



AI Majlis

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Issue 10, 2011



Dr. Abdullah
Al AbdulGader

Founding
Executive Director

Dear Member,

Throughout my graduate studies I was fascinated and deeply interested in Artificial Intelligence and its business applications. I was “almost” lost among the crowd of computer scientists, cognitive psychologists, linguists, and other scientists who are interested in how to mimic human intelligence and find economically sound applications based on it. My fond memories of that time go beyond interest in state of arts research. I am still fascinated by our views on how human brain works. Albeit no consensus on a single theory of the brain, we do know now a lot about the structure of the brain, its dynamics, and how information is stored and processed within it. We also know that the way is still long and challenging for all researchers. Good luck to them!

You may wonder what has ignited “human brain” line of thought. Actually, it came to me while reading Professor Simon C. Y. Wong’s article which you will find in this issue of AIMajlis. The analogy between business organizations on one hand and human beings on the other is much widely perceived and used. In many ways, board of directors (BoD) can be viewed as the brain as it is in humans. The BoD steers the company, so does the brain for human behavior (i.e., supposition to the norm). Although we cannot alter the structure of the brain, we can enhance its logical reasoning and other processes. On the organizational side, prescriptions do exist on how to structure boards and instill best practice processes.

Well, nowadays we know a lot about organizations and how they are governed. Professor Simon argues against the commonly held belief that best practice BoD structure and processes are sufficient to create an effective board. He has rightly observed that there are non performing boards with excellent structure and outstanding processes. And here comes the analogy of the brain again! One’s success is not just determined by the structure of his/her brain and the taught processes. On a practical ground, Professor Wong tells us what it takes to have performing boards and offers three tests for it. By reading this interesting article, you may find more resemblances or differences with your organization (or should I say “your brain”?).

The second article, written by Peter Breen, Partner Emeritus at Heidrick & Struggles and governor of BDI since its inception, picks up where Professor Wong leaves it and discusses the relationship between team dynamics and board effectiveness. In this insightful article, Peter discusses the link between specific directors’ characteristics and values and boards that exhibit world-class dynamics, and further clarifies how a chair can play a pivotal role in achieving such high standards. A must read for all directors and anyone with a keen interest in this topic.

We are always happy to hear your thoughts: please send us your comments and/or views by [clicking here](#).

In the news!



H.H. Sheikh Ahmed bin Saeed Al Maktoum is the new Chairman of Emirates NBD

Picture source: The National, 27th June, 2011

GCC BOARDS IN ACTION

Emirates NBD appoints new Chairman

Emirates NBD, one of the region's leading banks and a founding partner of BDI has appointed H.H. Sheikh Ahmed bin Saeed Al Maktoum as its new Chairman, replacing BDI Governor and former Chairman of Emirates NBD, H.E. Al Tayer.

It is among a series of recent boardroom changes that have taken place following a reshuffle by H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President of UAE and Ruler of Dubai.

Following a long and successful journey with Emirates NBD, H.E. Al Tayer will retain his position as Governor of the Dubai International Financial Centre (DIFC).

H.H. Sheikh Ahmed holds several other major positions, including president of Dubai Civil Aviation and Chairman of Dubai's Supreme Fiscal Committee and Emirates Airline.

2011 Calendar

EVENTS

- ICGN 2011 Annual Conference & AGM
12th-14th September 2011
Paris, France
- 2nd Oman Capital Markets Forum
25th – 26th September 2011
Muscat, Oman
- MENA Investment Management Forum 2011
2nd – 5th October 2011
Doha, Qatar
- Corporate Governance Breakfast Forum
16th November 2011
Dubai, UAE
- Senior Director Workshop
28th – 30th November 2011
Ras Tanura, Saudi Arabia
Hosted by Saudi Aramco
- BDI Alumni Dinner
29th November 2011
Ras Tanura, Saudi Arabia
- Hawkamah 6th Annual Conference
31st October & 1st November 2011
Dubai, UAE

Corporate Governance Breakfast Forum, 16th November 2011

Dubai, UAE

In partnership with the Dubai Chamber of Commerce and Industry (DCCI), BDI will be organising a breakfast get-together to discuss contemporary issues and challenges in the field of corporate governance and the latest best practices and solutions in facing these challenges. The event will provide a perspective for investors, board directors, chairmen, regulators and legal analysts on the current state of board effectiveness and corporate governance in the region from leading key businessmen and experts.

