ACCOUNTABILITY AND TRANSPARENCY

Pearl Initiative Series on Corporate Good Practices

Implementation of Integrity-Related Policies

Towards Integrated Reporting

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Pearl Initiative Series on Corporate Good Practices in Accountability and Transparency

Report on GCC Corporate Good Practices in:
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Executive Summary

This is the first Report in the Pearl Initiative Series on Gulf Cooperation Council (GCC) Corporate Good Practices in Accountability and Transparency. The two topics covered in this first Report are:

1. **Implementation of Integrity-Related Policies** - the implementation and embedding of policies in such areas as ethical labour practices, anti-bribery and corruption, human rights, supply chain and responsible investing
2. **Towards Integrated Reporting**- the movement towards integrating and combining financial, environmental, social and governance reporting.

The aims of the Report are to:

- Demonstrate that good practices related to accountability and transparency enable long-term direct value creation
- Share experiences, success factors and practical lessons learned from regional companies that are ahead of the curve in implementing good practices

Four case study examples are profiled to illustrate regional good practices in the implementation of integrity-related policies:

1. Implementation of the code of conduct at Aluminium Bahrain (Alba)
2. Responsible investment principles at Abraaj Capital
3. Contractor employment practices at Tourism Development & Investment Company (TDIC)
4. Reinforcing anti-corruption practices at Gulftainer

Four case study examples are profiled to illustrate regional good practices towards Integrated Reporting:

1. Strategic sustainability reporting at National Bank of Abu Dhabi (NBAD)
2. Integrated reporting at Aramex
3. Reporting on material issues at Agility
4. Transparent combined reporting at Savola

This Report demonstrates that there are good practices within companies in the GCC. These good practices set excellent examples within their respective industries and are well worth sharing with the wider business community.

Some over-arching success factors emerge from the analysis of lessons learned in the case studies, for the successful implementation of good practices in the areas of accountability and transparency.

Success factors in the implementation of integrity-related policies include, for example:

1. Visionary leadership from the top of an organisation is critical if an integrity-related policy is to be fully implemented.
2. It is valuable to take stakeholder views, and the local and cultural context, into consideration when creating policies and developing implementation action plans.
3. Company policies are most effective when they are concise, clear and accessible.
4. Implementation of integrity-related practices across a company's value chain requires a structured approach to awareness-raising, education, contracts, data collection, reporting, monitoring and enforcement.

Success factors in moving towards Integrated Reporting include, for example:

1. Engaging and understanding the priorities of stakeholder groups is helpful towards focusing in on key strategic issues for the organisation, in order to align business reporting with sustainability performance and business value.
2. Concerted and continual effort needs to be put into increasingly generating quantitative, as well as qualitative, financial and non-financial data.
3. It is vital for credibility that important and material strategic issues are covered in a report.

It is important to note that implementing better business practices in accountability and transparency is a journey. The case studies outlined in this Report do not represent the end point on that journey – rather they illustrate efforts made along the way, by a selection of companies in the region, that appear to be working and are therefore worth sharing, in order to distil practical lessons learned. The list of case studies included in this Report is by no means comprehensive. The research work is ongoing, on these and further topics, and only a few examples are included in this first Report in order to illustrate learning and experiences.

The Pearl Initiative will work further to build up a regional knowledge base of content on good practices in transparency and accountability in the GCC. In this way, we can continue to study good practice experiences, share lessons learned and disseminate key success factors. The overall aim is to positively influence the wider regional business community to also make progress along the path towards implementing better business practices and, in turn, realising value creation.

Introduction

Corporate accountability and transparency are essential in generating and preserving value, and in building a healthy and competitive global and regional economy. The Pearl Initiative envisages an environment in which current and future business leaders see corporate accountability and transparency as key pillars of business success. Through collaborative stakeholder engagement, joint corporate action and insight generation, the Pearl Initiative is having a positive impact on the Arabian Gulf Region's business environment, ultimately fostering competitive economic growth, sustainable social development and job creation.

The aims of the ongoing Pearl Initiative Report Series on Corporate Good Practices in Accountability and Transparency are to:

- Demonstrate that good practices related to accountability and transparency enable long-term direct value creation
- Share experiences, success factors and practical lessons learned from regional companies that are ahead of the curve in implementing good practices.

This Report aims to influence the thinking and behaviour of the wider business community across the GCC. Through demonstrating regional leadership and reinforcing positive experiences and successful local implementation, it is possible to encourage more companies to embark on such journeys and impart learning on how to improve business practices. It is important to combine global best practices with locally relevant imperatives and realities.

This is the first Report in the Pearl Initiative Series on Corporate Good Practices in Accountability and Transparency. The two topics covered in this first Report are:

Implementation of Integrity-Related Policies

This topic covers the implementation and embedding of ethics and integrity-related policies – in such areas as ethical labour practices, anti-bribery and corruption, human rights, supply chain and responsible investing.

Towards Integrated Reporting

This topic covers the movement towards integrating and combining financial, environmental, social and governance reporting.

Implementing better business practices in accountability and transparency is a journey. The case studies outlined in this Report do not represent the end point on that journey – rather they illustrate efforts made along the way that appear to be working and are therefore worth sharing. Furthermore, the list of case studies included in this Report is by no means comprehensive. The research work is ongoing, on these and further topics, and only a few examples are included in this first Report in order to illustrate learning and experiences.

Through an ongoing programme of researching, analysing and disseminating case studies from within the GCC region on a topic-by-topic basis, the Pearl Initiative is building an important regional knowledge base of locally applicable, relevant and realistic corporate accountability and transparency good practices.

Implementation of Integrity-Related Policies

Implementation of Integrity-Related Policies

Organisations all around the world operate within the context of relevant regulations and legal requirements. Many companies find it useful to develop integrity-related policies, or sets of standards, that describe more fully the behaviour expected from employees, suppliers, business partners and other stakeholders. These policies can help ensure compliance with relevant laws, and often set higher standards and provide guidance for day-to-day decision-making and behaviour, based on the culture and values of the organisation.

Integrity-related policies most commonly developed by companies include a code of conduct or a code of ethics. Policies can also be more topic-specific in areas such as an anti-bribery, gifts and entertainment, employment practices, human rights, child labour, health and safety, non-discrimination, harassment or confidentiality.

Developing and writing the policy is a valuable and necessary first step in the process. The real challenge, however, is in implementing and embedding such a code or policy into the day-to-day reality of people throughout the organisation and value chain.

Several companies in the GCC have made significant progress in implementing integrity-related policies. The case studies outlined in this Report illustrate a few examples in which GCC companies have set out on the journey of rigorously executing various types of integrity-related policies – each of critical importance to their organisation.

The topic of focus depends on the businesses sector. Integrity can be about compliance, a driver of business value, or simply a responsibility to stakeholders. It can be a product of different leadership beliefs, values, culture, industry sectors and regions.

Particular ethical issues are more significant and pose unique challenges in certain industries. For example, contractor worker welfare is a key issue in industries employing high numbers of semi-skilled workers, such as construction. Anti-bribery and corruption policies are important across the value chains of all industry sectors, and particularly those involving high-value contracts.

The Business Case

The business case for the rigorous implementation of integrity-related policies is significant. Companies exposed to major ethical failures pay a high price – both in resolving the issue and in lost earnings due to reputational damage. Many companies find that driving ethics creates value by attracting customers, increasing brand loyalty and attracting investors. By acting with integrity, businesses are able to adjust their focus on the longer-term strategy, make better decisions and improve efficiency.

In addition, integrity-related policies are often a pre-requisite for competing in international markets. In recent years, consumers and regulators worldwide have increased their demands on companies to act ethically and will use alternative suppliers when their demands are not met.

Many companies state that their focus on building a reputation based on trust and integrity helps attract and retain the best employees.

Social media and communications technologies have made instant information more accessible to people throughout the Arab region and around the world. The immediacy with which information is circulated and exchanged makes companies increasingly vulnerable to public scrutiny. At the same time, it offers competitive advantages to companies that meet higher business standards.

> "To build a reputation as a company of integrity and as a leader in ethics and transparency, our words need to be backed by a change in our own personal behaviour and in our culture as a company."
>
> **Mahmood Hashim Al Kooheji,**
> **Chairman, ALBA**

Framework

Five key elements are highlighted as important steps in implementing integrity-related policies

(See Figure 1)

Figure 1: Steps in implementing integrity-related policies

The first indicator of good business practice with regards to implementing integrity-related policies is the **development of the policy itself**. This element encompasses the depth and breadth of the code or policy, the materiality of the issues covered, its ease of use and accessibility, and the very process used to develop it.

Next, rigorously **embedding the policy throughout the organisation** is key to successful implementation. This element encompasses leadership commitment, innovative training, communications and reinforcement of messages.

Another key element is the **identification and reporting of issues**, including the use of help desks, hotlines, reporting links and whistleblowing mechanisms.

Another factor is **validation through the supply chain** – extending behaviour requirements to suppliers, contractors and business partners.

Policy enforcement is a key element of good business practice. It includes clarity on the company stance and action to be taken with regards to infringement, non-compliance or breach of the policy.

Over time, it is also important that the effectiveness and relevance of the policy and its implementation are evaluated, with a reporting, review and improvement mechanism.

Case Study:
Implementation of the Code of Conduct at Aluminium Bahrain (Alba)

Company Name:
Aluminium Bahrain (Alba)

Headquarters:
Bahrain

Sector:
Aluminium manufacturing

Number of employees (2011):
2,730

Annual revenue (2011):
BHD 883 million/USD 2.3 billion

Status:
Publicly listed

Aluminium Bahrain (Alba) is one of the largest aluminium smelters in the world. The company is known for its technological strength, global competitiveness and innovative policies. Alba produces more than 880,000 tonnes per annum (2011) of aluminium, maintaining a strong record of operational safety and environmental compliance with over 2,700 employees, 87% of whom are Bahraini.[1]

This case study focuses on Alba's demonstrated dedication to overhaul and strengthen the integrity of the organisation, through the rigorous development and implementation of the Alba Code of Conduct.

Alba launched the Code of Conduct in June 2011 *(See Alba Code of Conduct at www.albasmelter.com).*

The code covers five key areas:

> Valuing people
> Safety, health and environment
> Good citizenship and social responsibility
> Ethical business
> Information and confidentiality.

Policy Development

The Chief Internal Auditor & Risk Officer led the development of the Alba Code of Conduct. The process commenced by benchmarking the standards set by leading global companies, as well as assessing international legal requirements such as the UK Bribery Act.

The Chairman of Alba's Board of Directors commented, "This Code of Conduct is a message to ourselves and the outside world about what we stand for. It is in line with the highest global benchmarks, and on par with the best codes of conduct of leading international companies. Yet it was made 100% in Alba – it brought in the best ingredients from around the world, refined them in the furnace of the smelter, and forged the product in the cast-house".[2]

Alba wanted to create real ownership and ensure that the Code of Conduct was in line with the culture and beliefs of the company and that of the Kingdom of Bahrain. To do so, the Code of Conduct was developed through a series of consultation workshops. Employees from all organisation levels, from shop floor sweepers to executives, encompassing every department in the company, and a diversity of ethnicity, age and gender, were asked to provide input on the draft document. Accordingly, Alba's Code of Conduct was developed by its employees for its employees, applicable to everyone from the Board of Directors and the Chief Executive Officer to the line workers in the smelter. Furthermore, the Board of Directors, the Audit Committee, and all managers and executives approved the code prior to its proclamation.

As for the Code of Conduct itself, a few aspects make it easy-to-use and accessible:

> A Chief Executive Officer introduction emphasising commitment from the top
> Questions and answers on how to determine whether or not an issue is ethical in nature
> Plenty of examples raised by employees in a Q&A format which clarify topics in areas such as harassment, fair treatment, equal opportunities and substance abuse, amongst others
> Detailed procedures on how employees can raise ethical concerns anonymously using the telephone or Alba's online platform
> Identification of individuals responsible for additional information on the topics
> The written style is short, concise, easy to read and available in English and Arabic, which makes the document accessible to individuals at all levels of the organisation
> The document is aesthetically pleasing and in line with company corporate branding.

Embedding the Policy

Having an immaculately written Code of Conduct will not change a thing if it is not implemented seamlessly. The Chairman of Alba's Board of Directors emphasised that "Having a Code is not enough. To build a reputation as a company of integrity, and as a leader in ethics and transparency, our words need to be backed up by change in our own personal behaviour, and in our culture as a company".[3]

Alba's Chief Executive Officer added that "trust is earned through the demonstration of consistently high standards of behaviour and care. It takes time and effort to build, but can be destroyed in an instant through a lapse of integrity".[4]

Alba embarked on a comprehensive training programme to embed the Code within the company culture. Alba decided on a top-to-bottom approach to training all 2,730 employees in the organisation. The company adopted a train-the-trainer approach, and the Board of Directors and management were provided with training first, conducted by the Chief Internal Auditor & Risk Officer.

