OECD Survey of Corporate Governance Frameworks

# MIDDLE EAST AND NORTH AFRICA

OECD

# OECD Survey of Corporate Governance Frameworks in the Middle East and North Africa

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# Foreword

This Survey provides an overview of the legal and regulatory framework for corporate governance in the Middle East and North Africa (MENA). Produced within the framework of the MENA-OECD Competitiveness Programme and the MENA-OECD Working Group on Corporate Governance, the Survey compiles information provided by securities regulators, stock exchanges, institutes of directors and corporate governance centres in each economy. The Survey reflects standards and policies in place as of May 2018.

This Survey provides a unique source for monitoring implementation of the G20/OECD Principles of Corporate Governance in the MENA region. It also supports informed policymaking by providing information on the variety of ways in which different economies translate the Principles into their own legislative frameworks and markets.

Good corporate governance is not an end in itself. Rather, it is a means to create an environment of market confidence and business integrity that supports capital market development and corporate access to equity capital for long-term productive investments. Therefore, the quality of a country's corporate governance framework is of decisive importance for the dynamics and the competitiveness of its business sector. As capital markets and corporations continue to evolve and new challenges arise, it is important for policy makers and regulators to stay abreast of how policies and practices can be adapted to remain effective under new circumstances. This Survey can help them accomplish that task.

**About the MENA-OECD Competiveness Programme**

The MENA-OECD Competitiveness Programme works with MENA governments, facilitating co-operation with the OECD to advance regional economic development through more inclusive, sustainable and resilient economies. Since 2005, the Programme, one of the two pillars of the MENA-OECD Initiative on Governance and Competitiveness, takes into account the region's diversity by providing targeted policy support to participating jurisdictions, building on the OECD's work methods of analysis, policy dialogue, exchange of good practices and capacity building for the implementation of reforms. The Programme covers the following jurisdictions: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestinian Authority, Qatar, Saudi Arabia, Tunisia, United Arab Emirates and Yemen.

The Programme's strategic orientations and policy priorities for the period 2016-2020 were agreed at the MENA-OECD Ministerial Conference held on 3-4 October 2016 in Tunisia, where Ministers and senior government officials endorsed the Tunis Declaration.

Under the auspices of the MENA-OECD Competitiveness Programme, which benefits from support by the Swedish International Development Co-operation Agency, the MENA-OECD Working Group on Corporate Governance facilitates the development of sound corporate governance frameworks and policies, which are essential building blocks for boosting competitiveness. The G20/OECD Principles of Corporate Governance and OECD Guidelines on Corporate Governance of State Owned Enterprises provide a benchmark. The Working Group brings together representatives from securities regulators, central banks, ministries, stock exchanges, corporate governance centres and other public and private sector actors committed to improving corporate governance policies and practices in the region.

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# 1. Introduction

The MENA-OECD Working Group on Corporate Governance (hereafter Working Group) supports the development of a sound corporate governance framework as an essential building block to boost competitiveness, develop the private sector, attract capital and promote investment in the region. This work complements corporate governance reform efforts and progress made in the MENA region using international standards as a benchmark for the region's policy priorities. In this context, the OECD provides policy advice underpinned by comparative analytical work with a view to support national reforms in MENA. Building on a decade of experience, this approach promotes regional co-operation and mutual learning amongst relevant players, including regional institutions and the private sector.

An important part of the OECD's work on corporate governance in MENA is to disseminate accurate and up-to-date information on prevailing corporate governance standards, codes, and policy frameworks in the region. This OECD Survey of Corporate Governance Frameworks in the Middle East and North Africa[1] (hereinafter, Survey) provides consolidated information on corporate governance in the region, inspired by the OECD Corporate Governance Factbook[2] that contains similar information on OECD and G20 countries. The Survey focuses on the corporate governance of listed companies; it can serve as a useful resource for capital market regulators, stock exchanges, listed companies and investors. This Survey is structured around the key elements of the G20/OECD Principles of Corporate Governance.

This Survey offers an overview of the legal and regulatory framework for corporate governance in MENA jurisdictions.[3] The information included in the Survey has been provided by securities regulators, stock exchanges, institute of directors and corporate governance centres in each country (see Annex A). The OECD is most grateful for their valuable contributions and inputs. While efforts have been made to verify information and ensure consistency, the accuracy of the Survey relies on the information provided.

This Survey reflects standards and policies in place as of May 2018 unless indicated otherwise.[4] The Survey was discussed at the Working Group meeting in Lisbon, Portugal, on 4-5 July 2018. As such, it is expected to become a "living document", to be updated and allow for future collaboration between relevant institutions responsible for promoting sound corporate governance in the region.

[1] The 2018 Survey was prepared by Carla Meza, Ziyad Sebti, and Catriona Marshall, under the guidance of Fianna Jurdant (OECD Directorate of Financial and Enterprise Affairs).

[2] Please note that while efforts were made to align the structure of this document with the OECD Corporate Governance Factbook, some changes in the structure and the legend were made to accommodate regional differences and to best reflect the available information.

[3] This Survey builds on earlier work developed by Alissa Amico for the Middle East and North Africa Corporate Governance Guide and original questionnaire.

[4] The OECD received responses from 11 jurisdictions in May 2018 (Bahrain, Egypt, Iraq, Jordan, Kuwait, Morocco, Oman, Palestinian Authority, Qatar, Saudi Arabia and UAE federal). Responses from September 2017 are included for Lebanon, Tunisia, and U.A.E.- Dubai International Financial Centre. Information for Algeria and Yemen was provided by the jurisdictions in September 2016.

# 2. The market and corporate landscape

## Market size and market structure of listed companies in MENA

The degree of ownership concentration at company level remains an important element for consideration in framing corporate governance standards. Ownership structure at the company level can be classified in various ways. In jurisdictions characterised as having concentrated ownership structures, the majority of listed companies have a controlling shareholder. Other factors that need to be considered in relation to concentrated ownership include pyramid structures, family control, company groups, and state ownership.

**Table 2.1. Market capitalisation and market structure of listed companies**

| Jurisdiction | National Stock Exchange | Number of listed companies | Market capitalisation of listed companies | Description of ownership structure of listed companies |
|---|---|---|---|---|
| Algeria | Algeria Stock Exchange (Bourse d'Algérie) | 5 | USD 370 million as of November 2017 (Bourse de Alger, 2017). | Ownership concentration is high. Specifically, 80% of two of the listed stocks are directly owned by the state, while 64% of another stock is owned by a family. The average free float is 23% (Bourse de Alger, 2017). |
| Bahrain | Bahrain Bourse | 43 | USD 21.4 billion as of Q1 2018 (BHB, 2018). | Ownership is concentrated but split between different types of institutional investors, including local banks, family offices/holding companies and pension funds. The share turnover rate was around 1% in Quarter 1 2018.[5] |
| Egypt | Egyptian Exchange | 254 | USD 47 billion as of December 2017 (WFE, 2017). | The Egyptian market is characterised by its diversified sectors, dominated by banks, real estate, telecommunications, financial services and industrial services (in terms of market capitalization). Listed companies tend to have a diversified base with some highly concentrated public ownership, though the role of the state is declining. Family groups are also important owners in the market. Turnover is still retail driven.<br>The free float is rising due to new listing rules and the de-listings of inactive companies. The main board has 222 companies and the Nile Stock Exchange, the SME market, has 32 listed firms. |
| Iraq | Iraq Stock Exchange | 101 | USD 8.8 billion as of Q3 2017 (AFE, 2017). | Listed companies are concentrated in banking, insurance, services and agriculture sectors. The depth of the market was improved through a few large cases of privatisation, particularly in the telecommunication sector. A regional stock exchange was established in Erbil in 2014, though there are currently no stocks listed on this exchange. |
| Jordan | Amman Stock Exchange | 194 | USD 23.9 billion as of September 2017 (WFE, 2017). | Firm ownership is concentrated but split between different types of institutional investors, including local banks, non-financial corporations, family offices/holding companies and pension funds. |

[5] Bahrain Bourse –Quarterly Trading Bulletin – Q1 2018

| Jurisdiction | National Stock Exchange | Number of listed companies | Market capitalisation of listed companies | Description of ownership structure of listed companies |
|---|---|---|---|---|
| Kuwait | Boursa Kuwait | 145 | USD 89 billion as of November 2017 (Bloomberg, 2017). | Listed companies tend to have a largely diversified base of shareholders while small and medium cap firms have a high concentration of large shareholders. Compared to other exchanges in the region, ownership by institutional investors is significant (information provided by CMA Kuwait). |
| Lebanon | Beirut Stock Exchange | 10 | USD 11.3 billion as of October 2017 (WFE, 2017). | The ownership of listed companies is dominated by commercial banks, heavy industries, real estate development, and commercial trading entities. Ownership concentration is high with family owned businesses. Market turnover is low (around 7% in 2016). |
| Morocco | Casablanca Stock Exchange | 74 | USD 66.1 billion as of October 2017 (WFE, 2017). | The market is composed primarily of banking, insurance construction, logistics and transport companies. Family groups are important owners in the market. Unlike other exchanges in the region, market ownership and turnover of the Casablanca Stock Exchange is less retail driven, although trading levels are low. |
| Oman | Muscat Securities Market | 119 | USD 20.6 billion as of October 2017 (WFE, 2017). | Ownership structure is characterised by high concentration though individual shareholding is limited to 25% of any given listed company. There are terms and conditions for holding 25% or more of the shares of the public joint stock companies. |
| Palestinian Authority | Palestine Stock Exchange | 48 | USD 3.71 billion as of April 2018 (WFE, 2018). | The majority of listed companies are family owned. There is significant cross-ownership within some company groups. In 25% of companies, the top five owners control 75% of the shares or more. In 40% of companies, the top five shareholders control 50-75% of voting rights. |
| Qatar | Qatar Stock Exchange | 45 | The market capitalisation of the Qatar Stock Exchange as of April 2018 was USD 140 billion (WFE, 2017). | The Qatar Stock Exchange has 45 listed companies, concentrated in financial services, consumer goods and services, and industrial firms. Ownership is concentrated in the hands of local shareholders, followed by Foreign and GCC investors. |
| Saudi Arabia | Saudi Stock Exchange (Tadawul) | 182 (including both Main and Nomu Markets) | USD 508.2 billion as of May 2018 (CMA, 2018) | Saudi Arabia has the largest capital market in the region in terms of market capitalisation. The equity market is directly open to resident foreign investors and non-resident qualified foreign institutional investors as well as indirectly through mutual funds and swaps. Since 1/1/2018, non-resident foreign investors were allowed to invest directly in the equity Parallel Market (Nomu) pursuant to the Capital Market Authority's Board of Commissioners Resolution dated 26/10/2017. The debt market is open to all foreign investors. Investor types vary between individuals, government institutions and companies. |
| Tunisia | Tunis Securities Exchange (BVMT) | 81 | USD 8.4 billion as of October 2017 (WFE, 2017). | The Tunis Securities Exchange has 81 listed companies. As for other MENA countries, it is characterized by ownership concentration. Family groups/holdings and Banks hold highest shares of listed companies. Moreover, the percentage of capital owned by the public/minority shareholders is higher amongst listed financial institutions. However, sovereign investors, more specifically State-Owned Enterprises, are absent in Tunisian capital markets. Finally, foreign investors hold almost a quarter (23.3%) of market capitalization as of 2017.[6] |

[6] La Bourse de Tunis - company information and annual report 2017: http://www.bvmt.com.tn/fr/rapports-activites

| Jurisdiction | National Stock Exchange | Number of listed companies | Market capitalisation of listed companies | Description of ownership structure of listed companies |
|---|---|---|---|---|
| UAE DIFC[7] | Nasdaq Dubai exchange | 9 | USD 100 billion, of which USD 62 billion are debt listings (conventional bonds and Islamic Sukuk) and the remainder are USD 8 billion equity listings (information provided by DFSA). | Nasdaq Dubai exchange is regulated under DIFC laws and has a selective group of 9 listed companies. Almost all companies with their primary listing on Nasdaq Dubai have a shareholder with over 10% of the shares. |
| UAE Federal | Abu Dhabi Securities Exchange and the Dubai Financial Market | 69 (Abu Dhabi Securities Exchange)<br>67 (Dubai Financial Exchange) | USD 131 billion as of May 2018 (Abu Dhabi Securities Exchange). USD 104 billion by May 2018 (Dubai Financial Exchange) | The Abu Dhabi Securities Exchange and the Dubai Financial Market are regulated under the UAE Federal Laws. On the federal level, government and institutional investors collectively own 66.7% of the market capitalisation, while retail investors account for the remaining 33.3% as of end Q2 2017. Some listed firms are closed to foreign ownership or have foreign ownership limits. Most listed companies have controlling shareholders |

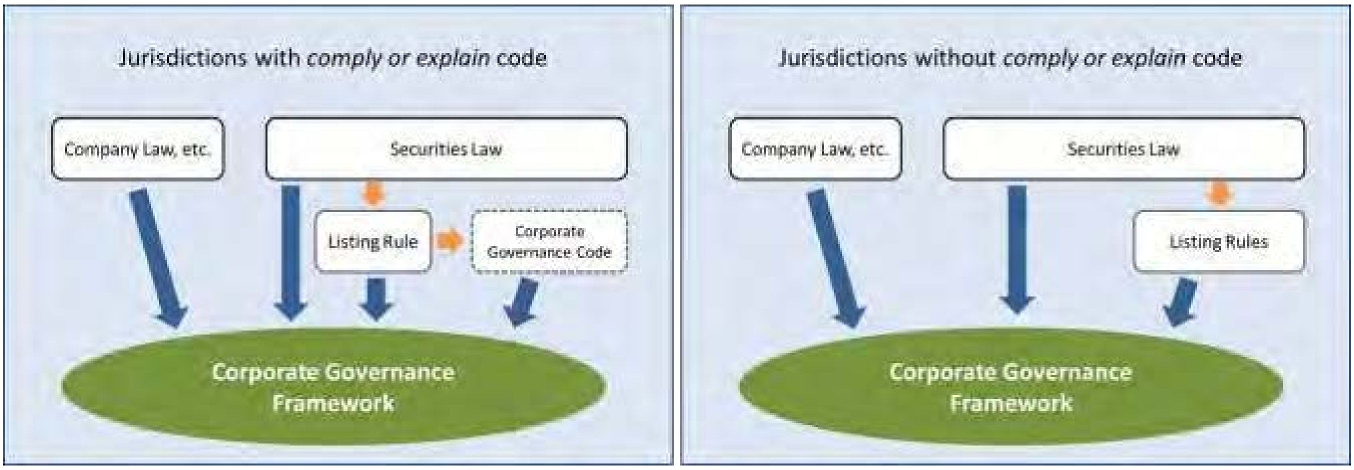
[7] The Dubai International Financial Centre (DIFC) is a financial free zone in Dubai established pursuant to UAE Federal Law No 8/2004 and Dubai Law No 9/2004. The DIFC is an independent jurisdiction within the UAE, empowered to create its own legal and regulatory framework for all civil and commercial matters. The regulator is the Dubai Financial Services Authority (DFSA), an independent regulator of all financial services conducted in or from the DIFC.