Keynote speakers include H.E. Hamad Buamim, Director General, DCCI, Dr. Abdullah Al-AbdulGader, Founding Executive Director, BDI as well as senior representatives from ENDB, Deutsche Bank, Emirates, Jumeirah, DP World, and Siemens.

The event will take place at the DCCI premises in Dubai, UAE at 9:00 am on the 16th of November 2011. DCCI and BDI members are entitled to a 50 % discount on the ticket. To reserve your place as a BDI member, please contact Jil Freitag at BDI by email Jil.Freitag@gccbdi.org or call +971 971 4 389 9134.

Members of the DCCI shall register through the DCCI website in order to secure their seats: <http://www.dubaichamber.com/>

Senior Director Workshop, 28th – 30th November 2011

Ras Tanura, Saudi Arabia

The next Senior Director Workshop will be on 28th to 30th November, 2011 in Ras Tanura and will be hosted by Saudi Aramco. The BDI Alumni Dinner will take place on 29th November. All BDI members and alums are welcome to join.

To reserve your seat in this workshop, or confirm your attendance to the alumni dinner, please contact Alexia Williams at Alexia.Williams@gccbdi.org.



Simon C. Y. Wong, an alumnus of McKinsey's London office, is a partner at London-based investment firm Governance for Owners; an adjunct professor of law at Northwestern University School of Law, in Chicago; and a visiting fellow at the London School of Economics and Political Science. This article has been adapted from his working paper "Elevating board performance: The significance of director mind-set, operating context, and other behavioral and functional considerations," June 2011. Copyright © 2011 McKinsey & Company. All rights reserved.

Boards: When best practice isn't enough

"Many boards have improved their structures and processes. But to become truly effective stewards of their companies, they must also instill the right mind-set and boardroom dynamics."

Why is it that despite all the corporate-governance reforms undertaken over the past two decades, many boards failed the test of the financial crisis so badly? In North America and Europe, for example, boards of financial institutions that failed to check management's aggressive forays into US subprime mortgages saw their firms decimated during the 2008–09 economic meltdown. Indeed, the European Commission, the US Congress, and others found serious deficiencies in the way boards, particularly at financial institutions, guided strategy, oversaw risk management, structured executive pay, managed succession planning, and carried out other essential tasks.¹ But it's a sure bet that most of these boards would argue—and demonstrate—that they had best-practice structures and processes in place.

The answer, I believe, after years of examining and advising scores of

boards, is that such best practice isn't good enough, even if your board is stacked with highly qualified members. Without the right human dynamics—a collaborative CEO and directors who think like owners and guard their authority—there will be little constructive challenge between independent directors and management, no matter how good a board's processes are. As a result, the board's contribution to the company's fortunes is likely to fall short of what it could and should be. Deficiencies in boardroom dynamics are a concern also for executives who are not directors but report to them, because it makes it harder for those executives to develop healthy and productive relationships with their boards. What's more, for executives who aspire to serve on boards one day, it's essential to learn the importance of the right human dynamics and what it means to be a good corporate director.

Identifying the contours of such a fluid interpersonal exchange isn't easy. But executive and nonexecutive directors can apply three tests to assess the human dynamics of their own boards.