Implementation of the Code of Conduct at Aluminium Bahrain (Alba)

In order to embed the code in the company culture, the Chief Executive Officer or another member of the executive team introduced each training event, providing personal examples of ethical dillemas that they had faced in their careers, thus reinforcing the Executive commitment to integrity. Managers then personally went through the training material with each person in their departments, using ethical scenarios applicable to their roles. Alba's rigorous and comprehensive training resulted in a knowledgeable senior team and workforce, fully committed to upholding and implementing the code.

All the training curricula and materials were developed in-house by Alba. Training courses were tailored for different departments that could face particular ethical challenges. For example, tailored anti-bribery and corruption scenarios were used to illustrate how to deal with potential situations – these would be different for the procurement team, or for the marketing and sales teams. The methods used in employee training included innovative reinforcement techniques, such as light and interactive quizzes and Q&A sessions.

The Chief Internal Auditor & Risk Officer recognised that gift giving was a norm of Middle Eastern culture and therefore had anticipated that the consensus would be to soften the code of conduct in that regard from international norms. Yet during employee workshop consultations, employees advocated putting in place the highest international standards, despite local norms. So, for example, any gift valued above 50 Bahraini Dinars (USD $ 133) has to be reported by all members of the organisation including senior executives. As a result, employees themselves began proactively sending back gifts and reporting them to management.

Identifying and Reporting Issues

Alba's Board of Directors set up an Integrity Taskforce for the purpose of resolving integrity-related issues that arise at Alba. The taskforce comprises the Chief Internal Auditor and Risk Officer as Chairman, the Legal Manager and the Human Resources Manager. The Integrity Taskforce allows employees to raise any ethical concern through:

> Office walk-ins
> An Integrity telephone Hotline
> An online platform

Employees and third parties all have access to these channels and are free to use whichever communication route they feel most at ease with.

The telephone hotline and online platform are provided and managed by a third party based overseas and callers may remain completely anonymous if they so wish. If a caller does not speak English, an interpreter joins the phone call within one to three minutes. As a result, all employees are able to communicate their concerns freely and effectively. Transcripts of calls are forwarded to the Integrity Taskforce and reports are translated when necessary.

The Integrity Hotline at Alba is effective because:

> It allows whistle-blowers to raise an issue by calling a toll-free number locally or internationally
> It allows the use of the callers preferred language
> Callers can identify themselves or remain anonymous
> The system is managed by an independent third party, so employees feel secure that there will be no retaliation
> It provides updates on the steps taken by the Integrity Taskforce
> It is cost effective, as it costs the company just a few thousand BHD (around USD 10,000) annually for the service.

Alba's online platform is available in both English and Arabic. The online platform provides complete anonymity and the ability to attach any documentation or proof to accompany the complaint. Once a complaint is submitted, the system generates an automated password and username for the complainant who is then able to follow up on measures that are being taken by the Integrity Taskforce to resolve the issue.

Valid complaints are addressed by the Integrity Taskforce and issues are discussed and directed to the appropriate channel for resolution. Cases that may require formal investigation are presented to the Chair of the Audit Committee of the Board of Directors, bypassing the Chief Executive Officer and Executive Team. The Audit Committee Chair approves any formal investigation if warranted, and approves any proposed actions stemming from the investigation. Summaries of cases are reported periodically to the full Audit Committee. Furthermore, employees are also able to raise concerns against any member of the Integrity Taskforce, where the report is then received by non-involved members. Hence, individuals can raise concerns about any member of the organisation.

The concept of whistle-blowing is relatively new in the Middle East business environment. Initially, the Alba Board required persuasion with regards to the concept of anonymous issue-raising by employees through an independent third party. A number of discussions were held on this during the initial phases, before agreeing that Alba should adopt global best practice in this area. The benefits of the commitment to a concept of anonymity and non-retaliation have been shown clearly throughout the organisation in terms of trust, ownership and commitment.

Lessons Learned

> A level of collaboration and employee engagement, in developing the code of conduct and defining the details, encourages employee ownership and commitment
> It is vital to take the local and cultural context into consideration when developing policies
> Company policies are most effectively embraced when they are concise, clear and accessible
> An independently-hosted whistleblowing mechanism helps build trust and identification of issues when it guarantees anonymity and non-retaliation.

Case Study:
Responsible Investment Principles at Abraaj Capital

Company Name:
Abraaj Capital

Headquarters:
Dubai, United Arab Emirates

Sector:
Private equity

Number of employees:
324

Annual revenue:
Not disclosed

Status:
Private

The Abraaj Capital Group is a leading private equity manager investing in global growth markets. Founded in 2002, the Group has raised over US$ 8 billion and distributed approximately US$ 3.5 billion to investors. Employing over 300 people, The Group has 36 offices spread across 7 regional hubs in Bogota, Dubai, Istanbul, London, Mumbai, Nairobi and Singapore.

Abraaj Capital currently manages approximately US$ 7.5 billion across 25 sector and country-specific funds across 3 primary strategies: (i) Private Equity (majority and significant minority investments greater than US$ 50 million); (ii) Small and Mid-Cap (SMC) PE investing (targeting influential minority investments of less than US$ 50 million); and (iii) PE Real Estate (primarily yield-generating real estate investments).

In 2012, Abraaj Capital was ranked the largest private equity firm in emerging markets globally by Private Equity International. The Group is committed to the highest environmental, stakeholder engagement and corporate governance standards and is a signatory of the UN-backed Principles for Responsible Investment and the United Nations Global Compact. The Group's founder, Arif Naqvi, was appointed to the Board of the United Nations Global Compact by the UN Secretary General in 2012.

This case study focuses on the progress made by Abraaj in its policy of embedding environmental, social and governance (ESG) principles within and throughout its partner companies.

Policy Development

Since 2002, Abraaj Capital has strived to promote a private equity model focused on stakeholders and beyond, in the belief that transparency, governance, respect, sustainability and equal opportunity are what will be the foundations of the new economy.

According to the Abraaj 2012 Sustainability Report, "We believe that adopting a rigorous approach to sustainability is not only the responsible thing to do, but that it also helps accelerate business performance and valuation."[5]

To this end, all potential investments are subject to an assessment based on environmental, social and governance (ESG) indicators and the adoption of sustainable business practices (as well as normal commercial due diligence) prior to initial consideration by the investment committee.

Once an initial approval from the investment committee is secured, more comprehensive financial and operational due diligence is performed, alongside an ESG diligence across the following four factors:

> Environment
> Social
> Health and Safety
> Corporate Governance

The indicators and risks analysed during non-financial due diligence are based on a framework of global standards, such as the King Report on Corporate Governance[6], the UK Corporate Governance Code[7], and IFC[8] standards. Information is collated into a full report presented to the investment committee for assessment and decision.

Embedding into Partner Company Culture

The due diligence process inter alia identifies improvements which could be made across ESG areas. For example, board processes and structures, decision-making frameworks, methods of control, degrees of accountability, measurement and reporting, communication practices, employee engagement practices, environmental policies and community activities.

Once an investment is made, partner companies commit to embedding an ESG approach into their business. Partner companies in which gaps against standards or specific ESG risks have been identified are provided with a corrective action plan. The opportunities identified as key value drivers form an integral part of the overall Value Creation Plan (VCP) for the partner company. The plan aims to further engage and guide investee companies to develop and execute their own approach to sustainable commercial development.

For example,

> A partner company may not have an environmental policy in place, and so one needs to be developed and implemented which is cognizant of the changing regulations affecting the company

> Health and safety incidents and tracking may require further monitoring, and so a statistical measurement, reporting and analysis system needs to be rolled out

> Social indicators requiring a system for further validation might include analysis of the supply chain, wage levels, women in the workforce, and non-discriminatory practices

> A partner company may not have an optimally-functioning Board of Directors and associated committees. It may be advantageous to add independent directors, based on required skill sets. Governance improvements reflect the size, complexity and nature of the investee company.

Measurable key performance indicators are agreed in each area and the partner company must report on these indicators on an agreed basis.

Active support is provided in implementing and progressing the improvement programmes. However the driving force for change is the deal team. If needed, specialised consultants are engaged, or customised training is promoted to make improvements and manage risks.

The ESG team is an integral part of the Abraaj Portfolio and Operations Management team "because the topic [ESG] needs to be dealt with naturally and be taken into consideration holistically while doing business"[9] explained Abraaj's Principal, Investments & ESG. The eight member ESG team works as a functional group covering Latin America, South America, Sub-Saharan Africa, Middle East & North Africa (MENA) and Asia. The team members are based in the regions so that they can work actively and closely with partner companies.

In July 2012, Abraaj Capital acquired Aureos Capital, which is specialised in making investments in small and medium-sized enterprises (SMEs) in emerging markets around the world. The proprietary Aureos Sustainability Index (ASI) is now being adopted across the Abraaj family of partner companies to measure the development impact of the businesses.

As illustrated in Figure 2, the ASI covers six elements which are considered necessary to make a sustainable company. Partner companies report annually on seventy indicators included within these categories, so that improvements in the ASI, and therefore the development impact of the company, can be measured over time.

Figure 2: Aureos Sustainability Index (ASI).
Source: Abraaj Sustainability Report 2012

Lessons Learned

> Environmental, social and governance factors are considered vital, not just to build sustainable businesses, but also to create a greater level of value than would be attained by focusing on financial factors alone

> Regular reporting on measureable key performance indicators is key to driving tangible performance improvements based on the implementation of integrity-related policies

> The team responsible for embedding ESG improvements within the businesses is an integral part of the overall portfolio management and operations group

> Nothing can be achieved without the commitment of the management teams of partner companies and the investor deal team

> The implementation of integrity-related practices is an ongoing exercise of continual improvement.

Case Study:
Contractor Employment Practices at Tourism Development & Investment Company (TDIC)

Company Name:
Tourism Development & Investment Company (TDIC)

Headquarters:
Abu Dhabi, United Arab Emirates

Sector:
Real estate development and investment

Number of employees:
400

Annual revenue (2011):
AED 334 million / USD 91 million

Status:
Government owned

Tourism Development & Investment Company (TDIC), established in 2006, is a master developer of major tourism destinations in Abu Dhabi. By creating investment partnerships and joint ventures, TDIC's developments are helping to support Abu Dhabi's evolution as a world class destination for tourists, businesses and residents and helping to realise the emirate's considerable tourism potential.

This case study focuses on TDIC's Employment Practices Policy, which encompasses topics such as workers' rights, living conditions and welfare.

Policy Development

TDIC has created and implemented an Employment Practices Policy (EPP) to further complement and comply with United Arab Emirates (UAE) labour law. As a responsible developer, TDIC wished to extend its commitments beyond those required by law in order to ensure that construction workers are fairly treated, whilst guaranteeing their overall quality of life. Thus, TDIC has taken into account UAE legal requirements and expanded them to create the EPP, a workable document which is included in all of TDIC's contractual requirements.

The EPP is a clear and well-defined contractual obligation on all TDIC's contractors and sub-contractors to comply with the policies set out by TDIC in relation to workers' rights and welfare. It states that all contractors and sub-contractors must:

> Establish fair employment relations practices for projects in conjunction with TDIC
> Document and ensure timely process in areas such as payment of wages
> Fairly treat all employees irrespective of race, gender, religion, creed or ethnic origin
> Create a safe and healthy working environment for all
> Maintain open channels of communication and free airing of grievances
> House workers in the Saadiyat Construction Village (SCV), provided by TDIC
> Ensure that there have been no unfair practices used throughout the recruitment process.

During the process of developing the EPP document, TDIC took into account local labour laws, international standards, the views of partners, and consulted other stakeholders and experts.

Implementation Across the Value Chain

The EPP aims to implement fair employment practices between TDIC and its contractors because all TDIC construction workers are employed by separate contractors. Accordingly, the EPP contractually obliges contractors to guarantee the overall quality of life of construction workers working on TDIC developments. The EPP forms part of the commercial agreement between TDIC and contractors but also it is cascaded through to the agreements between contractors and their sub-contractors. All contract firms are made fully aware of the appropriate laws and the EPP before work on-site is allowed to commence.

