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GCC

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## Power matters: A survey of GCC boards

In association with



**HAWKAMAH**  
THE INSTITUTE FOR CORPORATE GOVERNANCE

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## Foreword by Dr. Nasser Saidi

Hawkamah, The Institute for Corporate Governance, as a corporate governance advocate for the region, is witnessing an unparalleled interest from regional companies and regulators on corporate governance.

As the region is experiencing unprecedented growth rates, with regional companies engaged in cross border investments and increasing interest from regulators and international institutional investors for greater transparency and accountability, the debate on how the region should move forward on corporate governance is advancing.

And there seems to be traction and increased public awareness: one need only look at the number of conferences being held on corporate governance all over the region, and the number of codes and guidelines being issued and corporate governance task forces being formed from Morocco to Yemen.

Corporate governance, in its simplest definition, is the way corporations are steered, directed, managed, and controlled. And at the very heart of corporate governance is the Board of Directors.

The publication ***Power Matters: A Survey of GCC Boards*** produced by The National Investor with the support of Hawkamah, is a ground breaking, first ever empirical research that analyses boards of some 582 companies in the GCC, with 3,493 individuals occupying 4,254 board seats of listed companies in the Gulf. ***Power Matters*** identifies some of the key trends in the region's boards, particularly on board composition, the participation of women in boards, and the role of families on boards.

Good board practice calls for a manageable board and a board with some independence. While our boards are generally manageable, the region still has ways to go in building more independence in the region's board rooms. The representation of women in boards is still low compared to international benchmarks, despite the growing number of Arab women entrepreneurs<sup>1</sup>. Families still dominate some of the boards. Interestingly and contrary to widespread pre-conceptions, cross-board membership on boards of listed companies is limited: across countries in the GCC 80% to 90% of individual directors are on a single board, with most cross-board representations being on two boards.

Despite the above observations, the region is far from unique in these trends, particularly compared to other emerging economies. Over 85% of EU and US businesses are family run<sup>2</sup>. Family run businesses constitute 40% of the US S&P 500 universe<sup>3</sup>. In emerging markets, family businesses tend to dominate stock exchanges, with the market value of

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<sup>1</sup> World Bank Enterprise Survey Data

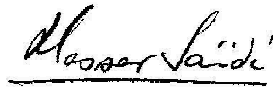
<sup>2</sup> See Family Business Network

<sup>3</sup> See Nancy Upton and William Petty, "Venture Capital Investment in Family Business," *Venture Capital*, 2000, Vol. 2, No. 1, pp. 27-39

family-owned firms representing more than 60% of the total equity market value of the top 20 firms. Similarly, women membership in Boards in both developed and emerging markets is poor: women need to be empowered through increased labour force participation as well as board representation.

However, that is not to say that the region should not benchmark itself against international standards and best practices. The aim of this publication is to stir the debate further on Board composition in the GCC companies, and as the region moves forward figure out what would be the best strategy to address these challenges.

Hawkamah hopes that these kinds of publications and research will spur more focus on the corporate governance gap in the region, and facilitate more action to further diversify our board rooms, to globalize the outlook of our boards, and to support and expand the wealth creation role that boards play in the region. As with The National Investor, Hawkamah stands ready to work with various stakeholders to fill the corporate governance gap, and move the region forward.

A handwritten signature in black ink, reading "Nasser Saidi", with a horizontal line underneath it.

Dr. Nasser Saidi  
Executive Director  
Hawkamah Institute for Corporate Governance

## Executive summary

Table 1: Summary information about GCC company boards and summary country data

	Average board size	Number of companies <sup>1</sup>	Avg Mkt Cap (\$m) <sup>1</sup>	Start of exchange operations	Directors on a single board	Population '07 (m)	GDP / capita '07 (\$)	Female board seats	Total Board seats	%women on boards	Women in govt <sup>2</sup>
Abu Dhabi	7.7	62	1,926	2000	82.8%	1.4	68,462	3	479	0.6%	22.5%
Bahrain	8.8	46	815	1989	89.8%	0.8	24,220	4	402	1.0%	2.5%
Dubai	6.7	39	2,390	2000	85.7%	1.4	33,358	3	259	1.2%	22.5%
Kuwait	6.2	177	1,010	1983	84.3%	3.4	32,450	30	1,101	2.7%	1.5%
Oman	7.2	128	145	1988	79.6%	2.7	14,610	21	905	2.3%	0.0%
Qatar	8.5	38	2,413	1997	78.0%	0.9	67,710	1	322	0.3%	0.0%
Saudi	8.4	94	4,156	1984	87.0%	24.3	15,330	1	786	0.1%	0.0%
<b>GCC total</b>	<b>n/a</b>	<b>584</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>37.3</b>	<b>18,797</b>	<b>63</b>	<b>4,254</b>	<b>1.5%</b>	<b>n/a</b>
France	n/a	100	28,810	n/a	n/a	61.7	33,229	n/a	n/a	6.0%	17.7%
Germany	n/a	110	13,485	1585	n/a	82.6	33,511	n/a	n/a	10.0%	26.7%
Italy	n/a	295	4,494	1808	n/a	58.2	30,693	n/a	n/a	2.0%	15.5%
Norway	n/a	217	1,618	1818	n/a	4.7	52,913	n/a	n/a	22.0%	37.9%
Spain	n/a	145	8,330	1831	n/a	45.2	29,750	n/a	n/a	3.0%	29.6%
Sweden	n/a	303	3,340	1863	n/a	9.2	36,589	n/a	n/a	20.0%	47.3%
UK	n/a	102	28,108	1801	n/a	60.1	35,034	n/a	n/a	10.0%	19.3%
USA	n/a	500	23,346	1792	n/a	302.1	45,824	n/a	n/a	13.6%	16.2%

Sources: Stock market authorities, TNI Investment Research, Company accounts, Reuters, Freedom House, International Parliamentary Union, European Professional Woman's Network, Heritage Foundation, Transparency International

Notes:

1/ Number of companies and average market cap for GCC exchanges are for the entire exchange and not only main index. The following indices were used for other markets: Euronext 100 (France), Xetra HDax (Germany), Milan All Share (Italy), Oslo All Share (Norway), Madrid Mercado Continuo (Spain), Stockholm All Shares (Sweden), FTSE 100 (England), S&P500 (USA)

2/ Women in government is average female representation in upper and lower houses of parliament (International Parliamentary Union)

## Executive summary

### **Last year we surveyed UAE boards of directors**

One year ago, we surveyed the board composition of some 93 listed companies in the UAE. We published the results in our April 2007 piece entitled “It’s a family affair”. At the time, we were positively surprised by the reasonable size and the lack of visible cross-board memberships of UAE boards. The results also made apparent a correlation between the size and level of development of an Emirate, and the resulting structure of its company boards. It was the first time a survey captured such data.

### **This year we look at another 500 boards across the GCC**

This year, we take the analysis to the next, GCC level. We have mapped 3,493 individual board members occupying 4,254 board seats across 582 listed companies. Our survey has now become regional, which means it covers five additional countries compared to last year. Again, this is the first ever such analysis across the region, and the results are somewhat surprising.

### **A deeper scope of work including the “gender” analysis**

In addition to looking at board sizes, cross-board memberships and the concentration of family power, we analyse the gender dimension by measuring the proportion of women directors. We also try to understand what impacts the level of participation of women in the economy.

### **Revised, market cap weighted, family power ranking**

Finally, we bring a revised version of the family power ranking: a GCC classification of the ten most influential families by market, as measured by the number of board seats they own and weighted by their share of the local market capitalisation. We find that prominent families usually associated with the leadership of a country or Emirate are often under-represented on the boards of public companies, except in Qatar.

### **Five main conclusions**

We extract five main conclusions from this second round of statistical analysis: 1/ Board size is a function of multiple parameters, only one of which being company size, 2/ Female board presence is low, but not as much as we thought, 3/ Female board presence depends on multiple parameters, of which social and religious are the most important, 4/ Individual power seems fairly diluted in the region but family power is very high, and 5/ There appears to be significant discrepancies across the GCC.

## A quick word on methodology

This is a study of Board of Directors in the GCC

### What is this about?

The work contained in this publication is a study of the composition of Board of Directors (BoD) of publicly listed companies. Our area of coverage is the Gulf Cooperation Council (GCC) region – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Due to the co-existence of two separate stock exchanges in the UAE, we have clearly and deliberately distinguished Abu Dhabi from Dubai, throughout this analysis.

We examine board composition and economic power concentration

### What is our purpose?

We assume that company directors are economically powerful, particularly in this region of the world. Furthermore, we believe that families in the Gulf have been at the core of political and economic influence. Our purpose is to understand the mechanics of such power and of family influence. In addition, we take a look at the role of women. Throughout, we examine the nature of board composition.

We have reviewed 4,254 directors across 582 companies

### How did we do it?

Our initial task consisted in compiling the names of all board members of nearly every listed company in the GCC. This meant downloading and processing the annual reports of 582 companies in order to arrive at a final, raw list of 3,493 names of individual board members occupying a total of 4,254 board seats.

Once that was done, we were able to analyze the numbers, in order to extract meaningful conclusions about board composition, corporate governance, and the distribution of family power across the region.

Companies with multiple GCC listings have only been considered once, in their home market. We have included in our sample some GCC-listed companies with home listings outside the region (Egypt or Sudan). Some companies, for which information about directors was unavailable, have been excluded from our study.

Our information sources are public and straight-forward

### What sources of information did we use?

Most of the sources we used are self-explanatory and are presented throughout this piece. In particular, we have made extensive use of company annual reports. In all cases, we have exclusively used publicly available information.

Because of the time required by companies to publish their annual reports, as well as the delay involved in processing board information on such a large universe of companies, our analysis is based on slightly outdated information. By the time you read this, some board re-shuffling has already taken place. However, we believe that the general trends we identify are still intact, and our conclusions remain unchanged by this timing element. In other words, this study is little time sensitive.

## Size matters

Our first layer of analysis consisted in looking at the size of board of directors in the Gulf region. Empirical evidence suggests that there is no ideal size. Also, a study by the Columbia Business School which surveyed board members attending an executive course on enhancing financial integrity concludes that the optimal size of boards should be dictated by company size. A generally accepted number lies between 8 and 12 members.

### Board size: no uniformity across the GCC

Year on year, average board sizes have decreased slightly in the UAE

The following table summarises our findings about board sizes in the Gulf region by exchange. In an immediate comparison to the numbers we unveiled last year about UAE board of directors, it appears that average board size of DFM-listed companies has decreased from 6.9 to 6.7. In Abu-Dhabi, the trend is similar with average board size of ADASM-listed companies decreasing by a comparable proportion, from 7.9 to 7.7.

