

# **Alfaisal University College of Business**

**Saudi Corporate Governance Index 2019**

**Evaluation of 169 Listed Companies**

**April 29, 2019**

**Corporate Governance Center  
Alfaisal University, College of Business**

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# A Message from the President of Alfaisal University

It is my great pleasure to introduce to you one of Alfaisal University's projects that was done by the College of Business (CoB) with support from the Saudi Arabian General Investment Authority (SAGIA) and the Capital Market Authority (CMA).

Alfaisal University continues to be innovative in establishing programs and projects that serve the Kingdom of Saudi Arabia and its citizens. The initiative of establishing the first Corporate Governance Center (CGC) in the Kingdom is an example. It is used to institutionalize Corporate Governance (CG) education and practices and aims to increase society's awareness of good Corporate Governance and its value to the economy. This initiative received the endorsement of Saudi government agencies that deal with financial regulations, commerce and investment. It is coming at an opportune time as the Kingdom is embarking on fundamental changes, especially in its economy, represented by the Kingdom's 2030 Vision.

The Corporate Governance Team at CGC has been hard at work on this project for the last three years and they continue putting in very good effort to improve and sustain the center.

	<b>Dr. Mohammed Bin Ali Al-Hayaza</b> <b>President of Alfaisal University</b>
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# A Message from the Dean of the College of Business, the Principal Investigator of CGC

It is with great pleasure that I introduce to you the Third Annual Report of the Corporate Governance Index (CGI) 2019 for the fiscal year 2017. The CGI is developed by our dedicated team at the Corporate Governance Center (CGC). The CGC team with support from Alfaisal University (AU), SAGIA, and more recently from the Capital Market Authority (CMA) and with cooperation from the Saudi Arabian Monetary Authority (SAMA) and the Ministry of Commerce and Investment (MCI), has been working for the last eight months (since July 2018) on the calculations of the CG Indices for all companies traded on the Saudi Stock Exchange; totaling 169 companies. The evaluation process **applied, and for the first time, the latest CG principles developed by the CMA** and was supplemented by some principles from the OECD. As also was the case for the fiscal year 2016, the evaluation process was augmented by the CG principles developed by SAMA for the banking and insurance industries. It also benefitted from the team's experiences in CGI work within the last two years, the observations of many colleagues in the public and private sectors, and from the experiences of international experts on CG. Our main objective for the CGI along with its annual mini-conference, the latest of which was held on 29<sup>th</sup> of April 2019, is to spread the culture of good CG and to help improve the CG practices in Saudi businesses.

At the conference, we first presented the CGI process: The principles used and how they were implemented in the calculations of the CGI for all the companies traded in the Saudi Stock Market for the fiscal year 2017. These were followed by a panel discussion with participation of CG professionals from the private and public sectors. Then, the CG indices for the fiscal year 2017 were presented, and the top achievers were recognized and awarded.

The conference was held at an opportune time as the Kingdom of Saudi Arabia is embarking on a huge change in its economy. In an attempt to close the time gap between the publication of the companies' annual financial reports and the publications of the CGI of the related fiscal year it was announced at the April 29<sup>th</sup>, 2019 CG Mini Conference that the CGI for the Fiscal year 2018 will be published and presented at the First International CG Conference, which is scheduled to be held in December of 2019; i.e. within several months from the publications of the annual fiscal reports of the companies trading at Tadawul. The conference will be organized and supported jointly by AU and the CMA. We hope this international CG conference, which will attract the participation of CG scholars and practitioners, will continue to be held every December on an annual basis. It will be the focal point for the presentation and dissemination of CG research and development.

I wish to thank the support of Alfaisal University's Administration led by its President, Dr. Mohammed Alhayaza, and the support of SAGIA and CMA. I also wish to thank the cooperation of SAMA and MCI. And finally, I'd like to thank the CGC Team of the College of Business, especially its Technical Leader Dr. Necati Aydin, and its international consultants: Dr. Stephen Davis of Harvard University and Kobirate of Turkey.

<b>Dr Bajis Dodin, Principal Investigator of the CG Project Dean of the College of Business Alfaisal University</b>
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# Part I. Corporate Governance: Definition, Importance & Measurement

## Introduction

Corporate governance is becoming more important than ever in the modern business world. Economic expansions in the last few decades have revolutionized financial markets around the globe, introducing new corporate structures to meet the fast-paced economic growth. Rapid reformation of the capital markets has triggered the need for regulatory frameworks to align shareholders' and stakeholders' interests with those of management, especially after waves of financial crises washed over many countries. Thus, it is necessary for corporations to have sound corporate governance principles and practices to protect the rights of shareholders and stakeholders, provide more reliability in Saudi investments, and to maintain financial stability, and sustainable profitability. All of which may improve domestic and foreign investments in Saudi Arabia.

The need for good governance is even higher in emerging markets like Saudi Arabia, which is currently undergoing a major transformation to be fully integrated into the global economy. Within its Vision 2030, the country is making serious efforts to attract investment from local as well as foreign sources to diversify its economy. For that purpose, the Kingdom is opening up its stock market to the rest of the world while it is making a transition from private and government to public ownership. The number of companies listed in the Saudi stock exchange, Tadawul, has increased in the last decade or so, and the trend is expected to continue as the country is pushing for diversification away from oil to other sectors. The number is expected to grow as family-run big companies decide to go public. Tadawul has the potential to play a critical role in raising capital to support the long-term growth and job creation objectives set out in the Vision 2030. This, however, is contingent upon the sustainable performance of the listed companies. And that is where we think good corporate governance plays a crucial role.

Indeed, it is not easy to attract global investors without good corporate governance practices. That is because good governance provides the required institutional structure for long-term profitability and sustainability. It gives a positive signal to outside investors to earn their trust. The ultimate objective behind good corporate governance is to align the interests of different groups toward the best use of resources for an efficient outcome and sustainable profitability. Therefore, it is absolutely essential to develop reliable and objective corporate governance (CG) assessment tools to monitor and promote good governance among Saudi corporations and businesses.

At Alfaisal University, we established the Corporate Governance Center (CGC) two years ago to deal with the various CG issues, foremost of which is the assessment of the listed Saudi companies in terms of their compliance and culture of good governance principles. We define corporate governance in a comprehensive manner covering rules, structures, processes, practices, and reporting with regards to the **board of directors, shareholders' rights, public disclosure & transparency, and stakeholders' rights**. We believe a reliable CG index will raise Saudi Arabia's overall corporate governance standards and practices and will provide possible financial and investment benefits as a result of making good governance the standard rather than the exception. Because of these benefits, many countries around the world have set up CGIs over the past decade. We benefited from their experiences to develop an efficient

CGI process for Saudi companies. We developed the corporate governance index (CGI) based on the latest CG principles set by the Saudi Capital Market Authority (CMA), the Saudi Arabian Monetary Authority (SAMA), and the Organization for Economic Co-operation and Development (OECD).

The Alfaisal CGI gains its prominence from its scientific methodology, objective criteria and institutionalizing its process. It started in 2016 with partial support from the Saudi Arabian General Investment Authority (SAGIA) to provide an independent assessment of corporate governance for major Saudi companies. The first CGI ranking was released on May 17<sup>th</sup>, 2017, for the Financial year 2015, evaluating 92 companies based on 117 good CG principles and practices; mostly using the old CMA CG principles. The second CGI ranking was released on April 22<sup>nd</sup>, 2018, for the financial year 2016, covering 171 companies fall in 19 sectors listed on Tadawul. In this round the CG principles were augmented by those of SAMA developed for the Banking and Insurance sectors. The findings of the third year CGI assessment (which is the subject of this report), for the financial year 2017, were released at the Third Annual CG Conference on April 29<sup>th</sup>, 2019. The conference attracted a large number of participants from both the government and private sectors. In this report, we provide the “WHAT, WHY, and HOW” of corporate governance before analyzing the findings of the 2019 CGI ranking and assessment for the fiscal year 2017, where the most recent and comprehensive CMA CG principles were applied for the first time.