1. Do our directors think and act like owners?

Boards are vital stewards, responsible for ensuring the long-term viability and health of companies under their charge

“Why is it that despite all the corporate-governance reforms undertaken over the past two decades, many boards failed the test of the financial crisis so badly?”

for the benefit of current and future owners. It is therefore not unreasonable to expect boards to adopt an ownership mind-set. Yet while boards have improved as a result of reforms, many outside directors continue to be passive participants who do not believe that it is their role to challenge management beyond asking a few questions at board meetings. At one financial institution, the lead director mentioned privately to a colleague that “I didn’t sign up for this” when it became clear that shareholders expected this director to step up his involvement after an activist investor started questioning the company’s strategy and leadership structure.

Contrast this with how the chairman of a large and successful family-owned construction firm describes the role of board directors in well-governed family enterprises: “Directors with an ownership mind-set—whether from the family or outside—have passion for the company, look long term, and take personal (as distinguished from legal) responsibility for the firm. They will spend time to understand things they don’t know and not pass the buck to others. They will stand their ground when it is called for. Ultimately, the success of the company over the long term matters to them at a deep, personal level.”

To embed an ownership mind-set in

the boardroom, companies should look for energy, a “can do” attitude, and an independent mind when they recruit directors. It is useful to ask candidates the following questions:

- How should nonexecutive directors be involved in the development of strategy?
- What type of information would you need to discharge your responsibilities effectively and how would you obtain it?
- In your previous board roles, in which areas did you have the greatest impact?
- In a group setting, when have you taken a stance against the prevailing majority view and what was the outcome?

It’s a clear warning sign when a candidate cannot mention an occasion when she or he disagreed with management. Indeed, boards that operate to their potential are characterized by constant tensions, coupled with mutual esteem between management and outside directors. Rather than leading to endless bickering, this virtuous combination helps to facilitate healthy and constructive debate and improves decision making. As former UK Financial Reporting Council chairman Sir Christopher Hogg has noted, “Good boards are pretty

“[...] a shortage of [interest in the company and time the candidate can devote to the job] will hinder a director’s ability to think and act as an owner.”

uncomfortable places and that’s where they should be.”

Boards should also gauge a candidate’s inherent interest in their companies and the amount of time the candidate can devote to the job. Why? Because a shortage of either will hinder a director’s ability to think and act as an owner. Finally, although the role of financial incentives should not be overestimated, becoming an owner can help a director think like one. When directors are paid with shares in their companies or use their own funds to buy a sizable amount of those shares, they may carry out their responsibilities more robustly—provided that the stock acquired can be sold only after retirement from the board.

Thinking like an owner means, in practice, that directors should get deeply involved in developing strategy and monitoring risk. On a few issues, particularly CEO succession planning and executive remuneration, the board must absolutely take charge; in other words, board members need to roll up their sleeves and drive the work. That said, the near-universal norm that listed-company boards should probe and offer guidance—but let management handle execution and other details—is sound advice for most matters that come before a board.

An owner’s mind-set also requires outside directors to possess a strong understanding of the industry, so that they can challenge management effectively. Often, they don’t have that kind of knowledge. In some financial institutions that collapsed during the recent crisis, it appears the nonexecutive directors largely failed to appreciate the risks these firms were taking and were genuinely surprised when their condition deteriorated rapidly. To ensure that board members can make meaningful contributions, efforts to develop their knowledge should focus on experiential activities, such as visits to facilities, suppliers, and customers. These will yield a deeper understanding of the business and industry dynamics than the passive absorption of written reports and lectures.

However, there are limits to how much deep knowledge outside directors can build solely through service on a board. Some companies have therefore steered toward having more nonexecutives with sector expertise. The British bank Barclays, for instance, requires 50 percent of outside board members to have a financial-services background.

2. Does our CEO have a collaborative mind-set?

At some companies, senior executives fear that if boards are empowered,

“Although few board directors like to say so, an increasingly successful CEO is one of the biggest threats to the board’s authority, regardless of whether she or he is rewarded with the chairman’s title too, as is common in the United States”.

management will inevitably be weakened. In recent years, there have been high-profile incidents of CEOs failing to inform or involve their boards on critical developments—for instance, merger discussions. Such breaches of trust often have ended up costing these CEOs their jobs.