Table 2: Statistics about board size by GCC exchange – Board data collected in November 2007

Exchange	Mean	Max	Min	Median	Mode	Number of Co.	Mkt Cap (\$b)	Avg Mkt Cap (\$m)	First trade
Abu Dhabi	7.7	15	3	7.5	7.0	62	119.4	1,925.8	2000
Bahrain	8.8	15	5	9.0	8.0	46	37.5	815.2	1989
Dubai	6.7	11	3	7.0	7.0	39	93.2	2,389.7	2000
Kuwait	6.2	11	3	6.0	5.0	177	178.8	1,010.2	1983
Oman	7.2	12	3	7.0	7.0	128	18.6	145.3	1988
Qatar	8.5	12	4	8.5	7.0	38	91.7	2,413.2	1997
Saudi	8.4	12	2	9.0	7.0	94	390.7	4,156.4	1984

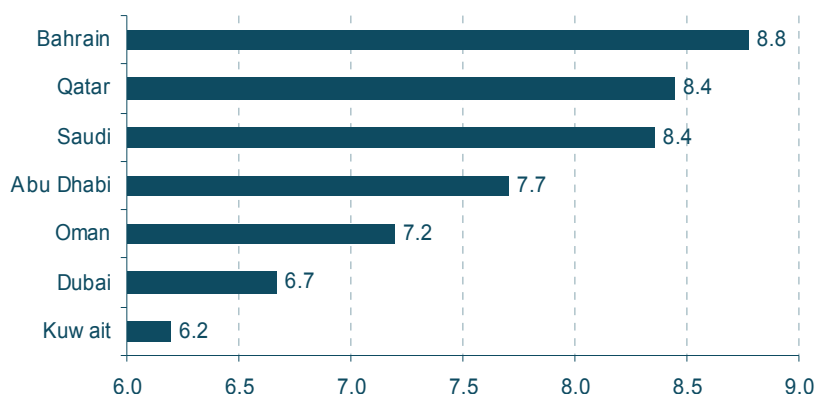
Sources: Stock market authorities, TNI Investment Research, Company accounts, Reuters  
Market capitalisations are closing prices at 25 Feb 2008

There are significant variations in board sizes across the region

The first observation about the region from this year's statistics is that there seems to be a significant variation between board sizes across geographies. An average Bahraini board of 8.8 members is 40% larger than an average Kuwaiti board of 6.2. Similarly, the maximum size of boards in Abu Dhabi (15) or Bahrain (15) is nearly 40% larger than in Dubai (11) or Kuwait (11). Finally, the smallest boards in Bahrain dwarf Saudi Arabia's smallest boards by 2.5 times.

## Size matters

Chart 1: Average GCC company board size by exchange



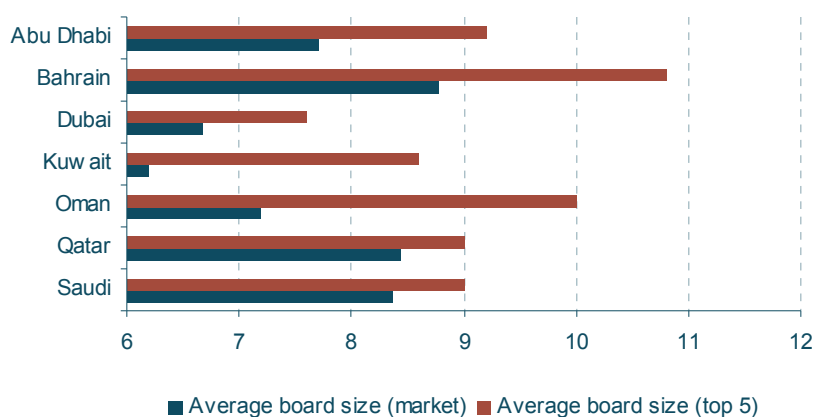
Sources: Stock market authorities, TNI Investment Research, Company accounts

The legal framework provides one explanation for differences in board size

What explains such discrepancies in board sizes between geographies? The first explanation has to do with the legal framework. In Abu Dhabi, the Companies Law states that the board of a Public Joint Stock Company should include 3 to 15 members, while in Saudi the corresponding numbers are 3 and 11. In Kuwait, the only mention is a minimum size of 3 members. This information was not readily available for all markets across the region, and we also found some contradictions in the legal texts. But beyond such legal differences, what determines whether a given GCC market should have relatively smaller or larger boards?

### Very large companies have larger boards

Chart 2: Average board size - All companies vs. largest five, by market



Sources: Stock market authorities, TNI Investment Research, Company accounts

## Size matters

The five largest companies in each market have board sizes significantly above their market's average

We have looked at the average board sizes of the top five companies by market capitalisation, in each exchange. The results are unambiguous: on average, the five largest companies have average board sizes well above the average of their respective markets. This suggests that larger companies will have larger boards.

We tested this argument further, and calculated the correlation of board size and market capitalisation for all companies in our universe, but found no statistical evidence of such a correlation. What to do with such conflicting information? One set of data tells us that larger companies have larger boards, while the other disconfirms this.

The correlation between company size and board size is not linear

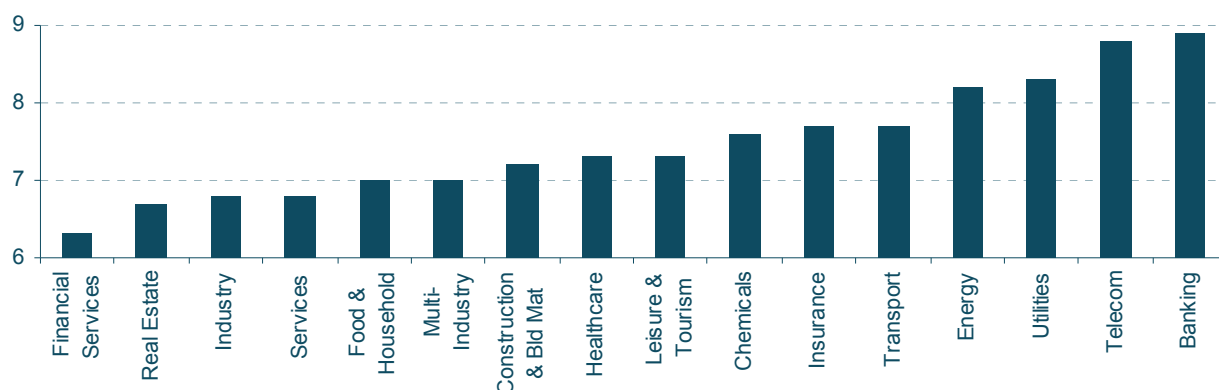
We conclude simply that the argument is valid, but only above a certain threshold. In other words, very large companies do tend to have a board which is larger than average, but this relationship is not linear. Intuitively, it makes sense to conclude that this relationship is non linear, otherwise very large corporations like Microsoft or General Electric would have gigantic, unrealistic board sizes.

Finally, we asked whether there may be a sector bias to the relationship between board and company size. This question led us to look at the distribution of board sizes by sector.

### Which sectors have the largest boards?

Looking at the board size data by sector shows a clear bias towards Banking, Telecoms, Utilities and Energy.

Chart 3: Average GCC company board size by sector

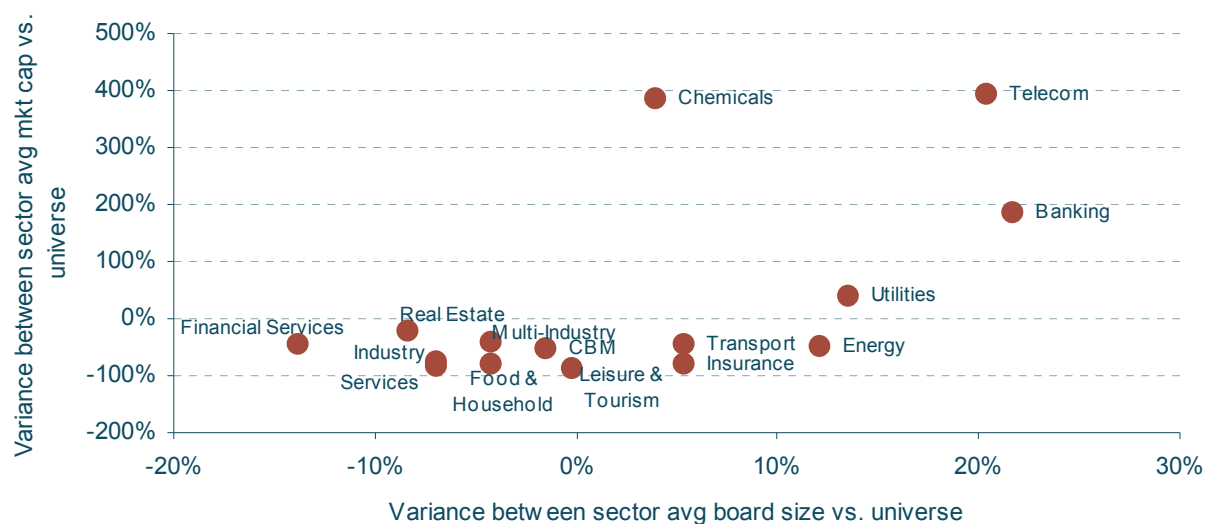


Sources: Stock market authorities, TNI Investment Research, Company accounts

In order to make this size bias more apparent, we have compared next the average market capitalisation and board size of each sector, to the average of the whole universe.

## Size matters

Chart 4: Relationship between market capitalisation and board size, by sector



Source: TNI Investment Research

What this scatter diagram now shows is that companies with market capitalisations significantly larger than average (in sectors like Telecoms, Banking, Chemicals) tend to have significantly larger boards, thus confirming our earlier observation.

In addition, one might add that this apparent sector bias may be explained by the fact that some activities are more human-capital intensive and more regulated, thus requiring more oversight. In larger, more regulated sectors such as the Banking industry, local and international regulation may subject corporations to more committees (compensation, compliance, audit, etc.), therefore requiring more board members to staff such committees.

### Four conclusions on GCC board size

Optimal board size is company specific and depends on many factors. Board quality is key

As we highlighted last year in our previous publication about UAE boards, there is no straightforward answer as to ideal board size. A board too small provides little leverage, while a board too large is presumably not nimble enough. A very large board may at first look dysfunctional, but may be constituted of members with a larger than average level of dedication and involvement, thus making it more efficient than a smaller one.

## Size matters

This new study of GCC board sizes uncovers the following four realities:

- 1 Strong discrepancy across the GCC - There are significant differences in board sizes across the GCC.
- 2 Board size depends on multiple parameters - The explanation of such differences is not straight-forward, as board size is a function of multiple parameters. Some such parameters are specific to the GCC region.
- 3 Very large companies have larger boards - There is no linear relationship between company size and board size, but very large companies have larger boards than average.
- 4 Large, highly regulated sectors tend to have larger boards - Sectors which are human-capital intensive and highly regulated tend to have larger boards. We believe that additional testing may bring to light a relationship between the number of board committees and board size.

Beyond size, an effective board should be both legitimate (represent all significant shareholder interests and perspectives) and credible (knowledgeable and fair), which suggests that board size does not give insight into board quality.

## Gender matters

Female representation on GCC boards is very low, as expected

With Saudi women currently pushing for their right to drive, the diversity battle in the GCC is quickly taking shape. In this context, we thought it would be interesting to measure the extent of female participation and representation in the economy.

### How powerful are women?

Our sample of 4,254 board seats contained 63 held by women, representing 1.5% of the total. The results are summarised in Table 3 below. While a comparison with other emerging markets would have been interesting and educational, we were unable to find the relevant data. We have included the proportion of women in government bodies as an interesting complement to board representation.

