have the changes impacted...

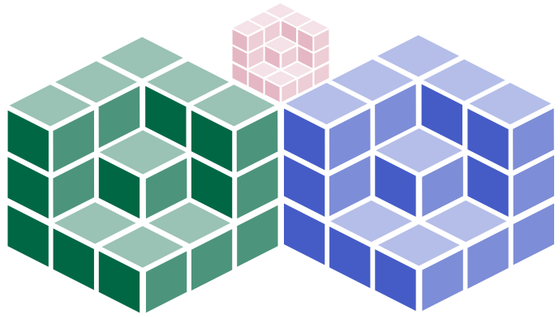


$ Financing assessed* * where CG was major factor	$62 million in debt and $6 million in equity approximately from 2008 to 2010

The Yemeni Group for Contracting and Engineering Ltd

In business since 2003, the Yemeni Group for Contracting & Engineering, LTD., (YGCE) is a private, family-owned company, specializing in engineering, construction, and design. The company has completed a wide range of large-scale construction contracting projects around Yemen. In addition to its primary business line of construction, YGCE owns three companies in the advertising, travel and tourism, and technology sectors.

YGCE is currently in its first generation of ownership. It has expanded into the UAE market and collaborates on joint projects with Fares Al Sahraa for surveying and engineering consultancy.



YGCE Ownership Structure (%)

Mr. Abdullah Shaban	42.5
Eng. Hamoud Al-Motawakkel	42.5
Eng. Mohammed Al-Motawakkel	15

"With the great help of IFC advisory department, YGCE has achieved the most important steps towards a successful creative and sustainable company lasting for generations. We started to feel the positive impact of applying the corporate governance rules on our company performance, the confidence of our teamwork and more respect from the society around us."

Hamoud Almotawakkel
Vice Chairman, YGCE

Business	: General Contracting & Engineering Consultancy
Location	: Yemen
Sector	: Contracting & Engineering
Type	: Private, family owned business
2012 profit (1 Year Growth)	: $600,000
# Employees	: 50
IFC assessment	: August 2010

Yemen | Construction Sector

Why Change?

YGCE and been doing well and had been voted the best Yemeni consulting firm for 2009 by Investment magazine which is supported by the investment authority in Yemen. This further attested its success. However, given the instability of the market and Yemen's economic challenges, the company decided on a growth strategy focused on markets outside of Yemen. To accomplish this, YGCE's owners realized the importance of having a well-balanced, modern company with the appropriate structure in place. Prior to IFC's assessment, YGCE began to implement governance reforms, including forming a board of directors and establishing committees. While these measures demonstrated a commitment to good governance, YGCE faced additional governance challenges that needed to be addressed in preparation for a planned expansion and to support its evolving business.

Why did they Change?

IFC conducted a corporate governance assessment for YGCE in August 2010. The changes made by YGCE were aimed at improving board structure, and the management control environment. YGCE changed the composition of the board by adding independent directors. The company appointed a corporate secretary who ensures the smooth functioning of board meetings. The audit committee composition was changed to include independent directors, thereby enhancing the committee's role. YGCE also created a HR committee of the board.

YGCE has significantly improved its management control environment by strengthening key functions in the finance department. Risk management activities have also been formalized. To improve internal controls, YGCE hired a new internal audit manager for internal audit and an external auditor. To ensure coordination and communication of events and collective decision-making across the company, the management executive committee meets on a weekly basis. Additional changes focused on staffing, such as optimizing staffing levels and hiring staff with the requisite skills and qualifications.

Summary of Key Changes: Yemeni Group for Contracting and Engineering LTD

Board Effectiveness

Key Challenges

Composition: *The board had five members, of which four were executive. Three of these were also shareholders and family members.*

Structure: *The board had sub-committees. However, these were more like management executive committees since all board members were executives in the company.*

Roles: *There was no distinction between board and management.*

Procedures: *The board would convene weekly on an average for three-hour meeting focused on management issues.*

Key Changes

Composition: *While the size of the board remains the same, the composition has changed, with two independent directors who bring much needed finance and HR skills to the table. The board includes one executive director and non-executives as chairman and vice-chairman.*