In short, the Alfaisal CGI is the first evidence-based comprehensive annual assessment of corporate governance practices among Saudi companies. The CGI will raise the country’s overall corporate governance standards and provide possible financial and investment benefits as a result of making governance improvements. The Alfaisal University Corporate Governance Center releases an annual CGI ranking of the companies and distributes the “Best CG Awards” to promote good corporate governance.

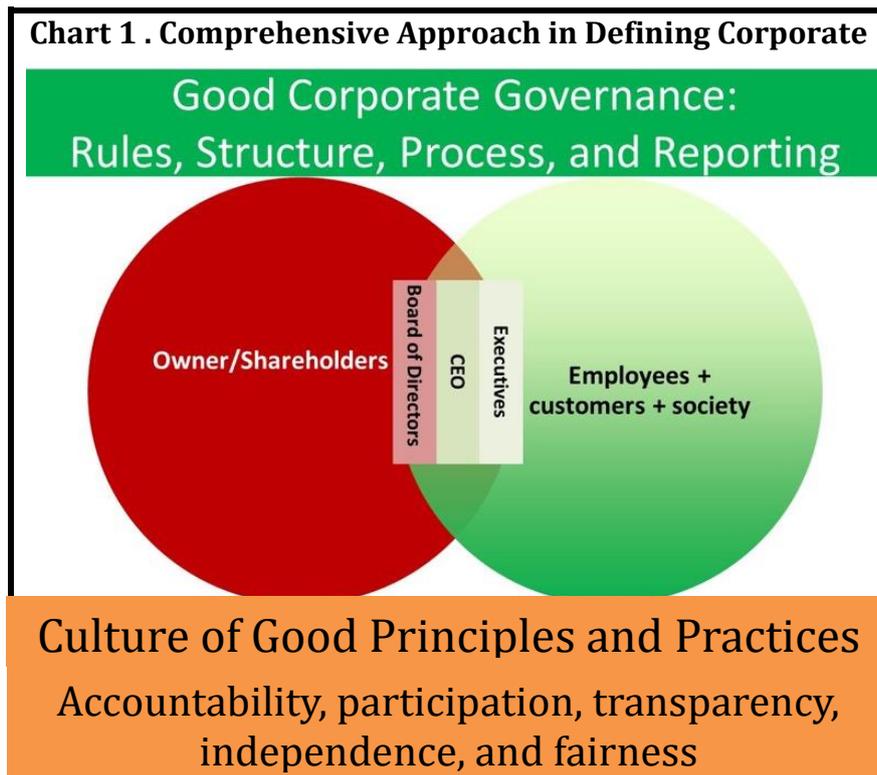
## **WHAT is Alfaisal CGI?**

Corporate governance involves a set of relationships between a company’s management, its boards, its shareholders and other stakeholders. CG also provides the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring their performance are determined.

The Alfaisal CGI is a scientific performance measure (index) developed by a team from CGC at the College of Business at Alfaisal University in collaboration with consultants from Harvard University and Kobirate Co.<sup>1</sup> with funding support from SAGIA and strong endorsements from the CMA, SAMA and the Ministry of Commerce and Investment. The objective of the index is to monitor and promote good governance practices among corporations doing business in Saudi Arabia. The CGI is based solely on good CG principles set by the CMA, SAMA, and OECD and uses all publicly available information on the companies traded in Tadawul such as their annual financial statements, bylaws, General Assembly Meeting minutes, and press releases. As shown in the graph below, we perceive corporate governance in a comprehensive manner covering rules, rights, structures, processes, and accountability for shareholders, board of directors, management, employees, customers, and society at large.

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<sup>1</sup> Kobirate International Credit Rating and Corporate Governance Service Inc.



### **WHY have CGI?**

A Corporate Governance Index (CGI) is a way to assess companies in terms of their compliance to good governance principles for better decision making, risk management, timely response to market information and crises, and higher performance. Those principles are expected to promote equal treatment of shareholders; ensure transparency through the constant flow of relevant and reliable information related to shareholders and stakeholders; and provide an effective structure to hold decision makers accountable for their business decisions. The ultimate benefit of good governance is to develop efficient and effective corporate culture based on good rules and institutions for higher productivity, higher trust among stakeholders, higher performance, lower cost of capital, and sustainable growth in an increasingly competitive global market.

The annual CGI assessment aims to accomplish the following objectives:

- Provide data-based, objective, and independent evaluation of Saudi companies in terms of their adherence to CG principles set by the CMA and OECD, as well as SAMA (in the case of banks and insurance companies).
- Promote good corporate governance practices and culture by studying and sharing best practices including teaching and conducting research on CG.
- Monitor the status of corporate governance on annual basis and augment the process with the latest innovations in CG principles and practices.
- Provide guidance/consultancy to companies and policy makers to improve corporate governance (principles and practices).

### **HOW to determine the assessment methodology?**

We evaluate good corporate governance by creating an index which assesses companies in terms of their compliance to the related governance rules in the country and best governance practice around the world. A major 2013 World Bank report<sup>2</sup> on developing CG indices recommends the following eight steps to come up with an efficient CG index:

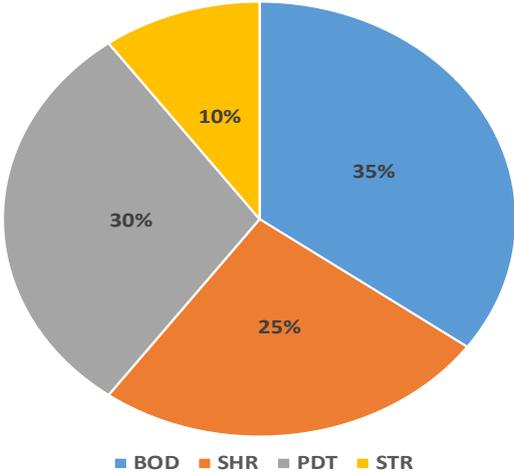
- 1) Use a wide initial consultation
- 2) Define the objective/s of the index
- 3) Select the index approach
- 4) Customize CG criteria for the country when adopting international standards
- 5) Build a transparent and credible evaluation process
- 6) Achieve maximum possible disclosures
- 7) Effectively monitor the index criteria
- 8) Develop the index.

We have followed the recommendation above in developing the CGI for Saudi companies. We used a wide range of consultation to make sure that we came up with best measurable criteria to evaluate corporate governance policies and practices. We collaborated with international consultants and worked with local partners to establish the index with proper categories and variables. With this index, we aim to provide data-based independent guidance to Saudi companies helping them to adopt good governance principles. We believe that the adoption of those principles would help companies make better decisions and resolve conflicts that could emerge between corporate executives, shareholders, and stakeholders in the course of doing business.

**HOW to measure CGI?**

The CGI is a composite index based on the weighted score of corporate governance within the four categories as shown below. Each category is evaluated over 100 points using evidence-based CG practices. The cumulative CG score ranges between 0 and 100. The CG score reveals the compliance of companies to good CG principles (stated above). The final CG score is the weighted average of four categories over 100 points. The board of directors (BOD) has the highest weight with 35% followed by Public Disclosure and Transparency (PDT) (30%), Shareholders’ Rights (SHR) (25%), and Stakeholders’ Rights (STR) (10%)<sup>3</sup>.

**Chart 2. Weight of Four CG Categories**



<sup>2</sup> Raising the Bar on Corporate Governance: A study of eight stock exchange indices, World Bank, June 2013.  
<sup>3</sup> These ratios are used in most publications on CG indices.