Although executives are increasingly conscious of the importance of keeping their boards fully informed, directors remain vulnerable to manipulation by management. Therefore they need to assure themselves that a collaborative CEO is in place. Some new CEOs may not realize, for example, that they are not sharing the right type of information with the board. In these cases, it is possible to solve the problem by giving feedback. However, where a seasoned CEO deliberately keeps the board in the dark, it is hard to change the status quo short of firing the chief executive. One company tried to coach a CEO who didn’t tell the board about the true state of the company’s affairs but ultimately fired him because trust could not be restored.

A board should look for collaborative traits when selecting a new CEO. For instance, it should spend time understanding how a candidate who is a sitting CEO at another company interacts with its board. And a board

should avoid, at all costs, candidates who give the impression that they see it as an entity to be “managed” rather than a body to which they are accountable.

Collaboration with the board should be built into a CEO’s job description and feedback provided regularly. In the annual board evaluation survey, one UK chairman includes questions about the sufficiency of the information the CEO provided and how well the CEO got along with the other directors. The purpose is to signal to the chief executive that these issues are important to the board and to address any problems at an early stage.

Trust, of course, is built over time through repeated encounters. CEOs must be equally forthcoming about successes and failures and willing to ask for help. At many companies, discussions about the challenges facing the CEO take place in one-on-one meetings between the chairman and the CEO or in executive sessions where only the nonexecutive directors are present.

Boards can influence management’s willingness to cooperate through their own behavior. For instance, they must gain the CEO’s trust and confidence by demonstrating an ability to add value and not micromanaging the executive team. On the latter point, the chairman of an FTSE 100 company remarked that

“the test is whether executives consider board counsel on matters within management’s areas of responsibility as advice which they can accept or ignore. If they feel that they must follow it, the line has been crossed.”

3. Does our board guard its authority and independence?

Boards must be ever-vigilant about protecting their standing and independence. Although few board directors like to say so, an increasingly successful CEO is one of the biggest threats to the board’s authority, regardless of whether she or he is rewarded with the chairman’s title too, as is common in the United States. In many industries, from financial services to entertainment to retailing, boards have seen their authority slowly chipped away as their CEOs experience ever-greater success. Tell-tale signs include less robust questioning of management’s proposals and a readiness by the board to agree to unreasonable demands—for example, on executive remuneration. Some boards realize the extent to which they have relinquished their authority only when the CEO changes or something goes wrong, such as a crisis or scandal.

Boards can take a number of steps to protect their authority and independence. First, they should ensure

Discussions with chairmen and direct observations of boardroom dynamics have revealed that CEOs are not always attentive to the views of nonexecutive directors whom they perceive to be less qualified than they are. Outside directors who are in awe of, or intimidated by, a chief executive can also be overly deferential to management.

that different individuals occupy the positions of chairman and of CEO. From a principled standpoint, it is problematic for a board, whose job is to oversee management, to be led by the CEO. Appointing a lead independent director in lieu of a nonexecutive chairman—the preferred option in the United States—is not enough, because most US lead directors do not have primary responsibility for developing agendas for board meetings, interviewing candidates for directorships, and other activities that safeguard a board’s authority and independence.²

Additionally, boards need to be on top of succession planning and leadership development, so that the CEO can’t hold the board hostage with unreasonable demands, whether on pay or additional authority. At a European retailer, the failure of the board to identify a successor to the CEO enabled him to extract from it the chairman’s seat as well.

Since a successful CEO’s clout will grow, boards should also pay attention to the relative status of people in the boardroom. Discussions with chairmen and direct observations of boardroom dynamics have revealed that CEOs are not always attentive to the views of nonexecutive directors whom they perceive to be less qualified than they

are. Outside directors who are in awe of, or intimidated by, a chief executive can also be overly deferential to management.

