



The What, Why and How of Family Constitutions Webinar

Webinar Outcome Report

The Pearl Initiative (PI) is the Gulf region's leading business-led, non-profit organization established in 2010 by regional business leaders in cooperation with the United Nations Office for Partnerships. PI promotes the business case for a corporate culture of accountability and transparency across a wide variety of stakeholders including MNCs, Family businesses, SMEs, Tech entities, youth through different programmes and initiatives. PI recently launched its Governance in Tech programme with the aim of raising awareness amongst tech entities within the Gulf region of the benefits of strong and innovative corporate governance capabilities.

The UAE Government issued the Family Companies Law on the 3rd of October 2022, with the aim of developing a comprehensive and accessible legal framework to regulate the ownership and governance of family business in the UAE. This new law marks a key milestone and a monumental shift in the ability of family firms to navigate issues of ownership, governance and succession through legal frameworks that are designed to enhance their sustainability, longevity, competitiveness, and agility.

On the 1st of March the Pearl Initiative, in collaboration with EY held a virtual session that delved into the what, why and how of family constitutions. This webinar acted as a follow up to a previous webinar that explored the new family companies law, and augmented the content of that webinar by delving into the family constitution that is now considered a legally enforceable document under the new family companies law. This session aimed to help family businesses understand how a well drafted family constitution can play in enabling family business sustainability and how the law upholds the constitution and supports the long-term sustainability and stability of family-owned businesses, as the family grows, and succession inevitably occurs.

The webinar was led by Yasmine Omari Director at EY Private. The Pearl Initiative extends their thanks and gratitude to Yasmine for her generous contribution of her time and her expertise.

Key Learnings & Insights:

Ownership Structure

- It is important to define the ownership structure and ensure that it considers the expansion of the family through generations
- As the business passes to next generations, it is important to manage communication between the relevant forums and take decisions at the right level.

Ownership Succession

- As the number of shareholders increases, it is important to look at different models to manage and communicate with them.
- Governance at the branch level can help to contain certain branches and ensure representation of all family shareholders appropriately.

Board Composition

- The board of directors is not the same as the shareholders assembly.
- Board composition should be diverse and include independent members to ensure that the right people are overseeing the management group.

Family Member Employment Policy

- There should be criteria for employing family members in the business to avoid any family sensitivities in the future.
- A process should be put in place to take out the family influence and ensure objectivity.

Dividend Policy

- It is important to create alignment and manage expectations on dividend policy.
- The right framework should be built around the potential pitfalls.

Exit Strategy

- It is important to figure out why family members want to leave and address their concerns without having them exit.
- Rules and parameters should be put in place for those who want to exit.

Family Council

- The family council is a forum to address border family matters and ownership matters that aren't necessarily the forum for the shareholders assembly.

Next Generation Involvement

- Funds can be set up to support next gen in their own pursuits.
- The next gen should be educated on the responsibilities of ownership and given the right training and opportunities.

Family Welfare

- It is important to have a duty to care for family members who may not be so well off.
- A family charity or philanthropy legacy can be set up to support this.

Family Office

- A family office can be built to support the family's needs, from concierge to private investment funds.
- Estate and tax planning is an important component of family offices.

Confidentiality Code of Conduct

- A confidentiality code of conduct should be put in place to ensure that family secrets are not divulged.
- It is important to know what is expected of the family and what they signed up for.

Overall, the webinar emphasized the importance of governance in family businesses and how it can help to prevent conflicts and ensure the longevity of the business.

To watch the full webinar [click here](#).