

July 7th, 2013

Corporate Governance

SARAH VAN DER WALLE
DR. OTMAR OEHRING

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Event: Seminar

Date, Place: June 24th, 2013, Talal Abu-Ghazaleh Knowledge Forum at Talal Abu Ghazaleh University (TAGIUNI)

Organization: Konrad Adenauer Stiftung – Amman Office, Talal Abu-Ghazaleh Organisation

Program

Monday 24th of June, 2013

Welcome Speeches:

Ms. Nidaa Al Shraideh

Project Manager
Konrad Adenauer Stiftung
Amman Office
Amman - Jordan

Mr. Mustafa Nasreddin

Senior Executive Director
Talal Abu-Ghazaleh Organization
Amman-Jordan

Dr. Otmar Oehring

Resident Representative
Konrad Adenauer Stiftung
Amman Office
Amman – Jordan

Keynote Speech: The Role of Corporate Governance in the Economic Development

HE Dr. Talal Abu Ghazaleh

Chairman and Founder
Talal Abu-Ghazaleh Organization
Amman -Jordan

Discussion

Konrad-Adenauer-Stiftung e.V.

First Session:

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Moderator:

June 24th, 2013

Mr. Fayeq Hijazin

Media Consultant
Economic Reporter
Petra News Agency
Amman - Jordan

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Corporate Governance and its Impact on the Level of Disclosure (Amman Stock Exchange)

HE Mr. Mohammed Saleh Hourani

Chairman of the Board
Jordan Securities Commission
Amman – Jordan

Corporate Governance in Jordan: The Case of Listed Companies in Amman Stock Exchange

Dr. Muna Al-Mwalla

Vice Dean
Faculty of Economics &
Administrative Sciences
Yarmouk University
Irbid - Jordan

Discussion

Second Session:

Moderator:

Ms. Nidaa Al Shraideh

Project Manager
Konrad Adenauer Stiftung
Amman Office
Amman – Jordan

The Role of Corporate Governance in the Fight Against Financial and Administrative Corruption

Fadi Daoud

Deputy Chief of Party of the
Fiscal Reform II Project
U.S. Agency for International
Development
Amman - Jordan

Corporate Governance Models Around the World

Dr. Iyad Takroui

CEO
AZ International
Amman – Jordan

Discussion

Final Remarks and Conference Closing

Mr. Mustafa Nasereddin

Senior Executive Director
Talal Abu Ghazaleh Organization
Amman – Jordan

AUSLANDSBÜRO JORDANIENJune 24th, 2013SARAH VAN DER WALLE
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Recent reforms, liberalisations, and privatisations by the government in Jordan supported the growth of the country's economy. However, at the same time this growth combined with a free market and the globalization has challenged various businesses. To help these companies and to make them more sustainable the Konrad Adenauer Stiftung – Amman Office (KAS) together with the Talal Abu Ghazaleh Organisation (TAG-Org) organised a seminar on the topic of "Corporate Governance" on June 24th, 2013 as many problems can be tackled, or even eliminated, by adopting sound corporate governance systems.

Corporate governance characterizes the regulation framework for managing and monitoring actions, policies, and decisions of a company. It further refers to the structures, processes, principles, and laws that govern the management of a company. The key purpose of corporate governance is to provide a structure through which corporations set and pursue their objectives while reflecting the context of the social, regulatory, and market environment. That is to say accountability, transparency, fairness, disclosure, and responsibility which are core values that are relevant to the success of all businesses, irrespective of the area they operate in.

Opening Speeches

Ms. Nidaa Al Shraideh, Project Manager of KAS, opened the seminar by welcoming all the participants and thanking them for their interest in the subject. She especially welcomed and thanked the speakers for their contribution that promised to make this event highly interesting, informative, and beneficial for all the attendees. She explained the goals and work of TAG-Org and KAS and emphasised the good cooperation of both organizations.

Subsequently, **Mustafa Nasreddin**, Senior Executive Director of TAG-Org, welcomed and thanked all attendees for their participation and interest in the topic. He spoke about TAG-Org and the work and various programs this organization has done all over the world. He emphasized the good cooperation and relation with KAS in the past, which led to the realization of several successful programs including this second seminar on corporate governance. He further stressed how important it is to raise awareness of the system of corporate governance and the important role education plays in implementing these principles.

Dr. Otmar Oehring, Resident Representative of KAS Amman, emphasised the challenges companies in Jordan are facing that are enlarged or influenced by the recent global crisis and the consequences of the Arab Spring. He further mentioned that the principles of corporate governance have been analyzed and well studied by several international organizations and institutions, e.g. the International Monetary Fund, the World Bank and the OECD, with some of them having issued principles of Corporate Governance. Dr. Oehring pointed out that there is still a lot of work that has to be accomplished in order to apply these guidelines to the special needs of the Jordanian economy. He concluded by stating that he hopes that this seminar is helpful in supporting the development of Jordanian companies and the Jordanian economy as a whole.