Structure: *An audit committee was created, headed by an independent director with a strong finance background. The committee supports the board on financial reporting, risk management, internal control, and internal and external audit. An HR committee was put in place as well.*

Roles: *Board and management roles were clarified and the board now operates as a formal board.*

Procedures: *The board meets regularly on a quarterly basis. Meetings are planned in advance and are structured by formal agendas.*

Evaluation and Training: *During its first full cycle of formal operations, the board started the process of self-evaluation and planned future training for its members.*

Management Control

Structure: *With a board comprised of all executives, there was lack of clarity of the structure in the company.*

Internal Audit: *The company did not have an internal audit function.*

External Audit: *The company had employed the same external auditor for three years. The IFC assessment recommended replacement or rotation after five years to retain independence.*

Human Resource Management: *The company did not have a workforce with the right skills, experience, or training.*

Financial Management upgrade: *The lack of financial management expertise caused delays in producing yearly financial statements and created considerable issues in developing financial reports.*

Structure: *A newly formed management executive committee, which is accountable for day-to-day decision making and implementation. The chairman and the board do not get involved in this process.*

Internal Audit: *An internal audit manager with appropriate qualifications was hired. This manager oversees internal audit and reports to the board's audit committee.*

External Audit: *The external auditor's role was clarified. YGCE selected one of the Big Four international firms to conduct an external audit of the entire group.*

Human Resource Management: *Significant improvements have been made in the HR function. Recruitment, hiring, and promotions are now based on qualifications, aptitude, and experience.*

Financial Management upgrade: *Hiring highly qualified people has helped to ensure the timely preparation of financial reports.*

	Key Challenges	Key Changes
Disclosure & Transparency	*Disclosures: The company did not disclose any non-financial information to its stakeholders.*	*Disclosures: YGCE has strong views on the importance of social responsibility. Website upgrades are currently underway to include additional information on YGCE values and its social responsibility-related activities.*
Family Governance	*Family Governance: Because the company is in its first generation of leadership, the family governance issue was not viewed as a priority.*	*Family Governance: As a starting point for developing a holistic approach to family governance, a new family constitution was instituted.*

Impact Report

YGCE has reported the following impacts one year after making key governance changes to its organization.

Improved decision-making process. YGCE reports that the board now functions as a formal board, and that adding independent directors has led to more meaningful and objective discussions, resulting in a board that is fully engaged. The right skills on the board have resulted in faster decision- making and increased confidence in the decisions of the board.

Significant improvement in the efficiency and functioning of the company. The clear distinction between the management and board's role has resulted in management having clear authority and accountability on decisions and faster resolution of issues.

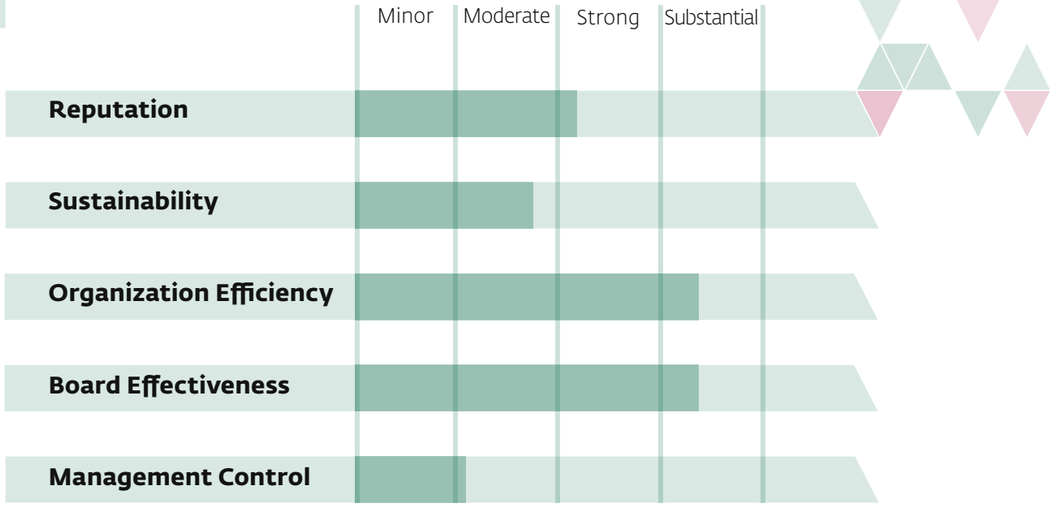
Market reputation has been strengthened. There is more awareness in the market about YGCE's activities and performance, thereby improving its reputation in the market.

