
Comparison of Corporate Governance within Gulf Cooperation Council Nations



InGovern Research Services
Corporate Governance – Shareholder Activism

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I. ABSTRACT

Corporate Governance has been gaining attention since last few years all over the world. Not just Asian, American and European countries, even the MENA region have started adopting the governance practices based on UK's best practices and other principles suggested by various international organizations.

The report* focuses on the corporate governance practices adopted by the Gulf Countries in the MENA region i.e. Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates.

A brief snapshot of the corporate environment in Gulf Countries is listed below:

Parameter Country	Population (2018)	GDP 2017 (USD)	Currency	Financial Regulator	Stock Exchange	Number of Listed Companies	Mar Cap (USD)
Bahrain	1.56 Mn	34.31 Bn	Bahraini Dinar	Central Bank of Bahrain	Bahrain Stock Exchange (Bahrain Bourse)	45	20.59 Bn
Kuwait	4.2 Mn	124.9 Bn	Kuwaiti Dinar	Capital Market Authority	Kuwait Stock Exchange	181	78.75 Bn
Oman	4.83 Mn	65.8 Bn	Omani Riyal	Capital Market Authority	Muscat Securities Market	119	21.1 Bn
Qatar	2.69 Mn	170.8 Bn	Qatari Riyal	Qatar Financial Centre Regulatory Authority	Qatar Stock Exchange	45	136 Bn
Saudi Arabia	33.55 Mn	689 Bn	Saudi Riyal	Capital Market Authority	Saudi Stock Exchange (Tadawul)	185	517 Bn
United Arab Emirates	9.54 Mn	407.6 Bn	United Arab Emirates Dirham	Securities and Commodities Authority	Abu Dhabi Securities Exchange, Dubai Financial Market	68 59	114.07 Bn 94 Bn

* The report is based on the Corporate Governance guidelines issued by the respective countries. Any other documents such as Companies Law, Central Bank Regulations etc were not considered for the said report

2. INTRODUCTION

2.1 BAHRAIN

The Government of the Kingdom of Bahrain, with the aim to attract investors and foster economic development in the country, has issued corporate governance principles for the companies listed on Bahrain Stock Exchange. Over the years, the Ministry of Industry and Commerce, in cooperation with the Central Bank of Bahrain and National Corporate Governance Committee has developed a Corporate Governance Code. The Bahrain Corporate Governance Code consists of nine main principles based on international best practices of corporate governance. The code states that the companies should follow 'comply or explain' principle, stating, in case of any event every company is expected to either comply with the code or explain the reasons for non-compliance. The code was published in 2010, to be effective from January 1, 2011 and must be complied by end of 2011.

2.2 KUWAIT

The Corporate Governance Regulations for companies listed on Kuwaiti Stock Exchange Market and non listed licensed companies was issued in June 2013, with the compliance application requirement extended from 2014 to end of 2016. The corporate governance relies on a set of 11 rules stating broad concepts which company should adopt. The rules include principles which are set of requirements and provisions related to the implementation of the governance rules.

2.3 OMAN

Oman was the first GCC country to implement the Corporate Governance Code in 2002, issued by Omani Capital Markets Authority. The latest Code for Corporate Governance for companies in Oman was issued in 2015, further updated in 2016. The Code focuses on 4 main pillars – transparency, accountability, fairness and responsibility. The Code for Corporate Governance is divided into 14 principles stating the regulations, roles, responsibilities, professional conduct of Board, committees, Directors, Executives, Company Secretary etc., applicable to all public listed companies on Muscat Securities Market.

2.4 QATAR

The Qatar Financial Markets Authority issued the initial Corporate Governance Code for Companies and Legal Listed Entities on the Main Market in 2009, further updated in May 2017. The Code was established based on principles and values adopted by various international and regional organizations

such as Group of Twenty (G20), Organization for Economic Cooperation and Development (OECD), International Corporate Governance Network (ICGN) and various others. The Code is divided into seven chapters further divided into 42 articles specifying regulations related to implementation, control systems, transparency and disclosures, stakeholder right and other general provisions.

2.5 SAUDI ARABIA

The Kingdom of Saudi Arabia (KSA), a sovereign Arab state in Western Asia constitutes the bulk of the Arabian Peninsula. The Saudi Stock Exchange or Tadawul is supervised by the Capital Markets Authority (CMA). There are two markets for listed securities on Tadawul – TASI and NOMU. Saudi Arabia is the first country in the Gulf region to launch a parallel market, which is generally seen as a platform to facilitate the listing of small and medium sized companies (SMEs). NOMU, the parallel market in Saudi Arabia, aims to increase the listed companies' access to capital not just for SMEs but all companies. CMA has issued the Corporate Governance Regulations for the companies listed on TASI market. The Regulations provide detailed provisions on composition of Board of Directors, committees, their competencies, responsibilities, external auditors, internal control procedures etc. CMA also highlights that the new Regulations enter into effect on April 22, 2017 except for provisions set forth in the CMA announcements which enter into force on December 31, 2017.

2.6 UNITED ARAB EMIRATES

The Corporate Governance Code was first issued by the UAE Securities and Commodities Authority in 2007. The Companies were granted a grace period of 3 years ending on 30 April 2010, to comply with the requirements of the Code. Post the global financial crisis in 2008, SCA intervened by updating the code to re-establish the investors' confidence in the financial markets in 2009. The governance rules were further updated in April 2016, to be effective from May 1, 2016 repealing the code released in 2009. The code is divided into 3 main chapters – institutional discipline standards, corporate governance and general provisions. The code specifies that the provisions stated in chapter named 'Corporate Governance' is applicable to local public shareholding companies listed on the Market except banks, finance companies, financial investment companies, money changers and monetary intermediaries who are subject to provision of Central Bank.