As a principle, boards should ensure that the stature of nonexecutive members is roughly comparable, and equal to or greater than the CEO’s. At one UK company, the chairman has deliberately recruited to the board people who are chairmen at other listed firms. That way, the board is more likely to have the respect of the highly successful CEO, and nonexecutive directors will also treat each other with regard. At another company, a candidate will be nominated to the board only if all of the current nonexecutive directors support his or her appointment. The chairman reasoned that “the board’s time is so precious that you cannot have a situation where one director is not respected by all others.”

The relative stature of the chairman and the CEO is particularly important. According to a senior independent director of a UK company, “you need a person who can tell a CEO that he is acting like an idiot, when necessary.” In the United Kingdom, chairmen are usually a decade or so older than their CEOs, which enhances the chairman’s ability to serve as mentor to the chief executive.

Lastly, boards should put in place term limits for directors and CEOs, with some flexibility on the exact timing of exit, to ensure that new perspectives come into the boardroom and that boards remain sufficiently detached from management. At a food services company, the board—many of whose members had served for years—became too close to the CEO and did not challenge him on his undisciplined growth strategy. The strategy subsequently unraveled, forcing the company to undertake a costly and embarrassing restructuring and leading to the ouster of the CEO and all of the long-tenured directors.

One Canadian bank normally allows nonexecutive directors to serve for ten years. At a UK company that has no formal policy on term limits, the chairman usually seeks to rotate directors off the board after six to seven years of service. Correspondingly, limiting the CEO's tenure may help the board preserve its authority and force it to devote more attention to succession planning and leadership development. This approach may also inject a sense of urgency into the CEO's work. One American CEO who imposed a ten-year limit on his own tenure felt that it helped him become a better leader. He also devoted a great deal of time to thinking about the long-term health of the company and the steps he should take to sustain its

success after his departure.

When it comes to well-functioning boards, best-practice structures aren't enough. Without the right mind-sets and human dynamics between directors and management, boards will not be able to fulfill their potential.



Peter Breen has been with Heidrick & Struggles since early 1986, is a twice-elected member of Heidrick & Struggles' International Executive Committee, and today is a Senior Partner in the Global Board Practice. He has been a governor of BDI since its inception.

Board dynamics

“In many of the big governance failures in recent times the chairman has shown that where he/she has really failed has been in understanding what the dynamic on the board is or should be.”

The relationship between the Chairman and CEO is at the heart of board dynamics, while it is above all the chairman who sets the tone and orchestrates the interactions and workings of the board's individual members.

Building trust is the key challenge within the modern board. In the past, it used to be based on personal trust as directors often knew each other and relied on their common value sets. With the move to selecting directors outside the 'old boys' network, boards need to create an atmosphere of professional trust. In this context, boards need to clarify rules, processes and roles, especially for the less experienced directors.

The board is a unique living entity and as such, there is no right or wrong culture. There is also no absolute definition of optimum culture, as this is specific and dependent on the nature of the market and the operating model of the company. In our opinion though, there are some universal constants:

1. Excellent administration and meeting management skills

2. Encouragement of equal and balanced contributions from board members
3. Containment of dominating personalities and ability to elicit participation from withdrawn board members
4. Issue prioritisation and summarising skills
5. A common vision for the board and the company
6. Achievement of decisions supported by consensus (not majority)
7. A blend of formal and informal interactions
8. Strategic/future/development focus
9. Crystal clear agendas and allocation of follow-up responsibilities
10. Alignment between culture on the board and culture in the company

Individual Behaviours

These group characteristics are driven by the individuals that constitute the board and we observe a clear link between boards that exhibit world-class dynamics and board members with the following characteristics and values:

1. Open-minded listening – able to listen to other opinions around the boardroom, interpret them objectively



and respond independently of pre-formed perspectives

2. Hardworking and supportive – committed to the company and the board and seeks to move the whole group forward together by supporting other directors
3. Curious – with a genuine interest in the company and its affairs
4. Collaborative – able to function as part of a high calibre team
5. Honest and forthright – presents genuine opinion in a direct, accessible and concise manner
6. Accountable – exhibits a strong sense of ownership for any position taken and accepts the responsibility (individually, and as part of the group) for any consequences
7. Humility / Self-Awareness
8. Probing – challenges directors when merited and always in a value-orientated fashion

“There is a big assumption that outsiders and diversity benefit boards. Simple diversity isn’t enough to make the board work – team dynamics is the real issue at the heart of board effectiveness.”

