

# THE IMPORTANCE OF DIRECTOR DEVELOPMENT IN GROUP COMPANIES

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Mubadala has grown at a rigorous pace over the past decade, with interests now spanning the globe, across a number of key sectors. As Mubadala continues to grow, so does the need for effective governance across the portfolio, which consists of over one hundred key projects and investments across four diverse business platforms: Technology & Industry, Aerospace & Engineering Services, Energy and Emerging Sectors, which are currently collectively valued at around USD 60 billion. The underlying assets in each of these platforms cover a range of fields such as information and communications technology, healthcare, defense services, financial services, utilities, renewable energy, oil and gas, mining, and real estate. The complexity of these platforms, combined with the fact that they do business in over twenty jurisdictions and include twenty-seven joint

ventures, creates unique challenges for the approximately 100 Mubadala-appointed directors that serve on the boards of these assets. It is therefore critical to the Group's success to have the right board composition for such assets.

Not only does each Mubadala-appointed Director need to be an expert in the business of their asset and champion good governance, risk management and compliance, they also need to ensure that the asset actively implements Mubadala's unique mandate of balancing economic and social returns. Since its inception, Mubadala has generated significant social returns for Abu Dhabi, including the establishment of important healthcare facilities such as the Imperial College of London Diabetes Center and Healthpoint, as well as the master planning

of Al Maryah Island, a 114 hectare mixed-use development in the heart of Abu Dhabi, and Masdar City, a green urban development that is designed to provide a high quality of life with the lowest environmental footprint. Other facilities, such as Cleveland Clinic Abu Dhabi, will soon add to that contribution.

This unique mandate makes it critical to ensure optimal composition of asset boards, which are the primary drivers of sustained growth. Thus, a comprehensive training program for asset Directors and asset managers has been established and implemented. The training program brings together existing and prospective Directors and an expert faculty and allows them to have open discussions on best practices and proven methods to enhance their effectiveness. Current training modules include Director Effectiveness, Joint Venture Governance, Audit, Risk and Compliance Committee Training, Corporate Secretary Training and Chairman Coaching, each of which provides the participants with a unique and complimentary skillset required to succeed as an effective Director.

### ***Training Programs***

The Director Effectiveness module takes participants through board structuring, optimizing meeting agendas and increasing the effectiveness of both the board and its individual directors. Members of Mubadala's senior leadership attend all training sessions and share their experiences by responding to practical questions from participants. Many of the participants leave the training with key takeaways that they implement in the performance of their duties, including preparing annual board calendars and simplified board packs.

Another bespoke training module offered is the Joint Venture Workshop, which was developed because Mubadala's growth can be largely attributed to the ability to structure

successful joint ventures with world class companies such as GE, Occidental Petroleum and Lockheed Martin. The Joint Venture training workshop uses Mubadala-specific examples to promote optimal structuring, board and shareholder alignment, improved management performance, and building long-lasting joint ventures. Participants are taken through the case study of a successful joint venture restructuring within the Group, as well as various participatory exercises in complex areas such as conflicts of interest. This training has highlighted the importance of Mubadala's joint ventures, and has provided participants with important tools to enhance their ability to ensure their continued success.

Given the large number of boards that oversee Mubadala's assets, it is paramount for there to be consistency in the way corporate secretaries are trained and also in how board minutes are prepared. Mubadala trains all corporate secretaries on the art of taking and producing well-written minutes in the Corporate Secretary Workshop. Participants observe a mock board meeting and minute it, then have an open discussion of how certain matters are to be minuted. The training also provides tips on how to best manage governance responsibilities, internal and external communications as well as board meetings.

Emphasized throughout each of the training modules is the importance of transparency. To implement this, and ensure that assets properly manage their financial profile, key risk and compliance matters, Mubadala requires its assets to have effective Audit, Risk and Compliance Committees (ARC). The members of these committees, along with internal audit professionals, CFOs and senior managers of Mubadala Group assets, are required to attend ARC Training. This training provides an interactive forum for discussion regarding important topics such as risk management frameworks, systematic

internal controls, accounting policies and statutory reporting, effective ARC charters and managing internal, external and governmental audits – as well as governance and internal controls, ethics and compliance.

We recognize that an effective Chairman can contribute significantly to the well-running of a board, as well as setting the tone at the top. This led to the creation of the annual Mubadala Chairman Roundtable form, which is the pinnacle of the Corporate Governance training program and is attended by the Chairmen of all Group company boards as well as senior executive management. Participants engage in discussions that are moderated by internationally renowned guests, which are designed to examine leadership qualities, discuss best practices and explore strategies to deal with commonly faced challenges. The event has received great feedback and has ensured that the tone at the top is consistent across the Mubadala Group.

In addition to the wide range of training programs prepared and delivered in-house, Mubadala has also formulated a detailed Corporate Governance Handbook that sets out the roles and duties of boards and committees, and provides guidance on board operating procedures and directors' fiduciary duties. The Handbook is circulated to all Mubadala employees, as well as board and committee members and senior managers of all assets. There are also weekly mailers circulated to all Mubadala Group directors setting out key developments in corporate governance and compliance, as well as related topical news and studies.

### ***Board and Director Assessments***

Another important element of Mubadala's holistic governance approach is the implementation of board assessments, which aim to ensure that boards are functioning optimally. Directors are primarily responsible

for the direction of a company, thus it is important to remind them of their duties, responsibilities and shareholder expectations through these evaluations. Evaluations are sent out in the form of surveys that are completed by board members online. The survey results are then reviewed, with the top issues for improvement identified and discussed with the Chairman. An action plan is then developed and implemented to ensure that these issues are addressed.

Although board evaluations are necessary, there may sometimes be sensitivity by board members who are not clear on the intention behind the exercise. In order to alleviate concerns that the evaluation process is a forum for criticism, Mubadala's senior leadership vets the process and directly sponsors the exercise. As a result, Directors view the evaluations as a means for improvement rather than criticism. The tangible impact of this exercise is evident through the increased number of directors that align themselves with Mubadala's vision and mission. It also ensures that the right mix of people sits on each asset's board and emphasizes that continuous individual and collective improvement is of paramount importance to Mubadala.

### ***Conclusion***

In order to ensure its sustained growth, which can only continue with best-in-class corporate governance, Mubadala has developed a comprehensive plan to ensure that all of the Directors appointed to its asset boards are properly trained, empowered and evaluated. These efforts have had a tremendous impact on Mubadala's performance, and will continue to evolve in line with best practice.