One of the biggest challenges is ensuring that construction workers have not been forced to pay recruitment fees at any stage in the recruitment process. The contractor is required to pay all recruitment fees for an employee and contractors are not allowed to use the service of any agent who has charged an employee any recruitment fee. If a contractor becomes aware of any agent or agency who has charged an employee a recruitment fee, it has to report the agent to the authorities and cannot use them again. Issues can occur when this practice occurs in the worker's country of origin, making it an extremely difficult problem to address from the UAE. In 2010, TDIC expanded the EPP to include that contractors must reimburse workers for any recruitment fees they might have paid early on in the recruitment process.

Each construction company with a contractual agreement with TDIC must adhere to the Employment Practices Policy as a part of their contractual agreement. To ensure acceptable living conditions, all construction workers must live in the Saadiyat Construction Village, provided by TDIC. This is a high-quality, modern construction village built to international standards to accommodate a capacity of up to 20,000 construction workers who are dedicated to developing the projects on Saadiyat Island.

The village is designed to facilitate the lives of the construction workers. The design does so by providing shops, banking facilities, prayer rooms, spacious dining halls, food outlets and minimarkets with affordable goods. To encourage social and recreational living for workers, the village encompasses a broad selection of outdoor facilities such as a four-hectare floodlit and grassed sporting area with four cricket pitches, basketball court and tennis court. The village also provides indoor activities and services, such as table tennis, board game competitions, art painting, a gymnasium, computer and Internet access, satellite TV, and libraries with multilingual books.

Within the village there is a separate 24/7 Construction Village Contact Centre which workers can use to independently and anonymously address any work-related issues with a TDIC employment relations manager.

Enforcement

If a contractor is found to be in breach of the Employment Practices Policy, TDIC has the right to take legal action against the contractor as it constitutes a breach of the contractual agreement. A key challenge in making sure that both contractors and labourers are in adherence with the Policy is ensuring a high degree of understanding of the importance of all elements among all parties. It is necessary to communicate principles widely to make sure that construction workers know their rights, such as having a right to hold their own passports or the fact that no salary deductions are allowed related to living in the village. Widespread induction, education and awareness-raising in multiple languages are vital to ensure this.

TDIC has engaged the consulting firm PricewaterhouseCoopers (PwC) to carry out an annual independent survey of workers living within the village. The firm is responsible for stringently monitoring the EPP compliance of contractors and subcontractors on Saadiyat Island sites. Formal and informal interviews with construction workers are conducted in their native language, as well as with contractors and sub-contractors to corroborate information. PwC is also responsible for conducting scheduled and surprise site visits to check compliance. PwC reports to TDIC on worker welfare, including holding of personal documents, illegal recruitment fees, and payment of wages, health and safety, as well as working and living conditions. The results of the audits will be released in a comprehensive report to the public on an annual basis – the first report is expected to be released soon.

To preserve independence and in compliance with international standards, PwC works with TDIC's Internal Audit Department, and also communicates directly with the TDIC Audit Committee as and when needed. This should enable a feedback loop to identify areas which still require development.

Lessons Learned

> A workable and usable policy document, benchmarked on international standards, incorporating local laws and validated through discussions with stakeholders, results in a policy that is usable, sets the right standard and still ensures economic competitiveness

> Clear and comprehensive contractual obligations, that are followed up on and enforced, are key to ensuring contractor compliance with policies set down by the company

> Independent third party monitoring, including spot checks, add value in enforcing compliance with a policy right throughout the supply chain.

Case Study:
Reinforcing Anti-Corruption Practices at Gulftainer

Company Name:
Gulftainer

Headquarters:
Sharjah, United Arab Emirates

Sector:
Terminal operations
and management

Number of employees:
1,785

Annual revenue (2011):
Not disclosed

Status:
Private

Gulftainer Company Limited is a port and logistics service provider established in 1976. The company has operational activities in UAE, Iraq, Kingdom of Saudi Arabia, Brazil, Russian Federation, Pakistan, and Turkey.

This case study focuses on the successful reinforcement of anti-bribery and corruption practices at Gulftainer.

Policy Development

Since its founding in 1976, Gulftainer had always maintained a "zero-tolerance stance in relation to all forms of corruption".[10] The non-wavering position has come from the top of the organisation and has formed the basis of the culture passed down through management.

Gulftainer's anti-corruption policy was formalised in 2003. It was then updated in 2011, and incorporated principles from the UK Bribery Act of 2010. The current policy takes account of the following international and national laws and conventions:

> The 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions
> The 2000 OECD Guidelines for Multinational Enterprises
> The UN Global Compact Principles
> The 2003 United Nations Convention against Corruption
> The 1977 Foreign Corrupt Practices Act of the US Federal Law
> The 2009 Dubai Law Number 37 on Procedures for Recovery of Illegally Obtained Public and Private Funds
> The 1987 UAE Federal Penal Code Number 3.

Gulftainer's Anti-Corruption Policy clearly defines what is meant by bribery and attempted bribery. It also includes what a breach in the policy entails.

Embedding the Policy

The Anti-Corruption policy that was compiled was embedded into the corporate culture through a mix of respect and trust amongst the company and its employees, training and enforcement. Gulftainer's Managing Director stated "effectiveness is purely based on the relationship that goes from the top down to the site workers".[11] Site workers have a sense of personal commitment to the company and therefore a personal commitment to all codes including the Anti-Corruption Policy.

Work ethics has been embedded in the culture and is linked to low employee turn-over. Approximately 150 employees have been working for 25 – 30 years at the company, which emphasises Gulftainer's commitment to training and career progression of all employees.

Employee training is another method utilised by Gulftainer to embed values into the company. This was initiated by providing Anti-Corruption policy training to the legal team, who then was responsible for training employees in all different geographic localities to the bottom of the organisation hierarchy. The training is very simplified and "takes it down to the grass roots"[12], commented Gulftainer's Managing Director.

Rewarding employees is also another means that serves to increase employee personal commitment to the company. "Something as simple as an email thanking employees makes a significant difference"[13], explained Gulftainer's Managing Director. Gulftainer stresses the fact that they do not give out money incentives to blue-collar workers, yet small trophies are given as awards and are celebrated during dinners.

Gulftainer experienced some initial obstacles when implementing the Anti-Corruption Policy in Iraq, when operations started in 2003. Gulftainer's Managing Director explained that the Anti-Corruption Policy was created prior to operations in Iraq and it took three years to make progress on ethical business practices. Gulftainer did not entertain any form of unethical behaviour, given the shareholders' ideologies and beliefs. But through sheer perseverance, Gulftainer has found a longer-term commercial benefit to sticking to ethical business practices – they have been able to gain the respect of the Iraqi government and potential customers such as Shell, Exxon, BP and Halliburton. This was illustrated in the 2011 Oil & Gas conference when Gulftainer was referred to as a benchmark of how to operate ethically in Iraq. In addition, Gulftainer managed to secure IFC funding to expand operations in Iraq, which entails a rigorous IFC process of checking the required policies and process are in place, in areas such as responsible business and anti-bribery and corruption.

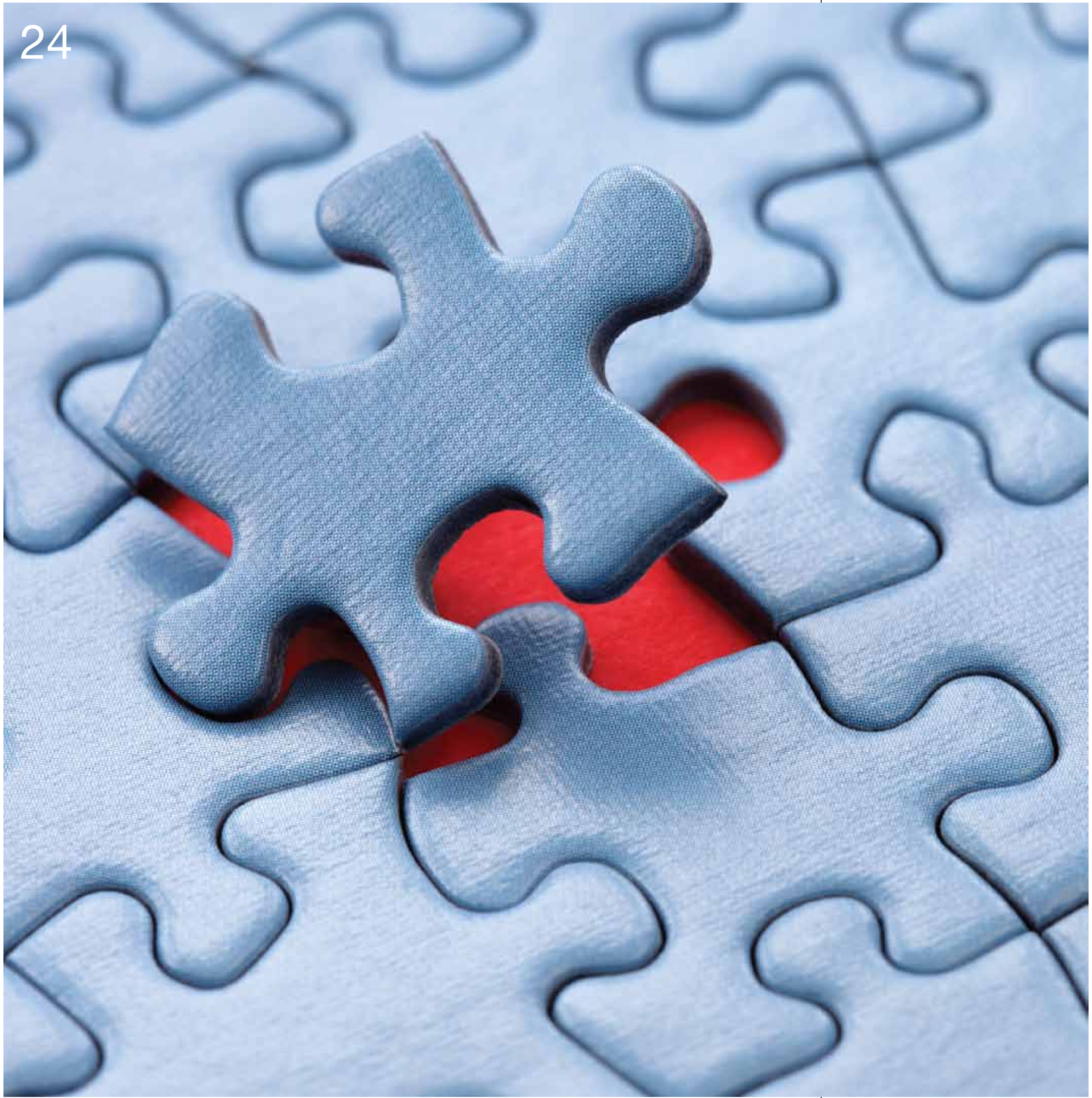
Enforcement

Enforcement is a serious matter at Gulftainer, and it is used to further embed the Anti-Corruption Policy into the culture of the organisation. Serious consequences are faced by non-compliant employees. For example, crane operators accepting bribes by impatient customers face termination on the third offence – this is also UAE labour law compliant. Moreover, if the crane operator reports a bribe to supervisors, customer's shipments are delayed for 24 hours. In 2005, such acts were more common; as of 2011 and as a result of enforcement this has decreased to one or two instances annually.

In Iraq, Gulftainer has turned down business deals and terminated the contracts of employees that were non-compliant with the Gulftainer working ethos. Initially, individuals' contracts were being terminated on a weekly basis and this was a clear message to all employees.

Lessons Learned

- A clear and uncompromising tone from the top sets a very valuable leadership example for others throughout the organisation to follow
- In the particular case of this company, the policy helped formalise the direction, principles and values that were already held within the organisation
- In difficult and challenging business environments, the key factors for long-term success are perseverance, persistence and a clear and unwavering position on ethical issues
- Enforcement is vital to influence and change behaviour throughout the organisation.



Towards Integrated Reporting

Towards Integrated Reporting

'Integrated Reporting' is the term increasingly used to describe the alignment of business reporting with sustainability performance and business value.

An 'integrated' corporate annual report seamlessly incorporates the analysis of financial, environmental, social and governance data. The premise is that corporate responsibility should not be viewed in isolation from the rest of the business. The specific issues with the most potential to influence business value, positively or negatively, depend on the industry sector, the geographic scope and the nature of the individual business. Investors, shareholders and other stakeholders have most interest in understanding how these issues link to strategy and the future value of the business.

Integrated Reporting enhances and consolidates existing reporting practices. It brings together material information currently reported in separate reporting elements, incorporating financial and non-financial data, into a coherent whole. It enhances information connectivity, which translates into an organisation's ability to create and sustain value in the short, medium and long-term.

