Fostering a Corporate Culture of **Accountability** and **Transparency**

Event Outcome Report

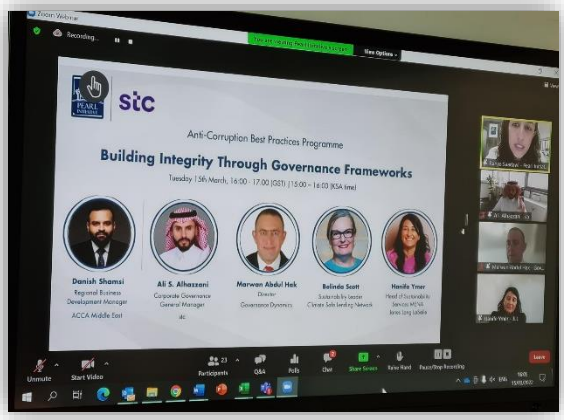
Building Integrity Through Governance Frameworks

Date: Tuesday, 15th March 2022
Location: Zoom

Session Overview

The importance of corporate governance continues to be recognised by the private sector as a fundamental component of business operations, growth, and resilience. This coupled with the effective implementation of risk, compliance, and integrity measures, helps improve organisational control, while also reducing liabilities, siloed operations, and redundancies.

A common future trend observed, is the introduction of Environmental, Social and Governance "ESG" metrics, referring to sustainable and social impact of an organisation and encompasses strategies to optimizing benefits for both business and society across the Gulf and beyond. With companies trying to further their social responsibility and enhance their impact towards their stakeholders, the integration of ESG has come to the forefront of business strategies. A strong ESG proposition helps companies tap into new markets and expand within existing ones. When governing authorities trust corporate actors, they are more likely to award them the access, approvals, and licenses that afford fresh opportunities for growth.



The "governance" part of the ESG equation has found its way more regularly and systematically into companies' business risk, compliance, and operational integrity – through corporate governance procedures, codes of conduct and policies, especially relating to legal and regulatory matters.

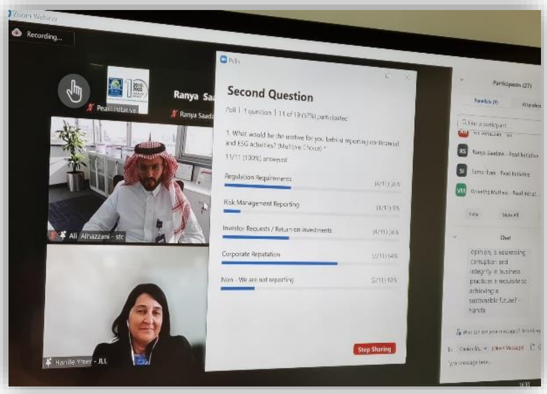
This session featured regional and international business leaders highlighting:

- Corporate Governance within Business Operations
- Integrity, compliance and risk as fundamental components of corporate governance
- Effective integration of ESG practices

Session Agenda

- Introduction to Pearl Initiative & Panelists by Ranya Saadawi — 5 minutes
- Panel Discussion by Danish Shamsi – 45 minutes
- Audience Q&A – 5 minutes
- Closing by Pearl Initiative - Executive Director Ranya Saadawi

The audience included senior management executives from the compliance, audit, governance, and legal, functions – in addition to policy makers.



Panellist list

Ali S. Alhazzani

Corporate Governance General Manager – stc

Passionate about Organizational Transformations, with 10+ years of experience in Organization Development, Corporate Governance and Human Resources Management at stc

Ali Managed/Participated in multiple transformational projects, working with variety of specialized global consultants in Business Transformations, Organization Development, Corporate and Investments Governance, and Human Resources.

Marwan Abdul Hak

Director at Governance Dynamics

Marwan has 21 years of experience working with the Big 4, corporate and government environments in Internal and External Audit. An expert in Fraud Management and Governance, Risk and compliance.

Marwan has built many Audit departments and was the Chief Audit Executive at Massar. He participated in QA projects regarding Audit Management, and the functions he managed were proudly subject to successful QA projects conducted externally and internally.

Hanifa Ymer,

Head of Sustainability Services MENA, Jones Lang LaSalle

Hanifa heads up JLL's Sustainability Consulting Services practice across MENA. She brings extensive experience and knowledge in sustainability, with 20 years of experience across the full suite of sustainability services, and across a broad spectrum of issues including climate change and energy; water management; health, safety and wellbeing; human rights; diversity and inclusion; responsible investment; responsible banking; and many other areas.

Danish Shamsi

Regional Business Development Manager - ACCA Middle East

A seasoned corporate sales professional, Danish works across multiple functions, including spearheading the regional employer strategy at ACCA, being the voice of the ACCA members and is responsible for supporting small- to medium-sized accounting practices in the region. Skilled at identifying new opportunities, Danish upholds the mandate of the organization to grow the global profile of accountancy in the region, profiling ACCA's services, features and benefits within new and existing markets, whilst continually developing and nurturing strategic relationships.