# 3. The corporate governance framework

## Main elements of the regulatory framework: national laws and regulations

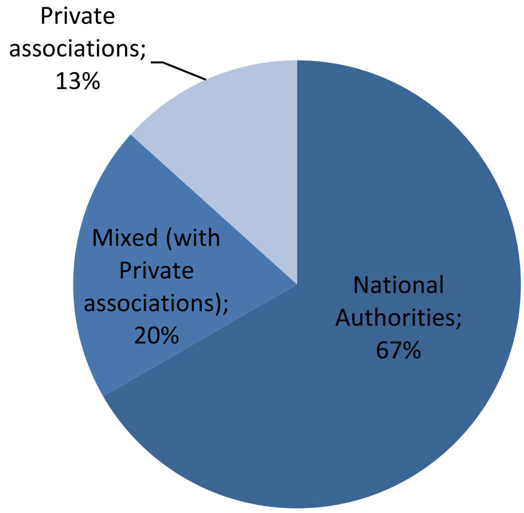
Effective corporate governance requires a sound legal, regulatory and institutional framework that market participants can rely on. In dealing with corporate governance issues, jurisdictions use various hard law (legal and regulatory) instruments on the one hand, and soft law (codes and principles) on the other. The desirable mix between legislation, regulation, self-regulation, voluntary standards, etc., will vary from country to country (see figure 3.1). The legislative and regulatory elements of the corporate governance framework can usefully be complemented by soft law such as corporate governance codes, which often are based on the 'comply or explain' principle (see 'National corporate governance codes and principles') in order to allow for flexibility and address specificities of individual companies.

**Figure 3.1. Examples of national corporate governance frameworks**




National custodians of corporate governance use various mechanisms to oversee the framework of corporate governance in MENA jurisdictions. National authorities serve as custodians in the majority (60%) of jurisdictions; Bahrain, Egypt, Jordan, Kuwait, Oman, Palestinian Authority, Qatar, and the UAE (both jurisdictions). In remaining jurisdictions, either private associations or a mix of custodians exists (see figure 3.2).

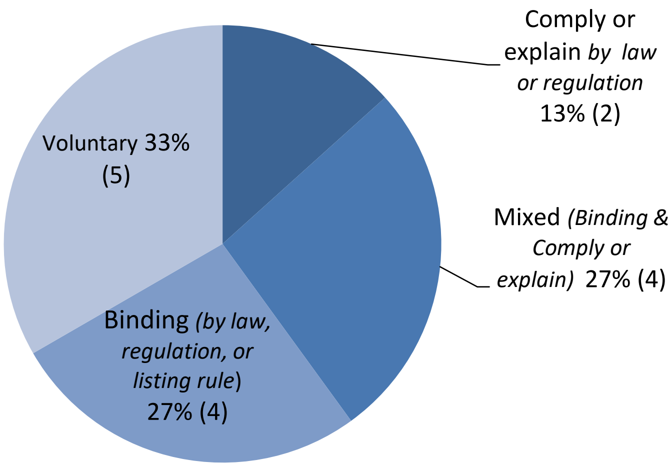
**Figure 3.2. Regulators and custodians of corporate governance**




*Note*: This figure shows the number of jurisdictions in each category and percentage share of the 16 jurisdictions for which data was available. See table 3.1.

The mechanism used to implement the corporate governance framework varies among jurisdictions (see Figure 3.3). Considering the dynamic nature of business activities and investor behaviour, the right balance between a 'comply or explain' approach and formal regulation may change over time. For example, an outright 'comply or explain' system has been adopted in Bahrain and Egypt. A mixed, 'comply or explain' and binding system has been adopted in Kuwait, Palestine, Saudi Arabia, and the UAE DIFC. A binding system, through the listing rules, underpinned by laws and regulations has been adopted in Jordan, Oman, Qatar, and the UAE Federal. Morocco, Tunisia and Yemen have adopted voluntary systems. Disclosure of company compliance is normally required and has become part of the annual reporting requirements for listed companies.

**Figure 3.3. Implementation mechanisms for the corporate governance framework**




*Note*: This figure shows the number of jurisdictions in each category and percentage share of 16 jurisdictions for which data was available. See table 3.1.

Jurisdictions use a combination of legal and regulatory instruments on the one hand, and codes and principles on the other. This table gives an overview of company law and securities law, as well as subordinate regulations in each jurisdiction.

**Table 3.1. Main elements of the regulatory framework: Laws and regulations**

| Jurisdiction | Company Law | Latest Update | Securities Law | Latest update | Other relevant regulations on corporate governance |
|---|---|---|---|---|---|
| Algeria | Code de Commerce (1975) | 1994 | Code boursier | 2003 | - |
| Bahrain | Commercial Companies Law | 2018 | The Central Bank of Bahrain and Financial Institutions Law 2006 | 2017 | - |
| Egypt | Companies Law159 (1981)<br>Capital Market Law No. 92(1995) | 2018 | Listing Rules | 2018 | Egyptian Code of Corporate Governance the Central Depository Law and the Law on the Central Bank, the Banking Sector and Money |
| Iraq | Companies Law, No. 21 (1997) | 2004 | Securities Law No. 74 (2004) | 2007 | Banking law, No. 94 2004 |
| Jordan | Companies Law No. 22 (1997) | 2017 | Securities Law | 2016 | Central Bank Regulations (2016) |
| Kuwait | Companies Law | 2016 | Kuwait Capital Markets Act | 2015 | Central Bank Regulations 2012 |
| Lebanon | The Lebanese Code of Commerce (the "LCC") (1942) | 1994 | The Code of Money and Credit (1963)<br>Decisions issued by the Central Bank of Lebanon (BDL)<br>Capital Markets Law No. 161 of 17 August 2011<br>Laws, Decisions and Regulations issued by the Capital Market Authority | 1994 | Decrees No. 120 of 1983 and No.7,667 of 1995, relevant to the operation of the Beirut Stock Exchange |
| Morocco | Commercial Code Law No.15-95, as amended<br><br>Companies Law No.17-95 | 2016<br>2015 | Stock Exchange (Bourse des Valeurs) Law No.19-17<br>Financial Market Authority (AMMC) Law No.43-12<br>Public offerings Law No. 44-12 | 2016<br>2013<br>2012 | Circulars of :<br>The Central Bank (BkAM)<br>AMMC<br>ACAPS |
| Oman | Commercial Companies Law<br>Commercial Register Law | 2005 | Capital Market Law | 2014 | Legislation governing companies operating in the field of securities |

| Jurisdiction | Company Law | Latest Update | Securities Law | Latest update | Other relevant regulations on corporate governance |
|---|---|---|---|---|---|
| Palestinian National Authority | Jordanian Companies Law Commercial Companies Law | 2008 | Securities Law | 2004 | Code of Corporate Governance in Palestine -2009 Banks Code of Governance |
| Qatar | Commercial Companies Law No 11 of 2015 | 2015 | Qatar Financial Market Authority Law | 2012 | Governance Code for Companies and legal Entities listed on the Main Market 2016 |
| Saudi Arabia | Companies Law | 2018 | Capital Market Law | 2012 | Rules on the Offer of Securities and Continuing Obligations 2018. Corporate Governance Regulations 2018. Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies 2017. Insurance Corporate Governance Regulation 2015. Principles of Corporate Governance for Banks Operating in Saudi Arabia 2014. |
| Tunisia | Code of Commercial Companies | 2009 | Law on the Reorganization of the Financial Market No. 94-117 (1994) | 2005 | Circular 2011-06 of the Central Bank Stock market regulation by Conseil du Marché Financier |
| UAE DIFC | DIFC Companies Law (No 2/2009) | 2017 | DIFC Markets Law (No 1/2012 | 2014 | DFSA Markets Rules, in particular, Rule 3.2 Corporate Governance Principles and Appendix 4 Corporate Governance Best Practice Standards |
| UAE Federal | Federal Law No. (2) of 2015 on Commercial Companies | 2015 | Federal Law No.4 of 2000 concerning the Emirates Securities & Commodities Authority and market | 2000 | The Chairman of Authority's Board of Directors' Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies |
| Yemen | Companies Law | 2008 | NA | NA | Yemeni Companies Act |

National corporate governance codes provide a framework for the dissemination of voluntary recommendations for good corporate governance to companies, and a mechanism for them to disclose their compliance through "comply or explain" reporting mechanisms, usually required in company annual reports. However this model is not universal. Some jurisdictions do not have codes but make use of company law, regulation or stock exchange listing requirements – in some cases with a mix of binding and voluntary measures – to achieve similar objectives. In rare cases, company disclosure of compliance with codes is not required.

**Table 3.2. Main elements of the regulatory framework: national corporate governance codes and principles**

Key: No = absence of a specific requirement or recommendation: NA = not applicable; "-" = information not provided by the jurisdiction

| Jurisdiction | Key national corporate governance codes and principles | Implementation mechanism | | | |
|---|---|---|---|---|---|
| | | Basis for Framework L: Law or regulation LR: Listing rule V: Voluntary | Approach C/E: comply or explain B: Binding Other | Disclosure Requirement in annual company report | Surveillance R: securities regulator SE: stock exchange P: private institution CB: Central Bank |
| Algeria | Algerian Corporate Governance Code | V | - | No | P |
| Bahrain | Corporate Governance Code<br>CBB Rulebook – High-Level Controls Module | - | C/E | Yes | R and CB |
| Egypt | The Egyptian Corporate Egyptian Code of Corporate Governance 2016 | V | C/E | Yes | R/SE/CB |
| Iraq | No | NA | NA | NA | NA |
| Jordan | Corporate Governance Directives for listed companies for the year 2017 | - | B | Yes | R |
| Kuwait | Issuance rules of Corporate Governance Regulated by Capital Markets Authority | - | B and C/E | Yes | R |
| Lebanon | The Lebanese Code of Corporate Governance | V[8] | - | No | P |
| Morocco | Moroccan Code of Good Corporate Governance Practices | V[9] | - | Yes | SE, R if listed and CB |
| Oman | Code of Corporate Governance for Public Listed Companies | - | B | Yes | SE and R |
| Palestinian Authority | Code of Corporate Governance in Palestine | - | B and C/E | Yes | SE and R |
| Qatar | Governance Code for companies and Legal Entities listed on the Main Market.<br>Corporate Governance Code in the Venture Market. | - | B<br>C/E | Yes[10]<br>Yes[11] | R and SE |
| Saudi Arabia | Corporate Governance Regulations | - | B and C/E | Yes | R/SE |
| Tunisia | Code of Best Practice of Corporate Governance | V | - | No | SE |
| UAE DIFC | DIFC Market Law,[12]<br>General Module of the DFSA Rulebook[13] | - | B and C/E | Yes | R |
| UAE Federal | UAE Corporate Governance Code | - | B | Yes | R |
| Yemen | Yemen Corporate Governance Guidelines | V | - | No | P |

[8] Banks operating in Lebanon must mandatorily have a Code of Corporate Governance, but not necessarily the Lebanese Code of Corporate Governance.

[9] The Moroccan Code of Corporate Governance is a voluntary disclosure of practices under "comply or explain" basis. The Code is mandatory for banking institutions.

[10] Disclosure in the Shareholders Annual General Assembly and posting on Company website.

[11] Disclosure in the Shareholders Annual General Assembly and posting on Company website.

[12] The Corporate Governance Code for listed companies is set out in the DFSA Markets Rules, which set out 7 Corporate Governance Principles and 75 Corporate Governance Best Practice Standards.

[13] The corporate governance principles applicable to Authorised Firms, i.e. firms offering financial services in or from the DIFC, are set out in the GEN Module of the DFSA Rulebook.

**Table 3.3. Other corporate governance codes, guidelines and principles**

| Jurisdiction | Other Corporate Codes or Guidelines | Issuing Entity | Latest update |
|---|---|---|---|
| Algeria | Guidelines for State-owned Enterprises | Hawkama El Djazair | Under development |
| Bahrain | Corporate Governance for Financial Institutions by the Central Bank – High –Level Controls Module | Central Bank | 2018 |
| Egypt | Code of Corporate Governance for SOEs | EIOD | 2006 |
| | Capital Market Companies' Governance Directive | Financial Regulatory Authority | 2007 |
| | Code for Banks | Central Bank | 2011 |
| | Rules for Governance of Securities Companies | EFSA | 2007 |
| Iraq | Corporate governance banking code [TBC] | Iraqi Central Bank | 2017 |
| Jordan | Corporate Governance Instructions for Banks | Central Bank | 2016 |
| | Corporate Governance Directives for listed companies for the year 2017 | Jordan Securities Commission | 2017 |
| | Corporate Governance Code for Insurance Companies | Jordanian Insurance Commission | 2006 |
| Kuwait | Guidelines for Banks | Central Bank | 2016[14] |
| Lebanon | Code of Corporate Governance for Small and Medium-sized Enterprises (LCCG)[15] | LTA and LCGTF | 2009 |
| | Reference guidebook on corporate governance of family-owned enterprises | LTA and LCGTF | 2009 |
| | Code of ethics and whistle blower procedures for small and medium enterprises | The Lebanon Anti-Bribery Network, in collaboration with the LTA and CIPE | 2009 |
| Morocco | Code for family owned enterprises and SMEs | National Corporate Governance Commission | 2010 |
| | Code for State-owned Enterprises | National Corporate Governance Commission | 2012 (update began in 2017) |
| | Central bank (Bank Al-Maghrib) circulars on governance of banks and credit institutions | The Central Bank | 2016 |
| Oman | Code for Insurance Companies | Capital Market Authority | 2005 |
| | Guidelines for Banks | Central Bank | 2014 |
| Palestinian Authority | Corporate Governance Code for Banks | Palestine Monetary Authority | 2014 |
| Qatar | Corporate Governance Principles for Banks | Qatar Central Bank | 2015 |
| Saudi Arabia | Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies | Capital Market Authority | 2017 |
| | Guidance Note to the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies | Capital Market Authority | 2017 |
| | Principles of Corporate Governance for Banks Operating in Saudi Arabia | Saudi Arabian Monetary Agency (Central Bank) | 2014 |
| | Insurance Corporate Governance Regulation | Saudi Arabian Monetary Agency (Central Bank) | 2015 |
| | Code of Conduct for Insurance Companies | Saudi Arabian Monetary Agency (Central Bank) | 2008 |
| Tunisia | Guidelines on Corporate Governance for the Banking Sector | Central Bank | 2011 |
| | Guidelines for State-owned Enterprises | IACE | 2014 |
| UAE DIFC | Code of Market Conduct | DFSA | 2015 |
| UAE Federal | Code for Banks | Central Bank | 2006 |
| | Code for Real Estate Companies | Real Estate Regulatory Agency | 2011 |
| | Code for SMEs | Dubai SME[16] | 2011 |
| Yemen | Yemeni Governance Guide for Banks | Central Bank | 2013 |

[14] The latest update for the guidelines for conventional banks was in 2012, the latest update for Islamic banks is 2016.
[15] A voluntary code launched by the Lebanese Transparency Association (LTA) and the Lebanese Corporate Governance Task Force (LCGTF) on 13 June 2006.
[16] Dubai SME is part of the Government of Dubai.

To support effective disclosure and implementation of corporate governance practices and "comply or explain" codes, some jurisdictions issue national reports, reviewing adherence to the code by listed companies, quality, depth and coverage of explanations. These reports help to understand to what extent companies are following the recommendations, as opposed to undertaking a check-the-box exercise. When such reports are issued, responsibilities for publishing are split between governmental authorities, stock exchanges, and private sector or stakeholder groups.