Putting in place their governance practices is helping put in place structures in other joint projects. The company has diversified into other markets in response to the instability of the local market. They intend to put into practice governance structure within all projects and joint ventures.

Group sustainability has been reinforced. The positive steps taken by YGCE's first generation of leadership increased shareholders confidence, confirming that the company was adopting the right strategies to remain strong and viable for future generation and for the sustainability of the group.

Impact Scorecard

How have the changes impacted...



"Corporate governance 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 percent of that value creation is from improved corporate governance."

Ennis Rimawi
Catalyst Private Equity

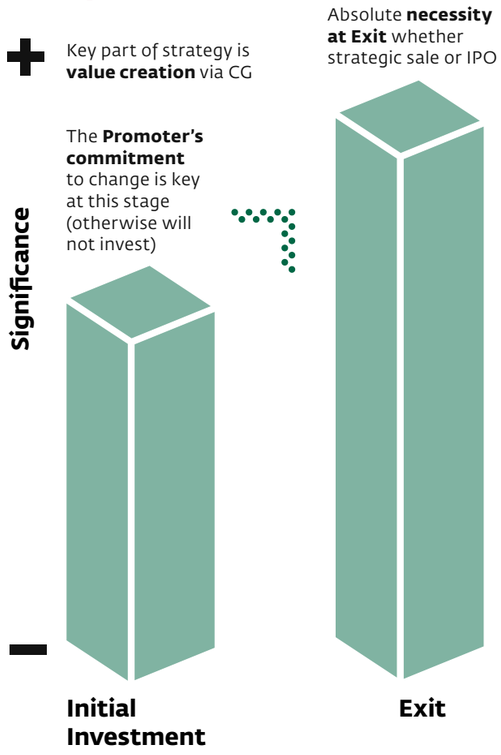
Investor Perspective

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 a particularly important form of outreach to the region's small and medium enterprises (SMEs), which represent over 90 percent of the total private sector market, since many private equity firms target these companies.

For insight into the investor's perspective, IFC solicited input from three regional private equity firms: Tuninvest, Catalyst Private Equity, and Foursan Group. Collectively, these firms have worked with 72 investee companies—15 current and 57 former investees—across MENA. In addition, IFC approached Endeavor Egypt, a non-profit supporting high impact entrepreneurs and connecting them to international investors. IFC 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 important is Corporate Governance in Investee Companies?



Corporate Governance as part of 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. Following are highlights.

- *During the initial investment, the investors said that corporate governance is important, but most firms they target have low-to-average governance practices in place. Therefore, the critical point at this stage is the promoter's commitment to make change.* If the company appears interested only due to the prospect of funding from the investor—rather than demonstrating an honest commitment to change for its own sake—they will not invest. Commitment is the key to the value creation process and a prerequisite for investment.

- *Investors emphasized the importance of working with the company at the onset during the investment to discuss and agree upon major changes needed.* In fact, some suggested incorporating the most significant changes into the shareholder agreements. This helps ensure a clear alignment of interests and expectations.

- *Investors reinforced the importance of strong corporate governance practices in SMEs transitioning from small to medium.* Fast growing companies need to be set up for change with appropriate systems, structures, and policies to enable companies to absorb shocks and respond to new opportunities and challenges.

- *Investors noted the importance of establishing minority shareholder protection mechanisms upfront.* This covers areas such as securing consent rights related to management selection and remuneration, auditor selection, investment and divestment decisions, by-law changes, or changes to capital.

Tuninvest Helps Turn around Plastics Company through Good Corporate Governance

MENA private equity firm Tuninvest decided to take a 30 percent equity stake in a large, family-owned plastics company with a family-dominated board and management team. However, there were some governance issues: the company lacked strong control processes in various functions. And even the most basic financial information was not available, due to weak transparency. Aware of the need to change, the company committed to an improvement process. Through active engagement, Tuninvest helped the company address its governance gaps.