Keynote Speech

HE Dr. Talal Abu Ghazaleh, Chairman and Founder of TAG-Org, gave the keynote speech for this seminar. To start with he stressed the huge importance family businesses have for the Jordanian economy; 80 percent of the Jordan's labor force can be found in small businesses - of which the majority are family businesses. In order to make these businesses flourish and grow it is

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important to train people on the topic of integrity. Here, training on fighting corruption and making the inner processes more transparent are essential as mismanagement and stealing are the main problems within companies. He further stressed the meaning and the importance of education. With the right training and knowledge principles of corporate governance can easily be implemented. Therefore, however, the universities need to be a good example. In the end he stated that he wishes to form a committee in which every participant of the seminar is welcomed to propose a law on corporate governance that should be submitted to the parliament. In his point of view, all changes that need to be made should be seen as a tool that can make the economy grow and raise profits. He stressed that the focus needs to lie on the economic benefit which always needs to be the ultimate goal of all reforms and changes.

Session 1:

Corporate Governance and its Impact on the Level of Disclosure (Amman Stock Exchange)

He Mr. Mohammed Saleh Hourani, Chairman of the Board Jordan Securities Commission, gave a presentation on the different measures that have already been taken to implement corporate governance in Jordan.

HE stressed that in an international comparison Jordan is still lacking behind in issuing corporate governance principles, whose main aim should always be to protect the client's interest. Until now there have only been some guidelines which aren't binding, thus, the board of directors has to enforce these principles. The second issue he emphasized was the fact that 30-35 percent of the shareholders usually control the whole company. However, it is crucial to give the other shareholders a voice too. Disclosure is an important way

of informing them and guaranteeing their rights - everything has to be reported back to the security board. In order to really implement and guarantee this process, non disclosure needs to be punishable by law that binds all companies. Currently, there is still a lack of qualified staff to overview or monitor principles of Corporate Governance. Therefore, the education and training of competent staff is a fundamental task that needs to be tackled in the future. He also encouraged the formation of a committee to put pressure on the government.

Corporate Governance in Jordan: The Case of Listed Companies in Amman Stock Exchange

Dr. Muna Al-Mwalla, Vice Dean of the Faculty of Economics and Administrative Sciences of the Yarmouk University, presented her recent study on the different measures to which listed companies comply with the principles of Corporate Governance.

Dr. Al-Mwalla surveyed 57 companies along the main indicators consisting of stakeholders' rights; transparency and disclosure; audit committee; as well as responsibility and accountability of the board. Her findings showed that companies seek to further implement corporate governance or have already done so extensively. Only two companies declared that they did not abide by corporate governance principles. Therefore, she was very optimistic with her findings. On the downside she stated that her research showed that the biggest problem is still to reach all shareholders. One reason is the lack of information or communication among the various actors. She conveyed that a governmental law is strongly needed to improve the situation and to decrease the number of insolvencies. Dr. Al-Mwalla finished with another finding from her study: The more corporate governance a company applies, the higher its profits.

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In the following discussion participants asked further questions about her findings and stated their opinion. People criticized that until now, without a governmental law, corporate governance principles are only a moral conduct without a way to enforce them.

Session 2:

The Role of Corporate Governance in the Fight against Financial and Administrative Corruption

Mr. Fadi Daoud, Deputy Chief of the Party of the Fiscal Reform II Project (of the U.S. Agency for International Development) gave a presentation on the topic of corporate governance in general.

At the beginning he defined the principles of corporate governance which describes the exercising of foresighted and free management and the administrative relations that regulate the relations between the shareholders and the directors' board in order to protect everybody's interests and to guarantee profit. He referred to the four pillars of Good Governance: management, board, internal audit, and external audit. All these need to be neutral and cooperate. Mr. Daoud stressed that the awareness that these principles exist needs to be raised and knowledge about their functions needs to be communicated, too. Therefore, he concluded his presentation with the recommendation that all companies should issue a written code of conduct.

Corporate Governance Models around the World

Dr. Iyad Takrouri, CEO of AZ International, gave a presentation on different corporate governance models all over the world. He especially focused on the rights and duties of shareholders, stating that these duties need to be clearly defined in order to protect everybody's interests.

Dr. Takrouri divided the means to control a company into internal and external corporate governance principles. The internal corporate governance control consists of a Magna Charta, a company Charta, company bylaws or something similar. Among the external corporate governance control he numbers amongst other things competition; creditors; international and governmental regulations; media and press; as well as labor force. After explaining these basics he described different models of guiding a company, e.g., the German *Aktiengesellschaft*, the Anglo-American model, the Indian Model, and the Multi-stakeholder Government Model. He concluded by naming different global initiatives for enforcing Corporate Governance, which are all not binding but rather a guideline.

The session ended with a discussion in which the participants widely commented on the speakers contributions and vividly discussed the different systems and means to enforce corporate governance control by law.

Final Remarks and Conference Closing

Mr. Mustafa Nasreddin thanked all participants for their interest and the vivid discussion they made possible with their good and interesting remarks and questions. He furthermore called upon the participants to sign up to be part of either the committee which works on a proposal for a national law on corporate governance or the committee which works on the improvement of universities with the means of corporate governance. He emphasized that these proposals can only be a suggestions or an advice and will not be binding, but will be an important step towards the introduction of binding laws. He concluded by thanking the speakers as well as KAS and voiced his hopes that the good cooperation between the two organizations will continue in the future.