Highlights from the Session

- The panel discussion brought up relevant internal and external factors in corporate governance, and business operations including the risks and challenges associated, for organizations to resolve and be sustainable.

- Currently, financial reporting is provided with so much oversight on good governance in most cases, whereas sustainability reporting has still little oversight in governance. There is great opportunity for internal functions in all the organizations to start looking closer to sustainability and non-financial reporting.

- The financial cost of proper governance may seem to be amplified on short term view for the organization. However, its real value is reflected on medium to long run where it leads to sustainability and good prospects for the organization.

External Factors

- Market dynamics and competitors
- Financial Support and funds
- Competency of professional service providers
- Geographical and operational Locations
- Legal and regulatory issues
- Environmental and Social issues
- New innovations (Artificial intelligence, blockchains)

- The implementation of corporate governance requires attention to the operational risks associated, not only from financial side, however, also requires mitigation of cultural, legal, and regulatory challenges.

- To ensure the internal buy in for corporate governance, there needs to be training and workshops conducted to increase awareness on the importance of governance. Moreover, bringing in compliance experts with GRC capabilities is recommended.

Internal Factors

- Organizational structure, segregation of duties
- Cross-functional alignment & management commitment
- Team skills and competencies
- Adequate supply chain and distribution
- Internal policies and procedures, such as whistleblowing
- Performance management (KPIs) and succession planning
- Sustainability elements and reporting
- Business environment and culture
- Change awareness

- To mitigate cultural, regulatory, and financial risks, it is important to simplify, understand and embed different regulatory components within the business. The use of the performance management and governance tools will help implement adequate governance regulations and link it to standard compliance and mitigate the risks.

- Due to the rising complexity of operations, which are becoming multi-dimensional and interdependent, there is a need to catch the right opportunities by enhancing internal communication, creating efficiencies across the different departments, systems, and activities, and measuring their impact.

- Private accounts which are listed with the government are obliged to implement full-fledged compliance functions. Efforts need to be in place to work with private entities that are not listed, to support them with awareness to reach standard maturity levels in compliance function.

- The sustainability within an organization is directly affected by the satisfaction of the employees, where trainings and succession planning might seem like a high administrative cost on short term, however on long term it will support sustainability and will positively impact the Profit & Loss.

- Integrity is the value and identity by which organisations are defined and integrated, while educating their employees on the different implemented quality standards such as codes of ethics and conduct and having an acceptable tolerance level alarm.

- The key value for the integrity should reflect on operations and should be integrated with the ESG framework, to impact positively or negatively on the brand value of organization.

- When the culture of integrity is supported by the principles of ESG, it demonstrates good compliance with regulation that can exceed basic standard implementation.

- Integrity can fight fraud and corruption which affect negatively on the society.
- Integrity, compliance risk, in any business would add value when reporting on non-financial elements such as sustainability and ESG.
- ESG is fundamental, yet not the only element in corporate institutions required to achieve goals and objectives. There still needs to be strong strategy in place for different departments and human capital to have a sustainable business.
- There is a need for funding sustainability compliance, in addition to regulatory commitments for organizations to report it in public.
- Regulatory compliance should be seen in one bucket with operations, legislations and ESG. Both regulatory compliance and ESG Compliance should be reported similarly in public, and their commitment should go beyond Net Zero element.
- ESG Compliance should not necessarily devalue other compliance elements just because they're not regulated.
- The biggest challenge when embedding ESG, is awareness, while understanding the alignment of sustainability its impact and purpose is a key.
- Investors are pressuring the private sectors to start demonstrating ESG capabilities and credentials.
- There is good opportunity for the private sectors to communicate and commit with governmental agencies to regulate ESG elements and provide more trainings and workshops to realize what is the actual benefits.

Key Takeaways

- Governance is not a one size fits all. It needs to be tailored to specific business operations including its internal and external issues. A critical success factor is to assess these issues and understand how it interrelates together to come up with the appropriate governance framework.
- For a business model to succeed, innovation can be a great opportunity to moving away from siloed approach model to an integrated agile approach to mitigate the risks.
- ESG is a key measure that reflects on the brand of the company.
- We need to perform, but we need to perform with principles, we need to achieve but we need to achieve with integrity.
- Integrity, compliance, and risk are fundamental components of corporate governance.
- Governments should interact with private entities, monitor conflicts, and apply penalties to limit bribery. This can be achieved through independent external and internal audits and compliance to standards, to review major misstatements.
- Integrity should be in practice, adopted and committed by the organization, its individuals and its relevant third parties.
- The main aspects around sustainability is to drive the willingness to change and enhance corporate reputation.
- One act of bribery, money laundry or corruption can affect the organization and the relevant parties, especially if it jeopardizes the banking sectors or other financial donners.