**Table 3.4. National reports on corporate governance**

Key: No = absence of a specific requirement or recommendation: NA = not applicable; "-" = information not provided by the jurisdiction

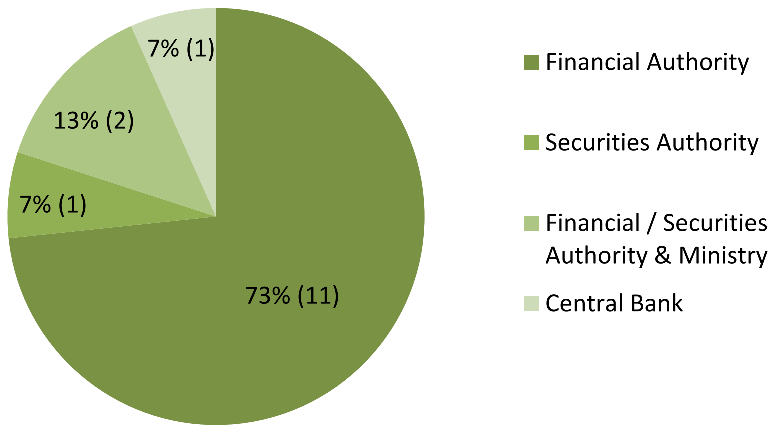
| Jurisdiction | National report on corporate governance | | | |
|---|---|---|---|---|
| | Issued Yes/No | Issued by: Securities Regulator (SR) / Stock Exchange(SE) / Private institution (P) / Mixed (M) | Frequency (in years) | Latest |
| Algeria | No | NA | 1 | 2016 |
| Bahrain | No | NA | NA | NA |
| Egypt | No | NA | NA | NA |
| Iraq | No | NA | NA | NA |
| Jordan | No | NA | NA | NA |
| Kuwait | No | NA | NA | NA |
| Lebanon | Yes (partial) | P | Occasional | - |
| Morocco | Yes[17] | SR<br>P | 2<br>3 | 2015-2016<br>2015 |
| Oman | No | NA | NA | NA |
| Palestinian Authority | Yes | M[18] | Occasional | 2015 |
| Qatar | Yes | SR | 1 | 2017 |
| Saudi Arabia | Yes | SR | 1 | 2017 |
| Tunisia | Yes (partial) | M | Occasional | 2014 |
| UAE DIFC | Yes | SR | Occasional | 2014 |
| UAE Federal | Yes | SR | 1 | 2016 |
| Yemen | No | P | Occasional | 2009 |

## The main public regulator of corporate governance policies and its governing body

Public regulators should have effective supervision, enforcement and sanctioning powers to deter dishonest behaviour and provide for sound corporate governance practices contained in the national corporate governance framework. There is usually one main regulator in the corporate governance area; this is the case in 14 of the 16 jurisdictions surveyed. Either the securities or financial market authority play the key regulator role, as seen in 12 of the 16 jurisdictions surveyed (see figure 3.4). In Bahrain, the central bank is the main regulator. It some jurisdictions it is not straightforward to identify the national public regulator of corporate governance policies and sometimes is a mix of regulators interacting (Egypt and Iraq). National authorities who have the power to draft bills relevant to corporate governance fall into this category only if they also have the capacity to supervise and enforce in this regard.

[17] The Department of SOEs (DEPP) in the Ministry of Finance issues a report every two years on governance, which is sent to the Head of Government.
[18] The CMA and Palestine Governance Institute issue reports on corporate governance. Palestine Exchange also issues annual reports about listed companies that makes reference to corporate governance practices (which the Exchange stopped in 2015).

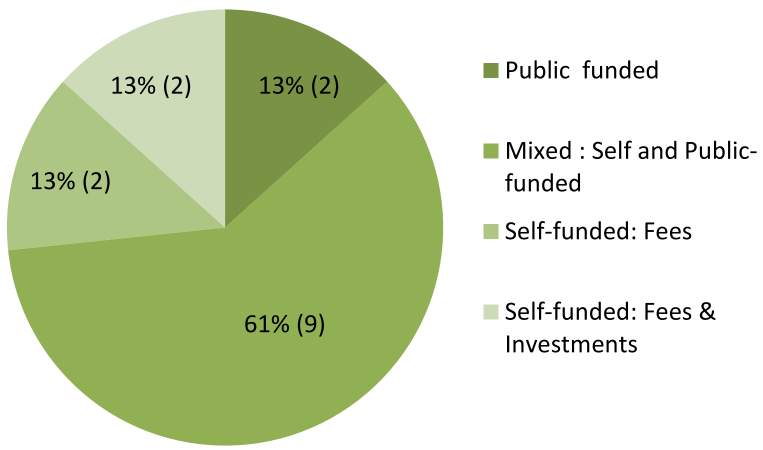
**Figure 3.4. Who is the regulator of corporate governance policies in the MENA region***




*Note*: Note: This figure shows the number of jurisdictions in each category and percentage share of the 16 MENA jurisdictions with information.

More than two thirds of regulators receive mixed funding from in part the public national budget and in part self-funding through fees and investments (see figure 3.5). Two jurisdictions (Qatar and Iraq) are fully funded by the public national budget. Five jurisdictions (32%; Bahrain, Morocco, Saudi Arabia Central Bank, Tunisia and UAE DIFC) are self-funded through either fees or a mix of fees and investment. OECD (2014b) provides good practise principles for funding as part of the governance of regulators, including a recommendation that the fees from regulated entities and the scope of activities subject to fees 'should be in accordance with the policy objectives and fees guidance set by the government' (page 98). It also suggests that the level of fees and scope of activities subject to fees should be 'approved by the minister or legislator, rather than the regulator'.

**Figure 3.5. How is the regulator funded in the MENA region?**




*Note*: This figure shows the number of jurisdictions in each category and percentage share of 15 MENA jurisdictions with information.

**Table 3.5. The main public regulator of corporate governance framework and its ruling body**

| Jurisdiction | Key regulators | | Ruling body in charge of corporate governance | Members including chair | Term of members (years) | Reappoint ment | Appointment by | Approval by Parliament |
|---|---|---|---|---|---|---|---|---|
| Algeria | Commission d'Organisation et de Surveillance des Opérations de Bourse | COSOB | Commission | 6 | 4 | Allowed | President | No |
| Bahrain | Central Bank of Bahrain | CBB | Board of Directors | 7 | 4 | Allowed | King | No[19] |
| Egypt | Financial Regulatory Authority | FRA | Board of Directors | 9 | 4 | Allowed | Prime Minister | Yes |
| Iraq | Iraq Securities Commission | ISC | Commission | 5 | Not fixed | | Council of Ministers | No |
| Jordan | Jordan Securities Commission | JSC | Board of Commissioners | 5 | 4 | Allowed once | Council of Ministers[20] | Not required |
| Kuwait | Capital Market Authority | CMA | Board of Commissioners | 5 | 4 | Allowed once[21] | Amiri Decree | No |
| Lebanon | Capital Market Authority | CMA | LTA | - | - | - | - | - |
| Morocco | Financial Market Authority (AMMC) | AMMC | Board of Directors | 7 | 4[22] | Allowed once | Different parties[23] | No[24] |
| Oman | Capital Market Authority | CMA | CMA Board | 9 | 4 | Allowed | Different parties[25] | No |
| Palestinian Authority | Capital Market Authority | CMA | Board of Directors | 7 | 3-4 | Allowed once | Different parties[26] | No[27] |
| Qatar | Qatar Financial Markets Authority | QFMA | Board of Directors | 7 | 3 | Allowed | Emiri Decree | No |

[19] In Bahrain, the Board of Directors are appointed by a Royal Decree.
[20] In Jordan, Commissioners are appointed by a decision of the Council of Ministers, based on a recommendation by the Prime Minister and endorsed by a Royal Decree.
[21] In accordance to Article 10 of the CMA Law 7 of 2010, an exception was made to members of the first board where three of them can serve up to a third term.
[22] In Morocco, the term of the members designated intuitu personae is 4 years. The term of the members representing the administration is not fixed.
[23] The president of Moroccan Capital Authority is appointed by Royal decree after deliberation in the council of ministers on the proposal of the Head of Government and on the initiative of the Minister of Finance. Two members represent the administration, one member represents Central Bank and three members are designated *intuitu personae* by the administration (i.e. by reason of its strictly personal nature).
[24] CMA is in charge of the Code.
[25] The Chairman of Oman's CMA is appointed by Royal Decree, other members are nominated to represent their respective institutions.
[26] The Chairman of the Palestinian CMA is appointed by the Council of Ministers according to the recommendation of the Minister of Finance. The Vice Chairman is a representative of the Ministry of National Economy.
[27] According to CMA law, it is the Council of Ministers that follow up the board establishment and appoints the General manager (Link to the law).

| Jurisdiction | Key regulators | | Ruling body in charge of corporate governance | Members including chair | Term of members (years) | Reappoint ment | Appointment by | Approval by Parliament |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | Capital Market Authority | CMA | Board of Commissioners | 5 | 5 | Allowed once | Royal Order | - |
| Tunisia | Capital Market Authority | CMA | College of the CMA | 10 | Not fixed | - | Prime Minister | No |
| UAE DIFC | Dubai Financial Services Authority | DFSA | Board of Directors | 9 | 3 | Allowed | President of the DIFC | No |
| UAE Federal | Securities and Commodities Authority | SCA | Emirates Securities and Commodities Authority | 7 | 3 | Allowed once | Cabinet Decree | No |

**Table 3.6. Custodians of national corporate governance codes and principles**

Key: No = absence of a specific requirement or recommendation; NA = not applicable; "-" = information non provided by the jurisdiction

| Jurisdiction | Custodians/Regulators *(Public/private/stock exchange/mixed initiative)* | | First code | Update | |
|---|---|---|---|---|---|
| | | | | *No.* | *Latest* |
| Algeria | Algerian Institute for Corporate Governance (Hawkama El Djazair) | Private | 2009 | 0 | NA |
| Bahrain | Central Bank of Bahrain (CBB)<br>Ministry of Industry, Commerce & Toursim | Public | 2010 | 0 | 2018 |
| Egypt | Financial Regulatory Authority(FRA) [28] | Public | 2005 | 3 | 2016 |
| Iraq | No | NA | NA | NA | NA |
| Jordan | Jordan Securities Commission (JSC) | Public | 2008 | 1 | 2017 |
| Kuwait | Capital Market Authority | Public | 2013 | 1 | 2015 |
| Lebanon | Capital Market Authority<br>Banque du Liban<br>Lebanon Corporate Governance Task Force (LCGTF) | Mixed | 2011 | 0 | NA |
| Morocco | National Corporate Governance Commission[29] | Mixed | 2008 | 3 | 2010[30] |
| Oman | Capital Markets Authority (CMA) | Public | 2002 | 1 | 2015 |
| Palestinian Authority | Palestine Capital Market Authority[31] | Public | 2009 | 1 | 2009 |
| Qatar | Qatar Financial Markets Authority | Public | 2009 | 2 | 2016 |
| Saudi Arabia | Capital Market Authority<br>Saudi Stock Exchange | Public | 2006 | 2 | 2018 |
| Tunisia | Conseil du marché financier (CMF)<br>Tunisian Corporate Governance Center | Mixed | 2008 | 1 | 2012 |
| UAE DIFC | Dubai Financial Services Authority (DFSA) | Public | 2004 | 2 | 2012 |
| UAE Federal | Emirates Securities and Commodities Authority (ESCA) | Public | 2007 | 3 | 2016 |
| Yemen | Yemeni Business Club | Private | 2010 | 0 | NA |

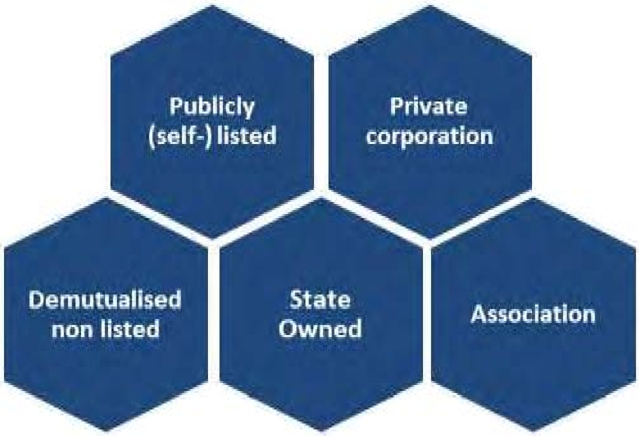
## Stock exchanges

Stock exchanges can play a meaningful role in enhancing corporate governance practises by establishing and enforcing requirements that promote effective corporate governance by their listed issuers. Stock exchanges also provide facilities by which investors can express interest or disinterest in a particular issuer's governance by allowing them to buy or sell the issuer's securities, as appropriate. The quality of the stock exchange's rules and regulations that establish listing criteria for issuers and that govern trading on its facilities is therefore an important element of the corporate governance framework.

The ownership structure of stock exchanges can affect the scope of their responsibilities, present potential conflicts of interest, with regard to their role in supporting sound corporate governance practises.

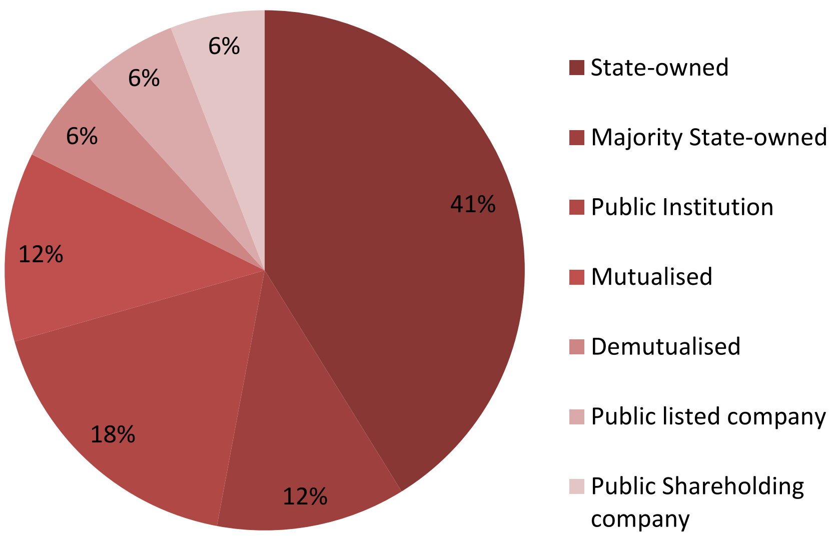
[28] Previously Egyptian Financial Supervisory Authority, established in 1979.
[29] Consultative ad-hoc mixed commission composed of state-owned and private companies, regulators and professional associations
[30] The original code was released in 2008, and 3 additional annexes were added subsequently in 2010 (regarding SMEs, SOEs & Credit Institutions): http://www.institut-administrateurs.ma/ressources/cadre-juridique.html
[31] http://www.hawkama.ps/Comp_Gov_Records/Corporate%20Governance%20Translation%20(English).pdf

**Figure 3.6. Legal status of MENA stock exchanges**




Increasing international competition among exchanges is regarded as one of the factors that has encouraged exchanges to transform from non-profit member owned entities to pro-profit corporations (demutualisation). In the MENA region, 15 exchanges are private corporations (either fully private or part state owned). One exchange (Morocco) is demutualised but not listed, and one exchange (UAE Federal) is publicly self-listed.

**Figure 3.7. Stock exchange ownership structure**




*Note*: This figure shows the number of jurisdictions in each category and percentage share of 15 MENA jurisdictions with information.