Value creation through good Governance

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. Following are highlights.

- *All the firms concurred 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 outsiders to upgrade skill sets and add different perspectives. Immediately after the investment occurs, more formal committees and work procedures are put in place, starting with a properly functioning audit committee. Investors also noted the importance of increased board engagement in strategy and financing. This contributes to better and more comprehensive strategy development. It also ensures optimal capital allocation.

- *Value creation also comes at the management level with particular control functions.* Investors singled out the importance of additional control over the finance function, including upgrading the CFO position, if needed. 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 controls are often formalized.

- *Investors prioritize information disclosure as a means of demonstrating firm value to the market.* Typically, this issue is addressed upfront, since it is a means of demonstrating firm value to the market. Investors cited the importance of improving both internal and external reporting, disclosure of governance and management practices, and transparency of risk and performance. These efforts are particularly important for companies interested in accessing finance from banks or other investors.

Key Changes	Impact
Revised board composition by adding new members with more diverse skill sets and perspectives.	*Tuninvest recently sold its equity stake, reporting that the sale could not have taken place without the changes in corporate governance.*
Formalized board procedures to meet more regularly, with formal proceedings.	*Board stewardship and oversight improved significantly.*
Set up finance/audit committee with a mix of directors, led by a non-family outsider.	*A more informed company strategy, including increased market diversification, led to a 100 percent revenue increase in over a five-year period. Prior to the change, revenues relied solely on local income. Now, 50 percent of revenue comes from foreign markets.*
Encouraged more active board engagement in strategy formulation.	*Investor and creditor confidence grew due to better financial management, control, and transparency.*
Hired new CFO to oversee changes in the finance function and improve accounting and control activities, including introduction of IFRS.	*The company attracted additional capital from a European investor who committed to a long-term relationship with the company and brought outside expertise to the transformation process.*
Improved management reporting and disclosure.	*Tuninvest estimates that the company's valuation of the increased by about 50 percent over the five years, primarily due to the governance changes made.*

Impact Report

Overall, investors cited significant impacts resulting from 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 offered a wealth of positive evidence supporting the power of good governance.

Firm valuation improved significantly. One investor cited a recent strategic sale exit that attracted a 40 percent 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 percent over a five-year period, due largely to the governance changes made at the board and management levels (see text box).

Investee companies improved their performance. One technology investee company increased profitability by 20 percent over a two-year period due to board-level improvements— separating the role of chairman from CEO, creating an audit committee, and clarifying board and management roles—and management control process changes—independent internal audit, streamlined procurement, and improved decision-making coordination. These actions improved creditor confidence as well, making the more "financeable," according to the investor.

Investee companies experienced better access to finance. One investor said that corporate governance improvements represented 80 percent of the reason that an energy company succeeded in securing $4.5 million. This company is in the process of securing an additional $16 million in financing, and good governance is playing an important role.

Investee companies have improved risk management and cost control. Prior to making governance improvements, the new project risk factor for one energy services investee company stood at 30 percent 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 percent improvement in process efficiency.

Investee companies made strategic gains and became better stewards of their future. Following changes to its structure, the board of a beverage investee company, which had over-expanded into new products and markets, became more engaged in operational strategy and oversight. As a result, the dropped unprofitable product lines and re-focused on new markets for its core, high-value products. **The changes helped turnaround the company from a net loss of 5 percent to a net profit of 10 percent 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**	**$ 120 to 150**

* Many are still in-progress and too soon to tell

** Some could not estimate accurately

In 2010, IFC conducted an Emerging Market Investor survey,* ** which showed:

***By Vikramaditya Khanna and Roman Zyla, 2010

For emerging market fund investment decisions, corporate governance is a critical factor.

Investors are willing to pay a premium for better governed emerging market firms.

Investors often do not invest in emerging market companies with poor governance.

Lack of transparency is a red flag for emerging market investors.