Figure 3: Corporate Reporting in 2020

Source: www.theiirc.org

By merging reporting elements *(See Figure 3)*, an Integrated Report will become the primary reporting tool for an organisation. It is important to note, that this is not done by simply merging financial statements with existing environmental, social and governance (ESG) reporting. Instead, the Integrated Report builds on the interdependence of the different elements and reduces complexities to produce a coherent whole.

> "If a country does not have a reputation for strong corporate governance practices, capital will flow elsewhere. If investors are not confident with the level of disclosure, capital will flow elsewhere. If a country opts for lax accounting and reporting standards, capital will flow elsewhere."
>
> **Arthur Levitt (Former Chairperson: US Securities Exchange Commission)**

The International Integrated Reporting Council (IIRC) is the organisation leading the development of a globally accepted framework for Integrated Reporting. IIRC comprises international leaders across corporate, investment, accounting, securities, regulatory, academic and standard-setting sectors as well as civil society. The IIRC is building consensus among stakeholders to identify priority areas and develop an Integrated Reporting Framework, which it intends to publish by the end of 2013.

At this stage, there is no standard format for an Integrated Report and no specific disclosure requirements. Instead, the IIRC has set out five Guiding Principles and six Content Elements for an Integrated Report *(See Figure 4)*. These 'building block' principles underpin the preparation of the Integrated Report and determine report content.

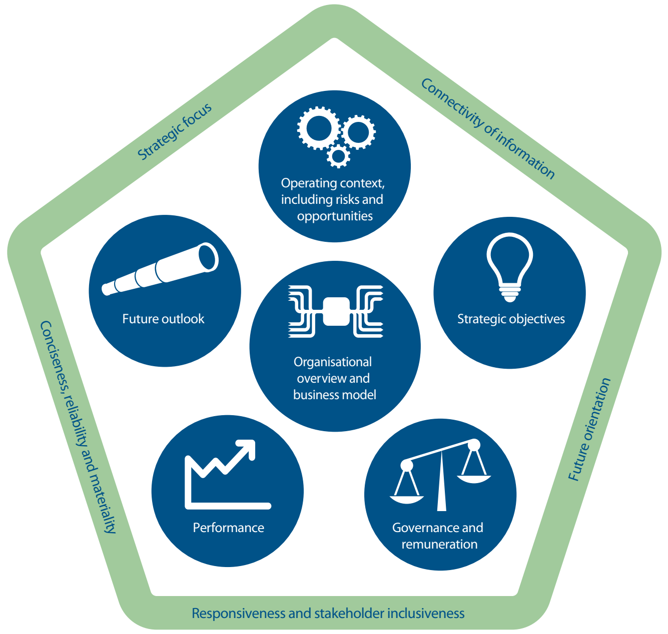


Figure 4: Six Content Element constituting an Integrated Report.

Source: www.theiirc.org

The Business Case

While many organisations have started reporting on non-financial performance in the areas of ESG, few view their reporting on sustainability programmes and initiatives as a source of competitive advantage. This is despite the fact that "half of the respondents of a 2010 GRI's readers' survey on sustainability reporting said ESG reporting influenced their decision to invest or not invest in a company. This is a clear endorsement of non-financial reporting and indicates a value added to a company's annual report."[14]

Research indicates that "7% of publicly listed companies in the UAE published sustainability reports in 2009. It is expected that the situation is similar in other countries in the Middle East."[15] Indeed, several companies in the GCC have embarked on better business reporting. While Integrated Reporting is largely aimed at listed companies, various companies have started implementing this and across sectors including oil and gas, logistics and financial services. The commonly adopted model for non-financial reports in the GCC is that developed by the Global Reporting Initiative (GRI) - a non-profit organisation working to promote economic, environmental and social sustainability providing companies and organisations with a comprehensive sustainability reporting framework. According to KPMG's 2011 International Survey of Corporate Responsibility Reporting, while there are number of frameworks for ESG reporting, over 80% of the Global Fortune 250 (G250) use the GRI Guidelines for their reporting.[16]

"Integrated Reporting will enable capital markets to better understand a company's strategy, align their models with business performance, and make efficient and forward-looking investments and other key decisions."[17] Integrated Reporting will enable organisations, their investors and others to make better short- and long-term decisions.

The core objective of an Integrated Reporting Framework is "to guide organisations on communicating the broad set of information needed by investors and other stakeholders to assess the organisation's long-term prospects in a clear, concise, connected and comparable format. This will enable those organisations, their investors and others to make better short-and long-term decisions."[18] Simply put and according to Head of Business Planning & Strategy at the National Bank of Abu Dhabi "This isn't about fluffy stuff, this is about business - it is about long term commercial success."[19]

Framework

Integrated Reporting reflects and builds upon reporting practices found in sustainability and annual reports - hence, it is a continuous journey. An essential step towards integration is the reporting of non-financial performance through the development of ESG reporting.

Based on literature and interviews, the following three themes have emerged and been identified as important first steps towards Integrated Reporting:

Strategic Focus of Reporting

This theme centres on the importance of aligning reporting with the core strategic objectives of the business. The theme covers the following elements:

> Relevance of information: Reporting should have relevant information about the organisation's strategy, business model and the context in which it operates

> Materiality: The emphasis of reporting should be placed on important issues in a concise and material format, moving away from long and complex reports

> Future Focus: Reporting should incorporate historical and financial information with a future focus; connected and strategic.

Measuring Impact

This theme centres on the content and substance of non-financial reporting, and includes:

> Use of Frameworks and external assurance to enhance reliability: While no global legislation exists that governs the content and format of non-financial, both ESG and sustainability reporting, there are certain frameworks that can be adopted. These include, but are not limited to: The Global Reporting Initiative (GRI); European Environmental Management and Audit (EMAS); internationally recognised Environmental Management Certification (ISO 14001); Social Accountability Labour Standard (SA 8000) and International Accountability Assurance Reporting Standard (AA 1000).

> Accurate measurements: Internal systems and processes should be developed to accurately record and measure the impact of sustainability initiatives. This should include both qualitative and quantitative measurements.

Transparency

This theme centres on shifting from narrow disclosure to greater transparency including:

> Completeness: All information positive and negative is disclosed in all areas of reporting. Risks and opportunities are highlighted in reports, helping users better understand the pressures around the achievement of performance measures and the sustainability of the organisation into the short, medium and longer term.

> Audience: All stakeholders are taken into account, not just shareholders. Reporting should be relevant for any person interested in the strategy and performance of the company. Extending stakeholder engagement processes to all business aspects instead of limiting these to sustainability considerations.

The following section documents case studies from some GCC companies that have made progress towards Integrated Reporting.

Case Study:
Strategic Sustainability Reporting at National Bank of Abu Dhabi (NBAD)

Company Name:
National Bank of Abu Dhabi (NBAD)

Headquarters:
Abu Dhabi, United Arab Emirates

Sector:
Banking and financial services

Number of employees (2011):
4,258

Annual revenue (2011):
AED 7.9 billion/USD 2.2 billion

Status:
Publicly listed

National Bank of Abu Dhabi (NBAD) is one of the largest full-service banks of the UAE. NBAD provides a wide variety of financial services targeting all segments of the consumer and corporate markets in addition to fund management, brokerage, financial markets, leasing, property management and private banking businesses. NBAD also offers Islamic Sharia compliant finance through its Abu Dhabi National Islamic Financial Company. It is the most international of UAE banks, with offices worldwide. NBAD is listed on the Abu Dhabi Securities Exchange (ADX).

NBAD published its first Corporate Social Responsibility (CSR) Report in 2007. This case study focuses on the two strategic Sustainability Reports produced by the bank, in 2010 and 2011. Although these Reports are not full Integrated Reports, they do offer lessons learned in terms of their increasingly strategic focus.

Strategic Focus of Reporting

At NBAD, corporate responsibility has been embedded in the corporate culture since its inception in 1968. In 2006, NBAD established a dedicated CSR section within the bank and in 2007, a CSR Officer was appointed.

According to NBAD Senior Manager- Corporate Sustainability, a commitment by the Executive Team to embed sustainability into the bank's strategy led to a 'tipping point' in 2008, when the bank joined Abu Dhabi Sustainability Group (ADSG) as one of fifteen founding members - a group they now lead as part of the General Secretariat. This commitment also led to the relocation of the CSR Team to Business Planning and Strategy, with a view to aligning and embedding sustainability into the bank's strategic objectives.

In 2011 the bank established an internal 'Sustainability Stakeholder Group' (SSG) comprising NBAD group senior managers– a second 'tipping point' that engaged top down, the SSG members and bottom up, the Sustainability Champions, on sustainability issues. Also in 2011, sustainability was included as part of the Internal Audit team requirements for all business areas and has resulted in the development of a bank-wide sustainability training programme.

Having taken such a strategic approach in embedding sustainability into the organisation, it is no surprise that NBAD's most recent Sustainability Report 2011, entitled 'Catalysing Change', is both relevant and future focused. The Report focuses on material achievements to date as well as plans and commitments for the future – all in line with the overall vision and strategy of the bank- to become the leading sustainable bank in the region.

The Report includes a message from the Chairman, the Chief Executive Officer, Senior Manager-Corporate Sustainability as well as The Group's Chief Economist illustrating the bank's coherent strategy. The Report explains the Bank's mission, vision relating these to the sustainability strategy and it's Priority Focus Areas *(See Figure 5)* which are based on a stakeholder mapping done in 2009.

Relevant Stakeholders	Material Issues	Priority Focus Area
Investors and Shareholders, Employees, Regulators and Society	Strong Financial Performance, Shareholder Returns	**Economic Performance**
Investors and Shareholders, Employees, Regulators and Society	Governance, Transparency and Accountability and tackling financial crime	**Embracing New Accountability Realities**
Employees	Training and Education, Emiratisation, Salary & Benefits, Health & Safety, Diversity and equal Opportunities	**Investing in Our People**
Investors and Shareholders, Employees, The Environment	Water Consumption, Energy, Consumption, GHG Emissions, Paper Use and Wave	**Environmentally Smarter**
Customers, Investors and Shareholders, Regulators	Responsible Lending and Investing, Product and Service Innovation, Quality Services and Customer Satisfaction, Financial Inclusion, and Product Responsibility	**Product & Service Quality and Innovation**
Partnerships, Suppliers, Community	Creating Outstanding Relationships with our Stakeholders - Business Partners, Suppliers and the Community	**Outstanding Relationships**

Figure 5: NBAD's Sustainability Strategy Priority Focus Areas
Source: NBAD 2011 Sustainability Report www.nbad.com (Accessed July 2012)

Towards Integrated Reporting

The information is material, historical and future-focused. The 2011 Report addresses progress against commitments made in the bank's 2010 Sustainability Report, relating to environmental, social and economic issues most material to the business.

The 2011 Report documents progress made on goals set in 2010 as well as new aims for delivery in 2012. For example, in 2010, NBAD had listed a goal to produce a 2011 Sustainability Report which is third party assured via the creation of a multi-stakeholder committee. This was partially executed in 2011, as the bank obtained feedback from the Abu Dhabi Sustainability Group and plans to form an external stakeholder committee in 2012.

Another goal in the 2011 Report was to improve the process of understanding and enhancing economic, social and environmental impacts. The 2011 Report clarifies that this is an on-going task, that a data management system has been introduced to understand and track the impacts while processes are in development.

Likewise with regards to future goals, NBAD's Senior Manager, Corporate Sustainability "We believe that banks will continue to be held up to close scrutiny by their stakeholders, and face increasing demands for greater levels of transparency and accountability. With this in mind, we will be focusing on external stakeholder engagement in 2012".[20]

Measuring Impact

NBAD's 2011 sustainability Report covers topics including associated indicators that reflect the organisation's significant economic, environmental and social impacts. This includes main issues raised by stakeholders, issues reported on by peers, standards and guidelines, including the GRI G3 Reporting Guidelines.

NBAD measures its progress by providing quantitative year-on-year data in the Report according to GRI Indicator Protocols in order to facilitate comparison of the Report against industry peers as well as other companies practicing sustainability.

Performance indicators provide quantitative and qualitative financial and non-financial data tracked across six years. For example, the 2011 Report details:

- Total operating income, shareholders' funds, global net profits, subordinated debt
- Total workforce by age, women in the workforce, women in middle management, women in senior management, female branch managers, employee engagement & satisfaction, number of employees trained on anti-money laundering
- Water and electricity consumption per capita, paper consumption, greenhouse gas emissions, annual spending on photocopy paper, toners recycled, number of branches reporting environmental data
- ATMs in UAE network, total registered online banking customers, online banking satisfaction results, among other indicators.