**Table 3.7. Stock Exchange Characteristics and Ownership Structure**

| Jurisdiction | Stock Exchange | | Ownership Structure | Self-listed |
|---|---|---|---|---|
| Algeria | SGBV | Bourse d'Alger | State-owned | No |
| Bahrain | BHB | Bahrain Bourse | State-owned | No |
| Egypt | EGX | Egyptian Exchange | Public Institution | No |
| | NILEX | Nile Stock Exchange for SME | Public Institution | No |
| Iraq | ISX | Iraq Stock Exchange[32] | Mutualised | No |
| Jordan | ASE | Amman Stock Exchange | Public shareholding company | No |
| Kuwait | KSE | Boursa Kuwait | State-owned[33] | No |
| Lebanon | BSE | Beirut Stock Exchange | Public Institution | No |
| Morocco | CSE | Bourse de Casablanca | Demutualised | No |
| Oman | MSM | Muscat Securities Market | State-owned | No |
| Palestinian Authority | PEX | Palestine Exchange | Public listed company | No |
| Qatar | QSE | Qatar Stock Exchange | State-owned | No |
| Saudi Arabia | TASI | Saudi Stock Exchange (Tadawul) | State-owned | No |
| Tunisia | BVMT | Bourse de Tunis | Mutualised | No |
| UAE DIFC | ND | Nasdaq Dubai Limited[34] | Majority state-owned | No |
| UAE Federal | DFM | Dubai Financial Market | Majority state-owned, listed | Yes[35] |
| | ADX | Abu Dhabi Securities Exchange | State-owned | No |

[32] Additionally, the Erbil Stock Exchange (ESX) was launched in 2014 in Iraq's autonomous Kurdistan region.
[33] As per the information provided: to be a public institution in 2018.
[34] The shareholders of Nasdaq Dubai are the Dubai Financial Market (DFM) with a two-thirds stake and Bourse Dubai with one third.
[35] Twenty percent of the Dubai Financial Market shares are listed on its own market.

# 4. The rights of shareholders and key ownership functions

In order to ensure that all shareholders are able to receive the general meeting information in advance with sufficient time for reflection and consultation, dates and methods of notification are indicated in the basic laws of most jurisdictions. Sending a notification to all shareholders remains mandatory in the majority of jurisdictions, often coupled with publication in a nationally circulated newspaper. Nearly all reporting jurisdictions now require publication of information on the Internet, via the company's web site in most jurisdictions.

Various media channels are used to publish shareholder meeting notifications. Jurisdictions can require that companies publish information through the regulator website, company website, newspaper or post. In some cases this is required by law, regulation or listing rules; in other cases, this is recommended in corporate governance codes. Required notifications to all shareholders is demanded in more than two thirds of MENA jurisdictions (14 jurisdictions, see figure 4.2). In this regard newspapers remain the preferred channel, with 14 out of 16 jurisdictions requiring this.

**Figure 4.1. Notification of general shareholder meetings**

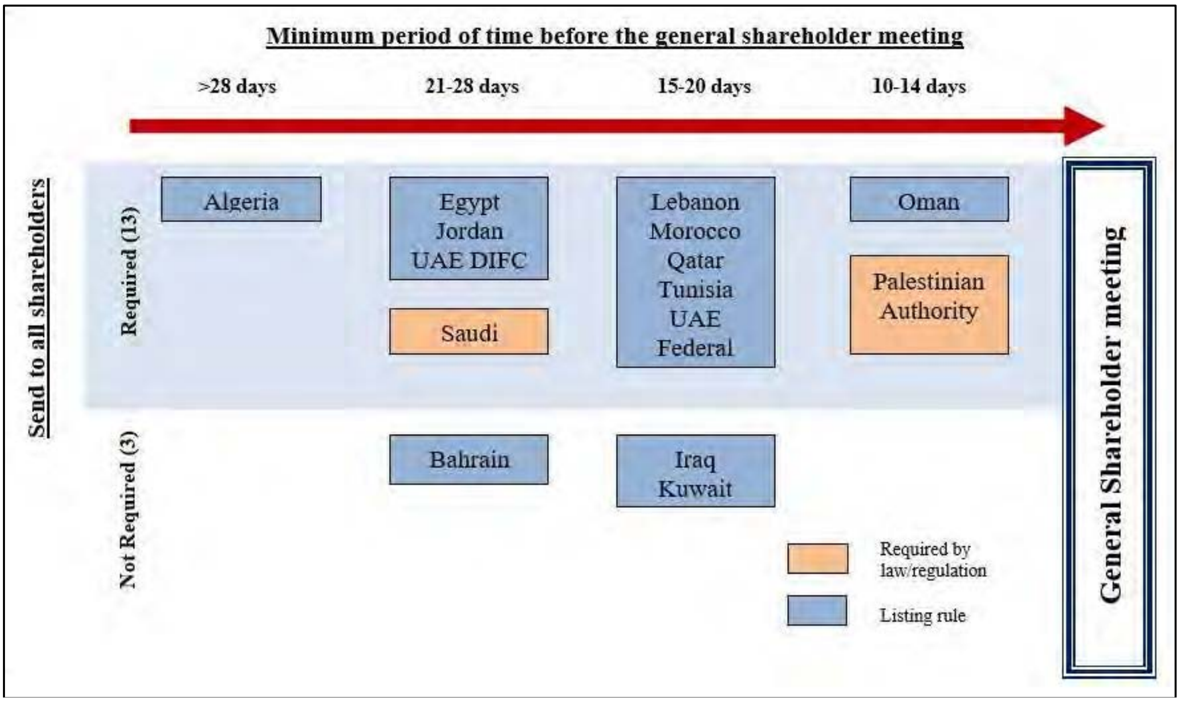
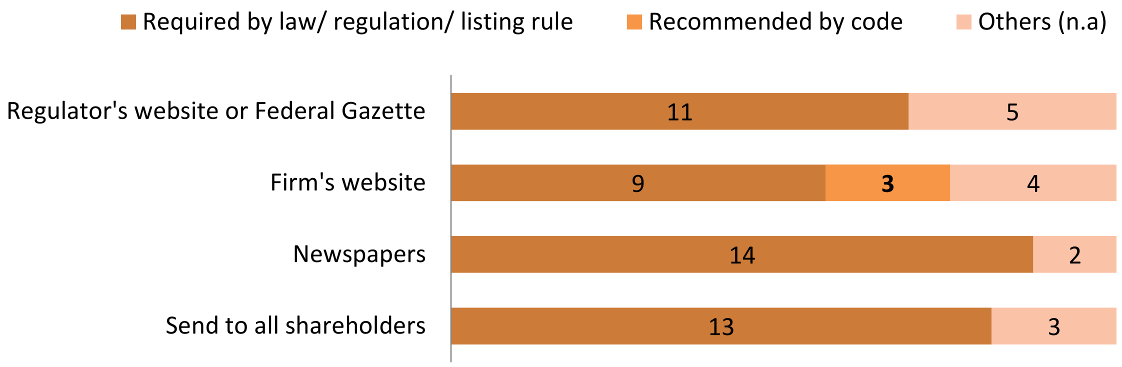


**Figure 4.2. Required media for publishing the shareholder meeting notification**




*Note*: This figure shows the number of jurisdictions in each category. Jurisdictions with several requirements are counted more than once.

All jurisdictions set forth a legal requirement for listed companies to provide shareholders with prior information to enable them to exercise their voting rights. The most common requirements in MENA jurisdictions are between 15-30 days.

**Table 4.1. Notification of the annual general meeting**

Key: L = requirement by law or regulations; R = Listing rule: C = recommended by the codes or principles. No = absence of a specific requirement or recommendation; NA = not applicable; "-" = information not provided by the jurisdiction

| Jurisdiction | Minimum period in advance | Requirement to send to all shareholders | Media for publication | | |
|---|---|---|---|---|---|
| | | | *Newspaper* | *Firm's website* | *Regulator's website or Federal Gazette* |
| Algeria | 30 days | R | No | No | R |
| Bahrain | 21 days | No | R | C | No |
| Egypt | 21 Days | R | R | R | R |
| Iraq | 15 days | No | R | No | R |
| Jordan | 21 days | R | R | R | No |
| Kuwait | 15 days | No | L[36] | L[37] | No[38] |
| Lebanon | 15 days[39] | R | R | C | No |
| Morocco | 15 days | R | R | R | R |
| Oman | 14 days | R | R | No | R |
| Palestinian Authority | 14 days | L | L | C | R |

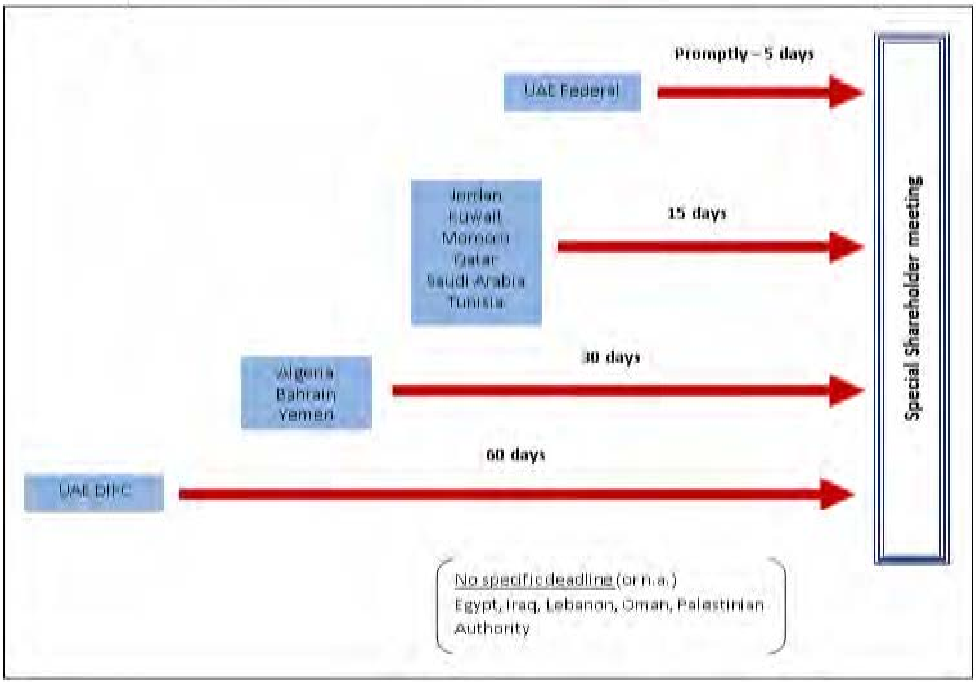
[36] Newspaper publication in two daily local newspapers which are published in the Arabic Language. This is *one of the options* to call for the general assembly meeting.
[37] If available. Pursuant to Article 206 of the Companies Law No.1 of 2016 and its amendments, the invitation procedures to attend a general assembly meeting is to be made twice through 'Announcement' or, as another option, by any methods of modern announcement to be prescribed by the executive regulations
[38] For the listed company, it will be published on the Boursa Kuwait website, the company managing the securities exchange in Kuwait.
[39] No explicit minimum period in the LCC; it must be done however at least more than 15 days before the meeting so that the shareholders can have access to the documents mentioned in article 197 of the LCC in compliance with the provisions of such article.

| Jurisdiction | Minimum period in advance | Requirement to send to all shareholders | Media for publication | | |
|---|---|---|---|---|---|
| | | | *Newspaper* | *Firm's website* | *Regulator's website or Federal Gazette* |
| Qatar | 15 days | R | R | R | R |
| Saudi Arabia | 21 days | L | L | L | L[40] |
| Tunisia | 15 days | R | R | R | R |
| UAE DIFC | 21 days | R | No[41] | R | R |
| UAE Federal | 15 days | R | R | R | R |
| Yemen | 15 days | R | R | No | No |

## Shareholder's right to request a meeting and place items on the agenda

As part of their fundamental rights, shareholders are able to request that a meeting be convened and place items on the agenda of the general meeting. Most jurisdictions require that a request for a shareholder meeting be supported by shareholders holding a minimum percentage of shares or voting rights ranging from 1% to 20%. For placing items on the agenda, many jurisdictions set lower thresholds.

**Figure 4.3. Deadline for holding the meeting after shareholder requests**




*Note*: See table 4.2

[40] Published on the Exchange's website.
[41] The DFSA requires listed companies to make an announcement through the exchange on which the company's securities are admitted to trading and any approved regulatory announcement system service that disseminates such notifications to newswires such as Reuters and Bloomberg.