3. COMPARISON OF GOVERNANCE REGULATIONS

3.1 Board of Directors

Sl.	Country	Board Size	NED	ID	Directorship in other company	Meeting	Quorum	Tenure of director	Any other requirement
1.	Bahrain	Max 15	Majority	Min 3	3	4	INA	6	(a)Independent Chairman (b)Chairman of Board should not be CEO
2.	Kuwait	Min 5	Majority	No Specific number	(a) Chairman – 1 company (b) Member – 5 companies (c) Excluding any similar or rival company	6	(a) At least one independent director (b) Non independent must attend at least four meetings (c) Independent directors must have 75% attendance	3	(a) ID should not exceed half the number of the Board members, where it is not required for the independent member to be one of the company's shareholders
3.	Oman	INA	All	One third with minimum 2	INA	4	INA	INA	INA

Sl.	Country	Board Size	NED	ID	Directorship in other company	Meeting	Quorum	Tenure of director	Any other requirement
4.	Qatar	INA	Majority	One third	(a) Chairman and VC – 2 companies (b) Board member – 3 companies (c) Managing Director - 1 company	6	Majority along with presence of either Chairman or VC	INA	(a) 21 years age (b) Must not be sentenced to criminal penalty or other crime (c) Shareholder owning minimum shares specified in AOA (d) Two seats for Minority and employees in Board
5.	Saudi Arabia	Min 3 Max 11	Majority	One third or two, whichever is greater	5	4	Majority or as per AOA	3	INA
6.	United Arab Emirates	INA	Majority	One third	INA	4	Majority	To be mentioned in AOA	(a) At least 20% female Directors in Board (b) Appointment of Compliance Officer (c) Board member must have at least five-years' experience in the field of Company's operation

NED – Non Executive Director
ID – Independent Director
INA – Information Not Available

3.2 Audit Committee

Sl.	Country	Size	Independent Members	Meetings	Quorum	Other Requirement
1.	Bahrain	3	Majority	4	INA	(a) Independent Chairman (b) Recommended to adopt whistleblower policy (c) All Non executive members
2.	Kuwait	3	At least 1	4	INA	(a) Non executive Board member as Chairman (b) Chairman of board shouldn't be a member
3.	Oman	3	Majority	INA	Majority of Independent Director	(a) Independent Chairman (b) Chairman of Audit Committee must not be member at any other committee
4.	Qatar	3	Majority	6	Majority	(a) Independent Chairman
5.	Saudi Arabia	3-5	At least 1	4	Majority	(a) Independent Chairman (b) No Executive Director
6.	United Arab Emirates	3	Majority	4	INA	(a) At least 3 Non Executive Director (b) Chairman of board should not be a member (c) Independent Chairman

INA – Information Not Available

3.3 Nomination or Remuneration Committee

Sl.	Country	Size	Independent Members	Meetings	Quorum	Other Requirements
1.	Bahrain	3	Majority	2	INA	(a) Independent Chairman
2.	Kuwait	3	At least 1	1	INA	(a) Non executive Board member as Chairman (b) Chairman of board shouldn't be a member
3.	Oman	3	INA	2	INA	INA
4.	Qatar	3	INA	INA	Majority	INA
5.	Saudi Arabia	3-5	At least 1	2	Majority	(a) Independent Chairman (b) No Executive Director
6.	United Arab Emirates	3	At least 2	1	INA	(a) At least 3 Non Executive Director (b) Chairman of board should not be a member (c) Independent Chairman

INA – Information Not Available

3.4 Other Provisions

Sl.	Country	Prohibition from combining positions	Other Committee Requirements	Disclosure Compliance	Shareholder Rights	Other stakeholder rights	External Auditor & Tenure
1.	Bahrain	INA	(a) Corporate Governance Committee (b) No executive director (c) N & R committee can be combined	Yes	Yes	INA	INA
2.	Kuwait	(a) Chairman of Board must not be the same as CEO. (b) Chairman of board should not be member of any committee	(a) Governance Committee (b) Risk Committee (c) No information on combination of N & R committee	Yes	Yes	Yes	Tenure - INA
3.	Oman	(a) Chairmanship at 2 committees (b) Chairman at Board and Audit Committee (c) Chairman of AC cannot be member at any other committee (d) CEO of parent and subsidiary should not be same	INA	Yes	Yes	INA	4 years plus a cooling period of two years
4.	Qatar	(a) Chairman of board should not hold any executive position (b) Chairman of Board should not be member of AC, NRC (c) Any person chairing more than one committee (d) Chairman of AC and any other committee should not be same	(b) N & R committee can be combined	Yes	Yes	Yes	5

SI.	Country	Prohibition from combining positions	Other Committee Requirements	Disclosure Compliance	Shareholder Rights	Other stakeholder rights	External Auditor & Tenure
5.	Saudi Arabia	(a) Chairman of Board cannot hold any executive position (b) Appointment of CEO as Board Chairman after one year of end of his service (c) Chairman of Board and AC should not be same (d) Chairman of Board should not be chairman of AC, NRC, Risk committee	(a) N & R committee can be combined (b) Independent Chairman (c) Risk Committee (2 meetings)	Yes	Yes	Yes	Tenure - INA
6.	United Arab Emirates	(a) Chairman of Board must not hold any executive position (b) Chairman of Board should not be member of any committee	INA	Yes	Yes	Yes	Tenure - INA

INA – Information Not Available

N & R Committee – Nomination Committee and Remuneration Committee (separate)

NRC – Nomination and Remuneration Committee (combined)

AC – Audit Committee

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