The Report was written and produced in-house in its entirety except for the analysis of Greenhouse Gas emissions. NBAD's 2011 Sustainability Report is GRI aligned and declared to meet GRI application level B.

Transparency

NBAD's transparency about a wide range of issues led to growth and global expansion. For instance, in emphasising the importance of transparency, Senior Manager- Corporate Sustainability at the National Bank of Abu Dhabi commented "lack of transparency on sustainability and other variables led to missed business opportunities in the past. Moving towards Integrated Reporting became a strategic decision and then management started realising its potential".[21]

Internal transparencies at NBAD led to better data processes, as well as enhanced team dynamics. According to Senior Manager: Corporate Sustainability, "Communication is imperative, GRI indicators are not necessarily clear and it is important to explain to employees what you are doing and why you are doing it. Moreover, it is difficult to extract data in a meaningful manner; we had several restatements of the data until we reached a satisfying result. Internally produced data also points to interesting trends especially when looking at several years of information-this helps in questioning deeper issues and identifying where action is required."[22]

Lessons Learned

- The process of engaging and understanding the priorities of each stakeholder group is very helpful in focusing in on key issues for the organisation
- In order to truly integrate sustainability into the strategy of the company, it is important that it is led within the strategic part of the organisational structure, and is not an add-on function
- Using an existing financial data measurement and collection mechanism to also collect and track sustainability data is very useful, and much effort has to be put into getting these numbers right
- It is vital that forward-looking, clear and measurable goals are set in each priority area on an annual basis, so that progress towards them can be tracked.

NBAD's 2011 Sustainability Report can be found at www.nbad.com

Case Study:
Integrated Reporting at Aramex

Company Name:
Aramex

Headquarters:
MENA

Sector:
Logistics and transportation

Number of employees (2011):
12,300

Annual revenue (2011):
AED 2.6 billion/USD 708 million

Status:
Publicly listed

Aramex is a leading global provider of comprehensive logistics and transportation solutions. The company provides international and domestic express delivery, freight forwarding, logistics and warehousing, documents management and online shopping services - primarily to and from the Middle East and South Asia. Aramex has become well known in the region for its innovativeness and sustainability. Furthermore, it is a member of the United Nations Global Compact, a corporate citizenship initiative that encourages the adoption of sustainable and socially responsible policies in relation to human rights, labour practices, the environment, transparency and anti-corruption. Aramex is listed on the Dubai Financial Market.

Aramex "has leveraged key tools to help promulgate its core principles and values, namely, a code of conduct, a sustainability report, CSR and sustainability trainings and workshops, the encouragement of employee volunteerism, and the appointment of a Chief Compliance and Sustainability Officer. According to Aramex's Founder, all of these ingredients were necessary to institutionalize sustainability."[23]

Aramex produced its first Sustainability Report in 2007, for its performance in 2006, "the first independently assured sustainability report in the Arab world" as stated in the company's Annual Report for 2010. The company then went on to produce two integrated annual reports - in 2010 and 2011. The first report was led by "our efforts to further enhance stakeholder communications", stated the CEO in his letter published in the integrated Annual Report of 2010. Since then the company has begun to view the integrated style of reporting as an integral part of its management approach rather than just a reporting tool.

Strategic Focus of Reporting

It is clear that social responsibility has always been a core value at Aramex. Furthermore, there is an evident fundamental belief, driven from the Founder, that sustainable business practices and overall performance are intertwined. He says "The corporate culture is a reflection of our values and from the beginning we were firm believers in nurturing and building a corporate culture based on certain values and ensuring everyone lives these values every day. Instilling these values was a process of continuous education, training and reinforcement at every opportunity. Values of empowerment, respect and innovation took a lot of effort and time to install and internalise. For years, I personally ran workshops across the organisation to hundreds of people to ensure these values are spread and trickle down across the organisation."[24]

According to the Aramex website, the 2011 Annual Report is "highlighting the interdependent relationship between the company's sustainable business practices and overall performance, and showcasing its active commitment to its people, customers, shareholders, partners, communities, and the environment."

A typical GRI Sustainability Report is detailed in nature, and includes a "Chief Executive Officer statement, profile of the reporting organisations, an executive summary and key indicators, vision and strategy, policies organisation, and management systems and performance".[25] Aramex's 2011 Annual Integrated Report provides an overview of commitments, progress and expansion as a company; it opens with a message from the Chairman, as well as the Founder and Chief Executive Officer.

In the 2011 Report, goals are set in each area for 2012, and performance against the 2011 non-financial goals is outlined in each strategic area of the business.

Measuring Impact

Aramex's reporting journey has followed a path of increasingly measuring and breaking down quantitative data in order to track performance and progress on issues of importance. In the 2011 Report, financial data is tracked across the five years since 2007 and broken down into segments. For example, revenue is broken down by business group and geography.

In the latest Report, quantitative non-financial data is disclosed for each year since 2009 in areas such as number of female employees, number of locally-hired employees, training hours, accidents and lost-time injuries.

Case Study:
Integrated Reporting at Aramex

In the area of environmental impact, 2011 saw the introduction of Aramex's Carbon Footprint Report that aims to "benchmark our performance, reduce our carbon footprint and find innovative ways to adopt more environmentally friendly policies". In order to accurately calculate emissions, Aramex used the Greenhouse Gas (GHG) Protocol accounting which is employed by World Business Council for Sustainability Development (WBCSD) and World Resources Institute (WRI). As per the GHG Protocol, Aramex discloses its 2011 carbon dioxide emissions broken down into three areas *(See Figure 6).*

Scope 1: direct emissions generated by Aramex's own vehicles

Scope 2: indirect emissions generated by electricity

Scope 3: indirect emissions from employees' commutes and business travel, as well as those physically produced by other organisations as a consequence of Aramex's activities.

Scope 1:		Direct	34,251	9%
Scope 2:		Indirect (electricity)	18,644	5%
Scope 3:		Indirect (other)	319,191	86%
	Business travel	782		
	Commuting	12,881		
	Express shipments	60,959		
	Freight	244,569		
TOTAL (TC02E)		**372,086**		**100%**

Figure 6: Aramex's Carbon Footprint
Source: Aramex 2011 Annual Report www.aramex.com(Accessed July 2012)

Water and energy consumption are also disclosed in the 2011 Report.

In addition, qualitative data is tracked to measure progress on social and environmental impact. For example, the achievements and outcomes of social programmes in areas such as youth skills and entrepreneurship are documented.

The financial spend on what Aramex calls "Corporate Activism" (corporate social responsibility activities) is also disclosed from 2009 to 2011 – and currently stands at 2.33% of pre-tax profit.

The 2011 Aramex Report is self-declared as GRI Level A, and maintains a rating of A+ following independent assurance.

According to Chief Sustainability Officer of Aramex, the initial GRI rating is less important than the fact of starting the journey and process of sustainability reporting. His advice to other companies is that "you don't need to aim for an A when you start."[26] In fact, when preparing their first Integrated Report in 2010, Aramex purposely chose to self-declare at a lower rating than suggested, wanting to ensure that the organisation would be able to sustain and maintain the reporting requirements into the future.

Aramex's Chief Sustainability Officer believes that companies can place unwarranted emphasis on ratings when it comes to sustainability reporting. His view is that it doesn't necessarily require the expertise of expensive consultants to produce a report of verifiable standards. In Aramex's case, the company did use consultants for the first Report produced, and all reporting since then has been done in-house without the need for external assistance. He does, however, believe in the value of third party assurance of non-financial reporting, in order to verify and add credibility to the processes and methodologies used.

■ Transparency

Aramex's journey towards Integrated Reporting demonstrates the value in being transparent about an increasingly wide range of issues. It is important for companies committed to Integrated Reporting to fully cover the most material and strategic ESG issues relevant to their company, their industry and their geography.

Aramex demonstrates that they are willing to engage on issues that are core to their business sector, such as the environmental emissions from their extensive transportation and delivery activities. It is only through being detailed and transparent in such quantitative data on an annual basis that it is possible to focus attention, prioritise action and measure improvement. Employee safety is also an important issue in a logistics business, and transparency is demonstrated by Aramex in disclosing and breaking down incident figures and tracking them over time.

The Aramex Reports emphasise an on-going dialogue on their progress and commitments towards all their stakeholders. Aside from their reporting, Aramex also extends this dialogue through social media channels and on their website, creating platforms "to enhance our communication tools and to increase awareness of corporate activism."

■ Lessons Learned

> An Integrated Report aims to intertwine strategic non-financial and financial analysis into a coherent whole that paints the overall picture of value creation by the company

> It is perfectly acceptable for a company to start off on the path towards Integrated Reporting by initially setting the foundation and the path forward, and committing to a continuous effort to improve, expand and further detail the material issues covered

> As progress is made, the detail and level of non-financial quantitative data measured must improve, in order to measure, prioritise and focus action and results.

The Aramex 2011 Annual Report can be found at www.aramex.com

Case Study:
Reporting on Material Issues at Agility

Company Name:
Agility

Headquarters:
Kuwait

Sector:
Commercial logistics

Number of employees (2011):
22,000

Annual revenue (2011):
KWD 1.3 billion/USD 4.6 billion

Status:
Publicly listed

Agility is a global logistics company based in Kuwait; the company is listed on the Kuwait Stock Exchange (KSE) and Dubai Financial Market (DFM) and has approximately 15,000 shareholders. Agility is one of the world's leading providers of integrated logistics and has particular strength in emerging markets. Agility's Global Integrated Logistics (GIL) business provides air, sea and road freight forwarding, warehousing, distribution and specialized services in project logistics, fairs and events, fuels and chemicals. Agility's portfolios of businesses include defence, government services and infrastructure.

Agility started to grow and expand six years ago through mergers and acquisitions. The company had many talented employees who started talking about sustainability. According to Agility's Senior Vice President of CSR "it was an energising conversation and everyone wanted to be part of it; this led to the development of new focus areas, including CSR".[27]

Agility produced its first CSR Report in 2011. Although this is not an Integrated Report, it is worth including as a case study because it is advanced in covering core strategic business topics and providing comprehensive and detailed data.

Strategic Focus of Reporting

Upon establishing the CSR department and the recruitment of a dedicated CSR Manager and team in 2006, Agility immediately incorporated CSR into its strategy. Early on, the CSR department started collecting data internally for a number of years to strategically drive management decisions. Despite the fact that data was collected, Agility did not publish its first Report until 2011. Agility's Senior Vice President of CSR explains: "Do first, talk later – rather than talk first, do later".[28] By spending a number of years developing the necessary systems and processes to effectively measure and report on impact, Agility initially focused on the internal reporting of sustainability to drive management decisions in the implementation of programmes and initiatives. This "do first" approach has not only resulted in some successful programmes, but has also led to a meaty and substantial first CSR Report entitled: "Our Journey: Steps Taken and the Road Ahead".[29]

The 2011 CSR Report is strategic in nature and opens with a statement from the Chairman and Managing Director. The Report is detailed and covers the following topics:

> CSR management and Stakeholder engagement
> Business with Integrity
> Our People
> Community Investment
> Humanitarian and Emergency Logistics
> Environment

The Report highlights Agility's governance structure as an integrated company with varied businesses operating within the framework of the policies established by the Agility parent organisation, which in turn is governed by an elected Board of Directors providing policy and strategy guidance. The Report also concisely explains Agility's strategy and business structure.