# Part II. Corporate Governance Project Overview

## 1. Corporate Governance Center at Alfaisal University

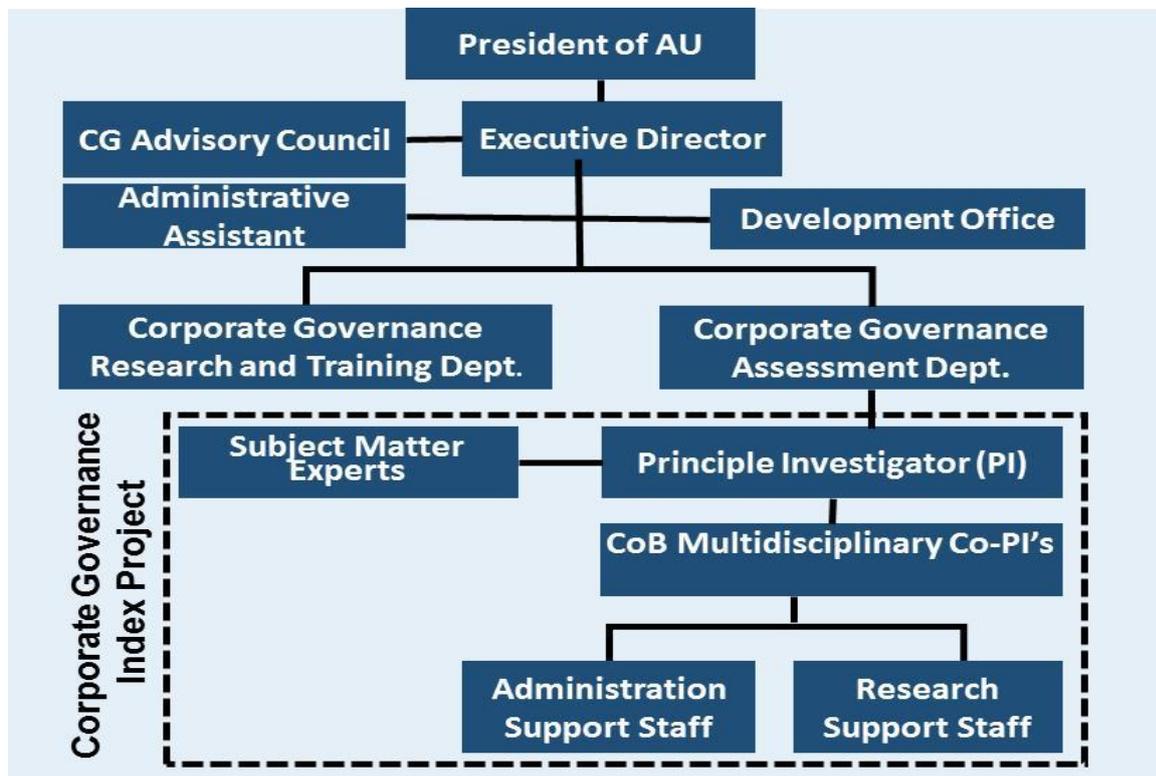
### Vision:

We aspire for the Corporate Governance Center (CGC) to be the leading center in the Gulf Cooperation Council (GCC) region for impactful research on CG and for promoting best CG policies and practices.

### Mission:

The mission of the center is to provide reliable and independent CG policies and practices through tracking and assessing corporate governance practices, identifying key major governance challenges, developing sound solutions that are guided by quality research and best governance practices, and proposing policy recommendations that address these challenges.

The CGC has been established in June 2017. It was approved by the College of Business; the Council of Deans at Alfaisal University (AU), by the AU Council, by the AU Board of Trustees, and by the Ministry of Education. It is expected to be fully operational by January 2020. The chart below shows the structure of the center once it is fully functional: Currently the Assessment Department is fully operational, and an experienced Executive Director has been appointed.



## 2. CGI Project Overview

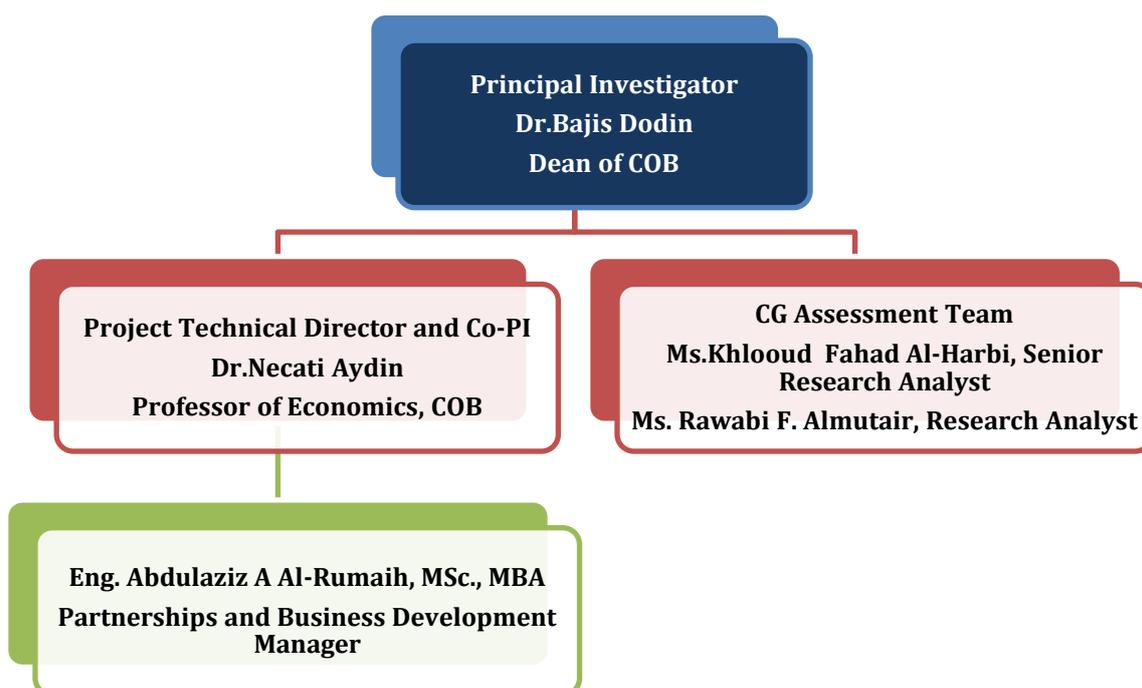
This is the third year that CGC is undertaking a major study to develop a Corporate Governance Index for companies trading on the Saudi Stock Exchange (Tadawul). The index is based on the CG practices for the fiscal year of 2017. The project is partially funded by the Saudi Arabian General Investment Authority (SAGIA) and encouraged by the Capital Market Authority (CMA), the Saudi Arabian Monetary Authority (SAMA), and the Ministry of Commerce and Investment (MCI).

A dedicated team from the College of Business at Alfaisal University is working at CGC using a well-developed model that operationalizes CG principles (set by the CMA and OECD and augmented by the banking and insurance principles developed by SAMA). The goal is to rank the publicly traded companies in the Saudi stock market according to their compliance with those principles.

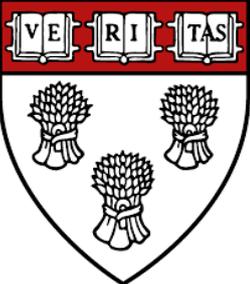
The CGI project is three years old. In its first year, which ended in May 2017, it dealt with the calculations of the CGI for the fiscal year of 2015 for the top 92 companies traded on the Saudi Stock Exchange, Tadawul (capturing over 95% of the traded volume in Tadawul). In its second year, which ended in April 2018, it dealt with the calculations of the CGI for all companies traded in Tadawul using the data for the fiscal year of 2016. Then in its third year, it released the CGI for all companies traded on Tadawul in April 2019, **based on new CG principles from the CMA**. These are the subject of this report.