**Figure 4.4. Minimum shareholding requirements to request a shareholder meeting and to place items on the agenda**

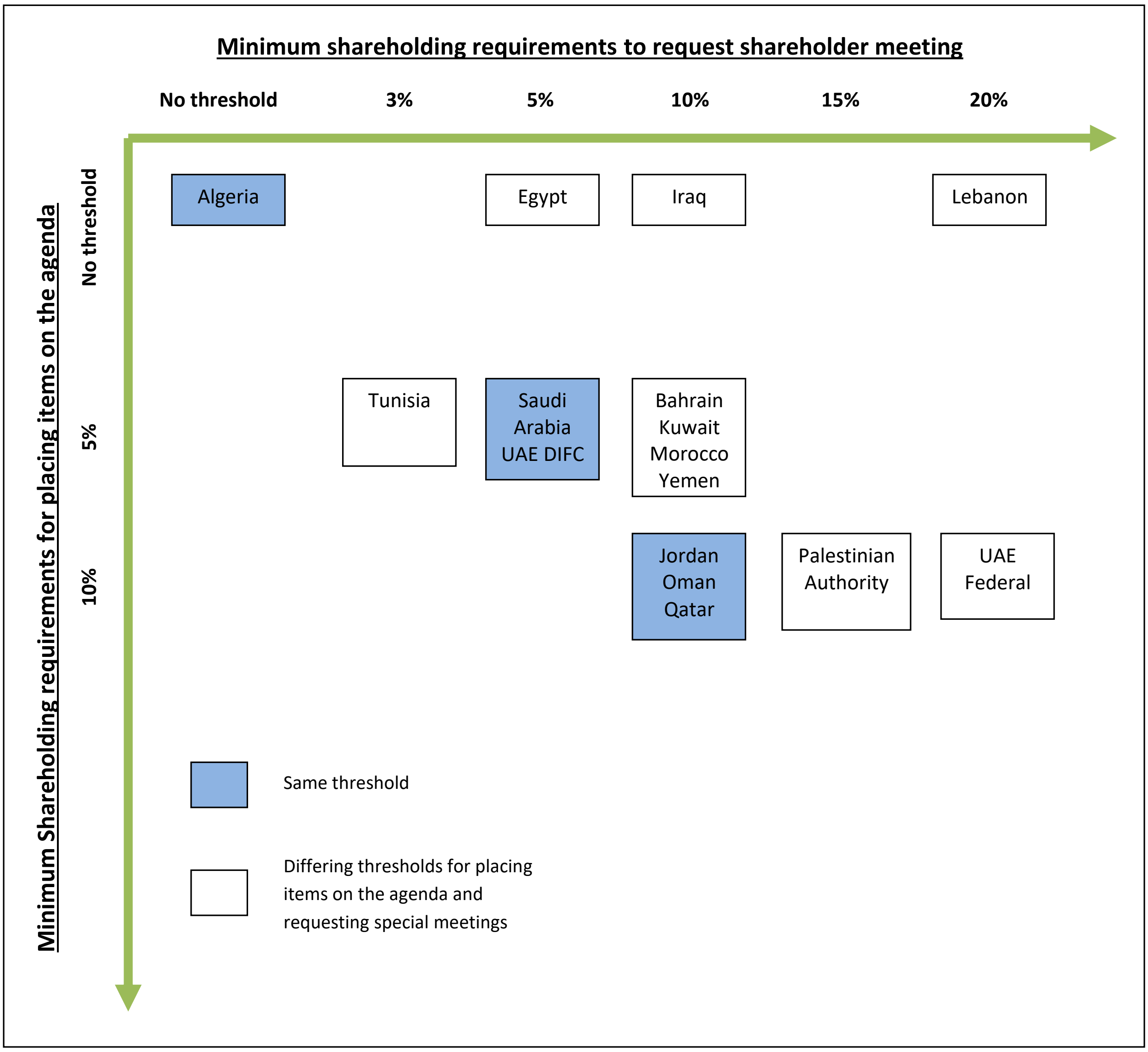


**Table 4.2. Shareholder's right to request a meeting and place items on the agenda**

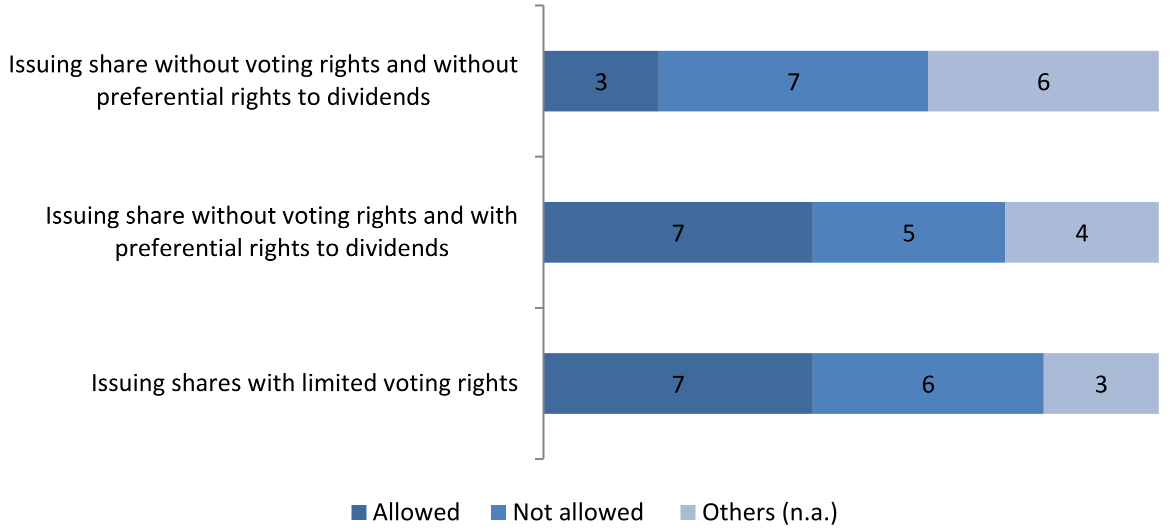
| Jurisdiction | Request to convene a shareholder meeting | | Placing items on the agenda of general meetings | | |
|---|---|---|---|---|---|
| | Shareholders | The firm | Shareholders | | The firm |
| | *Minimum shareholding* | *Deadline for holding the meeting after the request* | *Minimum shareholding* | *Deadline for the request (before meeting)* | *Accept and publish the request (before meeting)* |
| Algeria | No | 30 days | No | No | No |
| Bahrain | 10% | 30 days | 5% | 5 Days | NA |
| Egypt | 5% | No | No | (10 days) | Yes |
| Iraq | 10% | No | No | No | No |
| Jordan | 10% | 15 days | 10% | Before the meeting | No |
| Kuwait | 10%[42] | 15 days | 5% | NA | NA |
| Lebanon | 20% | No | NA | NA | NA |
| Morocco | 10% | 15 days | 5%[43] | 20 days[44] | 15 days |
| Oman | 10% | No | 10% | 1 month | No |
| Palestinian Authority | 15%[45] | No | 10% | No | No |
| Qatar | 10% | 15 days | 10% | No | No |
| Saudi Arabia | 5%[46] | 15 days[47] | 5% | 21 days | 21 days |
| Tunisia | 3% | 15 days | 5% | 15 days | No |
| UAE DIFC[48] | 5% | 2 months | 5% | Right to demand a poll at a meeting | 21 days |
| UAE Federal | 20%[49] of the share capital | 5 days from the date of the request, and 15 days, but not in excess of 30 days from the date of invitation to the meeting. | 10% | Before commencing the discussion of the agenda of the General Assembly | No |
| Yemen | 10% | 30 days | 5% | No | No |

42 For extraordinary assembly meeting, minimum shareholder percentage to reconvene is 15% and the firm deadline for holding the meeting after the request is 30 days.
43 2% when the share capital exceeds 5 million MAD.
44 10 days for companies that make public appeal to savings.
45 25% can ask the BOD directly to convene an extra ordinary meeting. 15% may submit their application to the companies controller or external Auditor to ask the BOD to convene an extra ordinary meeting.
46 The 5% corresponds to the percentage of shareholders to request to convene a shareholders meeting if the request is sent to the company. Under specific circumstances, the request can be sent to the Capital Market Authority, in which case the minimum percentage of shareholders requesting a meeting is 2%.
47 The company has 15 days deadline to call for the meeting, but not specific deadline for holding the meeting. If the call is not made, the capital Market Authority has the power to call for a shareholder meeting. In specific circumstances when the meeting is requested directly to the Capital Market Authority, the company has 30 days to call for a meeting.
48 The responses provided to this question are based on the provisions of the DIFC Companies Law. However companies incorporated in jurisdictions other than the DIFC can be and are currently listed on the Official List of Securities of the DFSA. As such the minimum requirements may differ for such other jurisdictions.
49 Unless the Articles of Association of the company determines a lower percentage.

## Preferred shares and voting caps

Conditions pertaining to shareholder voting at general shareholder meetings are a key component of shareholder rights. A number of jurisdictions have focused on this issue for the purpose of enhancing effective shareholder participation in important corporate governance decisions, such as board election and remuneration issues.

**Figure 4.5. Issuance of shares with limited or no voting rights**



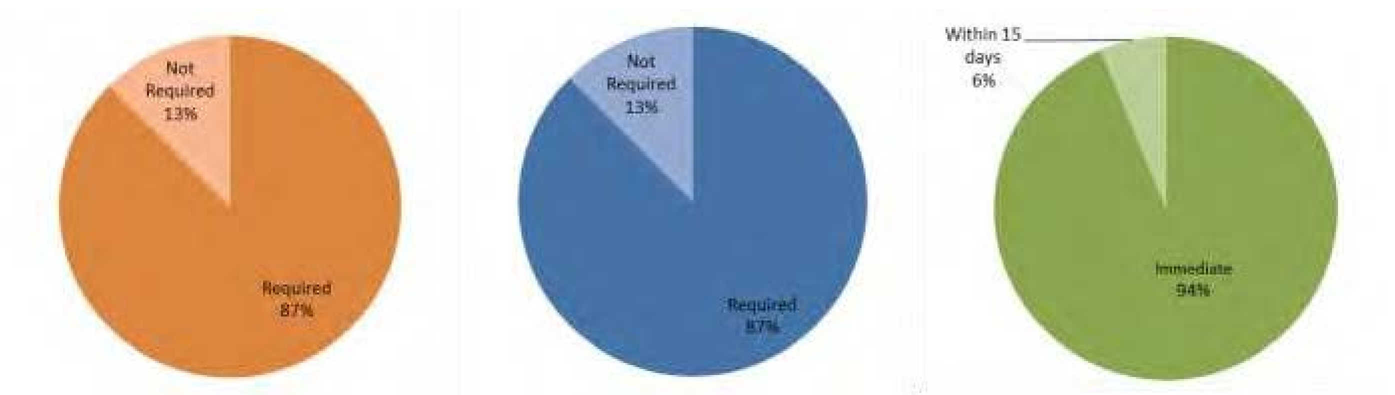

*Note*: This figure shoes the number of jurisdictions in each category. See table 4.3.

**Figure 4.6. Conditions for shareholder voting**

**Panel A**: Disclosure of the Issue voted on

**Panel B**: Formal procedure for counting votes

**Panel C:** Deadline after AGM for the disclosure of voting result




*Note*: This figure shows the percentage share of jurisdictions in each category

**Table 4.3. Preferred shares and voting caps**

Key: Allowed= specifically allowed by law or regulation; Not allowed= specifically prohibited by law or regulation; No = absence of a specific requirement or recommendation; NA = not applicable; "-" = information non provided by the jurisdiction

| Jurisdiction | Issuance of a class of shares with: | | | | |
|---|---|---|---|---|---|
| | *Limited voting rights* | *Multiple voting rights* | *Non-voting rights* | *Without preferential rights to dividends* | *Voting caps*[50] |
| Algeria | Allowed | Not allowed | Allowed | Allowed | Allowed |
| Bahrain | No | No | No | No | No |
| Egypt | No | Allowed[51] | No | No | No |
| Iraq | No | No | No | No | No |
| Jordan | Not allowed[52] | No | No | No | No |
| Kuwait | Allowed | Not addressed | Allowed | Allowed | Not addressed |
| Lebanon | Not allowed | Not Allowed | Not allowed | Not allowed | Not allowed |
| Morocco | Allowed | Allowed but provided by law only for double voting rights | Allowed | Not allowed | Allowed |
| Oman | Allowed | Not addressed by law or code | Allowed | No | No |
| Palestinian Authority | Not allowed | Not Allowed | Not allowed | Not allowed | Not allowed |
| Qatar | Not allowed | Not Allowed | Not allowed | Not allowed | Not allowed |
| Saudi Arabia | Allowed | Not allowed | Allowed | Not allowed | Not addressed |
| Tunisia | Allowed | Allowed | Allowed | No | No |
| UAE DIFC | Allowed | Allowed | Allowed | Allowed | No |
| UAE Federal | Not allowed | Not allowed | Not allowed | Not allowed | Not allowed |
| Yemen | Not allowed | Allowed | Not allowed | Not allowed | No |

## Voting practices and disclosure of voting results

Most jurisdictions prescribe a formal procedure of vote counting. The majority of jurisdictions require the disclosure of voting results on each agenda item. Almost all jurisdictions surveyed require listed companies to publish voting results immediately or promptly (within five days) after the general meeting.

[50] Voting caps refer to the limits on the number of votes a single shareholder may cast.

[51] According to the Companies' law 159, the company's bylaws may provide for certain privileges for certain types of shares in the voting, profits or liquidation proceeds, provided that the shares of the same type are equal in rights, privileges and restrictions.

[52] Except in private shareholding companies.

**Table 4.4. Voting practices and disclosure of voting results**

Key: Required= specifically required by law or regulation; immediately = promptly or within 5 days of the AGM; Not required = absence of a specific requirement or recommendation

| Jurisdiction | Formal procedure for counting votes | Disclosure of voting result | |
|---|---|---|---|
| | | *Deadline after AGM* | *Disclosure of the Issue voted on* |
| Algeria | Not required | Immediately | Required |
| Bahrain | Required | During the voting process in the AGM | Required |
| Egypt | Required | Immediately | Required |
| Iraq | Required | Immediately | Required |
| Jordan | Required | Immediately | Required |
| Kuwait | Required | Immediately | Required |
| Lebanon | Not required | Immediately | Required |
| Morocco | Required | 15 days | Required |
| Oman | Required | Immediately | Not Required |
| Palestinian Authority | Required | Immediately | Required |
| Qatar | Required | Immediately | Required |
| Saudi Arabia | Required | Immediately | Required |
| Tunisia | Required | Immediately | Required |
| UAE DIFC | Required | Immediately | Required |
| UAE Federal | Required | Immediately | Required |
| Yemen | Required | Immediately | Not Required |

## Disclosure of Related Party Transactions (RPTs)

Corporate law and regulatory frameworks address related party transactions through a combination of measures, such as mandatory disclosure, board approval, and shareholder approval. Almost all jurisdictions have adopted either the International Accounting Standard 24 (IAS 24[53]) or local accounting standards similar to IAS 24. For the sake of transparency, some jurisdictions have developed more detailed regulations regarding criteria for mandatory disclosure on a continuous basis (i.e. materiality thresholds, arm's length criteria, market condition, etc.).

Together with periodic disclosure, about half of the jurisdictions require immediate disclosure of significant related party transactions soon after their terms and conditions have been settled. This disclosure usually contains the materials necessary for shareholders to decide whether to approve the transaction at a general meeting.

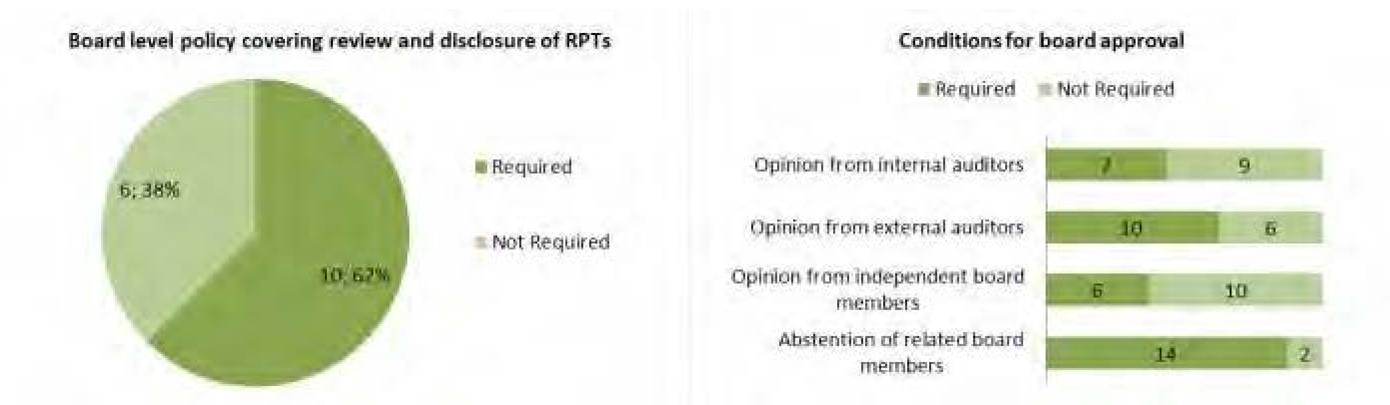
[53] International Accounting Standard (IAS) rule 24 relative to RPTs requires disclosures about transactions and outstanding balances with an entity's related parties. The standard defines various classes of entities and people as related parties and sets out the disclosures required in respect of those parties.

**Figure 4.7. Regulatory frameworks for RPTs**


In MENA economies, 10 (63%) jurisdictions require board approval of certain types of related party transactions. The types of RPTs brought to the board and conditions for their consideration can vary. In many jurisdictions the board is charged with making decisions about related party transactions. In addition, the majority of jurisdictions require explicit board approval of certain types of related party transactions (figure 3.8; left). Independent board members play a key role in six jurisdictions, reviewing the terms and conditions of related party transactions, often as members of the board audit committee. An independent formal valuation from auditors is required in 14 jurisdictions.

Regarding periodical disclosure of RPTs, around 69% of MENA jurisdictions adopted either International Accounting Standards (IAS24), or rely on both IAS24 and national regulation or governance codes. Companies have to disclose RPTs following Local Accounting Standards in their financial statement in four of the remaining jurisdictions (36%). What is more, additional disclosure is required in all MENA jurisdictions. Beyond, periodical disclosure, all MENA jurisdictions - with the exception of Yemen – require immediate disclosure for specific related party transactions.