"Markets with poor corporate governance practices are less attractive to investors because of a heightened risk. The majority of companies in the Middle East and North Africa are family businesses. For those companies to thrive, they need to adopt better corporate governance practices, to create businesses that perform well, employ more people, and contribute to the overall good of each nation's economy."

Mouayed Makhlouf
Director, Middle East & North Africa Region, IFC

Final Word

The collective evidence reported by these companies leaves little doubt as to the potential impact of good corporate governance in MENA. Nearly all firms profiled 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 the 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 (see Figure below) will help strengthen market forces and encourage action in companies. Ultimately, this will benefit economies on a broader level, as the collective of individual firm-level improvements fuels private sector growth.

Improving Corporate Governance across Market Systems for Broader Economic Benefit

Practicing What We Promote

The IFC has long recognized the value of good corporate governance. We have taken great strides to firmly integrate it into our investment processes. Every IFC investment includes corporate governance due diligence. IFC Advisory Services works closely with 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. IFC's positive experience working with companies that have reaped benefit from governance improvements form the basis for our active promotion of good corporate governance in MENA and in markets around the world.

Annex 1: Contributors

Company Contributors

Abu Dhabi Commercial Bank (ADCB)
Rami Raslan, Senior Board Secretary
Simon Copleston, General Counsel

Ask
Amin Amin, Chief Executive Officer

Bank Audi
Farid Lahoud, Corporate Secretary

Bank of Palestine
Mahmoud Shawa, Deputy Chief Risk Officer
Rushdi Al-Ghalayini, Deputy General Manager, Chief Risk Officer
Hani Nigim, Head of Human Resources & Corporate Governance Committee

Butec
Mona Akl, Vice President

Cairo for Investment & Real Estate (CIRA)
Hassan El Khalla, Chairman
Mohamed El Kalla, Chief Executive Officer

Capital Bank
Orouba Al Taher, Corporate Secretary

Credence
Islam Mahdy, Chairman & Chief Executive Officer

Dana Gas
Mohamed Nour El Tahir, General Counsel

Egyptian Transport & Commercial Services (EgyTrans)
Rania Farouk, Corporate Secretary

Jordan Duty Free
Haifa Al-Majali, Head of Legal Affairs

Kashf
Rosehaneh Zafar, Chief Executive Officer

Medgulf
Hoda M. Barrage, Group General Manager

Microfund for Women (MFW)
Fatina Abu Okab, Deputy General Manager

NRSP Microfund Bank Limited
Rashid Bajwa, Chief Executive Officer

SABIS®
Joe Achkar, Board Member

Tourism Promotion Services Pakistan (TPSP)
Aziz Boolani, Chief Executive Officer

Wadi Holding
Ramzi Nasrallah, Vice President

Yemeni Group for Contracting and Engineering Limited
Hamoud Almotawakkel, Vice Chairman

IFC Assessment Teams

Abu Dhabi Commercial Bank (ADCB)
Sebastian Molineus; Nicholas Krasno (Consultant)

Ask
Maali Qasem (Consultant)

Bank Audi
Joumana Coben, Sanaa Abouzaid, Sebastian Molineus, Yasser Charafi;
Nestor Advisors (Consultant)

Bank of Palestine
James Christopher Razook;
Kalyani Santoshkumar (Consultant)

Butec
James Christopher Razook, Martin Steindl; Badri El Meouchi (Lebanese Transparency Association)

Cairo for Investment & Real Estate (CIRA)
Amira El Saeed Agag, James Christopher Razook

Capital Bank
James Christopher Razook, Yehia El Husseiny

Credence
Amira El Saeed Agag, James Christopher Razook;
Kalyani Santoshkumar (Consultant)

Dana Gas
Philippa Grant, Sebastian Molineus;
Nestor Advisors (Consultant)

Egyptian Transport & Commercial Services (EgyTrans)
Amira El Saeed Agag, Martin Steindl

Jordan Duty Free
Yehia El Husseiny; Andrew Cunningham, Maali Qasem (Consultants)