## 3. Project Team

### a. Alfaisal University CGI Team



## b. External Consultants

<p><b>1) Dr. Stephen Davis</b></p> <ul style="list-style-type: none"> <li>• Associate Director and Senior Fellow, Programs on Corporate Governance and Institutional Investors at Harvard Law School</li> <li>• One of the architects of today’s global corporate governance framework, based at the Harvard Law School.</li> </ul>	 <p>Harvard University Program on CG</p>
<p><b>2) Kobirate Consulting Firm</b></p> <ul style="list-style-type: none"> <li>• Has been doing CG rating since 2008</li> <li>• Has developed a unique software for CG index</li> <li>• Has rated nearly 30% of Borsa Istanbul (BIST) Corporate Governance Index Companies, more than 50 Corporate Issuers and made more than 1000 Companies’ scoring processes.</li> </ul>	 <p><b>Kobirate Consulting Firm, Istanbul, Turkey</b></p>

## 4. Project Timeline and Major Accomplishments

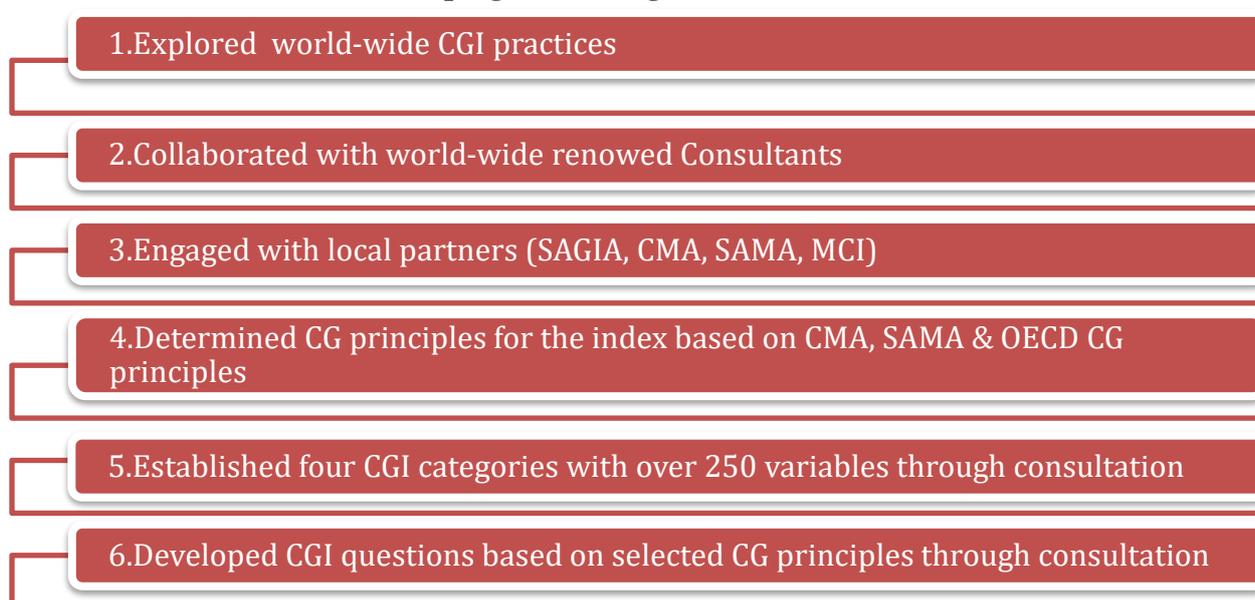
The project began with the exploration of existing international CG assessment models. As discussed before, through consultation with various stakeholders, a sound methodology was determined to assess 92 companies in 2017. Every year, the methodology is improved through fine tuning to assure its accuracy and efficacy. The project timeline and major accomplishments for the last three years are provided in the chart below:

Year 1 (2017)	Year 2 (2018)	Year 3 (2019)
<ul style="list-style-type: none"> <li>• Developed CG assessment tool with 117 variables</li> <li>• Assessed top 92 companies listed in Tadawul</li> <li>• Awarded five companies with the highest CG score</li> <li>• Applied old CMA principles augmented by OECD principles</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Developed two new sub-indices: one for banking and one for the insurance sector</li> <li>• Assessed 171 companies listed in Tadawul</li> <li>• Tested an automated CG assessment and reporting system</li> <li>• Awarded the top-5 performing companies</li> <li>• Applied old CMA principles augmented by OECD and SAMA principles</li> </ul>	<ul style="list-style-type: none"> <li>• Developed new CG assessment variables based on new CMA principles</li> <li>• Evaluated all companies listed on Tadawul based on 300-400 expected CG traits (variables).</li> <li>• Developed a proprietary automated CG assessment and reporting system that enables the Center to invest in collecting CG data in doing <ul style="list-style-type: none"> <li>• comparisons,</li> <li>• trend analyses,</li> <li>• customized reports</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>• statistics</li> <li>• research support in corporate governance in general.</li> <li>• Awarded the top eight performing companies</li> </ul>
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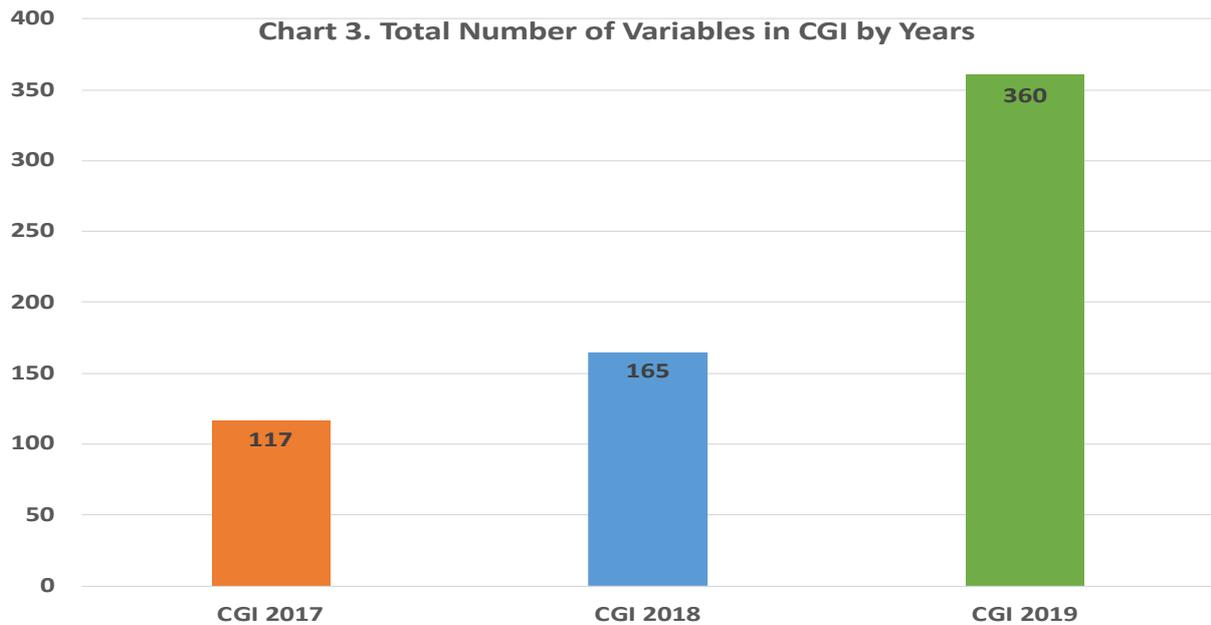
## 5. CGI Methodology