Table 3: Female economic and political representation, GCC and selected global comparisons

	Female board seats	Total board seats	% women on boards	Women in gov'tment <sup>1</sup>	Start of exchange operations
Abu Dhabi	3	479	0.6%	22.5%	2000
Bahrain	4	402	1.0%	2.5%	1989
Dubai	3	259	1.2%	22.5%	2000
Kuwait	30	1,101	2.7%	1.5%	1983
Oman	21	905	2.3%	0.0%	1988
Qatar	1	322	0.3%	0.0%	1997
Saudi	1	786	0.1%	0.0%	1984
<b>GCC total</b>	<b>63</b>	<b>4,254</b>	<b>1.5%</b>	<b>n/a</b>	<b>n/a</b>
France	n/a	n/a	6.0%	17.7%	n/a
Germany	n/a	n/a	10.0%	26.7%	1585
Italy	n/a	n/a	2.0%	15.5%	1808
Norway	n/a	n/a	22.0%	37.9%	1818
Spain	n/a	n/a	3.0%	29.6%	1831
Sweden	n/a	n/a	20.0%	47.3%	1863
UK	n/a	n/a	10.0%	19.3%	1801
USA	n/a	n/a	13.6%	16.2%	1792
Japan	n/a	n/a	0.4%	13.4%	1878

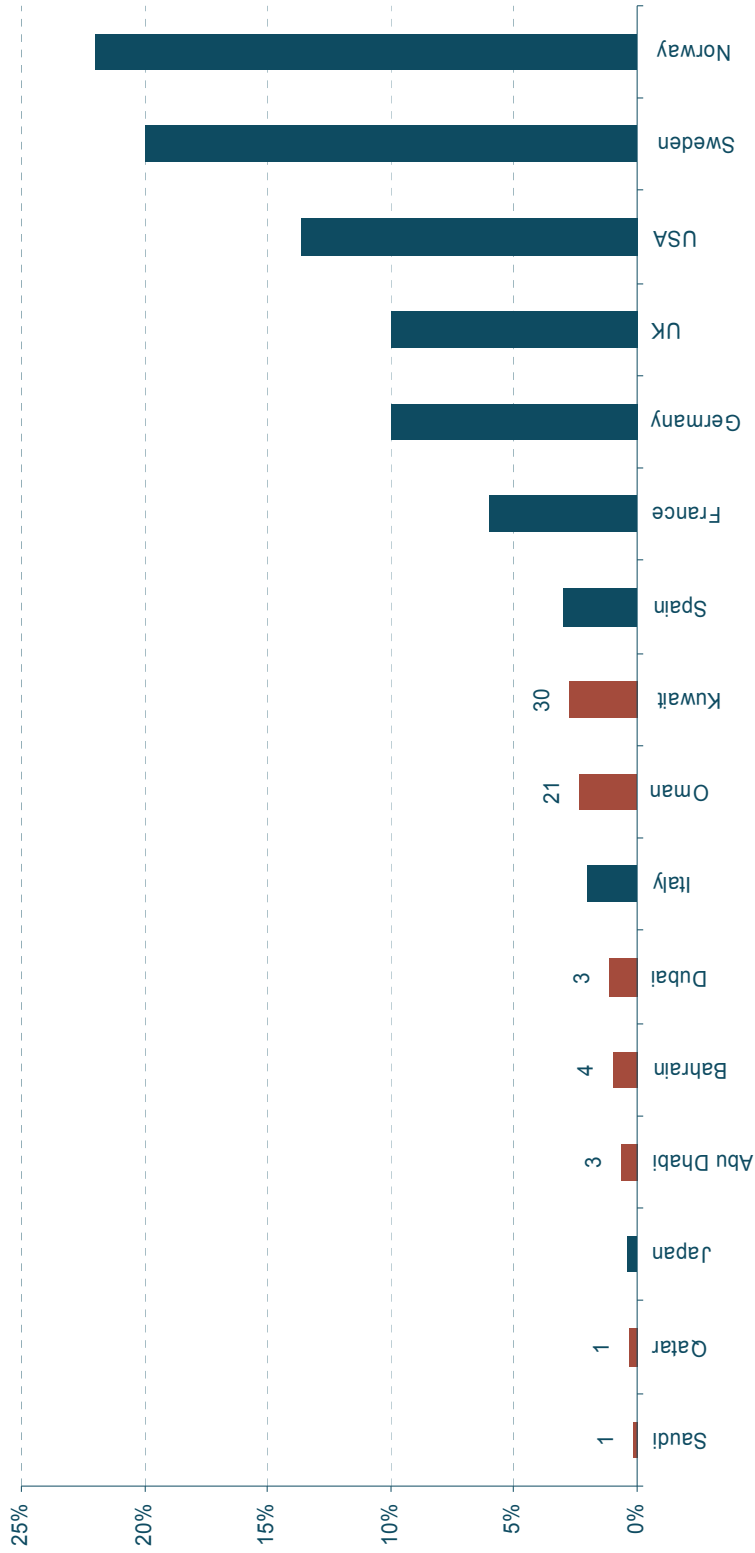
Sources: Stock market authorities, TNI Investment Research, Company accounts, Freedom House, International Parliamentary Union, European Professional Woman's Network

Notes:

<sup>1/</sup> Women in government is average female representation in upper and lower houses of parliament (International Parliamentary Union)

# Gender matters

Chart 5: Director positions held by women as a percent of total board seats, by country



Sources: Stock market authorities, TNI Investment Research, Company accounts, European Professional Woman's Network

Note:

Numbers above the bars for GCC countries represent the actual number of board positions held by females – this information was not available for other markets.

## Gender matters

### Not the same power everywhere

The small representation of women on regional boards (1.5%) is unsurprising and looks minuscule compared to 13.6% American Female representation or 22% in Norway. A second look at the data also reveals some striking differences between regional peers in the Gulf.

Cultural regional differences are striking, with some countries faring better than European counterparts

While the region appears as a global diversity laggard, Oman and Kuwait buck the trend to come out as regional diversity leaders – ahead of Italy and just a notch below Spain. This, combined with the position of Saudi as the absolute laggard closely followed by Japan, points to the possibility of cultural reasons behind female board presence. It also points to significant cultural differences within the GCC region.

### Social and cultural determinants of Female power

Cultural differences provide an easy, obvious justification for differences in female economic representation. It should perhaps come as no surprise that men are economically over-represented in Southern Europe or in Saudi. Two particular traits are important to highlight, and may determine the level of female economic involvement:

- Social structure – Is the country in question based on a patriarchal structure? If so, little female board representation should not be surprising. Japan has a very small Female representation on company boards of listed companies (0.4%), and is also reputed as a very strongly patriarchal society;
- Religious structure – In the same way as the social structure strongly influences Female participation rates, so does the dominant religious beliefs of a country or region. Italy is renowned to have a concentration of Catholics in excess of 95% of the population and is also, unsurprisingly, at the bottom of the scale when it comes to female board representation. Islamic countries may similarly show little Female participation in the economy.

Social, religious, legal and fiscal parameters all participate in explaining the difference in Female board involvement

Social and Religious factors do explain some inter-regional differences. In some cases the regulatory framework may also be instrumental: in Norway for example, the very high proportion of Female board members is dictated by a legal constraint to have at least 40% women directors. Elsewhere, the fiscal environment may favour male inheritance, and consequently discourage the economic involvement of women.

Other explanations may be required in order to shed additional light on the discrepancy in intra-regional Female board representation. For instance, what makes the proportion of women directors so different in Saudi (0.1%) and Kuwait (2.7%)?

## Gender matters

The matter of explaining such regional discrepancies in Female board participation is not a simple one, is outside of the scope of this report, and may present an interesting field of further study.

### **The truth about the regional power of women**

The reality and conclusions about women representation on company boards in the GCC are four-fold:

- 1 Low Female participation - Female board representation is very low in the GCC. This was largely expected before we finalised the results of this research.
- 2 Strong discrepancy across the GCC - There remains a strong discrepancy in Female board presence across GCC countries, varying from 0.1% in Saudi to 2.7% in Kuwait.
- 3 Favourable comparison to some Western countries - Some GCC countries still compare favourably to Western nations. This is the real surprise, as we did not expect Kuwait and Oman to fare better in terms of Female board presence than Italy or Japan.
- 4 Social and religious parameters are key - There are multiple reasons behind low Female participation rates, the most important of which are probably social and religious.

It is unclear to us at this stage whether the proportion of women directors is bound to change as the markets become more mature. Our belief is that some effort is being done towards more Female economic participation, and that any material change in the GCC is likely to take time.

## One director, one board?

Cross-board representation should ideally be limited. We have tried to measure its extent in the region

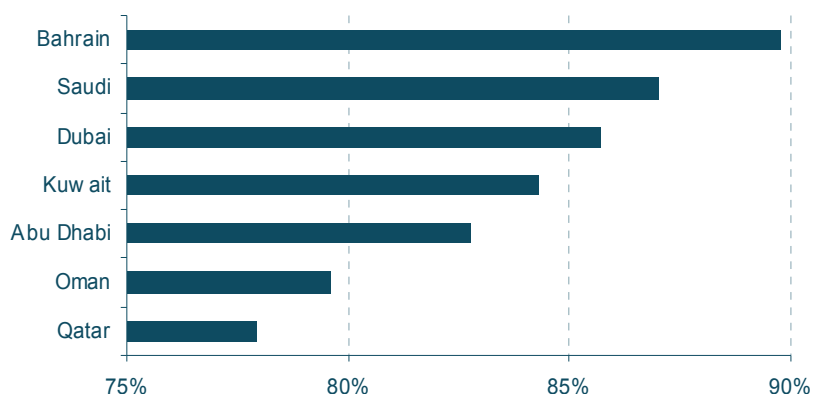
Next, we looked at cross-board representation across the region. This is an important parameter, and all jurisdictions seek to limit the presence of a director across multiple company boards. The underlying assumption is that qualitative, rather than quantitative representation is key to any company.

Directors cumulating multiple mandates may find it hard to dedicate enough time to all companies. In addition, certain conflicts of interest may (do) arise when the same director sits on the board of competing corporations. In order to minimize conflict of interest, the ideal scenario would be for each director to sit on a single board, but this is seldom the case – even in Western markets.

### Four observations on GCC cross-board representation

Chart 6 below and Table 4 (next page) present the proportion of cross-board memberships across the seven stock markets of the region.

Chart 6: Proportion of regional directors with one mandate, by exchange



Sources: Stock market authorities, TNI Investment Research, Company accounts

Little cross representation since most directors sit on only one board in the GCC

Four immediate observations come to mind:

- We were under the initial impression that cross-board membership across regional boards of listed companies was very high in the GCC region. However, there appears to be less multiple representation than we initially suspected. Three factors allow such conclusion:
  - > About 80-90% of all directors are present on a single board;
  - > Most cross-representation concerns only two boards;
  - > Virtually no directors are present on more than four boards.

## One director, one board?

Bahrain looks like best in class, while Qatar and Oman lag behind

Our data excludes private companies. Including them would certainly change the results materially

- Qatar and Oman show a different distribution of mandates, with less than 80% of directors being present on a single board, and the largest proportions of two and three board representation.
- Bahrain looks like best-in-class, particularly due to its highest proportion of single board representation (c. 90%).
- This data only captures public company boards, and does not reveal anything about board representation across private companies. We suspect that the ratios would be significantly different, mostly due to the fact that private companies are less regulated. However, a director who is present on very few boards of public companies would still face significant time constraints, or conflicts of interest, if he also sat on a large number of private boards.

Table 4: Distribution of mandates per director, by exchange

	Abu Dhabi	Bahrain	Dubai	Kuwait	Oman	Qatar	Saudi
1 Board	82.8%	89.8%	85.7%	84.3%	79.6%	78.0%	87.0%
2 Boards	13.7%	5.8%	11.1%	12.4%	13.1%	15.1%	9.4%
3 Boards	3.0%	2.9%	1.4%	3.1%	5.8%	6.1%	2.8%
4 Boards	0.5%	0.3%	1.8%	0.2%	1.4%	0.8%	0.6%
5 Boards	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.1%
6 Boards	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%

Sources: Stock market authorities, TNI Investment Research, Company accounts

### Regional differences have multiple explanations

Multiple parameters including population composition or education level, should impact regional cross-board composition

What are the explanations for such regional differences? Different regulatory frameworks –the Companies Law of the UAE and its equivalent in each GCC country– dictate some of the discrepancy by setting limits to board sizes. However, the legal limits remain broad. Beyond the regulatory differences, what is it that makes Bahrain best in class with the highest proportion of single directorship?