**Figure 4.8. Board approval for certain types of RPTs**




*Note*: These figures show the number of jurisdictions in each category and percentage share out of all jurisdictions

**Table 4.5. Disclosure of RPTs**

Key: Required= specifically required by law or regulation; immediately = promptly or within 5 days of the AGM; No = absence of a specific requirement or recommendation

| Jurisdiction | Periodical disclosure | | Immediate disclosure for specific RPTs |
|---|---|---|---|
| | *Financial statement* | *Additional disclosure* | |
| Algeria | Local accounting standards | Required | Required |
| Bahrain | IAS 24 | Required | Required |
| Egypt | Egyptian Accounting Standards | Required | Required |
| Iraq | Local accounting standards | Required | Required |
| Jordan | IAS 24 | Required | Required |
| Kuwait | IAS 24 | Required | Required |
| Lebanon | Local accounting standards | Required[54] | Required |
| Morocco | Public offering law 44-12 and IAS 24 | Required | Required |
| Oman | IAS 24 | Required | Required |
| Palestinian Authority | IAS 24 | Required | Required |
| Qatar | IAS24 Governance Code articles 4 and 26 | Required | Required |
| Saudi Arabia | IAS 24 | Required | Required |
| Tunisia | IAS 24 | Required | Required |
| UAE DIFC | DFSA Markets Rules 3.5, applicable IFRS standards | Required | Required |
| UAE Federal | IAS 24 | Required | Required |
| Yemen | IAS 24 | Required | Not required |

## Sources for the definition of related parties

Each jurisdiction provides a definition of related parties in its legal framework. These definitions are introduced for various purposes such as prohibiting specific related party transactions or setting the scope of the mandatory disclosure of related party transactions.

**Table 4.6. Sources for the definition of related parties**

| Jurisdiction | Provision |
|---|---|
| Algeria | Loi relative à la Bourse des Valeurs Mobilières Article 60 |
| Bahrain | Central Bank of Bahrain Rule Book, as defined by IFRS |
| Egypt | Egyptian Code of Corporate Governance, Exchange Listing Rules and the Companies Law 159 |
| Iraq | Securities Law, Companies Law and domestic accounting rules |
| Jordan | Corporate Governance Directives for listed companies for the year 2017. For banks, JSC's Corporate Governance Instructions Banking Law No. 28 of year 2000 |
| Kuwait | Module 1 (Glossary) of the Executive Bylaws of Law No. 7 of 2010, and international accounting standards |
| Lebanon | The Lebanese Code of Commerce and the Lebanese Code of Money and Credit |
| Morocco | Company Law 17-95<br>Code of Good Corporate Governance Practices for enterprises<br>Code for State-owned Enterprises |
| Oman | Company Law and Corporate Governance Code, as well as international accounting standards |
| Palestinian Authority | Glossary of Defined Terms Used in the Palestine Exchange Regulations such as Disclosure Regulation and Directives of the Capital Market Authority, International Accounting Standards |
| Qatar | Governance Code for Companies and Legal Entities listed on the Main Market |
| Saudi Arabia | Glossary of Defined Terms Used in The Regulations and Rules of the Capital Market Authority<br>Corporate Governance Regulations |
| Tunisia | Domestic Accounting Rules and Company Law |

[54] Special report prepared by each of the auditors and the board regarding any related party transaction

| Jurisdiction | Provision |
|---|---|
| UAE DIFC | DFSA Markets Rules (MKT Rule 3.5.2(a)) |
| UAE Federal | Federal Law No. (2) for the year 2015 Concerning Commercial Companies. The Chairman of Authority's Board of Directors' Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies |
| Yemen | Yemeni Banks Corporate Governance Manual and the Corporate Governance Code |

## Board approval of Related Party Transactions (RPTs)

In many jurisdictions, the board is charged with making decisions on related party transactions in the interests of shareholders of the company. Under board approval procedures, independent board members play a key role in some jurisdictions. In some jurisdictions an independent formal valuation is required. The requirement for the abstention of related members from the resolution on the board is common in jurisdictions with the requirement of board approval.

**Table 4.7. Board approval of RPTs**

Key: Required= specifically required by law or regulation; No = absence of a specific requirement or recommendation; NA = not applicable; "-" = information non provided by the jurisdiction.

| Jurisdiction | Board level policy covering review and disclosure of RPTs | Abstention of related board members | Opinion from | | |
|---|---|---|---|---|---|
| | | | *Independent board members* | *Internal Auditor* | *External Auditor (Before presented to the AGM/Board)* |
| Algeria | Not required | Required | Not Required | Required | Not required |
| Bahrain | Required | Required | Required | Required | Required |
| Egypt | Required | Required | Not Required | Not required | Not required |
| Iraq | Required | Required | Required | Required | Required |
| Jordan | Required | Required | Committee composed of some independent board members approves RPTs | Required | Required |
| Kuwait | Required | Required | Not Required | Not Required[55] | Required |
| Lebanon | Required | Required | Not Required | Not required | Required |
| Morocco | Not required | Required | Required[56] | Not required | Required |
| Oman | Required | Required | Committee composed of some independent board members approves RPTs | Required | Required |
| Palestinian Authority | Required | Required | Not Required | Not required | Not required |
| Qatar | Required | Required | Required | Required | Required |

[55] According to the corporate governance principles set out in Module 15 (Corporate Governance) of the Executive Bylaws of Law No.7 of 2010, it is required that the risk department/ an office/ an independent unit reviews the transactions to be made by the company with review the RPTs, and to then provide the proper recommendation to the Board of Directors.

[56] According to article 106bis of Law 17/95, listed companies have an obligation to have an audit committee, composed exclusively of independent directors.

| Jurisdiction | Board level policy covering review and disclosure of RPTs | Abstention of related board members | Opinion from | | |
|---|---|---|---|---|---|
| | | | *Independent board members* | *Internal Auditor* | *External Auditor (Before presented to the AGM/Board)* |
| Saudi Arabia | Required | Required | Not Required[57] | Required | Required |
| Tunisia | Not required | Required | Not Required | Not required | Required |
| UAE DIFC | Not required[58] | Not required | Not required | Not required | Required |
| UAE Federal | Required | Required | Not required[59] | Not required | Not Required |
| Yemen | Not required | Not required | Not required | Not required | Not required |

## Shareholder approval of Related Party Transactions (RPTs)

Shareholder approval of related party transactions can be regarded as an alternative or complement to board approval, but is often limited to large transactions and those not on market terms.

**Table 4.8. Shareholder approval of RPTs**

| Jurisdiction | Requirement Yes/No | Content of requirement/recommendation |
|---|---|---|
| Algeria | Yes | Shareholder approval through AGM |
| Bahrain | No | However, Board must inform the shareholders in the next General meeting accompanied by a report from the external Auditor. Moreover, Disclosure of RPTs will have part in the financial statements and the annual report. |
| Egypt | Yes | Shareholder approval through the AGM with the abstention of related members from the resolution on the AGM |
| Iraq | Yes | Shareholder approval through AGM |
| Jordan | Yes | - |
| Kuwait | Yes | Ordinary general assembly approval |
| Lebanon | Yes | Review of RPTs by the auditors and by the board of directors, whereby each produces a report in this respect, further to which the RPT is submitted along with such two reports to the AGM for approval. Usual ordinary general assembly quorum and majority requirements apply. |
| Morocco | Yes | Approval by shareholders on AGM |

57 Not required, however review of RPTs is facilitated by assigning a sufficient number of non-executive directors in relevant committees.

58 RPTs procedures are governed by Markets Rules 3.5.3 and Rule 3.5.4. The rules stipulate majority shareholder approval for RPTs that are greater than 5% of the value of net assets of the Reporting Entity (i.e. listed company) as stated in its most recent financial reports. If the RPT is less than the 5% threshold, the Reporting Entity must give the DFSA a notice as soon as possible after the transaction of the relevant terms and the basis on which such terms are considered fair and reasonable. Such notice to the DFSA must be supported by a written confirmation by an independent third party acceptable to the DFSA. The Rules further address the cumulative value of a series of RPTs with the same related party where the threshold of 5% is reached within any 12 months period. Majority shareholder approval is required for such cumulative RPTs.

59 A company shall not enter into transactions with related parties without the consent of the Board of Directors in cases where the value of the transaction does not exceed (5%) of the company's capital, and with the approval of the general assembly where such percentage threshold is exceeded. The company is not allowed to enter into transactions that exceed (5%) of the issued capital unless the transaction has evaluated by an assessor accredited by the Authority.

| Jurisdiction | Requirement Yes/No | Content of requirement/recommendation |
|---|---|---|
| Oman | Yes | Shareholder approval applies to only certain transactions. Full details of the transaction shall be sent to all the shareholders as part of the notice for AGM with the statement form the board that the transaction is fair and reasonable. |
| Palestinian Authority | No | RPTs are reviewed by the audit committee or another board committee. In some cases, shareholders approve through the AGM or through convening an extraordinary shareholder meeting. (In the BOD, the offer of the RP should be the best comparing to others. The BOD majority of 2/3 approval is requested, excluding the related party vote). |
| Qatar | Yes | Majority approval. |
| Saudi Arabia | Yes[60] | Shareholder approval through the AGM |
| Tunisia | Yes | Shareholder approval through the AGM |
| UAE DIFC | Yes | Only for transactions greater than 5% of value of the net assets of the Reporting Entity, as stated in the most recent financial reports. Shareholder approval is also required if the cumulative value of a series of Related Party Transactions with the same Related Party reaches the 5% threshold in any 12 months period. Shareholder approval refers to majority approval. |
| UAE Federal | Yes | A company shall not enter into transactions with related parties without the consent of the board of directors in cases where the value of the transaction does not exceed (5%) of the company's capital, and with the approval of the general assembly where such percentage threshold is exceeded. The company is not allowed to enter into transactions that exceed (5%) of the issued capital unless the transaction has evaluated by an assessor accredited by the Authority. The related party who has an interest in the transaction shall not participate in voting in terms of the decision taken by the board of directors or the general assembly in respect of this transaction. |

Adopting International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) allows for harmonisation of accounting standards, and facilitates the comparability of company accounts across jurisdictions. Thus, IFRS are required in almost all MENA jurisdictions except two North African jurisdictions (Tunisia and Algeria). While national accounting requirements cover all companies in 38% of the region's jurisdictions, in the majority of jurisdictions (62%), requirements are only for listed companies and/or financial institutions.

[60] Only for Board members related transactions

**Table 4.9. Accounting standards requirements**

| Jurisdiction | *IFRS Requirement Yes/No/ Not permitted* | *Coverage* | *National Application* |
|---|---|---|---|
| Algeria | Not permitted | Listed companies | Algeria GAAP |
| Bahrain | Required | All companies | IFRS as issued by IASB board and written in to the Commercial Companies Law of the Kingdom of Bahrain |
| Egypt | Yes | All companies | Egyptian Accounting Standards (EAS) as published by Financial Regulatory Authority (FRA) |
| Iraq | Required | All companies | IFRS as issued by IASB board and written into Iraqi Companies Law |
| Jordan | Required | Listed companies, financial institutions and insurance companies[61] | IFRS as issued by IASB board and written into Jordanian Securities Law |
| Kuwait | Required | All companies | IFRS as issued by IASB board and written into the Ministerial Decrees |
| Lebanon | Required | All companies | IFRS as issued by IASB board |
| Morocco | Required | Banks, financial institutions and listed companies that have adopted IFRS | IFRS is referred by the Moroccan rules without mentioning whether it is adopted by the EU or published by IASB. Both are used in practice. |
| Oman | Required | Listed companies | IFRS as issued by IASB board and written into the Capital Market Law |
| Palestinian Authority | Required | Listed companies, financial institutions and insurance companies | IFRS as issued by IASB board. It is written into laws adopted by the Palestinian Legislative Council and securities regulations issued by the PCMA board of directors. |
| Qatar | Required | Listed companies and legal entities | IFRS as issued by IASB board in the Governance Code and the Commercial Company Law No. 11 of 2015 |
| Saudi Arabia | Required | Listed companies, Authorized persons, banks and insurance companies | IFRS as issued by IASB board. In the case of banks and insurance companies, IFRS standards are incorporated into regulations of the Saudi Arabian Monetary Authority (SAMA). For other companies, they are required by Saudi Organization for Certified Public Accountants (SOCPA) |
| Tunisia | Not permitted | Listed companies | Tunisian GAAP |
| UAE DIFC | Required | Listed companies (referred to as Reporting Entities) and Authorized Firms (firms offering financial services | IFRS as issued by IASB board or other financial reporting standards acceptable to the DFSA and as required by the DFSA Markets Rules. |
| UAE Federal | Required | All companies | IFRS as issued by IASB board and written into the UAE Commercial Companies Law No.2 of 2015 |
| Yemen | Required | Banking institutions[62] | IFRS as issued by IASB board and it is required by the central bank to use IFRS stands in all banking institutions' |

[61] Companies whose securities trade in a public market ("public shareholding companies") are regulated by the Jordanian Securities Commission, which requires full adoption of IFRS Standards. Similarly, financial institutions regulated by the Central Bank of Jordan and insurance companies regulated by the Jordanian Insurance Commission must use full IFRS Standards. All other companies may use full IFRS Standards or they may use the IFRS for SMEs Standard.

[62] Currently there is no stock exchange in Yemen. However, under the Commercial Law companies are permitted to sell shares to the public. Those public companies are required to prepare financial statements using 'generally accepted accounting principles', and most public companies use IFRS Standards for this purpose.

# 5. The corporate board of directors

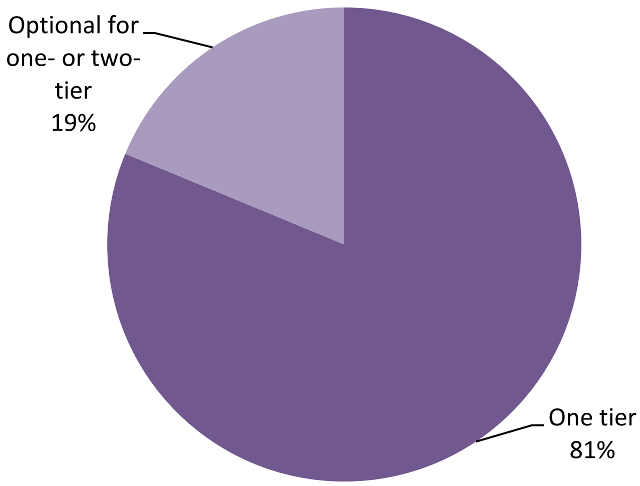
## Board size and structure

Different national models of board structures are found around the world. In MENA, one-tier boards are most common (in 13 jurisdictions), but a growing number of jurisdictions (3) offer the choice of either single or two-tier boards. (Figure 4.1).

The structure and independence of the board has attracted the interest of scholars (e.g. Agency Theory) and authorities given its potential impact on companies' performance and productivity. In the MENA region, 81% of jurisdictions opted for a one-tier board structure and even in jurisdictions where the board structure is optional for one- or two-tier (e.g. Morocco and Tunisia), most listed companies have a one-tier board.

The required size of the board of directors varies across the region. The minimum size ranges from 3 to 5 members whereas the maximum size varies between 9 (e.g. Iraq) and 15 members (e.g. Morocco and Bahrain). Concerning maximum tenure, appointed members can sit in the board of directors from 3 (in 62% of jurisdictions) to 6 years (in 12% of jurisdictions) while no specific requirement or recommendation in this regard is made in Egypt, Kuwait and UAE DIFC. The mandate of board members is renewable in 31% of jurisdictions. However, in some jurisdictions, size and mandate requirements can change for specific companies (e.g. banking firms, non-listed companies) and legislation may require board members to be shareholders as for Morocco.