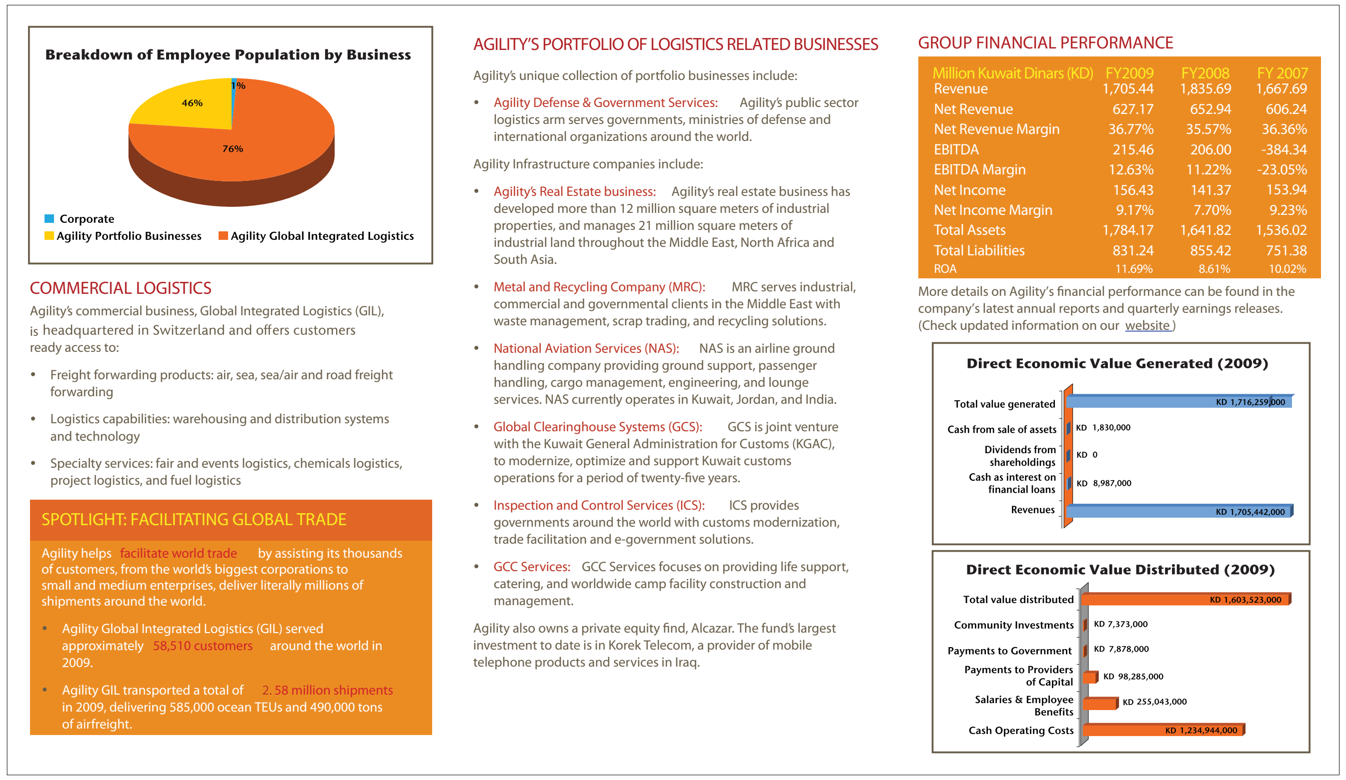
The Report also highlights that it is "both a 'performance to date' and 'look ahead' account, designed to give our stakeholders insights into Agility's corporate social responsibility commitments over the years, highlight our progress, and set our priorities for the future".

One important aspect of the Agility 2011 Report is that it does not shy away from issues associated with integrity, which are important to its business and sector generally. For example, Agility's Code of Business Ethics and Conduct includes strong language around its commitment to employees and fair labour practices, and this is clearly important in labour intensive industries. The 2011 Agility Report is transparent about the company's proactive programme to safeguard migrant workers' rights through the value chain.

Measuring Impact

Agility used Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, version 'G3' and the GRI Reporting Framework for guidance in collating its Report. The Report was produced with the assistance of a partner organisation Business for Social Responsibility (BSR), a global business network focused on sustainability.

The Report contains a number of holistic qualitative and quantitative measurements. For example, in the business overview section *(See Figure 7)* Agility's 2011 CSR Report brings together employee population breakdown by business, services offered in commercial logistics, The Group financial performance, direct economic value generated and direct economic value distributed.



Breakdown of Employee Population by Business

COMMERCIAL LOGISTICS

Agility's commercial business, Global Integrated Logistics (GIL), is headquartered in Switzerland and offers customers ready access to:

- Freight forwarding products: air, sea, sea/air and road freight forwarding
- Logistics capabilities: warehousing and distribution systems and technology
- Specialty services: fair and events logistics, chemicals logistics, project logistics, and fuel logistics

SPOTLIGHT: FACILITATING GLOBAL TRADE

Agility helps facilitate world trade by assisting its thousands of customers, from the world's biggest corporations to small and medium enterprises, deliver literally millions of shipments around the world.

- Agility Global Integrated Logistics (GIL) served approximately 58,510 customers around the world in 2009.
- Agility GIL transported a total of 2. 58 million shipments in 2009, delivering 585,000 ocean TEUs and 490,000 tons of airfreight.

AGILITY'S PORTFOLIO OF LOGISTICS RELATED BUSINESSES

Agility's unique collection of portfolio businesses include:

- Agility Defense & Government Services: Agility's public sector logistics arm serves governments, ministries of defense and international organizations around the world.

Agility Infrastructure companies include:

- Agility's Real Estate business: Agility's real estate business has developed more than 12 million square meters of industrial properties, and manages 21 million square meters of industrial land throughout the Middle East, North Africa and South Asia.
- Metal and Recycling Company (MRC): MRC serves industrial, commercial and governmental clients in the Middle East with waste management, scrap trading, and recycling solutions.
- National Aviation Services (NAS): NAS is an airline ground handling company providing ground support, passenger handling, cargo management, engineering, and lounge services. NAS currently operates in Kuwait, Jordan, and India.
- Global Clearinghouse Systems (GCS): GCS is joint venture with the Kuwait General Administration for Customs (KGAC), to modernize, optimize and support Kuwait customs operations for a period of twenty-five years.
- Inspection and Control Services (ICS): ICS provides governments around the world with customs modernization, trade facilitation and e-government solutions.
- GCC Services: GCC Services focuses on providing life support, catering, and worldwide camp facility construction and management.

Agility also owns a private equity find, Alcazar. The fund's largest investment to date is in Korek Telecom, a provider of mobile telephone products and services in Iraq.

GROUP FINANCIAL PERFORMANCE

Million Kuwait Dinars (KD)	FY2009	FY2008	FY 2007
Revenue	1,705.44	1,835.69	1,667.69
Net Revenue	627.17	652.94	606.24
Net Revenue Margin	36.77%	35.57%	36.36%
EBITDA	215.46	206.00	-384.34
EBITDA Margin	12.63%	11.22%	-23.05%
Net Income	156.43	141.37	153.94
Net Income Margin	9.17%	7.70%	9.23%
Total Assets	1,784.17	1,641.82	1,536.02
Total Liabilities	831.24	855.42	751.38
ROA	11.69%	8.61%	10.02%

More details on Agility's financial performance can be found in the company's latest annual reports and quarterly earnings releases. (Check updated information on our website)

Direct Economic Value Generated (2009)

Direct Economic Value Distributed (2009)

Figure 7: Agility Business Overview

Source: Agility 2011 CSR Report www.agilitylogistics.com (Accessed July 2012)

The section on CSR and stakeholder engagement records the impact of sustainability initiatives both qualitatively and quantitatively. For example the section on community volunteerism explains and documents progress, stating "Our disaster response programme generated a flood of requests from employees to initiate development projects in their local communities, even when there was no humanitarian crisis at hand. We responded with a community volunteer programme that puts employees in charge of choosing and leading social projects, supported by financial grants from the company ranging from three to ten thousand dollars. In the last four years, Agility employees have worked with civil society organisations on more than 400 projects in 57 countries, reaching over 500,000 people with some form of service activity."

The Report provides breakdowns on financial performance, employees by region, workforce by employee contract, employees by age bracket, workforce by gender, job level by gender, as well as health and safety indicators and incidence reports. The Report also includes non-financial data detailing human resources challenges, priorities and areas requiring progress.

Ethics is also a topic covered in the Report, given the nature of Agility's business and the diverse nature of its workforce. The Report includes and describes company values, ethics and compliance and standards of business conduct, as well as various stakeholder engagement programmes. The section on ethics highlights that over 28,000 training sessions were completed between 2008 and Q3 of 2010 covering topics such as anti-trust, anti-corruption, conflicts of interest, competition law, environmental protection, health and safety, human rights and intellectual property.

Direct impact by Individual Operating Location	
Country & Region Location	**Estimated CO2 Tons**
Houston, US	1,913.64
America Total	1,913.64
Shanghai, China	1,652.23
Hong Kong	741.71
Mumbai & Chennai, India	1,402.75
Jakarta, Indonesia	110.26
Kuala Lumpur, Malaysia	2,202.22
Karachi & Islamabad, Pakistan	378.63
Manila, Philippines	1,342.06
Singapore	2,589.31
Bangkok, Thailand	5,379.02
Asia Total	15,798.19
Basel, Switzerland	425.90
Europe Total	425.90
Cairo, Egypt	711.42
Amman, Jordan	7,020.62
Nairobi, Kenya	5,335.16
Kuwait	77,380.81
Qatar	11,044.74
Dubai, Unites Arab Emirates	19,389.07
Abu Dhabi, United Arab Emirates	16,262.70
Middle East/Africa Total	137,144.53
Direct Emissions	155,282.25

Figure 8: CO2 Estimated Impact of Agility's largest operations,
Source: Agility 2011 CSR Report www.agilitylogistics.com (Accessed July 2012)

Reporting on their impact on the environment is another key concern and priority for Agility and in the past year they have estimated a preliminary carbon footprint in major operational hubs *(See Figure 8)*. Current focus centres on working with customers to estimate emissions associated with their shipments and a new 'CO2 calculation' tool has been added to the Agility website to assist with this. In the future, Agility hopes to continue improving their ability to collect data on environmental impact across all operations and will be setting quantitative targets to reduce emissions internally as well as in partnership with customers and suppliers.

■ Transparency

Agility's 2011 Report shifts from narrow disclosure to greater transparency taking into account all stakeholders. The Report covers issues that are central to the business as well as to its stakeholders, such as:

> Business ethics: Anti-bribery and anti-corruption ethics, as these pillars are paramount for competitive business practices

> Employees: Including information on migrant labour welfare, professional development and employee well-being as this is crucial for company success

> Community: Agility recognises that being a good neighbour and helping community development is important everywhere particularly in emerging markets where the lines between business, employees, and the community are frequently synonymous

> Environment: Including measuring carbon emissions in customer supply chains, managing environmental impact from electricity, fuel use, and business travel; managing waste in operations, with a particular focus on packaging waste

Moreover, the 2011 Report also transparently mentions the industry-wide freight forwarding investigation as well as a Legal dispute with the U.S. government over the Prime Vendor contract, highlighting that these are still on-going issues as of the time of publication of Agility's 2011 Report.

■ Lessons Learned

> In order for a report to be credible, it should cover in detail all issues, however sensitive, that are material for the business and industry sector in question. If significant progress is being made in areas such as anti-bribery practices and ethical labour practices, then transparency on this progress is positive.

> It is important for companies to start building the internal capabilities needed to collect, verify and analyse detailed quantitative data, in order to report, measure progress, focus improvements and identify key issues

Agility's 2011 CSR Report can be found at www.agilitylogistics.com

Case Study:
Transparent Combined Reporting at Savola

Company Name:
Savola

Headquarters:
Saudi Arabia

Sector:
Consumer goods

Number of employees (2011):
17,500

Annual revenue (2011):
SAR 25 billion/USD 6.7 billion

Status:
Publicly listed

The Savola Group was established in 1979 in the Kingdom of Saudi Arabia. The Group's activities comprise four main sectors - foods, retail, plastics and investments. The Savola Group's operations span internationally across countries including Saudi Arabia, Egypt, Iran, Turkey, Sudan, Algeria, Kazakhstan, Morocco, Jordan, Lebanon and the United Arab Emirates. The company exports its products to more than thirty countries globally.

Savola currently has market shares of 62% of the edible oils market and 68% of the sugar market in the Kingdom. It has 166 retail outlets (supermarkets and hypermarkets),of which 134 outlets are in the Kingdom.

In its investment portfolio, Savola has major investments in Al Marai Dairy Company, Herfy Foods Company, Kinan Real Estate Co., Knowledge Economic City in Madinah and King Abdullah Economic City in Rabigh, Saudi Arabia.

The Savola Group has produced combined financial and non-financial Annual Reports from 2007 through to 2011. The Savola 2011 Annual Report incorporates both financial and non-financial information, and is transparent in covering, among other areas, core strategic business topics and corporate governance-related matters.

Strategic Focus of Reporting

Savola is committed to a high standard of transparency. Since 2008, The Group's Annual Report has been strategic and detailed in nature, divulging significant financial indicators, major business growth, risk indicators, future forecasts, corporate social responsibility and corporate governance.

Savola's 2011 Annual Report is strategic in nature and includes the board of director's report, a message from the Chairman and The Group Managing Director, key performance measures and future strategic direction. The Report holistically summarises the performance of The Group and its subsidiaries and associates in all business sectors and areas of operations, locally and overseas. The Report also highlights The Group's efforts in developing corporate programmes for employees and the corporate social responsibility programmes that are in effect. From a corporate governance perspective, the 2011 Report includes:

> Major board resolutions
> Extent of compliance with corporate governance regulations issued by the Saudi Capital Market Authority
> International best practices, such as S&P disclosure guidelines.