Such factors as population size or the number of listed companies in a given market may influence cross-board representation. Other parameters such as unemployment or education levels, and the proportion of local versus expatriate population, would also intuitively impact board composition and cross-board memberships.

Table 5 (next page) summarises some of the parameters which we think may bring some answers to the regional differences between cross-board representation. However, data unavailability makes it difficult to test convincingly and to conclude definitively. In all likelihood, the cross-board situation is, again, a case of multiple correlations, which means that

## One director, one board?

multiple parameters and their interaction should determine high/low rates of cross-board representation.

**Table 5: Additional data which might explain regional differences in cross-board representation**

	Abu Dhabi	Bahrain	Dubai	Kuwait	Oman	Qatar	Saudi
Directors sitting on one board	82.8%	89.8%	85.7%	84.3%	79.6%	78.0%	87.0%
Average board size	7.7	8.8	6.7	6.2	7.2	8.5	8.4
Number of board positions	479	402	259	1,101	905	322	786
Number of directors	395	342	217	923	701	245	670
Number of listed companies	62	46	39	177	128	38	94
Average market cap (\$m)	1,92	815	2,390	1,010	145	2,413	4,156
Population 2007(m)	1.4 <sup>1</sup>	0.8	1.4 <sup>1</sup>	3.4	2.7	0.9	24.3
Labour force 2007 (m)	n/a	0.4	n/a	2.1	n/a	0.6	6.6
Nominal GDP 2007(\$bn)	97.9 <sup>2</sup>	22.0	46.0 <sup>2</sup>	116.0	45.1	39.1	365.9
GDP per capita 2007 (\$)	68,462	24,220	33,358	32,450	14,610	67,710	15,330
Real GDP growth 2007 (%)	7.5% <sup>3</sup>	6.7	7.5% <sup>3</sup>	5.8	5.3	7.8	3.5
Square mileage km ('000)	67.3	0.6	4.1	17.8	212.5	11.0	1,960.6
Economic freedom index	62.8	72.2	62.8	68.3	67.4	62.2	62.8
Corruption perception index	5.7	5.0	5.7	4.3	4.7	6.0	3.4

Sources: Stock market authorities, TNI Investment Research, Company accounts, Reuters, EIU, Geographica World Atlas (2004), Heritage Foundation, Transparency International

**Notes:**

1/ Population is for the UAE – info not available by emirate

2/ Source: IMF, 2006

3/ Real GDP growth is for the UAE – info not available by emirate

Labour force for Abu Dhabi and Dubai not available – the UAE's labour force is 3.065

Economic Freedom and Corruption Perception Index values for Abu Dhabi and Dubai are UAE score – info not available by emirate  
2007 Economic data is provided by EIU – numbers are estimates and not actual numbers

## Power to the family

Families with most directors on company boards are the most economically influential

Directors are understood to be the most powerful and influential individuals in a company hierarchy. In the context of the Gulf region, where the family has been at the core of political and economic influence, families with most board representation can be thought of as controlling the economy. We define the family in the broadest sense of the term, as being formed by the body of all individuals bearing the same surname.

We define 'family' as being the body of all individuals with the same surname

We have conducted our "power concentration" analysis by mapping family board presence across all GCC countries – Counting 4,254 individual board members and clustering them by family. We then estimated the concentration of power in every country by assessing the proportion of board seats held by the top families. Finally, we weighted the results by market capitalisation.

Individual power seems fairly diluted in the region, but family power is high

The conclusion, in line with our initial assumption, is that power concentration is very high in the GCC. This may seem to be in contradiction with our earlier conclusion about the reasonable cross-board memberships. However, while the previous part focused on power concentration within the hands of single individuals, this one concentrates on the power held by a small circle of individuals – represented by the extended family. In short, individual power is fairly diluted but family power is high.

### Family business?

25-75% of companies have at least 2 board members from the same family

Our first exercise has been to count the number of companies in any given jurisdiction with two or more board members belonging to the same family. The result appears in the third column of Table 6 and is staggering: across the GCC, between one-quarter and three-quarters of all listed companies have at least two members from the same family.

Table 6: Multiple family members on the board of the same company, by exchange

Stock Market	Number of companies	% co's with ≥ 2 directors from same family <sup>1</sup>	# of board seats held by same family	Max board seats held by same family <sup>2</sup>	Avg board seats held by same family <sup>3</sup>	Corruption index	Economic freedom index
Abu Dhabi	62	50.0%	4	66.7%	23.1%	5.7	62.8
Bahrain	46	41.3%	6	66.7%	18.9%	5.0	72.2
Dubai	39	28.2%	3	50.0%	22.7%	5.7	62.8
Kuwait	177	32.8%	4	100.0%	25.4%	4.3	68.3
Oman	128	53.1%	5	60.0%	22.7%	4.7	67.4
Qatar	38	76.3%	7	70.0%	30.0%	6.0	62.2
Saudi	94	33.0%	6	75.0%	19.7%	3.4	62.8

Sources: Stock market authorities, TNI Investment Research, Company accounts, Transparency International, Heritage Foundation

Notes:

1/ The % of all companies with 2 or more directors from the same family on the board

2/ This is the company, in that market, with the highest % of board seats held by members of the same family

3/ The average % of a company's board seats held by members of the same family

## Power to the family

Some families own up to 100% of a board

Our next exercise was to look at the maximum proportion of board seats held by a single family across geographies. In other words, how much maximum board representation do families have in the GCC? Again, the results are quite telling, and they appear in the fifth column of Table 6: In Kuwait, a single family can “own” up to 100% of a board. In Saudi, this proportion goes down to 75% but remains incredibly high. Dubai appears to be the best citizen, where no one family holds more than 50% of a company board.

On average, 19% to 30% of board seats belong to a single family

One last, essential statistic to gauge the extent of family business was to look at the average family board presence. Here too, the result is unambiguous: GCC families hold on average between 19% and 30% of company board seats (column 6, Table 6).

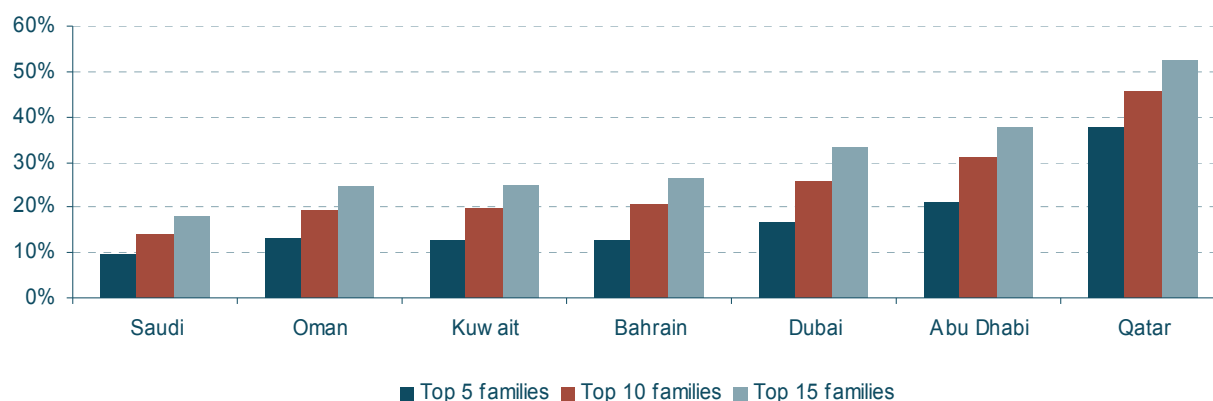
It is no secret that the economic landscape in the GCC is controlled by families. It is enlightening to realize numerically the extent of such domination. It is equally interesting to note the depth of information contained in annual reports, which is only waiting to be compiled and analyzed.

### Family rules!

The top 15 families in Qatar control more than 50% of public company boards!

Away from single companies, we looked at the concentration of power at the level of each country. In order to do that, we have aggregated the number of board seats of the top five, ten and fifteen families in each jurisdiction. The graph below shows that the five most represented families concentrate as little as 10% of total board seats in Saudi, and as much as 40% in Qatar. Going down to the top fifteen families, the corresponding proportions are 20% to more than 50%. In other words, the top 15 families in Qatar control more than half the listed companies! These results are un-weighted by market capitalisation.

Chart 7: Concentration of family influence - Proportion of total board seats held by most influential families



Sources: Stock market authorities, TNI Investment Research, Company accounts

## Power to the family

First surprise: prominent families are absent from listed company boards

### Prominent families: now you see them, now you don't

What about the representation on public company boards of the prominent families, which are usually associated with the leadership of a country or Emirate? Our first attempt was deceiving: as we aggregated the numbers, such prominent families appeared relatively absent. In Abu Dhabi, the Nahyan family owned only 1.3% of board seats, while the Saud family of KSA controlled a mere 0.6%. This was our first surprise.

Table 7: Board positions held by prominent families, by exchange

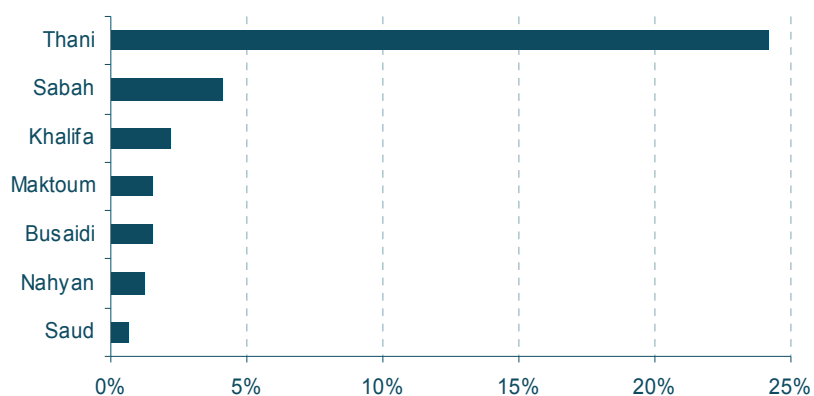
Exchange	Ruling family	Number of board seats	% of total
Abu Dhabi	Nahyan	6	1.3%
Bahrain	Khalifa	9	2.2%
Dubai	Maktoum	4	1.5%
Kuwait	Sabah	45	4.1%
Oman	Bu' Saidi	15	1.5%
Qatar	Thani	78	24.2%
Saudi	Saud	5	0.6%

Sources: Stock market authorities, TNI Investment Research, Company accounts

Second surprise: the contrarian Thani family controls nearly all boards

The Thani family of Qatar stands out, in that it is very visible across the economy - Of the 38 Qatari-listed companies, 29 host a member of the Royal family at board level. In other words, the Qatari Royal family is present on the board of over 76% of all Qatari companies, and controls directly about one quarter of all board seats of listed companies. The contrarian presence of the Thani family was our second surprise.

Chart 8: % of total board seats held by ruling families, by exchange



Sources: Stock market authorities, TNI Investment Research, Company accounts

## Power to the family

Third surprise: Qassimi holds 3x more board seats than Nahyan and Maktoum combined

Then we stumbled upon yet another surprise: the Qassimi family of the UAE, otherwise known as the Royal family of smaller emirates Ras Al Khaimah and Sharjah, concentrates 7.9% of all board seats in the UAE – This is nearly three times more than Nahyan and Maktoum combined!