**Figure 5.1. One tier, two-tier, or optional?**




*Note*: See table 5.1

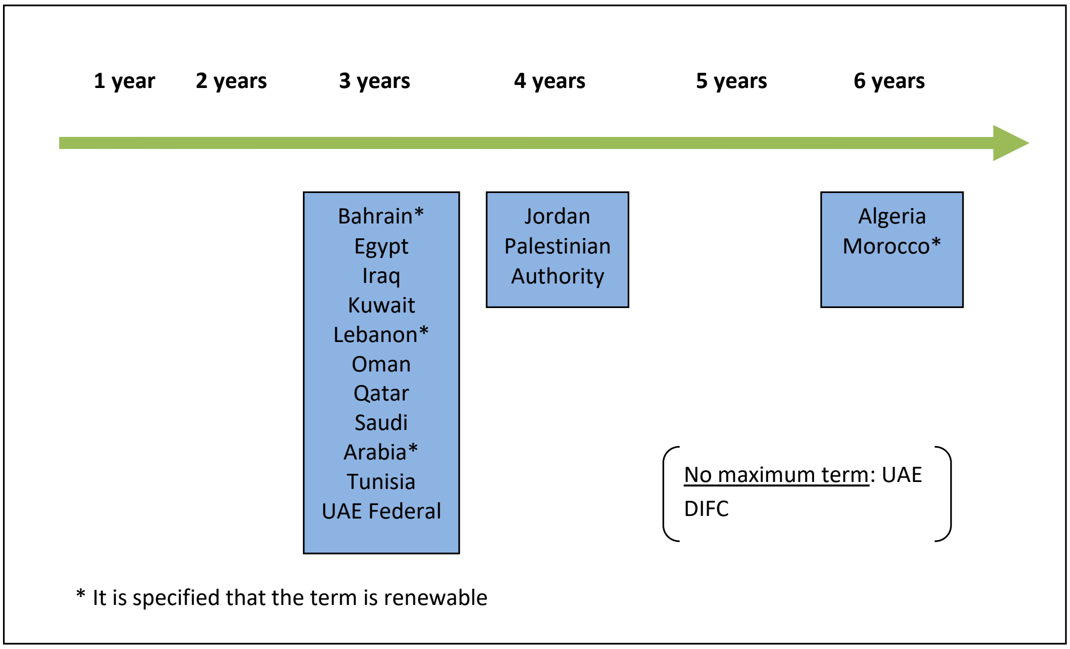
**Table 5.1. Board size and director tenure for listed companies**

Key: No = absence of a specific requirement or recommendation; NA = not applicable;
"-" = information not provided by the jurisdiction

| Jurisdiction | Board Structure *(one or two tier)* | Board of directors (one-tier system) | | | Management board (in two-tier system only) | | | |
|---|---|---|---|---|---|---|---|---|
| | | Size | | Appointment | Size | | Appointment | |
| | | *Minimum* | *Maximum* | *Maximum term year* | *Minimum* | *Maximum* | *Maximum term year* | *By* |
| Algeria | One tier | 3 | 12 | 6 | NA | NA | NA | NA |
| Bahrain | One tier | 5 | 15 | 3 (renewable) | NA | NA | NA | NA |
| Egypt | One tier | 3 | No | 3 | NA | NA | NA | NA |
| Iraq | One tier | 5 | 9 | 3 | NA | NA | NA | NA |
| Jordan | One tier | 5[63] | 13 | 4 | NA | NA | NA | NA |
| Kuwait | One tier | 5[64] | No | 3 | NA | NA | NA | NA |
| Lebanon | One tier | 3 | 12 | 3[65] (renewable) | NA | NA | NA | NA |
| Morocco | One and two tier[66] | 3[67] | 15 | 6 (renewable) | 1 | 2[68] | 6 (renewable) | Supervisory board |
| Oman | One tier | 5 | 12 | 3 | NA | NA | NA | NA |
| Palestinian Authority | One tier | 5 | 11 | 4 | NA | NA | NA | NA |
| Qatar | One tier | 5 | 11 | 3[69] | NA | NA | NA | NA |
| Saudi Arabia | One tier | 3 | 11 | 3 (renewable[70]) | NA | NA | NA | NA |
| Tunisia | One and two tier[71] | 3 | 12 | 3 | No | No | 3 | Supervisory board |
| UAE DIFC[72] | One or two tier | No[73] | No | No | No | No | No | No |
| UAE Federal | One tier | 3 | 11 | 3 Renewable | NA | NA | NA | NA |
| Yemen[74] | One tier | NA | NA | NA | NA | NA | NA | NA |

63 Minimum number for board of directors in banks is 11 members.
64 For non-listed closed companies, the minimum size of board of directors is 3 (no maximum size cap) and the maximum term is 3 years.
65 Only for the first board members the maximum term is 5 years, if appointed in the bylaws.
66 As per information provided by the capital market authority, while the joint stock companies law provides for both structures (one-tier and two-tier boards), 87% of Moroccan listed companies have one-tier boards.
67 Note that the Moroccan law provides that board members are required to be shareholders.
68 7 members maximum in case of companies that benefit public savings. If share capital less than 1,5 million dh the minimum is 1 person.
69 This period can be amended by the company's articles of association.
70 Unless otherwise provided by the bylaws of a specific company.
71 As per information provided by the capital market authority, only one listed company has a two-tier board.
72 The Markets Rules require a Reporting Entity's board and its committees to have an appropriate balance of skills, experience, independence and knowledge of the Reporting Entity business, and adequate resources, including access to expertise as required. The Best Practice Standards further require that the board have a balance of executive and non-executive directors, including independent non-executive directors. The Standards further state that at least one third of the board should comprise non-executive directors, of which at least two non-executive directors should be independent. The DFSA operates a comply or explain corporate governance framework and as such Reporting Entities need to disclose in the annual report how they comply with these requirements or what alternative controls have been put in place.
73 The DFSA corporate governance framework does not mandate a particular type of board structure and as such multiple tier boards are also supported.
74 Yemen does not have a capital market law. Joint-stock companies typically have 3 to 7 members. In limited liability companies, 7 members is the maximum allowed by law.

**Figure 5.2. Maximum term of office for the (supervisory) board members before re-election**




*Note*: * denotes jurisdictions with a term that is renewable

## Board independence requirements

Despite differences in board structure, almost all jurisdictions have introduced a requirement or recommendation with regard to a minimum number or ratio of independent directors. Most of the jurisdictions encourage the separation of the board chair and the CEO.

**Table 5.2. Board independence requirements**

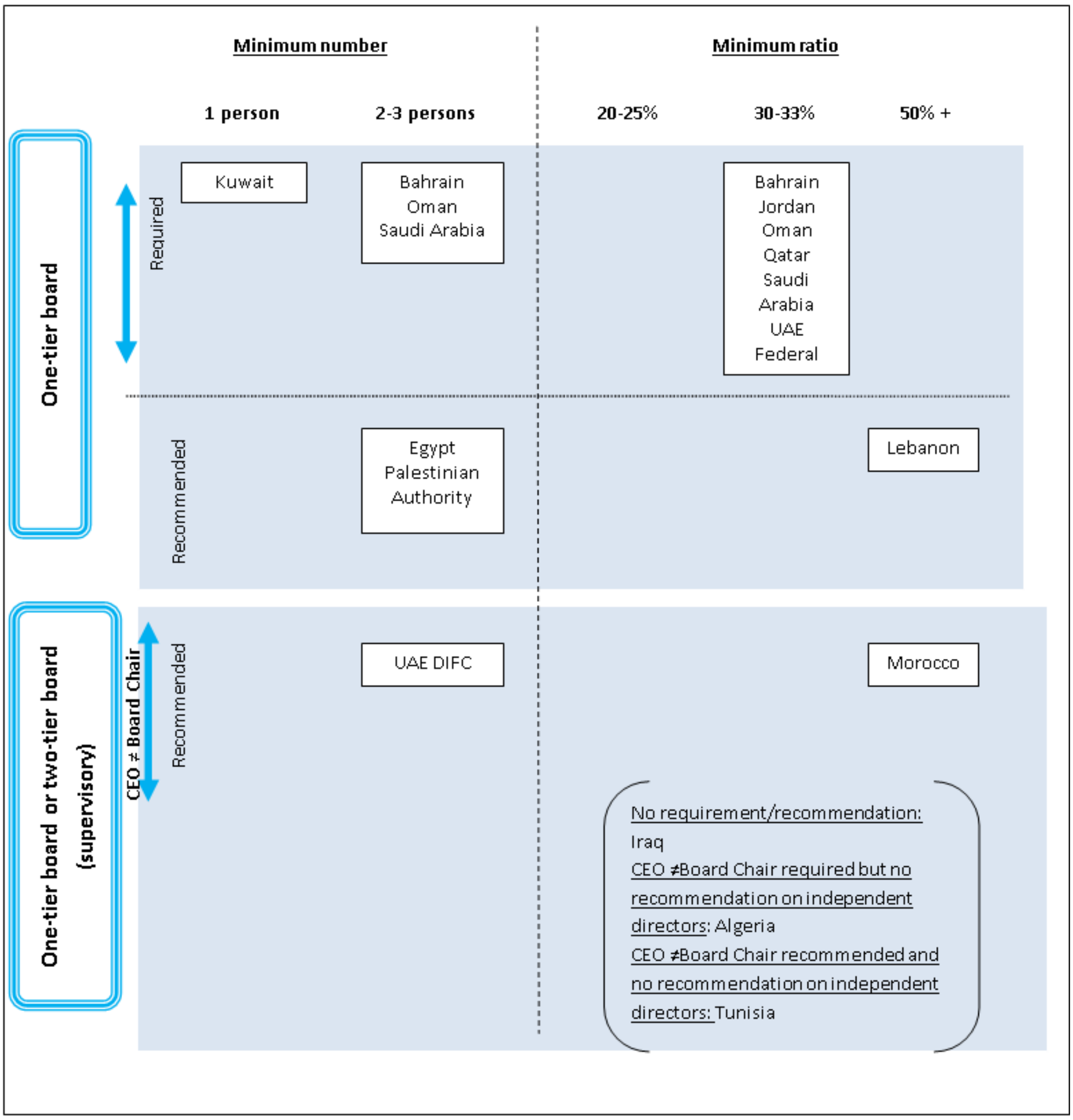
Key: L = requirement by law or regulations; R = Listing rule: C = recommended by the codes or principles.
No = absence of a specific requirement or recommendation; NA = not applicable; "-" = information non provided by the jurisdiction

| Jurisdiction | Separation of the CEO and Chair of the board | Minimum number or ratio of independent directors |
|---|---|---|
| Algeria | R | - |
| Bahrain | L | 1/3 or 3 Independent |
| Egypt | C | At least two independent directors for listed companies |
| Iraq | No | No |
| Jordan | R[75] | 33% |
| Kuwait | R[76] | 1 independent member and not more than 50% of board members |
| Lebanon | C | Majority of the Board members should be independent non-executive members. |
| Morocco | C | - Majority of the board members should be non-executive members[77] At least one independent member in banks and financial institutions regulated by the Central Bank |
| Oman | L and C | 33%, with a minimum number of 2 independent directors |
| Palestinian Authority | C | 2 |

[75] As required by the Corporate Governance Directive, which became obligatory.
[76] For non-listed closed companies separation of the CEO and chair of the board is not required.
[77] Listed companies must have an audit committee composed of independent directors., pursuant to revised company Law 17-95 (July 2015).

| Jurisdiction | Separation of the CEO and Chair of the board | Minimum number or ratio of independent directors |
|---|---|---|
| Qatar | R | 33% of the board[78] |
| Saudi Arabia | L | 33% or 2 independent members whichever is greater |
| Tunisia | C | Not required |
| UAE DIFC | C | 2 independent members |
| UAE Federal | L | 33% |
| Yemen | C[79] | - |

**Figure 5.3. Minimum number or ratio of independent directors on the (supervisory board)**



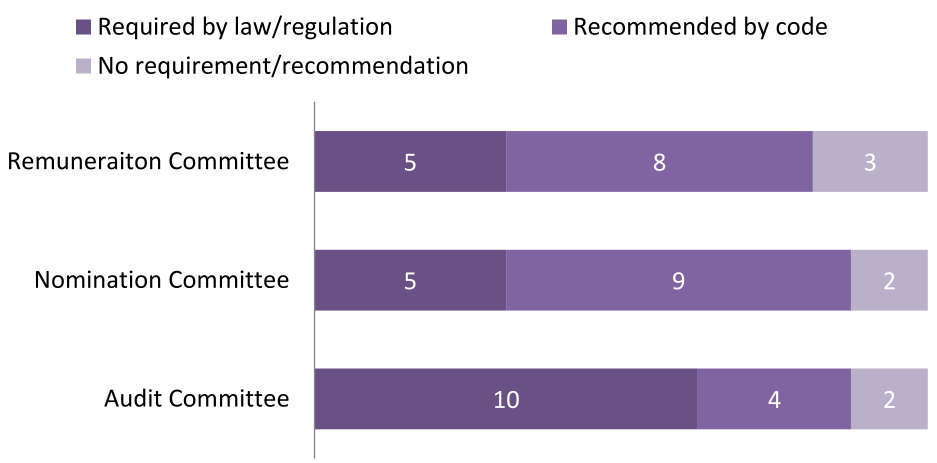

[78] The board shall be composed pursuant to the Law and the Company's Articles of Association. At least one-third of the board Members shall be independent board members, the majority of the board members shall be non-executive board Members; and a seat or more of seats maybe allocated to represent the Minority and another to represent the Company employees. In all cases, the board composition shall ensure that one member or more do not dominate issuing the Board decisions.

[79] Yemen does not have a capital market law. The roles of the Chairman and the General Manager are often combined and the concept of separation of board from executive responsibilities is only emerging in a number of companies.

## Board-level committees

Nearly all jurisdictions require an independent audit committee. Nomination and remuneration committees are not mandatory in most jurisdictions, although many recommend these committees to be established and to be comprised wholly or largely of independent directors.

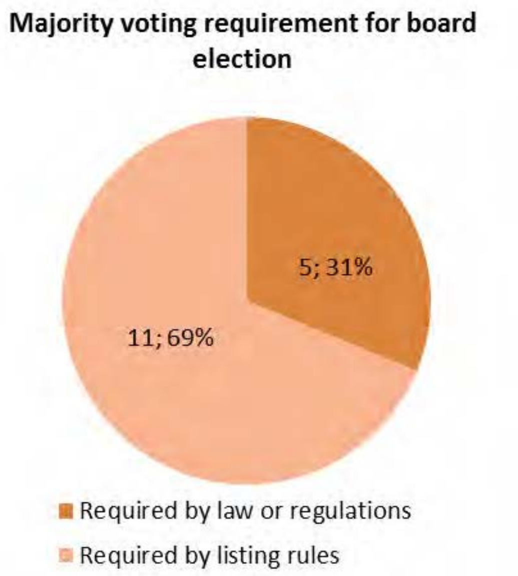
**Figure 5.4. Board-level committees**




*Note*: This Figure shows the number of jurisdictions in each category. See Table 5.3.

A majority requirement for board member election is required in all 16 jurisdictions either by law or regulation or through listing rules. Cumulative voting, while permitted in five jurisdictions, is not widespread in practice.