Measuring Impact

Since 2007, Savola has consistently developed measurements and provided quantitative data to track performance against set strategic goals. The 2011 Report provides consolidated financial performance in five-year comparison charts, including revenues and net income over five years, geographical analysis of revenue and sales and breakdown of revenue by business sector, among other indicators.

The Report also announces financial projection for the 2012 year end, indicating that the net income for 2012 (before capital gain and exceptional items) is expected to reach SAR 1.2 billion /$ 320 million.

The Report highlights Savola's commitment to serve the community under key CSR projects functioning under the 'Savola Bridges' initiative. The Savola Group board has adopted a resolution to allocate 1% of annual operating net profit to support CSR programmes. CSR programmes at Savola are administered in collaboration with non-profit organisations, the government, and various medical and educational institutions.

Savola's 2011 Annual Report highlights each CSR programme by providing financial and non-financial indicators. For example the company's 'Centre for Empowering People with Disabilities' (Makeen), is an integrated project to support this segment of society by focusing on visual, hearing and physical disabilities. The Savola Centre is following a meticulously planned strategy aimed at providing job opportunities for people with disabilities during the next three years according to measurable targets. For example, The Report highlights targets regarding training and employment for 500 people with disabilities within the three coming years in the Savola Group, its Operational Companies (OpCos) and other private sector corporations. The Report highlights having achieved its 2011 target by training and employing 144 people with disabilities, with an increase of 44 candidates compared to 2010.

Governance and Transparency

Savola's 2011 Annual Report sets a high standard with regards to governance and transparency. The Report offers complete information on corporate governance and financial performance, paving the way for collating information in an integrated coherent whole.

According to a study conducted in early February 2011 by Standard & Poor's (S&P), Hawkamah Institute and the International Finance Corporation (IFC), Savola ranked second among top companies in the MENA for Corporate Governance.[30]

According to Chief of Corporate Affairs & Board Secretary at Savola; "The Savola Group initiated and adopted corporate governance practices from 2003, ahead of many companies and institutions in the region. This has enabled Savola to build strong experience and come out ahead of many listed companies in the Kingdom and across the Arab world."[31]

The Annual Report details the board composition. The board has eleven members, all of whom are independent non-executives with the exception of The Group's Managing Director, who is an Executive member. Board members at Savola are elected by shareholders for a term spanning three years, as per the company's Articles of Association.

The Annual Report also sheds light on The Group's five board committees, which are the Audit Committee, the Compensation, Nominations & Corporate Governance Committee, the Risk Management Committee, the Investment Committee, and the Corporate Social Responsibility Committee. These five committees "comprise board members, external independent specialists and Savola senior executives. All these committees have personal charters approved by the board of directors to "govern their scope of work and related procedures". Transparency again is key - all major decisions, actions and responsibilities of the board committees are presented in the Annual Report for full disclosure to shareholders. In addition, the Report lists each board member and senior executive's remuneration, share ownership movements and dividends payments, as well as other company board memberships *(See Figure 9)*.

The Report outlines major risks that face The Group. For example, "Key risks can be represented in the probability of Group operations being exposed to fluctuations in raw material prices and currencies, dumping, and acute and unfair competition in the prices of its products in local and regional markets. There are also economic and political risks in the countries where it operates, and risk related to penetrating new market in the region in line with The Group's geographical expansion strategy. In addition, there are risks that could face The Group due to its various investment shareholdings in different companies and funds locally and internationally. The Group manages these risks through its Board of Directors, Risk Management Committee, various departments and task forces within The Group".[32]

Lessons Learned

> A combined financial and non-financial Report enables an intertwining of core strategic business topics, which all contribute to the long term health of the company

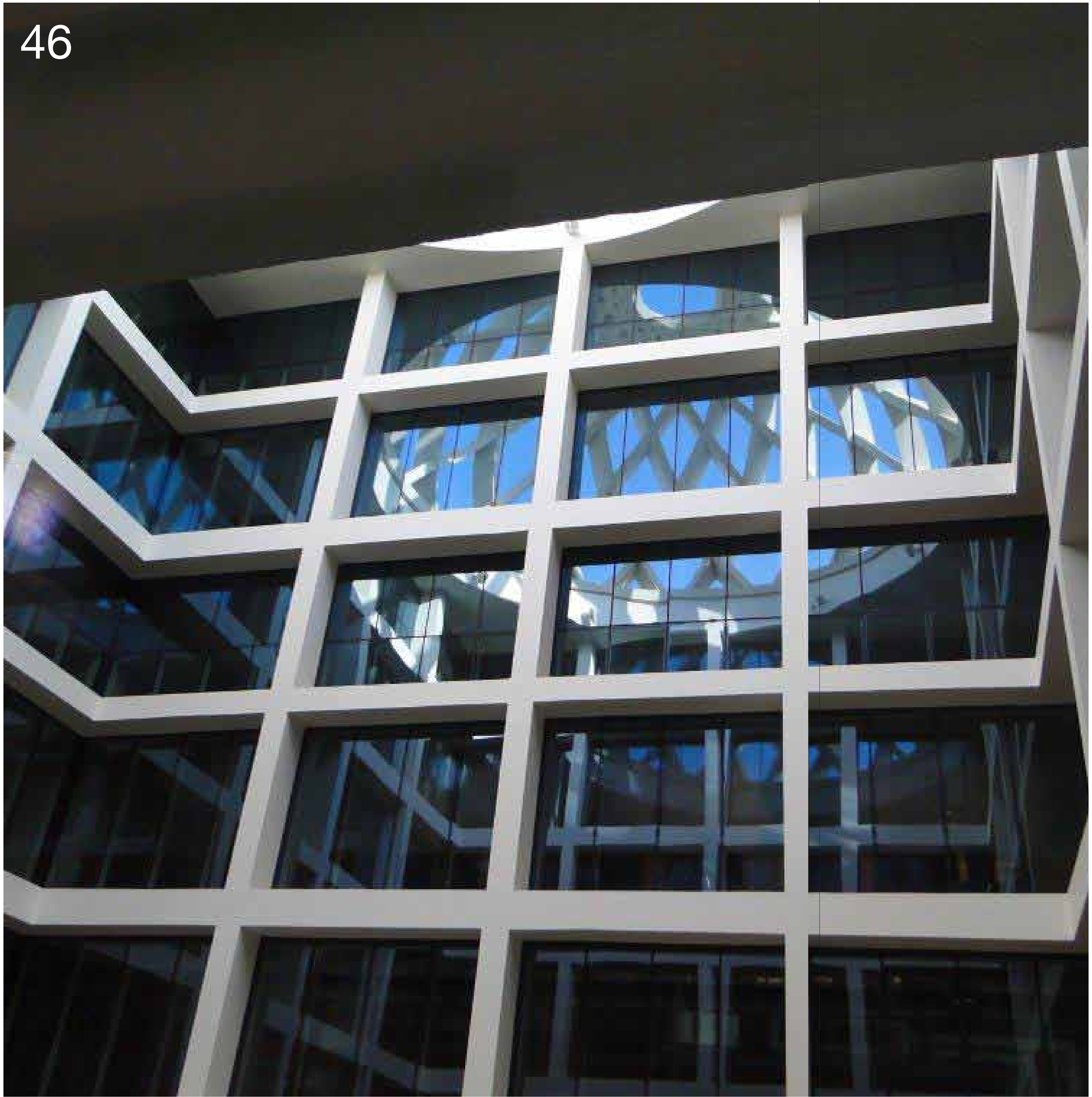
> Detailed corporate governance disclosure in areas such as decision making processes and board compensation builds solid shareholder confidence

> Proactive and early voluntary transparency on strategic issues, opportunities and risks has a positive long term benefit for corporate reputation.

Savola's 2011 Annual Report can be found at www.savola.com

Member Name	Membership classification	Companies Membership (listed & unlisted) where Savola Directors currently hold Board membership (excluding Savola Group) Memberships
Mr. Sulaiman A.K. Al-Muhaidib (chairman of the board)	Non-Executive	**Listed:** Al-Marai Co, Arabian Pipe Line Co., Saudi British Bank. The National Industrialization Company. **Not Listed:** Abdulqadir Al Muhaidib & Sons Co. Tatweer Al Aoula Co., Joussour Swicorp Co.
H.E. Eng. Abdullah Mohammed Noor Rehaimi, Vice Chairman (Representing The General Public Investments Fund)	Non-Executive	**Listed:** National Commercial Bank, Herfy Food Services Co. and Alujain Co.
Dr. Abdulraouf M. Mannaa (Group Managing Director)	Executive	**Listed:** Al Marai Co, Saudi Investment Bank, Herfy Food Services Co. **Not Listed:** Kinan Int'l for Real State Development, Azizia Panda United Co. representing The Savola Group and General Organisation for Social Insurance "GOSI".
Mr. Ibrahim M. Al Issa	Non-Executive	**Listed:** Yanbu Cement Co, Taibah Holding Group, Saudi Fransi Bank, and Al-Marai Co.
Dr. Sami M. Baroum	Non-Executive	**Listed:** Knowledge Economic City Co., Arabian Cement. **Not Listed:** Azizia Panda United Co. representing The Savola Group.
Mr. Ammar A. Al Khudairy	Independent	**Listed:** Al Deraa Al-Arabi Co., Herfy Food Services Co., Mobile Telecommunications Company "Zain ". **Not Listed:** Rowad Schools Co., Sport Clubs Co. Saudi Rockwool Co., Morgan & Stanley, Al Tayyar Group For Travel & Tourism, and Zehoor Al Reef Trading Co.
Mr. Abdulaziz K. Al Ghufaily Representing General Organisations for Social Insurance (GOSI)	Non-Executive	**Listed:** Al Rajhi Bank, Herfy Foods Services Co.
Dr. Ghassan Ahmed Al Sulaiman	Independent	**Listed:** Arabian Cement Co. **Not Listed:** Al-Magrabi Group of Hospitals. Oniazah for Investments, Saudi Venture Capital Investments Co.
Mr. Mousa O. Al Omran	Independent	**Listed:** (Arabian Cement Co., Al-Marai Co., Saudi Fransi Bank). **Not Listed:** Azizia Panda United Co. representing The Savola Group and General Organisations for Social Insurance (GOSI).
Mr. Mohammad A. Al Fadl	Independent	**Listed:** None **Not Listed:** Jeddah Holding Co., Dar Al Tamlik, Kinan International Co.
Mr. Badr Abdullah Al-Issa	Independent	**Listed:** The Saudi Hotels & Resort Areas Co. **Not Listed:** Al Qeeq Real Estate Development Co., Aseelah Investments Co., Saudi Fransi Capital.

Figure 9: Savola Board Member's interest and changes in 2011
Source: Savola 2011 Annual Report www.savola.com (Accessed July 2012)



Conclusion

Conclusion

This first Report in the Pearl Initiative Series on Corporate Good Practices in Accountability and Transparency demonstrates that there are good practices worth sharing from within companies in the GCC.

A number of over-arching success factors emerge from the analysis of lessons learned in the case studies, for the successful implementation of good practices in the areas of accountability and transparency:

Implementation of Integrity-Related Policies

1. Visionary leadership from the top of an organisation is critical if an integrity-related policy is to be fully implemented. Embedding values, culture and behaviour change right throughout an organisation requires the top executives at the helm of the organisation to lead by example, exhibit full belief in the business value added, and demonstrate commitment to the effort required.

2. It is valuable to take stakeholder views, and the local and cultural context, into consideration when creating policies and developing implementation action plans. It is important to benchmark global best practices and combine that with locally applicable, relevant and realistic solutions, in order to make progress.

3. Company policies are most effective when they are concise, clear and accessible. Documents should not be complex and long-winded. Implementation should aim for accessibility for all employees, taking into account language and education.

4. Implementation of integrity-related practices across a company's value chain requires a structured approach to awareness-raising, education, contracts, data collection, reporting, monitoring and enforcement. It is also necessary to recognise, with value chain business partners, that it is a journey of partnership and continual improvement. Perseverance, persistence and a clear and unwavering position on ethical issues are required.

Towards Integrated Reporting

1. Engaging and understanding the priorities of stakeholder groups is helpful towards focusing in on key strategic issues for the organisation, in order to align business reporting with sustainability performance and business value.

2. Concerted and continual effort needs to be put into increasingly generating quantitative, as well as qualitative, financial and non-financial data. It can be useful to mirror an existing financial data measurement and collection mechanism to also collect sustainability data – and track progress against measurable goals.