Board team dynamics is very different from that of the executive committee because of the nature of its structure. As ‘primus inter pares’, the chairman is not

the ‘boss’ of the directors (as opposed to the CEO with the executive committee), and so his influence is horizontal, not vertical. This is the context of chairman leadership style.

Further, because the functioning of the board is more complex, there is a strong bias towards consensus governance, something that does not exist in the executive committee. Many board directors are current or former CEOs, who are used to the functioning of executive committees where they take decisions, so they will often have to unlearn what made them successful as executives, when first becoming non-executive.

The best chairmen build strong, supportive working relationships with their CEOs, and provide generous behind-the-scenes advice and mentoring. At the same time, whilst valuing the support of a senior business partner, the CEO must be confident that he or she has the authority to run the business without undue interference. This is a delicate balance which good chairmen achieve by suppressing their own egos – by influencing rather than directing.

As chairmen become increasingly strategic and visible co-leaders, it becomes more important for them to

“Ego must stay at the door. The relationship between CEO and chairman should focus on the welfare of the company.”

build resilient, trust-based and non-competitive partnerships with their CEOs. 99% of employees will only see one leader, the CEO, but the top management will become comfortable with seeing two leaders, the CEO and the Chairman, working in a dynamic and complementary leadership partnership.

“Ego must stay at the door. The relationship between CEO and chairman should focus on the welfare of the company.”

While the roles of the CEO and Chairman are distinct, the dividing lines between executive and non-executive responsibility are likely to be reviewed and adjusted to reflect new investor expectations, though there must still be clear differentiation between day-to-day executive activity and independent oversight.

A key responsibility for the chairman is to think far ahead and to float issues before they arise. Chairmen on the other hand need to be able to have a sense of when things are not going well, and then speak with the CEO privately and set it right.

But every CEO-chairman partnership will be unique, with exact roles and responsibilities reflecting the respective skills, industry knowledge and previous business experience of each player.

A partnership ‘contract’ that sets out ‘who, what and when’ ground rules for the relationship will help avoid future clashes or uncertainties.

“It is best practice for a chairman to set out clearly to the board the division of responsibilities and accountabilities between the chairman and CEO. This is often not done, allowing ambiguity and overlap to creep in.”

An engaged Chairman will increase the effectiveness of the executive as long as there is complete trust between chairman and CEO, and the division of responsibilities is crystal clear to both parties at any given time. The contract between them must be dynamic in nature - revisited regularly and renegotiated as necessary if circumstances change.



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The Corporate Governance Code in Bahrain

The Corporate Governance Code in Bahrain was established to enhance company values and to protect investor rights, as well as to simultaneously attract foreign investments from multinational companies.

The Code has been made binding to all companies which are incorporated under the Bahraini Commercial Companies Law; listed on the Bahrain Stock Exchange (Bahrain Bourse). However, the Code could also be viewed as a model and reference framework for all companies, including non-listed companies, as well as a guide for foreign companies looking to do business in Bahrain.

It is worth noting that this Code does serve as a supplement to the Company Law, taking Bahrain's efforts to stabilize corporate governance even further and providing necessary guidance for companies to comprehend, comply with and monitor their own performance, as well as to ensure that there is information is disclosed as required.

To illustrate this concept further, the Company Law for instance, mandates best practices and pens down the rules that govern the board's and shareholders' meetings, fiduciary rules and duties, rules for company shares, rules for accounting and auditing etc. The Corporate Governance Code, on the

other hand, also, refers to many of such rules but it does not incorporate them all – as it intends to merely highlight the main duties that are to be observed and carefully respected to achieve desired corporate governance.