Table 8: UAE prominent family involvement

	<u>ADSM</u>		<u>DFM</u>		<u>UAE Total</u>	
	Number	% of total	Number	% of total	Number	% of total
Nahyan (Abu Dhabi)	6	1.3%	2	0.8%	8	1.1%
Nuaimi (Ajman)	3	0.6%	0	0.0%	3	0.4%
Sharqi (Fujairah)	2	0.4%	0	0.0%	2	0.3%
Maktoum (Dubai)	0	0.0%	4	1.5%	4	0.5%
Qassimi (RAK & Sharjah)	38	7.9%	4	1.5%	42	5.7%
Mualla (Um Al Qaiwain)	6	1.3%	0	0.0%	6	0.8%

Sources: Stock market authorities, TNI Investment Research, Company accounts

These surprises called for more inspection. In particular, our first family ranking published last year was put in doubt by some directors. They rightfully claimed that our results were equally-weighted, and consequently unrepresentative. After all, was it possible that the Qassimis held more corporate board power than the Nahyans?

### Weighting the results by market capitalisation

More surprises when we weight the results by market capitalisation...

We took the argument at heart and spent significant time calculating a revised version of the above classification, this time weighting all results by the corresponding market capitalisations. We split the market capitalisation of every GCC company in this survey by the number of seats contained on its board. We then allocated the resulting market capitalisation fraction to each board member. The assumption is that each board member “controls” an equal fraction of the market capitalisation of the company.

Of course this assumption will be challenged by some –certainly by Chairmen, who might claim more control than other board members– but this is the only practical way we have found so far. The resulting classification is presented below, and unveils more surprises...

## Power to the family

Table 9: GCC prominent family involvement weighted by market cap

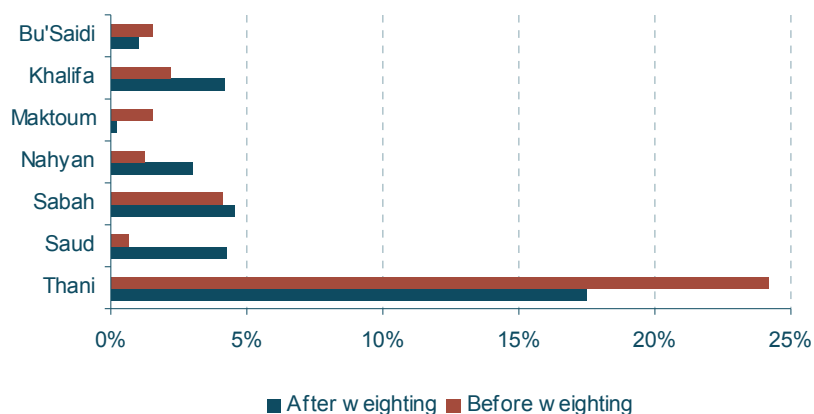
Exchange	Prominent family	% of total
Abu Dhabi	Nahyan	3.0%
Bahrain	Khalifa	4.2%
Dubai	Maktoum	0.2%
Kuwait	Sabah	4.6%
Oman	Bu'Saidi	1.0%
Qatar	Thani	17.5%
Saudi	Saud	4.2%

Sources: Stock market authorities, TNI Investment Research, Company accounts

Weighted prominent-family involvement is twice as large as un-weighted, and the GCC ranking is similar

The first look shows a significant difference between the weighted and un-weighted results across the GCC. On average, the weighted prominent-family involvement is twice as large as the un-weighted. Also, the general ranking of markets by this criterion remains similar whether we look at the weighted or un-weighted results: Qatar, Kuwait and Bahrain continue to top the rankings while Oman, Abu Dhabi and Dubai remain in the bottom positions.

Chart 9: GCC Prominent family influence, weighted vs. un-weighted



Sources: Stock market authorities, TNI Investment Research, Company accounts

The distribution of prominent-family power across seven emirates in the UAE is much differentiated

Looking specifically at the UAE and after weighting the results by market capitalisation, we find that:

- The Qassimi family is still the ruling family with the highest weighted board representation, ahead of the Nahyan family;
- The Qassimi family has board representation across both the Abu Dhabi and Dubai exchanges, and so does the Nahyan family;
- The Maktoum family is only represented in Dubai, and has the smallest proportion of board presence of any of the UAE prominent families.

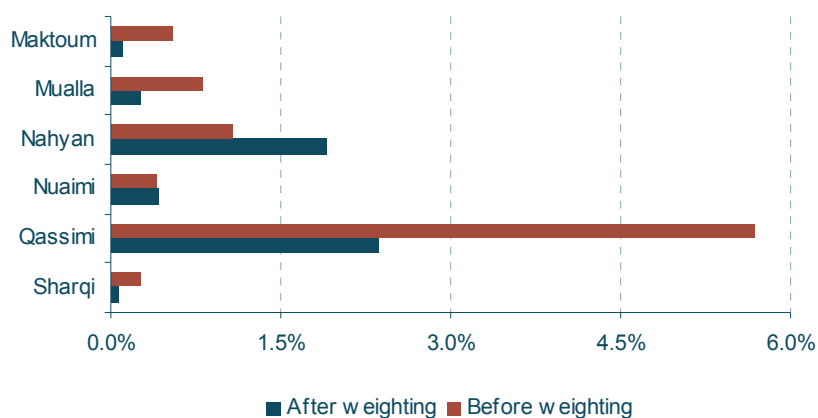
## Power to the family

Table 10: UAE prominent family involvement weighted by market cap

	ADSM	DFM	Total
Nahyan (Abu Dhabi)	3.0%	0.5%	1.9%
Nuaimi (Ajman)	0.8%	0.0%	0.4%
Sharqi (Fujairah)	0.1%	0.0%	0.1%
Maktoum (Dubai)	0.0%	0.2%	0.1%
Qassimi (RAK & Sharjah)	3.7%	0.7%	2.4%
Mualla (Um Al Qaiwain)	0.5%	0.0%	0.3%

Sources: Stock market authorities, TNI Investment Research, Company accounts

Chart 10: Ruling family influence, weighted vs. un-weighted, split by UAE emirate



Sources: Stock market authorities, TNI Investment Research, Company accounts

## The ranking of most powerful GCC families

We dedicate this final part to presenting the list of most powerful families in each of the seven markets under study. We define a family as a collection of individuals from the same country with the same surname. As earlier, we define “power” as the economic influence derived from being represented on a listed company board.

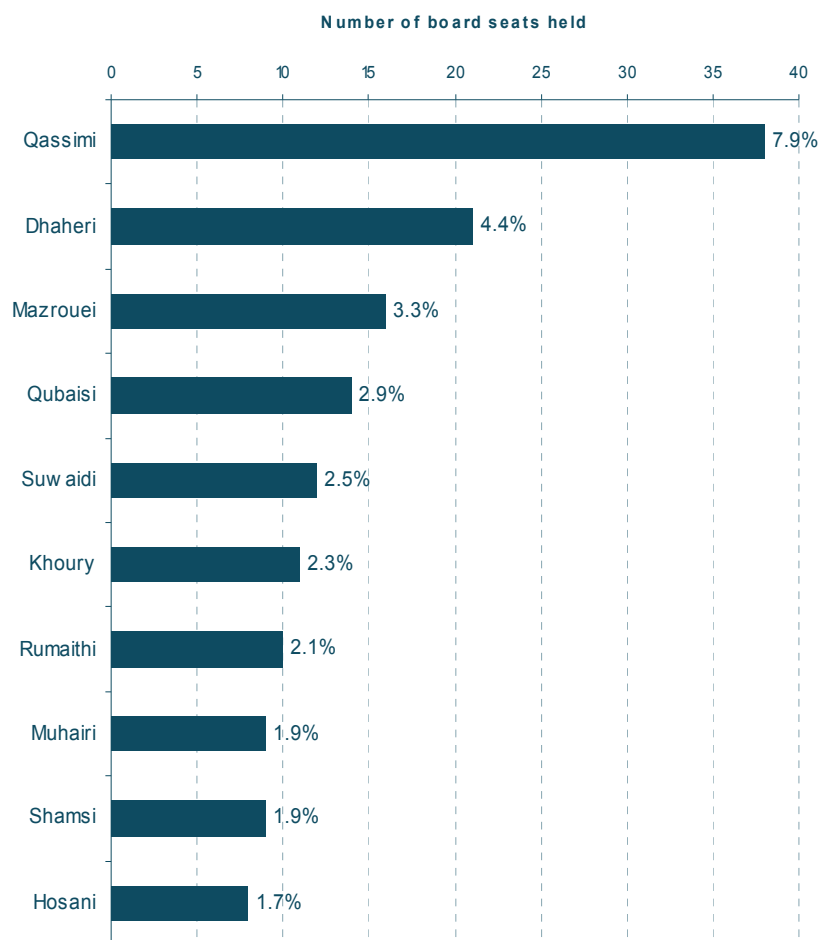
Families with the largest number of seats will be ranked as the most powerful. The rankings are presented by market, in alphabetical order. For each market we start by presenting the un-weighted rankings, followed by the rankings weighted by market capitalisation. All market data for the calculation of the market capitalisations is dated February 25, 2008.

Continued on next page

## The ranking of most powerful GCC families

### Abu Dhabi family ranking

Chart 11: Abu Dhabi – Top 10 families, un-weighted

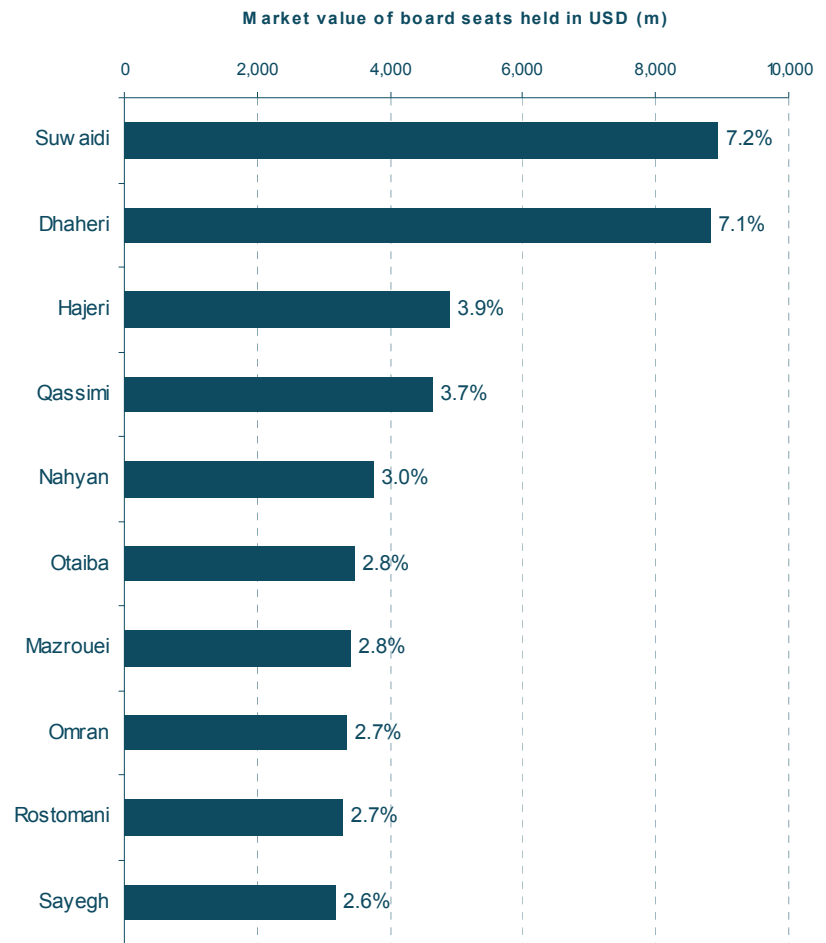


Sources: Stock market authorities, TNI Investment Research, Company accounts

% values are the number of board seats held by one family as a % of total board seats of listed companies on that exchange