### a. Process of Developing CGI Categories and Variables

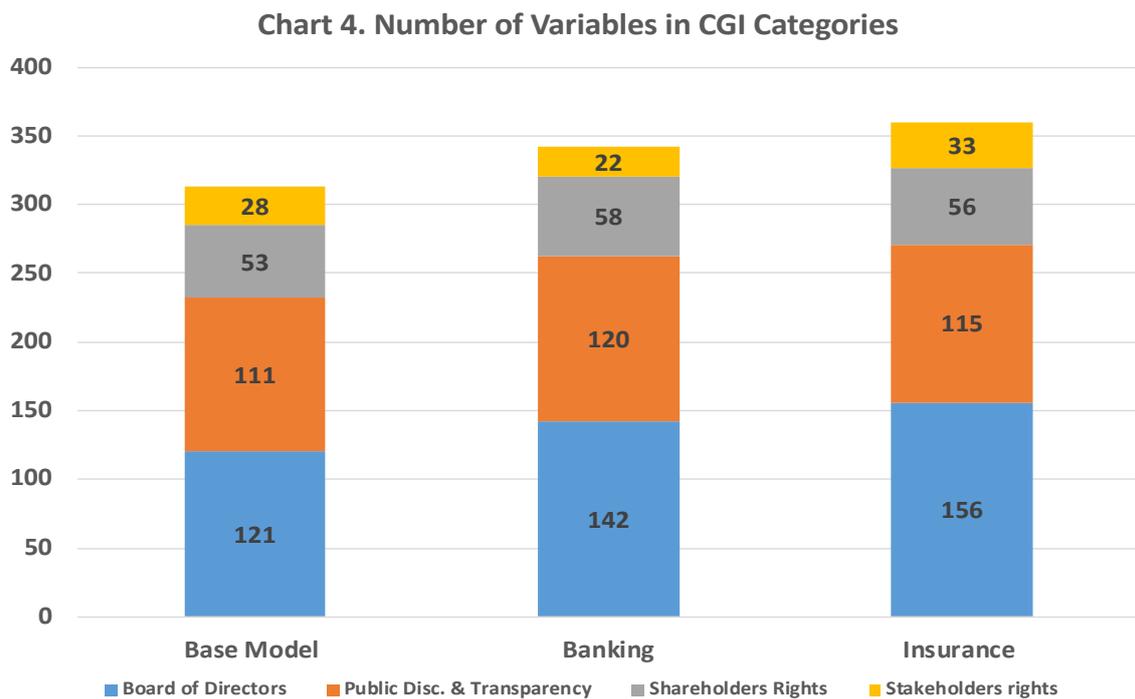


### b. Number of CGI Variables

In the first year, we only had a base model (based on the old CMA principles supplemented by some principles from the OECD) for all companies assessing 117 traits within the four categories. In the second year, we increased the number of variables to 165 (as we added SAMA principles for the banking and insurance sectors). For this round, we had the highest number of variables, 360, due to the changes in CMA principles as shown below:



The base model in 2019 for all companies includes 313 variables in four categories while the banking and insurance sectors have additional variables. As shown below the number of variables in each subcategory are consistent with their weight in the cumulative CGI score:



### c. CGI Categories and Variables for the Base Model

As shown below, the base model consists of four categories with 313 variables.

<b>Total Variables in the Base Model = 313</b>	
<b>Assessed Categories</b>	<b>Base Variables</b>
	<b>313</b>
<b>Public Disclosure and Transparency</b>	<b>111</b>
1. Policies and Procedure of Disclosure	3
2. The Board's Report	81
3. The Audit Committee's Report	4
4. Disclosure by the Board	3
5. Disclosure of Remunerations	5
6. Implementation of Effective Governance	6
7. OECD	9
<b>Board of Directors</b>	<b>121</b>
1. Composition of the Board	2
2. Appointment of the Board members Board	2
3. Termination of a Board Membership	2
4. Issues Affecting Independence	12
5. Main Functions of the Board	5
6. Distribution of Competencies and Duties	2
7. Separation of Positions	3
8. Oversight over the Executive Management	3
9. Competencies of the Chairman	1
10. Appointing CEO after the end of his/her services as Chairman of the Board	1
11. Tasks and Duties of the Board Members	3
12. The Board Meetings	5
13. Exercising the Competencies of the Board	1
14. The Secretary of the Board	5
15. Training	1
16. The Assessment	3
17. Conflicts of Interest Policy	3
18. Concept of the Competing Businesses	3
19. Forming the Committees and Committees Membership	7
20. The Audit Committee	17
21. Remuneration Committee	12
22. Nomination Committee	16
23. Risk Management Committee	5
24. Composing An Internal Audit Unit or Department	1
25. The Company's External Auditor	6
<b>Shareholders</b>	<b>53</b>
1. Fair Treatment of Shareholders	3
2. Rights related to shares	9
3. Electing the Board Members	8
4. Distrinution of Dividends	3
5. Competencies of the Extraordinary General Assembly	6
6. Competencies of the Ordinary General Assembly	8
7. Shareholders' Assembly	5
8. The Agenda of the General Assembly	3
9. Management of the Shareholders' Assembly	8
<b>Stakeholders</b>	<b>28</b>
1. Regulating the relationship with Stakeholder	7
2. Reporting Non-Compliant Practices	5
3. Employee Incentives	5
4. Professional Conduct Policy	5
5. Social Responsibility and Social Initiatives	6

#### d. CGI Categories and Variables for the Banking Sector Model

For the banking sector, we added to the base model 33 additional variables to make sure that banks follow corporate governance principles set by the CMA and SAMA and the OECD, as well.

<b>Total Variables in the Insurance Model = 350</b>		
<b>Base Variables = 309   Added from SAMA = 41</b>		
<b>Assessed Categories</b>	<b>Base</b>	<b>SAMA</b>
	<b>309</b>	<b>41</b>
<b>Public Disclosure and Transparency</b>	<b>111</b>	<b>3</b>
1. Policies and Procedure of Disclosure	3	0
2. The Board's Report	81	3
3. The Audit Committee's Report	4	0
4. Disclosure by the Board	3	0
5. Disclosure of Remunerations	5	0
6. Implementation of Effective Governance	6	0
7. OECD	9	0
<b>Board of Directors</b>	<b>118</b>	<b>33</b>
1. Composition of the Board	1	2
2. Appointment of the Board members Board	2	0
3. Termination of a Board Membership	2	0
4. Issues Affecting Independence	12	1
5. Main Functions of the Board	5	0
6. Distribution of Competencies and Duties	2	0
7. Separation of Positions	3	0
8. Oversight over the Executive Management	3	0
9. Competencies of the Chairman	1	0
10. Appointing CEO after the end of his/her services as Chairman of the Board	1	0
11. Tasks and Duties of the Board Members	3	9
12. The Board Meetings	5	1
13. Exercising the Competencies of the Board	1	0
14. The Secretary of the Board	5	1
15. Training	1	0
16. The Assessment	3	0
17. Conflicts of Interest Policy	3	0
18. Concept of the Competing Businesses	3	0
19. Forming the Committees and Committees Membership	7	2
20. The Audit Committee	17	5
21. Remuneration Committee	11	4
22. Nomination Committee	15	1
23. Risk Management Committee	5	6
24. Composing An Internal Audit Unit or Department	1	1
25. The Company's External Auditor	6	0
<b>Shareholders</b>	<b>52</b>	<b>0</b>
1. Fair Treatment of Shareholders	3	0
2. Rights related to shares	8	0
3. Electing the Board Members	8	0
4. Distrinution of Dividends	3	0
5. Competencies of the Extraordinary General Assembly	6	0
6. Competencies of the Ordinary General Assembly	8	0
7. Shareholders' Assembly	5	0
8. The Agenda of the General Assembly	3	0
9. Management of the Shareholders' Assembly	8	0
<b>Stakeholders</b>	<b>28</b>	<b>5</b>
1. Regulating the relationship with Stakeholder	7	0
2. Reporting Non-Compliant Practices	5	0
3. Employee Incentives	5	5
4. Professional Conduct Policy	5	0
5. Social Responsibility and Social Initiatives	6	0

### e. CGI Categories and Variables for the Insurance Sector Model

Similar to the banking sector, SAMA sets additional sets of principles for the insurance sector. Therefore, we added 33 variables to the base model in assessing the insurance sector. The added variables are mostly related to the board of directors and public disclosure as seen below:

<b>Total Variables in the Banking Model = 341</b>		
<b>Base Variables = 308   Added from SAMA = 33</b>		
<b>Assessed Categories</b>	<b>Base 308</b>	<b>SAMA 33</b>
<b>Public Disclosure and Transparency</b>	<b>111</b>	<b>7</b>
1. Policies and Procedure of Disclosure	3	0
2. The Board's Report	81	5
3. The Audit Committee's Report	4	0
4. Disclosure by the Board	3	1
5. Disclosure of Remunerations	5	0
6. Implementation of Effective Governance	6	1
7. OECD	9	0
<b>Board of Directors</b>	<b>116</b>	<b>20</b>
1. Composition of the Board	1	2
2. Appointment of the Board members Board	0	3
3. Termination of a Board Membership	2	0
4. Issues Affecting Independence	12	0
5. Main Functions of the Board	5	0
6. Distribution of Competencies and Duties	2	0
7. Separation of Positions	3	0
8. Oversight over the Executive Management	3	2
9. Competencies of the Chairman	1	0
10. Appointing CEO after the end of his/her services as Chairman of the Board	1	0
11. Tasks and Duties of the Board Members	3	0
12. The Board Meetings	5	0
13. Exercising the Competencies of the Board	1	0
14. The Secretary of the Board	5	0
15. Training	1	0
16. The Assessment	3	0
17. Conflicts of Interest Policy	3	0
18. Concept of the Competing Businesses	3	0
19. Forming the Committees and Committees Membership	7	4
20. The Audit Committee	17	4
21. Remuneration Committee	12	1
22. Nomination Committee	15	2
23. Risk Management Committee	4	2
24. Composing An Internal Audit Unit or Department	1	0
25. The Company's External Auditor	6	0
<b>Shareholders</b>	<b>53</b>	<b>4</b>
1. Fair Treatment of Shareholders	3	1
2. Rights related to shares	9	3
3. Electing the Board Members	8	0
4. Distrinution of Dividends	3	0
5. Competencies of the Extraordinary General Assembly	6	0
6. Competencies of the Ordinary General Assembly	8	0
7. Shareholders' Assembly	5	0
8. The Agenda of the General Assembly	3	0
9. Management of the Shareholders' Assembly	8	0
<b>Stakeholders</b>	<b>28</b>	<b>2</b>
1. Regulating the relationship with Stakeholder	7	0
2. Reporting Non-Compliant Practices	5	0
3. Employee Incentives	5	0
4. Professional Conduct Policy	5	0
5. Social Responsibility and Social Initiatives	6	2

## f. Company Selection for CGI and Company List

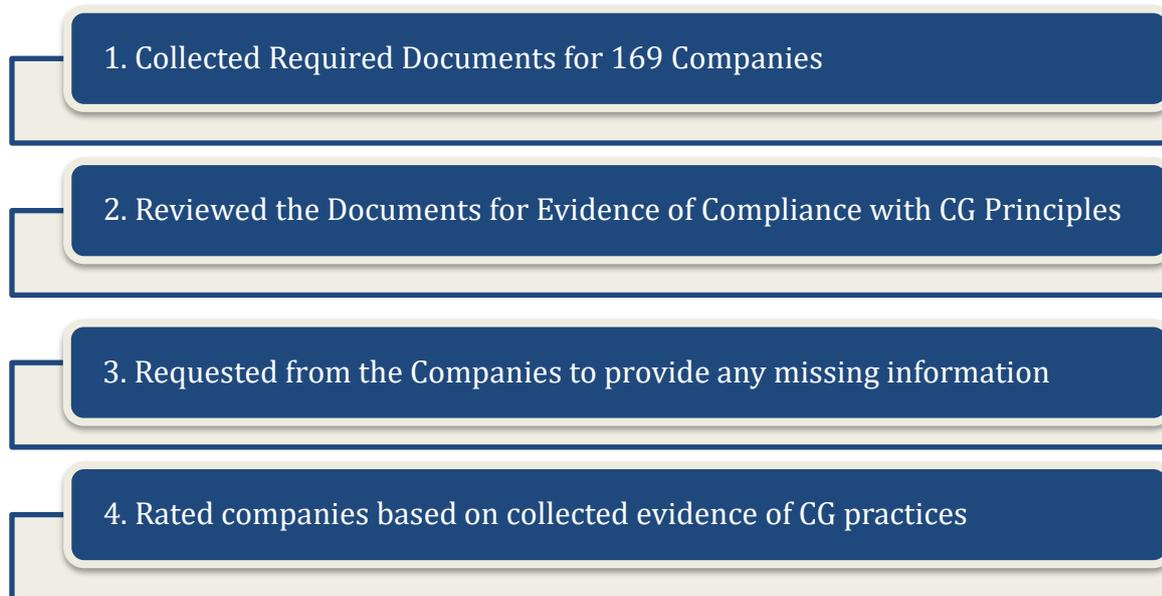
In the first year, we used market capitalization as the key determining criteria to select 92 companies for the CG index. The median market value was set as the threshold. The companies that had a median market of value of 2 billion riyals were included. The second criterion was that the company has to have been listed in the market for a minimum of three years. This was to ensure enough time for the transition of the company from private ownership into public ownership. For the second year and this year, we evaluated all actively listed (169) companies on Tadawul. The table below provides the sectorial breakdown of the companies which were assessed for the CG index:

**Table 1. List of Companies by Sector**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Banks & Diversified Financial	16	9.5	9.5
Capital Goods	12	7.1	16.6
Commercial Services & Retailing	8	4.7	21.3
Consumer Durables & Con. Services	11	6.5	27.8
Energy & Utilities	6	3.6	31.4
Food & Beverage & Staples Retail	16	9.5	40.8
Health Care & Pharmaceutical	7	4.1	45.0
Insurance	32	18.9	63.9
Materials	41	24.3	88.2
Real Estate Management & Dev.	10	5.9	94.1
Telecom & Media	5	3.0	97.0
Transportation	5	3.0	100
Total	169	100	

## 6. Company Evaluation and Rating Process

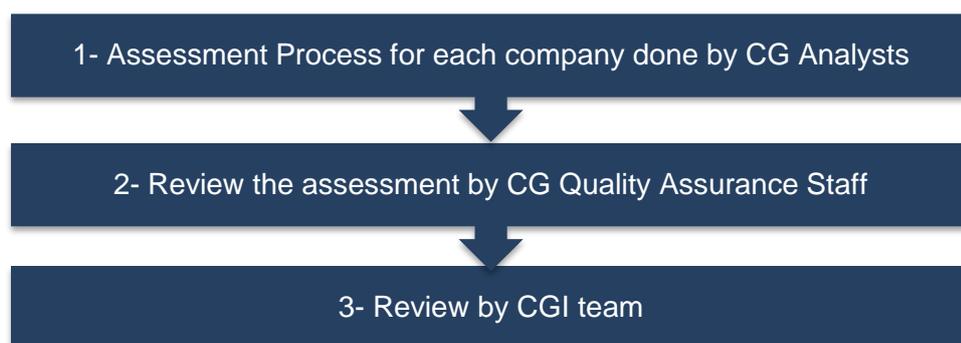
As shown below, we follow certain steps in the evaluation and rating of companies in terms of their corporate governance practices and principles. First, we collected relevant publicly available documents. Second, we reviewed those documents to gather evidence for the CG variables used in our evaluation. Third, we wrote each company to provide any missing information we needed for the assessment. Finally, we revised our assessment and scoring based on any additional evidence provided by the companies.



## 7. CGI Quality Assurance Process

The quality assurance was conducted at two stages. First, external consultants provided feedback on the pilot evaluation. They exchanged their own experiences in evaluation to ensure a correct assessment. Second, we had a quality assurance process while the companies were being rated. We conducted regular meetings to review the works done by the CG rating analysts.