Given these facts, it is indeed advisable for all companies in Bahrain to familiarize themselves with both the Company Law as well as the Corporate Governance Code considering that they both work together to achieve the same goals in stabilizing the economy of the country.

In certain instances, the Code goes beyond the Company's Law requirements. For example, the Code recommends that the Chairman of the Board of Directors and the CEO of the company should not be the same person and that at least 50% of the Board of Directors members should be non-executive directors. Those points are not required by the law but are strong recommendations which should be considered carefully when evaluating a company's corporate governance's practices. Moreover, these points should be expected to be followed unless there are valid reasons not to, and the company lists these reasons under the 'comply or explain' principle.

The 'comply or explain' principle has been adopted by many other countries and the flexibility it offers has been

welcomed – for the sole fact that it avoids the imposing of rigid rules that are included in the Code, particularly those which fall outside the legal requirements binding companies. Furthermore, it also takes into account the company specific circumstances and appreciates the differences between companies and their structures, giving room for flexibilities in implementing rules specified by the Code.

This approach recognizes that it is not desirable, considering the great diversity of companies, to impose formal and identical rules of organization and operation for all companies.

The Code states nine principles that form the pillars of good corporate governance. The most crucial of these being disclosure and transparency. These would encourage and allow for improved communication between boards and shareholders; reinforcing investor and shareholder confidence in the process.

As a whole, the Code looks to a combined monitoring system relying on various parties involved in the corporate governance system: the board of directors, the shareholders and official bodies including Ministry of Commerce & Industry along with the Central Bank of Bahrain, the Bahrain Stock Exchange

(Bahrain Bourse), the Bahraini Courts and many professional firms as auditors, lawyers and investment advisors.

The Ministry of Commerce and Industry is the official government body vested with the required authority to administer The Company Law and this Code. Having said this, the Ministry will actively exercise its monitoring and penalty powers under the Company Law, together and closely with all other competent government authorities enumerated above. Needless to say, the joint work of all competent official authorities is crucial to maintain a proper framework for corporate governance in the country.

The main principles of the Code are:

- Principle 1: the company shall be headed by an effective, collegial and informed board
- Principle 2: the directors and officers shall have full loyalty to the company
- Principle 3: the board shall have rigorous controls for financial audit, internal control and compliance with that law
- Principle 4: the company shall have rigorous procedures for appointment, training and evaluation of the board

- Principle 5: the company shall remunerate directors and officers fairly and responsibly
- Principle 6: the board shall establish a clear and efficient management structure
- Principle 7: the board shall communicate with shareholders and encourage their participation
- Principle 8: the company shall disclose its corporate governance
- Principle 9: companies which refer to themselves as 'islamic' must follow the principles of Islamic shari'a.

All concerned companies in Bahrain are, now, required to follow and adhere to the Corporate Governance rules and principles in order to match with the institutional governance rules adopted and enforced in Bahrain.



H. Imad Al AbdulGader
VP, Business Development, Atheeb Group
BDI member since June 2011

Interview with a member

On Personal Experience

How do you see your beginnings affecting who you are today?

Our families, backgrounds, education, and life experiences all come together to make us who we are. I am fortunate to come from a family that values education and dedication. My father was, and still is, a role model and motivator. Following in his steps has led me to continuously seek to improve my knowledge, skills, and abilities. I am also fortunate to have had an interesting career as a fighter pilot; a thrilling experience where your knowledge and skills are constantly put to the test.

From your long and successful career as an Air Force Officer and a Diplomat representing the Saudi Ministry of Defense to the French authorities, and your current position at Atheeb Group, what key lessons would you isolate from your career path and progress?

To choose an example from each: Aviation teaches you discipline, it also teaches you that it's normal to make mistakes! And mistakes are acceptable as long as you are ready to correct them. You make a fatal error when you believe you're infallible. We make our judgments based on how we perceive the world

around us. It's important to keep in mind that our perceptions are –most of the time - not an accurate representation of the world. One should always be aware there is so much he or she doesn't know, and should seek to learn from what others see from different vantage points.