## The ranking of most powerful GCC families

Chart 12: Abu Dhabi – Top 10 families, weighted by market value

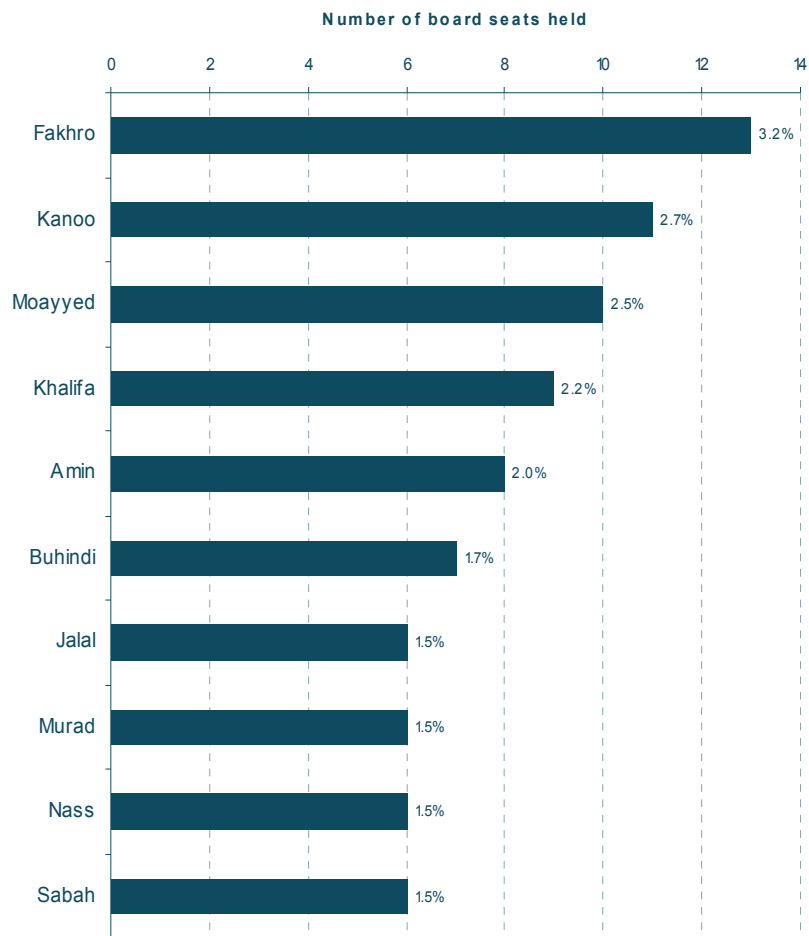


Sources: Stock market authorities, TNI Investment Research, Company accounts

## The ranking of most powerful GCC families

### Bahrain family ranking

Chart 13: Bahrain – Top 10 families, un-weighted

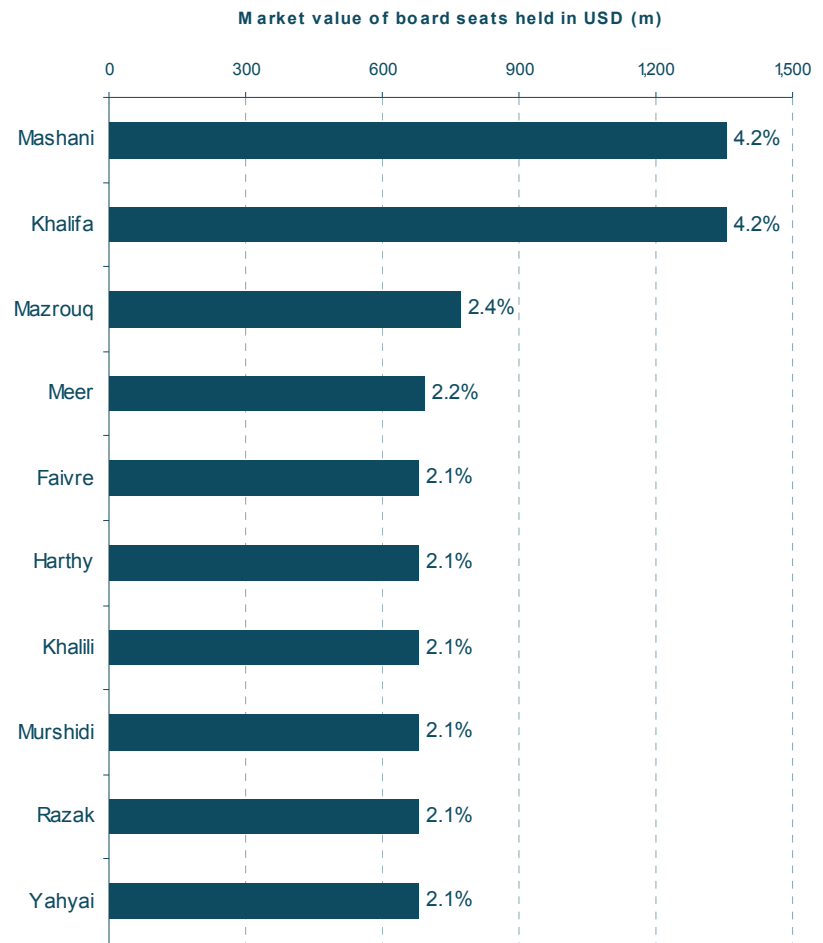


Sources: Stock market authorities, TNI Investment Research, Company accounts

% values are the number of board seats held by one family as a % of total board seats of listed companies on that exchange

## The ranking of most powerful GCC families

Chart 14: Bahrain – Top 10 families, weighted by market value

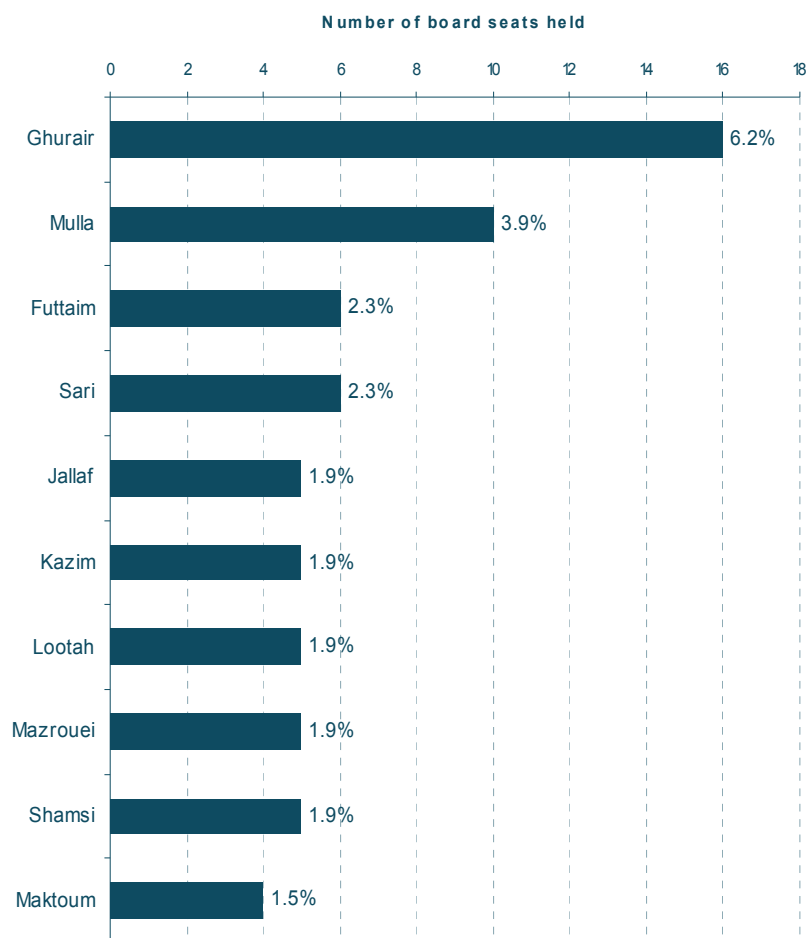


Sources: Stock market authorities, TNI Investment Research, Company accounts

## The ranking of most powerful GCC families

### Dubai family ranking

Chart 15: Dubai - Top 10 families, un-weighted

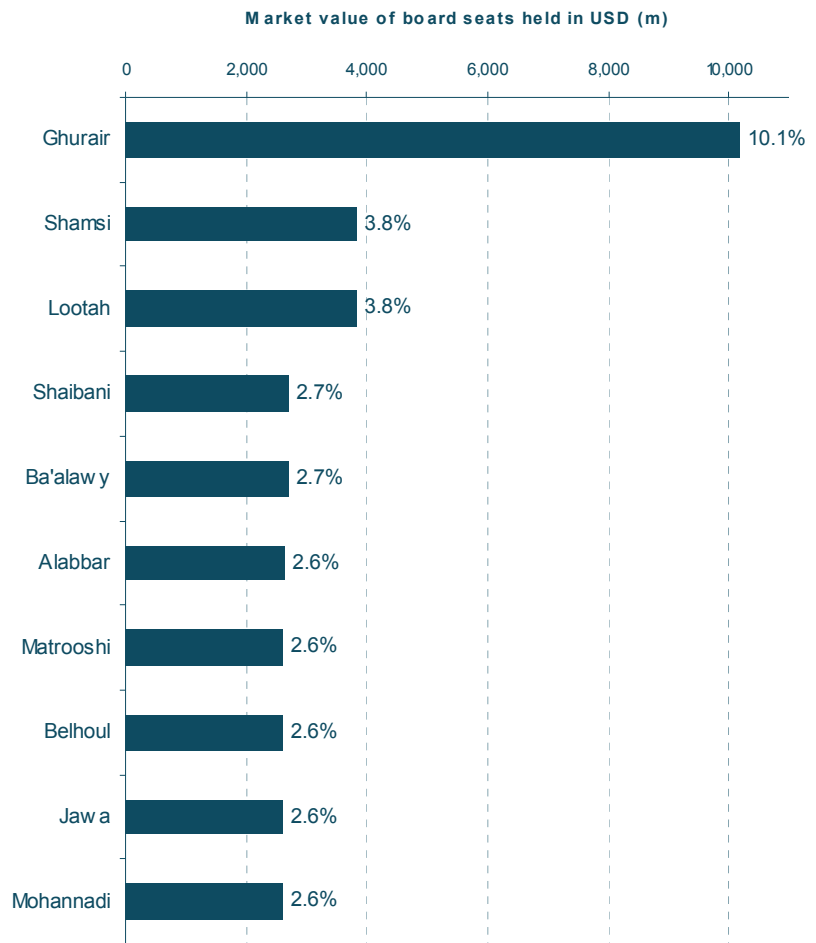


Sources: Stock market authorities, TNI Investment Research, Company accounts

% values are the number of board seats held by one family as a % of total board seats of listed companies on that exchange