### a. Internal Quality Assurance



### b. External Quality Assurance

Review Items	Consultants	Feedback Requested
CGI Variables and Categories CGI Rating Methodology CGI Company Selection Criteria CGI Pilot Evaluation	Dr. Stephen Davis & Kobirate Consultant Team	SAGIA, CMA, SAMA, & MCI

## 8. CGI Components and Scale

We used the three different models (Base, Banking, and Insurance) in rating companies. Each category is evaluated over 100 points. The final CG index is the weighted average of four categories over 100 points. The CG score reveals the compliance of companies to good corporate governance principles which are determined by the CMA, SAMA, and the OECD. The four categories and their weights on the final CG score are as follows<sup>3</sup>:

- Board of Directors and Executive Management (35%)
- Shareholders' Rights and General Assembly (25%)
- Public Disclosure and Transparency (30%)
- Stakeholders (10%)

The lowest cumulative CG score is zero which means no compliance to good corporate governance principles measured through the variables. The highest cumulative CG score is 100 which means 100% compliance with the assessed principles. The first table below provides the rating methodology for all of the categories based on the compliance to CG principles while the second table shows the CG rating scale:

**Table 2. Rating Methodology for CGI Categories**

Categories	Variables	Earned Points			Cat. Total	Weight	C. Total
		Yes	Partial	No			
	#						
BOD (m.) <sup>4</sup>	104	0.5	0.25	0	100	.35	100
BOD (v.)	17	1	0.5	0			
SHR (m.)	43	NA	NA	NA	100	.25	
SHR (v.)	9	1	0.5	0			
PDT (m.)	92	0.5	0.25	0	100	.30	
PDT (v.)	19	1	0.5	0			
STR(m.)	11	NA	NA	NA	100	.10	
STR(v.)	17	1	0.5	0			

BOD: Board of Directors; SHR: Shareholder rights; PDT: Public disclosure and Transparency; STR: Stakeholder rights; m: mandatory compliance; v: voluntary compliance; Cat: categorical; C: cumulative (normalized)

**Table 3. CGI Rating Scale**

Score	Letter Grade	Description
90-100	A	Excellent
80-89	B	Very good
70-79	C	Good
60-69	D	Fair
Below 60	F	Very weak

<sup>3</sup> The weight of sub-categories is determined based on their relative importance, number of criteria, empirical evidence, and international practices.

<sup>4</sup> Following CMA recommendations, we give more weight to voluntary CG principles. A company gains one half of a point if a CG principle is mandatory while getting a full point if it is voluntary.

# Part III: Brief Analysis of CGI Scores

## 1. Overall Findings

The overall CG score is a composite score of the four categories based on the weights stated before. The table below shows the mean, median, standard deviation, minimum score, maximum score for the assessed companies. The cumulative CG scores ranges from 46 points to 87 points with a mean of 66 and a standard deviation of 9. This shows that companies vary significantly in terms of their CG practices. Based on the median value, the top half of the companies scored 65 or above and the bottom other half scored less than 65 points. This means that, overall, companies are doing fine in terms of corporate governance even though they have significant room for improvement. The cumulative mean CG score for all companies indicates significant improvement in the areas of public disclosure and transparency. However, the scores for the other three CG categories show a great need for improvement to achieve the newly established high CG standards.

**Table 4. Summary Statistics of 2019 Saudi CG Index**

	Cumulative CG Score	BOD Score	Shareholders Score	Public Dis. and Tran. Score	Stakeholders Score
N	169	169	169	169	169
Mean	66.32	68.30	72.54	72.45	25.22
Median	65.00	68.00	73.00	72.00	16.00
Std. Deviation	8.91	11.47	7.80	8.69	22.19
Minimum	46.00	43.00	30.00	51.00	0.00
Maximum	87.00	90.00	93.00	92.00	85.00

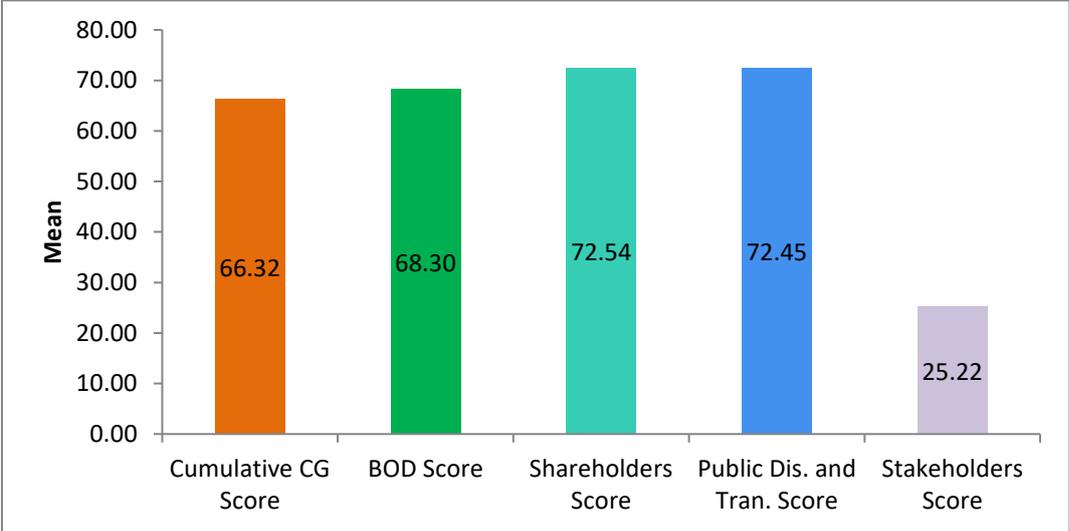
As seen in Chart 5, companies scored “good” in terms of their CG practices with respect to Public Disclosure & Transparency, and Shareholders Rights, while performing slightly lower in terms of Board of Directors. On the other hand, the score for Stakeholder Rights is considered “very weak”, though it is slightly better than last year’s. Indeed, in comparison to CG scores for 2018, the scores for Stakeholders, and Public Disclosure & Transparency have increased, while the scores for Board of Directors and Shareholders have **decreased due to the higher standards set by the new CMA principles**. Although the score for the Board of Directors is low as compared to that of Shareholders and Public Disclosure & Transparency, however, the companies are doing well in terms of meeting the minimum requirements for the Board of Directors’ subcategory. In general, companies are doing fine when a principle is mandatory because they get penalized in the case of non-compliance. However, if a CG principle is voluntary, companies would follow it only if they are convinced of its added value.

Compared to last year, even though the number of assessed traits was more than doubled, for Public Disclosure & Transparency, the mean score went up from 64 to 73. The nine-point average increase in just one year among all listed companies, despite the newly established higher standards, is a clear testimony of great improvement in this category. A similar success