**Figure 5.5. Voting practices for board election**



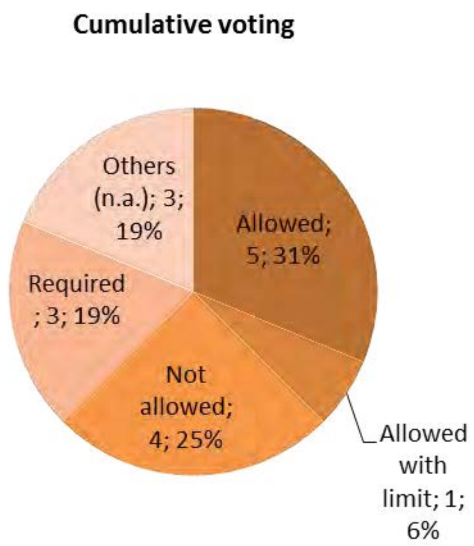



**Table 5.3. Board-level committees**

Key: L = requirement by law or regulations; R = Listing rule: C = recommended by the codes or principles. No = absence of a specific requirement or recommendation; NA = not applicable; "-" = information not provided by the jurisdiction.

| Jurisdiction | Audit committee | | | Nomination committee | | | Remuneration committee | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Establishment* | *Chair independence* | *Minimum number or ratio of independent members* | *Establishment* | *Chair independence* | *Minimum number or ratio of independent members* | *Establishment* | *Chair independence* | *Minimum number or ratio of independent members* |
| Algeria | No | No | No | No | No | No | No | No | No |
| Bahrain | L | C | Majority | C | C | All | C | C | ıll Independent or non-executives with majority independent |
| Egypt | R | No | R | C | C | C | C | C | C |
| Iraq | No | NA | NA | No | NA | NA | No | NA | NA |
| Jordan[80] | R | R | Majority | R | R | Majority | R | Yes | Majority |
| Kuwait | R | R | 1 | R[81] | R | 1 | R | R | 1 |
| Lebanon[82] | C | No | No | C | No | No | No | No | No |
| Morocco | L | No | All | C | No | C | C | No | C |
| Oman | R | R | One third or minimum of 2 | C | No | Majority | C | No | Majority |
| Palestinian Authority | C | No | No | C | C | 2 | C | No | At least 1 |
| Qatar | R | RC | Majority | R | C | No | R | C | No |
| Saudi Arabia | L | C | At least 1 | L | No | At least 1 | L | No | At least 1 |
| Tunisia | R | C | No | C | No | No | C | No | C |
| UAE DIFC[83] | C | C | At least 2 | C | C | Majority | C | C | Majority |
| UAE Federal | L | L | At least 2 independent | L[84] | L | (at least 2 independent) | L | L | (at least 2 independent) |
| Yemen | C | C | 50% | C | C | 50% | C | C | 50% |

[80] In Jordan, regulations merged the Nomination and Remuneration Committee into one single committee two other committees. The Governance committee and the Risk management are required by the Corporate Governance Directives, which became obligatory.
[81] Regulations merged the Nomination and Remuneration Committee into one single committee.
[82] In Lebanon, separate, stricter requirements exist for banks.
[83] The DFSA operates a "comply or explain" corporate governance framework that is aimed at catering to different types of corporate governance structures and companies incorporated in various jurisdictions. The responses provided above are set out in the Best Practice Standards in Appendix 4 of Markets Rules which is a guidance document.
[84] In the UAE Federal jurisdiction, the Corporate Governance Code [recommends or requires] that the Nomination and Remuneration Committee is established as a single committee.

## Voting practices for board election

Regarding voting practices, the majority requirement for board election is compulsory in all MENA jurisdictions. It is required by listing rules in 69% of the region's jurisdictions, while requested by law in the remaining 31%. Moreover, shareholders vote for individual candidates for three quarters of MENA jurisdictions. As for the remaining quarter, the vote is either on a list of candidates or on an individual basis – Algeria is the only country where shareholders' can only vote for a list. Requirements on cumulative voting vary throughout the region, though generally permitted. Cumulative voting is allowed in 31% of jurisdictions; is mandatory in 19%; and not allowed in only 25% of MENA jurisdictions. Three jurisdictions (Iraq, UAE DIFC, and Yemen) do not address this specific issue.

**Table 5.4. Voting practices for board election**

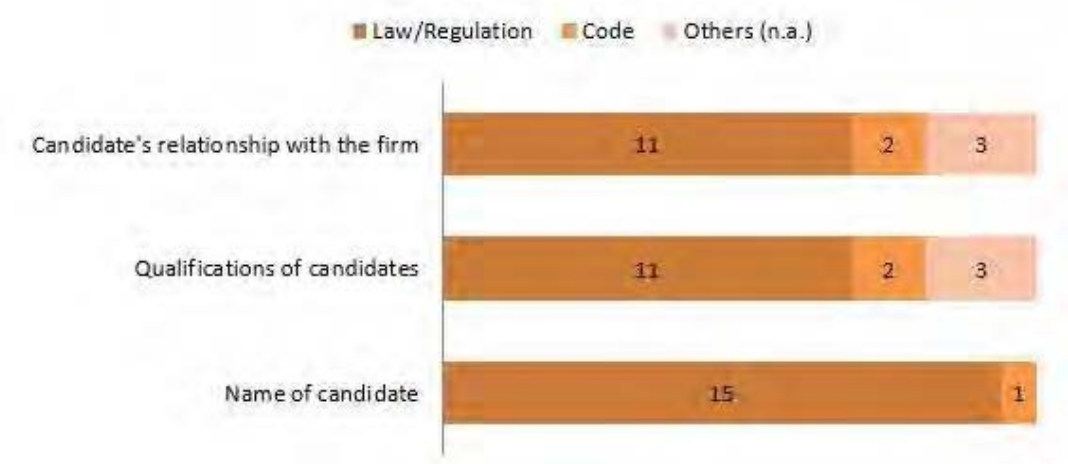
Key: L = requirement by law or regulations; R = Listing rule: C = recommended by the codes or principles. No = absence of a specific requirement or recommendation; NA = not applicable; "-" = information non provided by the jurisdiction

| Jurisdiction | Majority requirement for board election | Voting for | Cumulative voting |
|---|---|---|---|
| Algeria | R | A list of candidates | Not allowed |
| Bahrain | L | Individual candidates | Mandatory |
| Egypt | L/R | Individual candidate or List | Allowed |
| Iraq | R | Individual candidate | No |
| Jordan | R | Individual candidate or list | Allowed |
| Kuwait | R | Individual candidate | Allowed |
| Lebanon | R | Individual candidate | Allowed but limited |
| Morocco | R | Individual candidate | Allowed (except if limits are provided by articles of association) |
| Oman | R | Individual candidate | Not Allowed |
| Palestinian Authority | L | Individual candidate | Not Allowed |
| Qatar | R | Individual candidate | Allowed |
| Saudi Arabia | L | Individual candidate | Required |
| Tunisia | R | Individual candidate | Not Allowed |
| UAE DIFC | R | Individual candidate | No |
| UAE Federal | L | Individual candidate - or list if the number of candidates is the same as the number required for the company's board. | Mandatory |
| Yemen | R | Individual candidate | No |

**Table 5.5. Governance of board nomination**

| Jurisdiction | Information provided to shareholders regarding the candidates of board election | | | Formal screening process |
|---|---|---|---|---|
| | *Name of candidate* | *Qualifications of candidates* | *Candidate's relationship with the firm* | *(e.g. approval by the nomination committee)* |
| Algeria | R | R | R | C |
| Bahrain | C | C | C | C |
| Egypt | R/L | R/L | R/L | C |
| Iraq | R | No | No | No |
| Jordan[85] | R | R | R | R |
| Kuwait | R | C | C | C |
| Lebanon | R | No | No | C |
| Mauritania | | | | |
| Morocco | R | No | No | C |
| Oman | R | R | R | No |
| Palestinian Authority | L | C+L | C[86]+L | No |
| Qatar | R | R | R | R |
| Saudi Arabia | L | L | L | L |
| Tunisia | R | R | R | No |
| UAE DIFC | R | R | R | C |
| UAE Federal | L | L | L | L |
| Yemen | R | R | R | R |

**Figure 5.6. Information provided to shareholders regarding candidates for board membership**




*Note*: When it is both required by law/regulation and recommended by a code in a jurisdiction, the requirement is retained.

[85] Required by the Corporate Governance Directives, which became obligatory.
[86] For independent members only.

**Table 5.6. Criteria for board and key executive remuneration**

| Jurisdiction | Existing criteria | Content of requirement or recommendation |
|---|---|---|
| Algeria | No | NA |
| Bahrain | Yes | The company's articles of association shall specify the manner of determining the remuneration of the chairman and members of the board, the total of which shall not exceed 10% of the net profits after deducting the legal reserves and distributing a profit of not less than 5% of the company's paid-up capital. The Corporate Governance Code specifies that remuneration of non-executive directors shall not include performance-related elements. Remuneration of executive officers should be structured so that a part of it is linked to the company and individual performance. |
| Egypt | Yes | Law no.159 of the year 1981 specifies that remuneration of directors shall not exceed 10% of the net profit. |
| Iraq | No | NA |
| Jordan | Yes | Remuneration of the chairman and member of the board of directors shall be determined at a rate of 10% of the net profit to be distributed as dividends to shareholders, after deducting all reserves and taxes therefrom, provided that the remuneration for any one of them must not exceed 5000 Jordanian dinars annually. Remuneration shall be distributed amongst them in proportion to the number of meetings attended by each of them. as mandated by the Jordanian Companies Law |
| Kuwait | Yes | Maximum limit: 10% of net profits after deducting depreciation, reserves and distribution of a dividend of at least five percent (5%) of capital to shareholders or any greater percentage, as may be stipulated by the company's articles of association. However, an annual remuneration of 6,000 Kuwaiti Dinars may be distributed to the chairman and each member of the board of directors as of the date of incorporation of the company until it realizes sufficient profits that allow the company to pay the remunerations in accordance with the aforementioned paragraph. Subject to a resolution of the ordinary general meeting, the independent members of the board of directors may be exempt from the limits set for the remunerations. |
| Lebanon | Yes | Remuneration of directors consists either of an annual remuneration, attendance fees or set as a percentage of the net profit, or a combination of such benefits (article 145 of the LCC). |
| Morocco | No | NA |
| Oman | Yes | Maximum limit of board remuneration is set at 5% of corporate net profits, provided the total amount does not exceed 200,000 Omani Riyals. There is no limit for management remuneration though it is currently under discussion. |
| Palestinian Authority | No[87] | NA |
| Qatar | Yes | The board members' yearly remuneration shall not exceed 5% of net profit after deduction of reserves, legal deductions and distribution of dividends (in cash or kind) to shareholders. |
| Saudi Arabia | Yes | The company's bylaws determine the remuneration method for board members, and if remuneration method is set to be a percentage of the company's net profit; then it cannot exceed 10% of net profits. In the case of independent board members, their remuneration cannot be a percentage of the company's net profit. However, the total amount taken for being a board member must not exceed SAR 500,000 annually. |
| Tunisia | No | NA |
| UAE DIFC | Yes | No quantitative limit. Remuneration policy should be aligned to the long-term interests of the company. |

[87] The 1964 Companies Law stated limits for board remuneration but they are now outdated and hence not applied.

| Jurisdiction | Existing criteria | Content of requirement or recommendation |
|---|---|---|
| UAE Federal | Yes | The Articles of Association state the mean of calculating the remuneration of the directors, provided that it shall not exceed over (10 %) of the net profit of the ending financial year after deducting all the depreciations and reserves.<br>The penalties imposed on the company due to contraventions by the board of directors of the law or the articles of association of the company during the ending financial year shall be deducted from the remuneration of the board of directors. The general assembly may resolve not to deduct such penalties if it finds that such penalties are not due to omission or error by the board of directors. |
| Yemen | Yes | Maximum limit: 10% of net profits for all companies |

## Gender balance on boards and in senior management

The G20/OECD Principles for Corporate Governance recommend that boards should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competences. In line with this, companies are encouraged to introduce practises that enhance gender diversity on boards and in senior management.

**Table 5.7. Gender balance on boards and in senior management**

Key: No = absence of a specific requirement or recommendation; NA = not applicable;
"-" = information non provided by the jurisdiction

| Jurisdiction | Requirement to disclose statistics on gender composition | | Is there a quota/target for companies to achieve gender balance on boards | | **Women's participation**[88] | |
|---|---|---|---|---|---|---|
| | *Of boards* | *Of senior management* | *Quota or target* | *Objective and Year* | *Listed companies with female board members (%)* | *Listed companies with >10% female board members (%)* [89] |
| Algeria | No | No | No | No | - | - |
| Bahrain | No | No | No | No | 30%[90] | - |
| Egypt | No | No | No | No | 47% | 24% |
| Iraq | No | No | No | No | 3% | - |
| Jordan | No | No | No | No | 22% | 30% |
| Kuwait | No | No | No | No | 18% | - |
| Lebanon | No | No | No | No | 40% | - |
| Morocco | No | No | No | No | 19% | 60% |
| Oman | No | No | No | No | 19% | - |
| Palestinian Authority | No | No | No | No | 35% | 4% |
| Qatar | No | No | No | No | 11% | - |
| Saudi Arabia | No | No | No | No | 7% | 6.7% |
| Tunisia | No | No | No | No | 15% | |
| UAE DIFC | No | No | No | No | 17% | 30.4% |
| UAE Federal | Yes[91] | No | No | No | 15% | 5% |
| Yemen | No | No | No | No | - | - |

*Note*: OECD (2018) survey includes 142 of the largest companies from 6 MENA stock exchanges (TASI 30, ADX 20, Nasdaq Dubai 23, MACI 20, EGX 30, ASE 30.

88 "Women representation on boards of directors on MENA exchanges" (October 2016), Shareholder Rights © by Capital Concept.
89 Data for Palestinian authority and Bahrain are from respondents. Remaining country information is the result of the 2018 OECD commissions' survey on 142 of the largest companies from 6 MENA stock exchanges. See note above.
90 19% of the listed companies with female directors
91 For State Owned Enterprises only. According to the Corporate Governance Code, candidates for board membership shall be represented by female board members (at least 20%), the company shall disclose the reasons in case no female is nominated; and shall also disclose the rate of female representation in the board of directors in its annual governance report.

# Annex A. 2018 survey participants

| Jurisdiction[92] | Organisation | Respondent(s) |
|---|---|---|
| Algeria ** | Algerian Corporate Governance Center (Hawkamah El-Djazir) | Lies Kerrar, Director |
| Bahrain | Central Bank of Bahrain | Dana Hamzah<br>Superintendent -Financial Stability Directorate |
| Egypt | The Egyptian Exchange | Hebatallah El Serafi – Director Disclosure Division |
| Iraq | Iraqi Institute for Economic Reform | Munqith Al Baker - Advisor to the Minister Ministry of Industry and Minerals |
| Jordan | Central Bank of Jordan | Hamed K.Albiltaji Financial Analyst,- Licensing Division Banking Supervision Department |
| Kuwait | Capital Market Authority - Kuwait | Fara Zainal - International Relations Office |
| Lebanon * | Lebanese Institute of Directors | Fadi Saab, Chairman<br>Badri El Meouchi, Independent Consultant |
| Morocco | Institut Marocain des Administrateurs | Lamia Bouanani - Executive Director |
| Oman | Oman Centre for Governance and Sustainability | Hamid Al-busaidi – Executive Director<br>Mohammed Al Brashdi |
| Palestinian Authority | Palestine Exchnage | Mohammad Khraim |
| Qatar | Qatar Financial Markets Authority (QFMA) | Nasser Al Shaibi, Chief Executive Officer<br>Sami Boujelben, Chief Advisor |
| Saudi Arabia | Capital Market Authority | Sulaiman Alhaidri, Manager, International Relations and Organizations Department<br>Omar Alsunidi, Manager, Corporate Governance Department |
| Tunisia * | Tunisian Governance Association (Association Tunisienne de Gouvernance) | Moez Joudi, President |
| UAE Federal | Securities and Commodities Authority | Mohammed Ahmed Al Noukhatha Al Ali - Head of International Relations & Organizations Section |
| UAE DIFC * | DIFC - Dubai Financial Services Authority (DFSA) | Eric Salomons, Director, Head of Markets<br>Azza Abdel-Bari, Senior Manager, Markets |
| Yemen ** | Yemen Institute of Directors | Ahmed Al-Faqeeh, Executive Director |

[92] * 2017 **2016

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