## The ranking of most powerful GCC families

Chart 16: Dubai – Top 10 families, weighted by market value

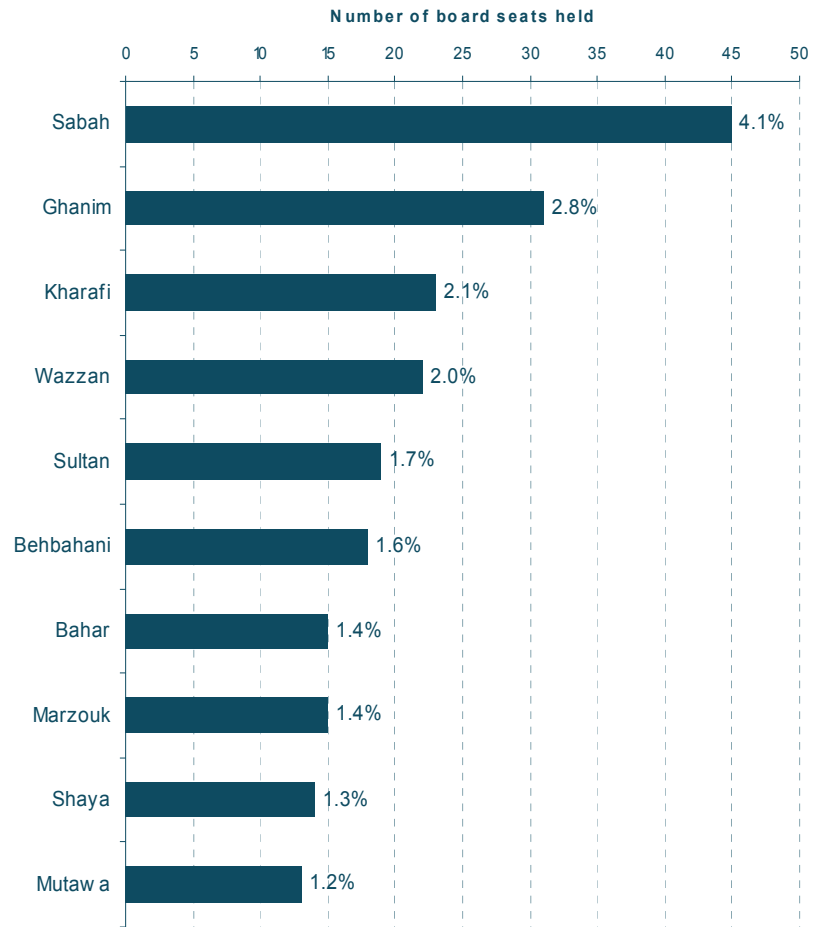


Sources: Stock market authorities, TNI Investment Research, Company accounts

## The ranking of most powerful GCC families

### Kuwait family ranking

Chart 17: Kuwait - Top 10 families, un-weighted

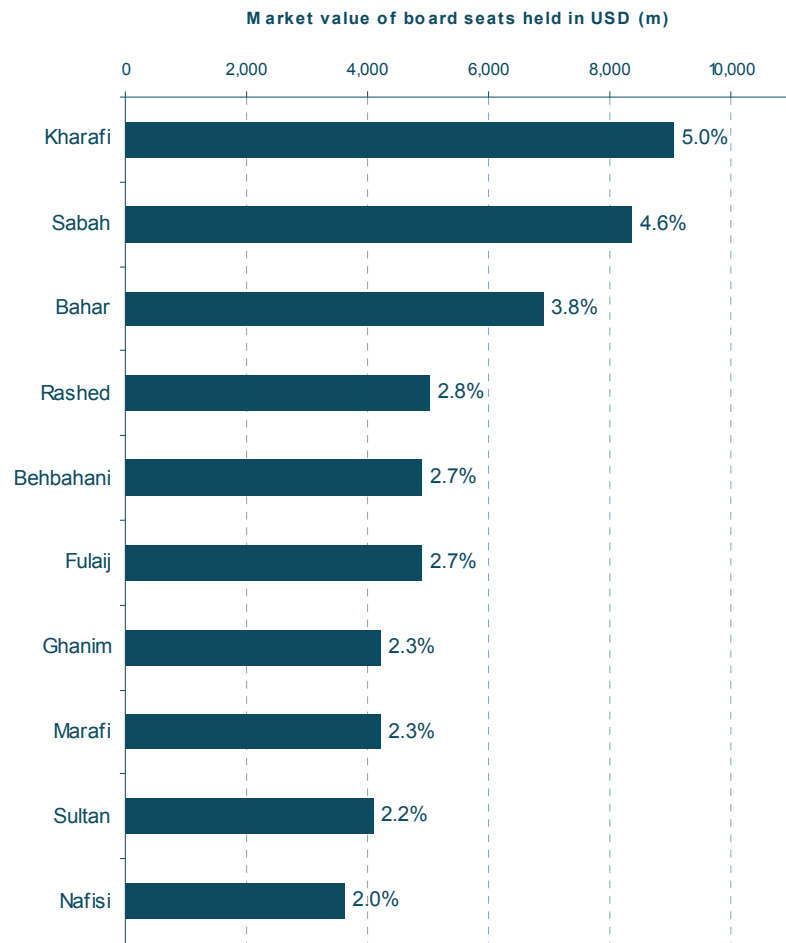


Sources: Stock market authorities, TNI Investment Research, Company accounts

% values are the number of board seats held by one family as a % of total board seats of listed companies on that exchange

## The ranking of most powerful GCC families

Chart 18: Kuwait – Top 10 families, weighted by market value

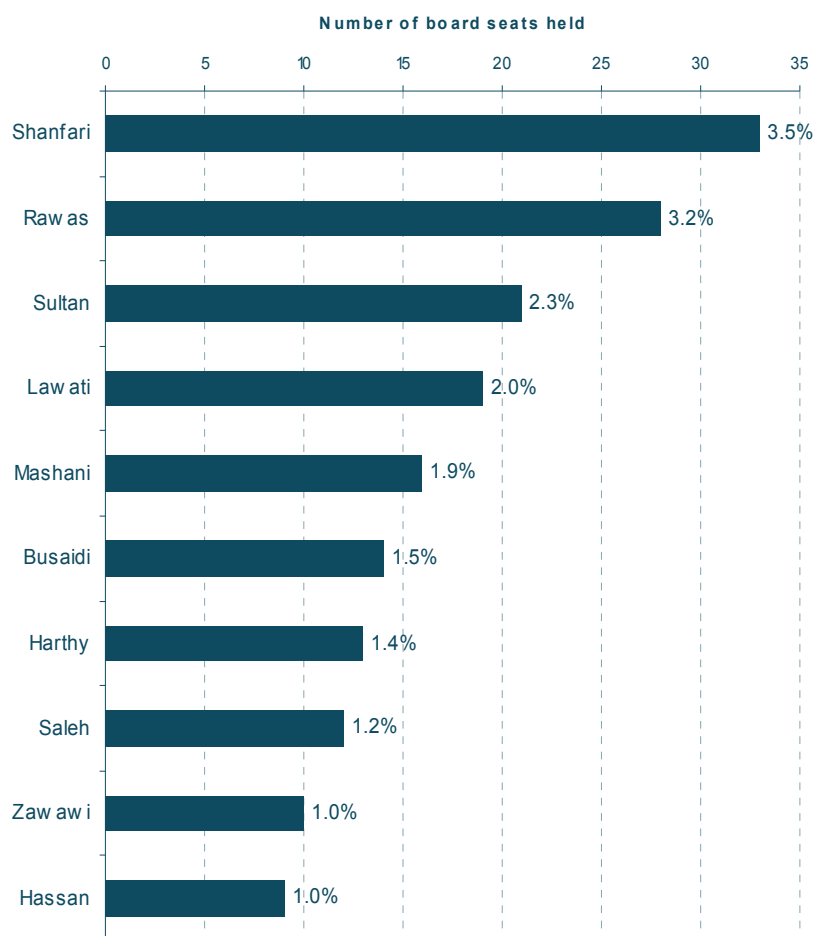


Sources: Stock market authorities, TNI Investment Research, Company accounts

## The ranking of most powerful GCC families

### Oman family ranking

Chart 19: Oman - Top 10 families, un-weighted

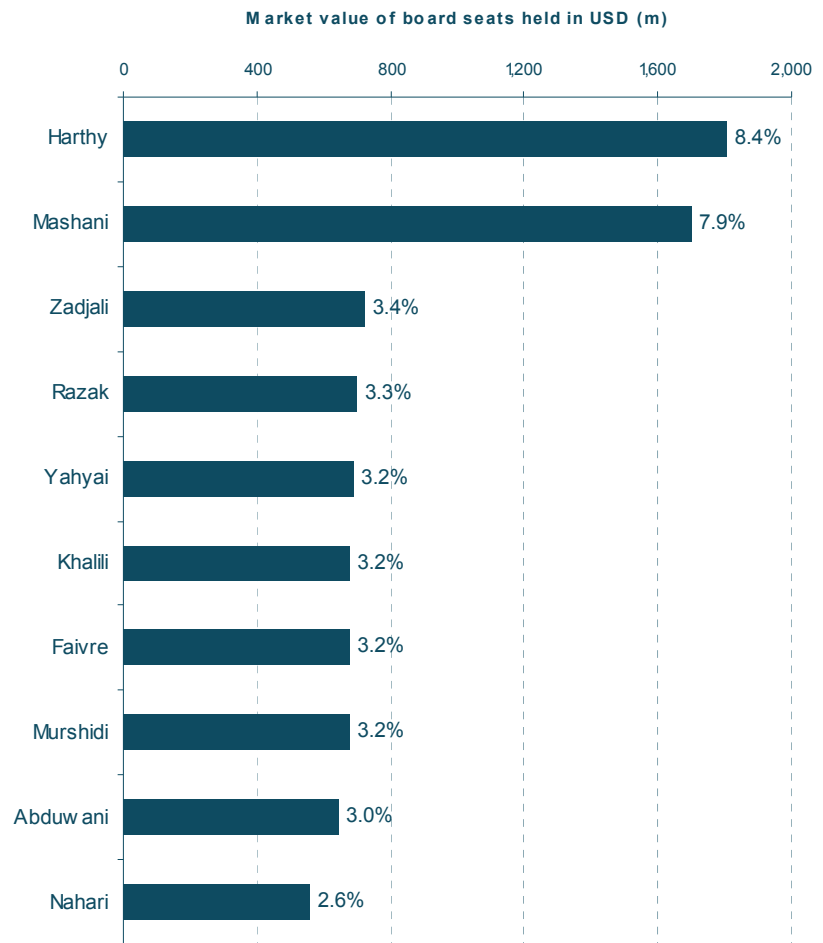


Sources: Stock market authorities, TNI Investment Research, Company accounts

% values are the number of board seats held by one family as a % of total board seats of listed companies on that exchange