Serving the country abroad allows you to learn about other countries; their priorities, successes, difficulties and challenges and allows you to better understand the impact of the legal and administrative context on people and corporations. It also lets you see your own country from a different perspective. It teaches you that the diversity of this world is what makes it interesting, yet what peoples share is far more than what tells them apart. Having said that, effective rich communication across cultures requires some understanding of those cultures, not just the languages they speak, and finding a third language that both parties speak is, most of the time, the only reasonable option, but it leaves so much out.

Working for a diverse group such as Atheeb is a great opportunity to be exposed to a wide variety of business activities. I enjoy the opportunity to work at Atheeb because it is a constant challenge to keep learning about opportunities that evolve in a

fast changing world. This requires continuously learning from the past, assessing the present, and projecting the future to help take decisions based on how that future looks like.

On Leadership

A key element of a value-driven corporation is contributing to society and a broad range of stakeholders.

What in your opinion would encourage a stronger culture within corporations in the GCC to look beyond their company level and to work towards building a stable economy and society?

Atheeb group has always been very active in its social development efforts; it has many known contributions to society as well as many less known philanthropic activities. It recently founded a dedicated sector within its business model that aims at initiating progressive change both at a local and global level. HRH Princess Maha bint Abdulaziz has recently been assigned as the group Deputy V.P. for the Social Development Division, Following in the footsteps of her father HRH Prince Abdulaziz bin Ahmad, the Princess is a young dynamic leader; and has done very well in bringing other young leaders together to identify and implement key efforts that make a difference both

in raising awareness and in creating opportunities for Saudi men and women. In February 2011 a volunteer committee under the name “Sawa’ed Atheeb” was launched, focusing on redefining the image of local youth in a positive and constructive way, whilst building leaders that have an instilled sense of nationalism as well as a desire to bring about positive change in their surroundings. The division is also focusing on education by sponsoring scholarships in leading private universities in the Kingdom as well as international scholarships.

With your former military career, how did you ensure that you were contributing towards a more stable society in KSA?

The most important part of any military job, but especially for a fighter pilot is to understand the roles and possible missions that may be required of them one day, learning them well and training as realistically as possible, both individually and as a team that trusts their lives to each other. Leadership and coaching are essential in helping junior members of the team take up their roles quickly and help the team improve all the time, and be able to operate under extreme pressures.

During the years I served in the air force (1989 – 2009), the country faced serious

threats including the Gulf War and instability in neighbouring countries. Proper training and strong leadership allowed the Royal Saudi Air Force to fulfil its roles both in war and in peace, and I am proud to have been part of that organization.

With new business opportunities and exploration being some of your main interests, what has been your hardest challenge during your career in innovating and breaking through in this regard?

The hardest challenge that I face is keeping up with the different opportunities that are within our group's focus. Attheeb's diversity allows it to keep an open attitude towards opportunities in many fields. The Saudi economy is boosted farther by a generous fiscal policy that opens doors for many opportunities to the private sector in a wide variety of fields; however it's a very competitive environment demanding hard work and close coordination within our team and with our partners and customers.

On Corporate Governance

How do you see the role of regulators in the GCC in helping boards uphold stronger corporate governance practice?

Improving, modernizing, and simplifying legislation is one the key areas for improving the business environment. Legislation needs to continuously adapt to a changing world at an accelerating pace. Technology is only one of many factors of accelerated change.

The current status of business legislation in Saudi is characterised by fragmentation of the laws and a diversity of legislative bodies, over legislation in some areas and complete absence of laws in others. Although improvement has been made there is much room for more improvement, unification, and simplification of texts. This would be most helpful to the Saudi economy, consumers, and business people in general but especially young entrepreneurs. Legislation needs not only to change to catch up, but to be able to change quickly and effectively whenever needed in the future.

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