3. It is vital for credibility that important and material strategic issues are covered in a report. There is positive value to be gained from proactive and transparent reporting on material issues, however sensitive, if progress is being made.

The Pearl Initiative commits to continuing its research programme on Corporate Good Practices in Accountability and Transparency, on a topic-by-topic basis.

In this way, the Pearl Initiative will build a regional knowledge base of content on good practices in accountability and transparency in the GCC. We will continue to study and analyse regional good practice experiences, share lessons learned and disseminate key success factors. The overall aim is to influence the wider regional business community to also make progress along the path towards implementing better business practices.

Methodology

Methodology

Methodology

This is the first Report in the Pearl Initiative Series on Corporate Good Practices in Accountability and Transparency.

Pearl Initiative research is ongoing on regional corporate good practices in all topics associated with accountability and transparency. The first two topics covered in this Report are:

> Implementation of Integrity-Related Policies
> Towards Integrated Reporting

The first phase of the research involved extensive desk research, along with initial exploratory discussions with experts, advisors, academics and experienced business people. This enabled the team to identify the priority topics to be covered in this first Report, as well as to develop the conceptual frameworks used in the research. It also led to the identification of regional companies with good practices worth approaching and investigating in more depth.

The desk research and the initial field research were undertaken by a five-member team of MBA students from Judge Business School, University of Cambridge, UK and American University of Sharjah (AUS), UAE. Over four weeks during March and April 2012, the team carried out an intensive internship project at the Pearl Initiative entitled “Case building for good business practices in the Gulf Corporation Council (GCC)". The project involved desk research, conceptual theme development and face-to-face and telephone interviews with executives of the companies included in the good practice research. On 22nd April 2012 in Dubai, the MBA student team presented their initial findings on GCC corporate good practice case study examples to an invited audience of 70 business leaders & AUS supporters, followed by dinner.

Further interviews, data gathering and analysis were carried out by the Pearl Initiative team over May and June 2012. In-depth structured company interviews to fully develop the case studies were carried out with company executives, by telephone and in face-to-face meetings, across the GCC region. Company case studies profiled in the Report are included on the basis of the research carried out by the team, the depth of learning and experience to be gained from the case study, and the willingness of the companies to share the information.

The Pearl Initiative programme on Integrated Reporting is in collaboration with HRH The Prince of Wales’ Accounting for Sustainability (A4S) Project. The Pearl Initiative programme involves holding awareness-raising sessions around the region in order to introduce the concepts and benefits of Integrated Reporting, and also providing a regional network through which interested organisations can gain knowledge, benefit from mutual support and share experiences. A4S provided input, advice and comment on the Integrated Reporting section of the Report.

Research findings were also corroborated with Hawkamah, a local UAE based Institute for Corporate Governance and by a Partner from the international advisory firm KPMG.

Each case study was structured and written by the Pearl Initiative team, and the text was then approved by the company concerned.

As far as possible, the Pearl Initiative had asked extensive and probing questions and verified the case studies included. However, because available third party information is extremely limited in these areas, this work is, to some extent, reliant on information supplied by the companies on their corporate good practices.

About The Pearl Initiative

About The Pearl Initiative

The Pearl Initiative, developed in collaboration with the United Nations Office for Partnerships, is a GCC-based, private sector-led, not-for-profit organisation set up to foster a corporate culture of transparency, accountability, good governance and best business practices in the Arab world. It is a growing regional network of business leaders committed to driving joint action, exhibiting positive leadership and sharing knowledge and experience.

Since mid-2011, the Pearl Initiative has been driving tangible initiatives in areas such as anti-corruption, good governance, ethics and integrity, Integrated Reporting and corporate disclosure within the GCC.

There are three streams of activity:

1. **Collaborative Action and Dialogue Forums**
   The Pearl Initiative catalyses joint collaborative action between regional and global business leaders, international institutions, government bodies, wider initiatives, and cross-sector partnerships.

2. **Knowledge creation**
   The Pearl Initiative fosters greater understanding and appreciation of the business case, issues and trends associated with transparency and accountability through the generation of new data, research, analysis and insight across the region.

3. **University Collaborations**
   University collaborations help build the capacity of future leaders to make a difference in creating a culture of transparency and accountability. The Pearl Initiative office is hosted at the American University of Sharjah, and it is collaborating with the American University of Sharjah and other leading Universities across the region to forge greater links with the private sector in teaching and research in areas of ethics, integrity, corporate governance and sustainability.

As of September 2012, the Founding Partners of the Pearl Initiative include:

Pearl Initiative
American University of Sharjah
PO Box 26666
Sharjah
United Arab Emirates
Tel: +971 6 515 4605
Email: enquiries@pearlinitiative.org
www.pearlinitiative.org

1 Aluminium Bahrain 2011 Annual Report. Available at: www.albasmelter.com/IR/Publications/Documents/Annual%20Reports/AnnualReport2011.pdf

2 Aluminium Bahrain press release “Alba launches the “Code of Conduct” booklet”.
http://www.albasmelter.com/mc/News/Pages/Alba-launches-the-Code-of-Conduct-booklet.aspx

3 *Ibid.*

4 Laurent Schmitt, Alba Chief Executive Officer, August 29, 2012.

5 Abraaj Sustainability Report 2012. “Building Sustainable Businesses, Building Sustainable Communities” Available at:
http://www.abraaj.com/sites/default/files/presentations/Abraaj%20group%20Sustainability%20Report.pdf

6 In 1992, the King Committee on Corporate Governance was formed in South Africa, chaired by Mervyn E. King to consider corporate governance from a South African perspective. The result was the King Report of 1994 which marked the institutionalisation of corporate governance in South Africa.

7 Issued in 1992, the UK Corporate Governance Code has been instrumental in spreading best corporate governance practice throughout companies listed on the London Stock Exchange, the code is overseen by the Financial Reporting Council (FRC).See www.frc.org.uk

8 IFC is a member of the World Bank Group. The corporation finances and provides advice for private sector ventures and projects in developing countries. See www.ifc.org

9 Telecom interview with Geetha Tharmaratnam, Abraaj Principal, Investment & ESG on July 23,2012.

10 Gulftainer Group Anti-Corruption Policy. Available at: http://www.gulftainer.com/GulftainerGroup_Anti-CorruptionPolicy.pdf (Accessed April 2012)

11 Interview with Peter Richards, Gulftainer Managing Director on April 5, 2012 at Gulftainer, Sharjah.

12 *ibid.*

13 *ibid.*

14 Maher Nicola, “Reporting: The Future is integrated”. The Accountant, July 02, 2010. Available at:
http://vrl-financial-news.com/accounting/the-accountant/issues/ta-2010/ta-6079/reporting-the-future-is-integ.aspx (Accessed April 2012).

15 Vinke, J. & El-Khatib, A. ‘Reporting CSR in the Middle East’. Forthcoming.

16 “KPMG International Survey of Corporate Responsibility Reporting 2011”. Available at:
http://www.kpmg.com/PT/pt/IssuesAndInsights/Documents/corporate-responsibility2011.pdf (Accessed April 2012)

17 KPMG International, 2011. Integrated Reporting: Performance insight through Better Business Reporting, pg 7. Available at
http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/road-to-integrated-reporting.pdf (Accessed April 2012)

18 Op.Cit. Towards Integrated Reporting - Communicating Value in the 21st Century, pg 2.

19 Telecom Interview with Belinda Scott, National Bank of Abu Dhabi Senior Manager of Corporate Sustainability on March 27, 2012.

20 National Bank of Abu Dhabi Sustainability Report 2011 “Catalysing Change”. Available at
http://www.nbad.com/en/Sustainability/Documents/Sustainability%20Report%202011%20-%20Catalysing%20Change.pdf (Accessed July 2011)

21 Telecom Interview with Belinda Scott, National Bank of Abu Dhabi Senior Manager of Corporate Sustainability on March 27, 2012.

22 *ibid.*

23 Jamali Dima and C. Dawkins. “A Case Study: Sustainability in the Arab world: The Aramex Way”. Ivey Publishing , Case 9B11M060, 2011.

24 Tassabehji Rola. “CEO view: Fadi Ghandour of Aramex” INSEAD Knowledge. Available at: http://knowledge.insead.edu/CEOviewAramex080801.cfm. (Accessed April 2012)

25 Reynolds, M. &Yuthas, K. “Moral Discourse and Corporate Social Responsibility Reporting”. Journal of Business Ethics. 2008.

26 Interview with Raji Hattar, Aramex Chief Sustainability & Compliance Officer on April 11, 2012 at The Intercontinental Hotel, Dubai.

27 Telecom Interview with Mariam Al Foudery, Agility Senior Vice President of Corporate Social Responsibility on April 11, 2012.

28 *ibid.*

29 Agility Corporate Social Responsibility Report 2011. “Our Journey: Steps Taken and the Road Ahead” Available at:
http://www.agilitylogistics.com/EN/GIL/Documents/Agility_PDF/2011CSRReport.pdf (Accessed April 2012)

30 Standard & Poor / Hawkamah ESG Pan Arab Index. Available at:
http://www.hawkamah.org/sectors/esg/files/Factsheet_SP_Hawkamah_ESG_Pan_Arab_Index_A4.pdf (Accessed April 2012)

31 Telecom Interview with Mahmoud Abdul Ghaffar, Savola Chief of Corporate Affairs & Board Secretary - Wednesday, 13th June 2012.

32 *ibid.*

١ تقرير الومنيوم البحرين السنوي متوافر في:
www.albasmelter.com/IR/Publications/Documents/Annual%20Reports/AnnualReport2011.pdf

٢ الإصدار الصحفي لألومنيوم البحرين "ألبا تطلق ميثاق سلوك العمل"
http://www.albasmelter.com/mc/News/Pages/Alba-launches-the-Code-of-Conduct-booklet.aspx

٣ المرجع السابق

٤ لورنت شميت المدير التنفيذي لألبا ٢٩ أغسطس ٢٠١٢.

٥ تقرير الاستدامة لأبراج لعام ٢٠١٢ "بناء الأعمال المستدامة، بناء المجتمعات المستدامة" متوافر في :
http://www.abraaj.com/sites/default/files/presentations/Abraaj%20group%20Sustainability%20Report.pdf

٦ في عام ١٩٩٢ تم تشكيل لجنة كينج الخاصة بحوكمة الشركات في جنوب أفريقيا يرأسها ميرفن إي كينج للنظر في حوكمة الشركات من منظور جنوب أفريقيا. ونتج عنها تقرير كينج عام ١٩٩٤ الذي ساعد في إضفاء الطابع المؤسسي على حوكمة الشركات في جنوب افريقيا.

٧ كان ميثاق حوكمة الشركات للمملكة المتحدة، الذي تم نشره في ١٩٩٢، أداة هامة في نشر أفضل ممارسات الحوكمة بين الشركات المدرجة في بورصة لندن وقد أشرف على الميثاق مجلس التقارير المالية (FRC) انظر www.frc.org.uk

٨ مجلس التقارير المالية عضو في مجموعة البنك الدولي. وتمول المؤسسة وتقدم الاستشارات لمشاريع القطاع الخاص في الدول النامية. انظر www.ifc.org

٩ مقابلة تليكوم مع جيثا ثارماراتنام مدير ابراج للاستثمار والبيئية والمجتمع والحوكمة ٢٣ يوليو ٢٠١٢

١٠ سياسة جلفتينر لمكافحة الفساد. متوافر في http://www.gulftainer.com/GulftainerGroup_Anti-CorruptionPolicy.pdf (ابريل ٢٠١٢)

١١ مقابلة مع بيتر ريتشاردس العضو المنتدب لجلفتينر في ٥ أبريل ٢٠١٢ في جلقتينر بالشارقة

١٢ المرجع السابق

١٣ المرجع السابق

١٤ ماهر نيكول "التقارير: المستقبل متكامل". المحاسب ٢ يوليو ٢٠١٠ متوافر في:
http://vrl-financial-news.com/accounting/the-accountant/issues/ta-2010/ta-6079/reporting-the-future-is-integ.aspx (الوصول إليه ٢٠١٢)

١٥ فينكي جي والخطيب إيه " تقارير المسئولية الاجتماعية المؤسسية" قادم قريبا

١٦ "مسح دولي لشركة كي بي أم جي للمسئولية الاجتماعية للشركات لعام ٢٠١١" متوافر في:
http://www.kpmg.com/PT/pt/IssuesAndInsights/Documents/corporate-responsibility2011.pdf (أبريل ٢٠١٢)

١٧ كي بي أم جي الدولية ٢٠١١ التقارير المتكاملة: رؤى الأداء من خلال تقارير أعمال أفضل ص متوافر في:
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