## The ranking of most powerful GCC families

Chart 20: Oman – Top 10 families, weighted by market value

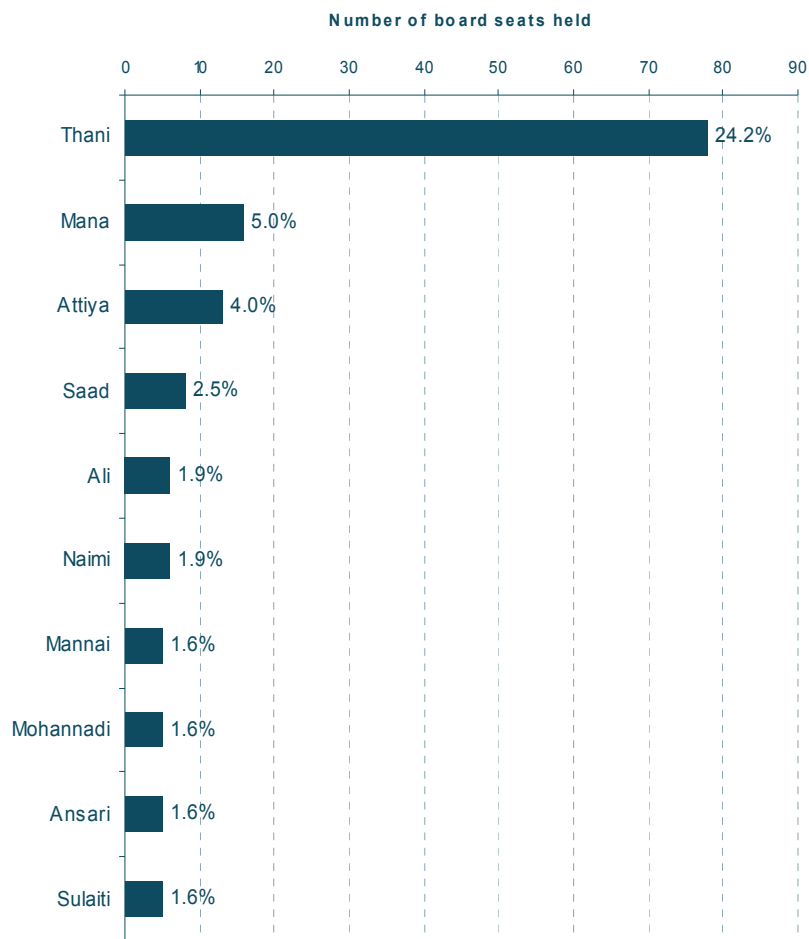


Sources: Stock market authorities, TNI Investment Research, Company accounts

## The ranking of most powerful GCC families

### Qatar family ranking

Chart 21: Qatar - Top 10 families, un-weighted

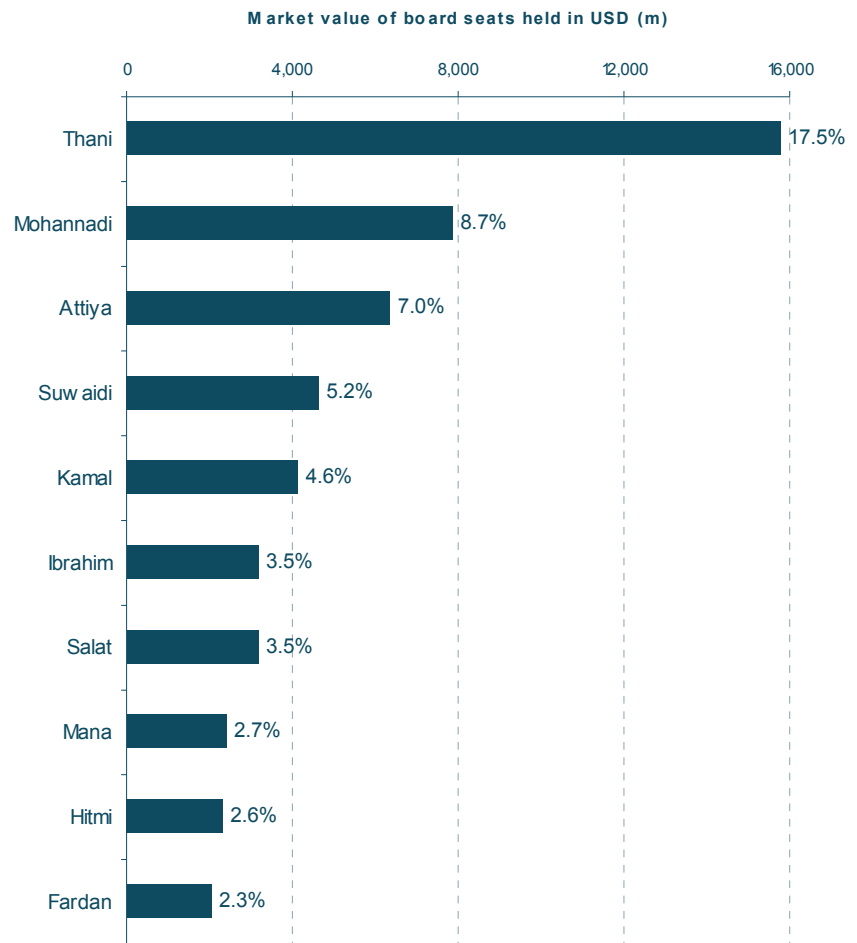


Sources: Stock market authorities, TNI Investment Research, Company accounts

% values are the number of board seats held by one family as a % of total board seats of listed companies on that exchange

## The ranking of most powerful GCC families

Chart 22: Qatar – Top 10 families, weighted by market value

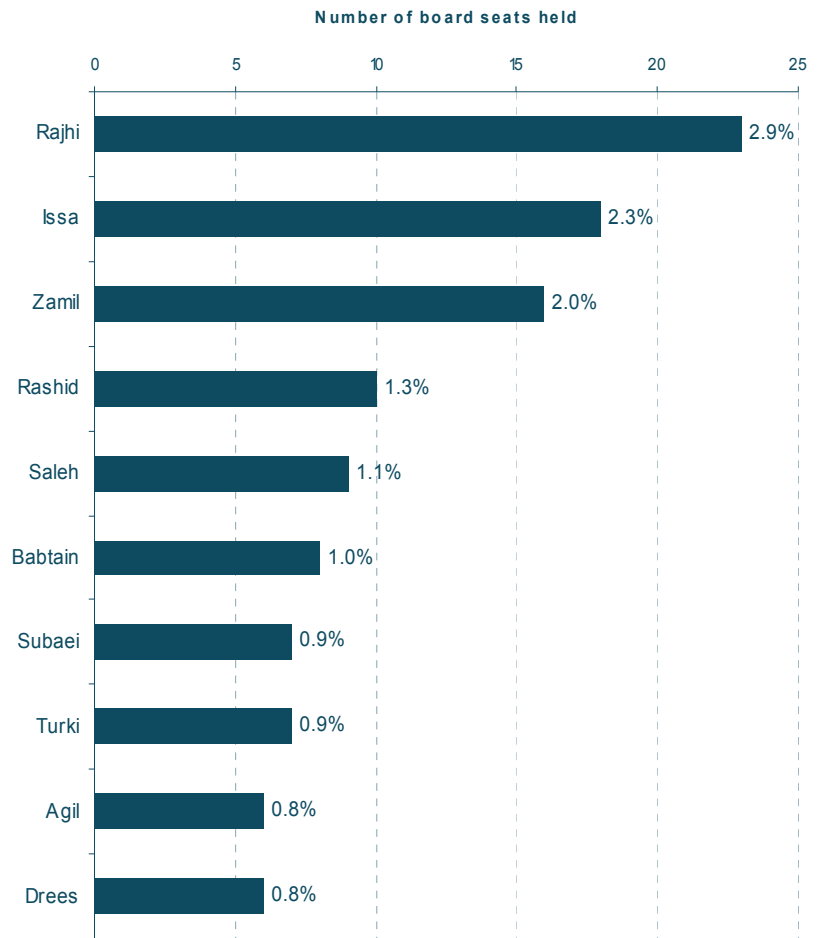


Sources: Stock market authorities, TNI Investment Research, Company accounts

## The ranking of most powerful GCC families

### Saudi family ranking

Chart 23 Saudi - Top 10 families, un-weighted

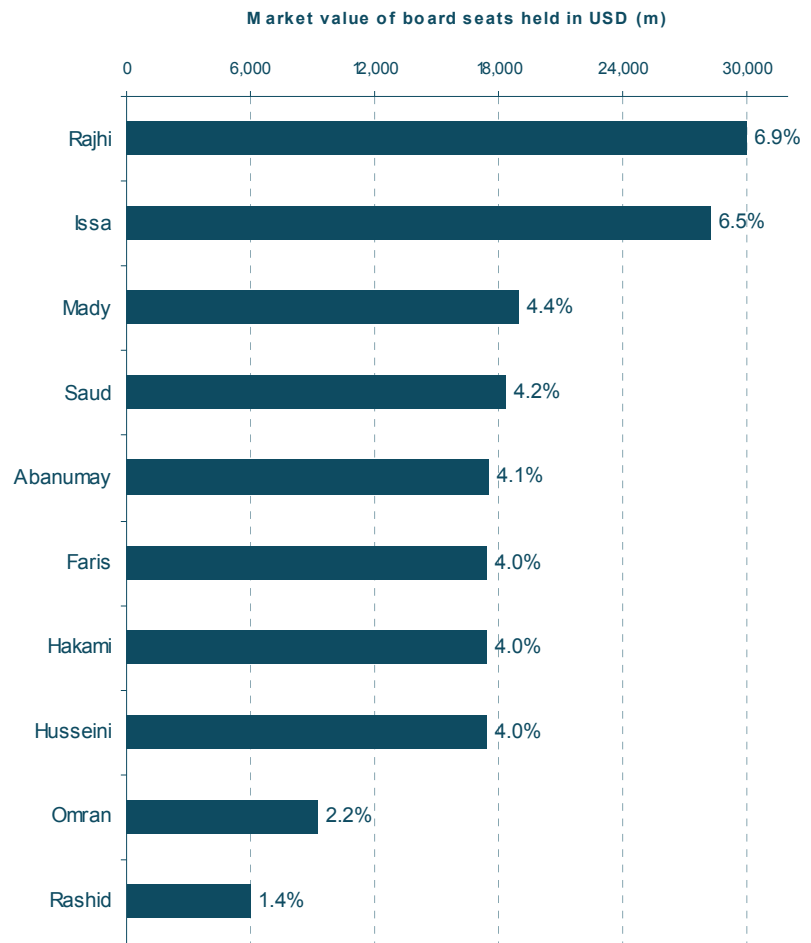


Sources: Stock market authorities, TNI Investment Research, Company accounts

% values are the number of board seats held by one family as a % of total board seats of listed companies on that exchange

## The ranking of most powerful GCC families

Chart 24: Saudi – Top 10 families, weighted by market value



Sources: Stock market authorities, TNI Investment Research, Company accounts

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## Acknowledgements

### **About The National Investor**

The National Investor PJSC (TNI) is a privately owned regional investment and merchant banking group. The firm comprises six strategic business units covering investment banking, private equity, asset management, real estate, principal investments, and investment research. As a regional organization, TNI operates from Abu Dhabi and Dubai in the UAE and Riyadh in Saudi Arabia. For more information about The National Investor, please visit: [www.tni.ae](http://www.tni.ae)

### **About Hawkamah**

Launched in February 2006 with the aim of advancing corporate governance practices in the Middle East, North Africa and Central Asia. Hawkamah, the Institute for Corporate Governance, constitutes a groundbreaking development for institution building, corporate sector reform, good governance, financial market development, investment and growth in the region. For more information about Hawkamah, please visit: [www.hawkamah.org](http://www.hawkamah.org)

### **About Mudara**

Mudara – The Institute of Directors (IOD) is a regional professional membership organisation serving board members, directors and governance professionals in the Middle East and North Africa (MENA) region. Members can acquire the knowledge, expertise and support necessary for enhancing corporate directorship, improving board performance and shareholder value. For more information about Mudara IOD, please visit [www.mudara.org](http://www.mudara.org)



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