Kashf
Kaiser Naseem, Mahwesh Bilal Khan, Martin Steindl, Mohsin Chaudhry

Medgulf
James Christopher Razook, Yehia El Husseiny

Microfund for Women (MFW)
James Christopher Razook, Khawar Ansari

NRSP Microfund Bank Limited
James Christopher Razook, Khawar Ansari, Mahwesh Bilal, Mohsin Chaudhry

SABIS®
Martin Steindl, Sebastian Molineus, Yehia El Husseiny

Tourism Promotion Services Pakistan (TPSP)
Kaiser Naseem, Mohsin Chaudhry;
Nicholas Krasno (Consultant)

Wadi Holding
Amira El Saeed Agag, Martin Steindl, Philippa Grant

Yemeni Group for Contracting and Engineering Limited
Amira El Saeed Agag; Afifi Ahmed Afifi (Consultant)

Company Contributors

Ennis Rimawi, Catalyst Private Equity
Hakim Khelifa, Tuninvest
Nashat Masri, Foursan Group

IFC Report Contributors

Amira El Saeed Agag
James Christopher Razook
Kalyani Santoshkumar
Khawar Ansari
Linda Jacqueline Clark
Mahwesh Bilal Khan
Martin Steindl
Mohsin Chaudry
Sarah Cuttaree
Yehia El Husseiny

Annex 2: About the IFC program

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:

1. Build the business case for corporate governance among banks and companies and help them implement good corporate governance practices;

2. Assist investors in improving corporate governance practices of investee companies;

3. Build capacity of key market intermediaries, including regulators, advisors, institutes, educators, and the press, leading to sound market systems; and

4. Help create sustainable corporate governance institutes and institutes of directors.

Program Activities

I. 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 and control, transparency and 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. In addition, we work with small and medium enterprises (SMEs). A specialized SME Corporate Governance Toolkit was designed with the specific governance needs of SMEs in mind.

II. 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, the 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 functioning:* The existence of a competent, legitimate, well-structured, and effective board, with proper composition, structure, and work procedures.
- *Management controls:* The presence of an environment facilitating the achievement of organizational objectives, management of risk, and the integrity of assets and financial information.
- *Disclosure and transparency:* The availability of timely, accurate, relevant, complete, and actionable information equally to shareholders and, as appropriate, to other stakeholders, including regulators.
- *Treatment of shareholders and stakeholders:* The equal treatment of all shareholders, including protection from abuse from company insiders.

In the event of a family owned company, it is also assessed on 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 19 assessment companies featured in this report have reportedly helped these firms access significant financing over the past two years, ranging from $25 million in one company to $2 billion in another.

Specialized services to IFC Clients

The program also provides help to IFC clients in the areas of: improving board effectiveness; improving family business governance; improving the control environment.

IFC MENA Corporate Governance Program Results

(Includes efforts of partners)

6,477 entities received advisory services through awareness raising events, model documents, etc.

161 companies and banks were reached through in-depth advisory services.

24, 586 participants from over 10 countries in the program's workshops, training events, seminars, and conferences.

60+ journalists trained in 4 corporate governance workshops for the financial press in Egypt, UAE, and Morocco.

23 corporate governance codes were launched in 15 countries with IFC's assistance.

10 corporate governance Institutes of Directors in Egypt, Pakistan, Lebanon, Jordan, UAE, Yemen, Tunisia, Morocco, and Algeria launched with IFC support.

123 entities reported an improvement in their company's performance resulting from IFC assistance.

82 entities receiving investment and/or financing due to IFC's assistance.

39 new training modules developed and 565 trainers trained on corporate governance.

35 recommended laws, regulations, amendments or codes were enacted with IFC support.

About IFC

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. Working with private enterprises in about 100 countries, we use our capital, expertise, and influence to help eliminate extreme poverty and boost shared prosperity. In FY14, we provided more than $22 billion in financing to improve lives in developing countries and tackle the most urgent challenges of development. For more information, visit www.ifc.org.

Regional Hub: Cairo, Egypt

Khawar Ansari
Corporate Governance Program Manager
Middle East and North Africa

2005 C Cornich El Nile
Nile City Towers, North Tower, 24th floor.
Phone: + 20 (2) 2461-9140 / 45 / 50
Fax: +20 (2) 2461-9130 / 60
Ifc.org

June 2015