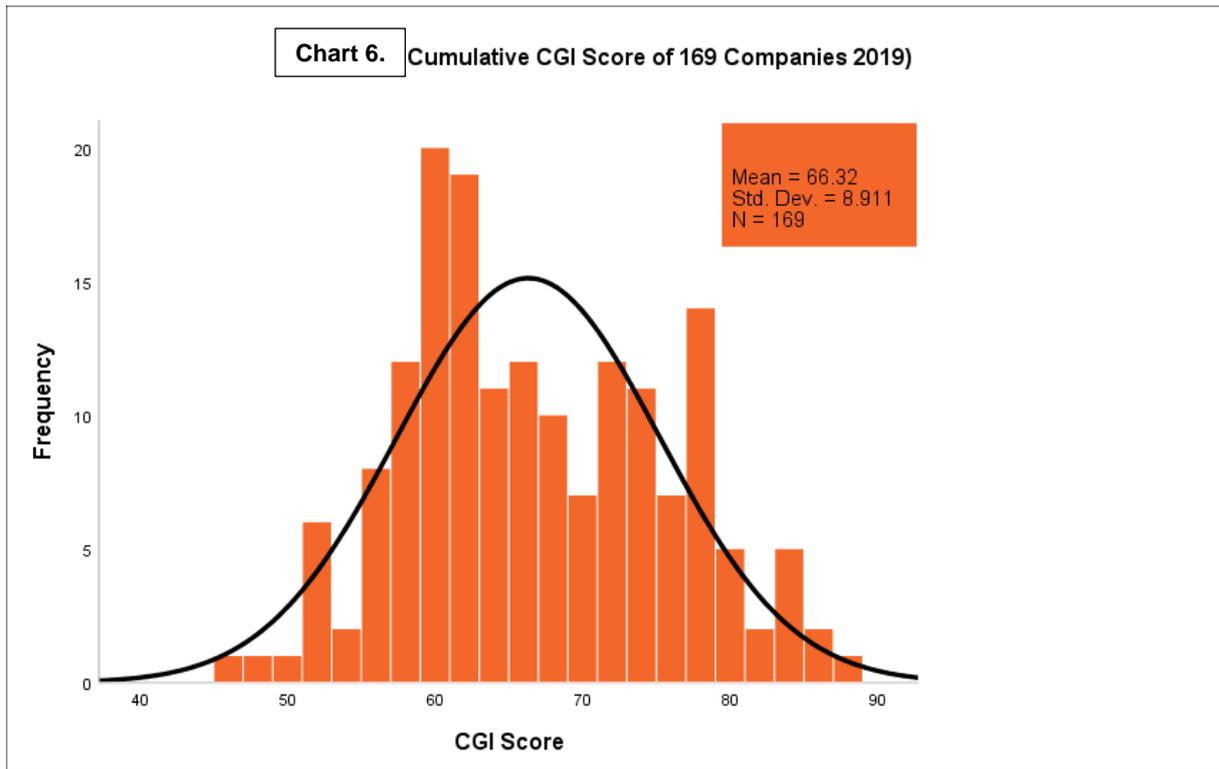
story was also observed in the Stakeholder’s Rights category. Despite the doubling of the assessed traits, the companies managed to increase their average score for Stakeholder’s Rights by seven points. On the other hand, the scores for the Board of Directors and Shareholder’s Rights categories dropped significantly compared to last year.

It is important to note that we have seen a growing trend at the international level in terms of giving higher importance to Stakeholders’ Rights. In August 2019, 181 CEOs of major companies in the USA including Amazon, Coca-Cola, Dell, Exxon, Ford, PepsiCo, and Walmart as well as leaders of large financial companies such as Bank of America, BlackRock, Citigroup, Goldman Sachs, JPMorgan, Morgan Stanley, and Vanguard issued a statement saying that their companies are committed to delivering value to all stakeholders, not just shareholders.

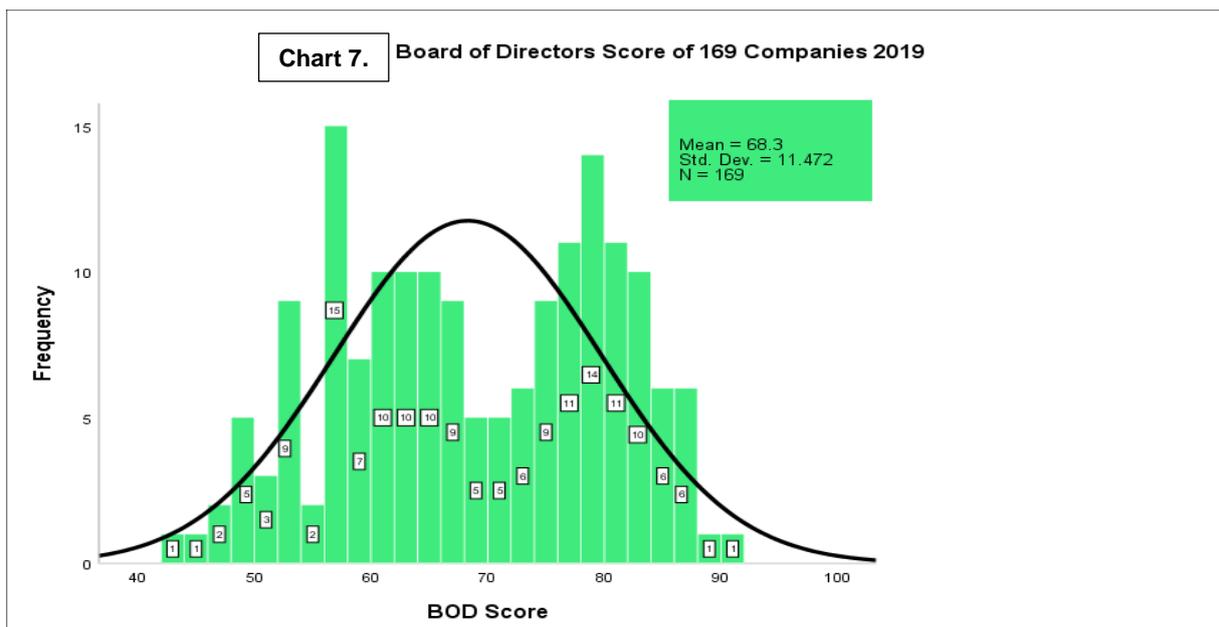
**Chart 5. Average CGI Scores for 169 Companies**



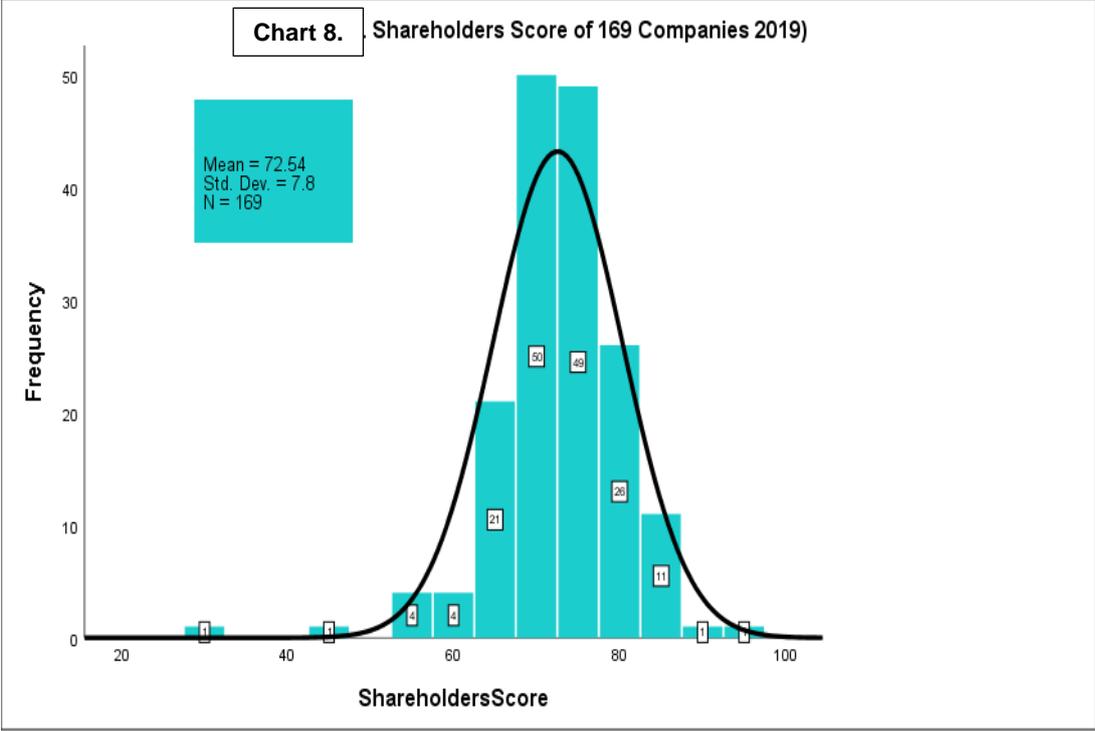
The mean value for the CGI Score for 2019 is 66 out of 100. This year’s score is almost same as that of last year. This is not bad given the substantial increase in the number of variables based on higher CG standards that were used this year. The distribution of the score shows that some companies scoring significantly below the average while most were dispersed around the mean. The standard deviation is 9 for 2019, a little higher than in previous years. The standard deviation was 8 for both 2018 and 2017. If the companies with very low scores were provided good guidance on improving their scores, the mean CGI score would improve significantly.



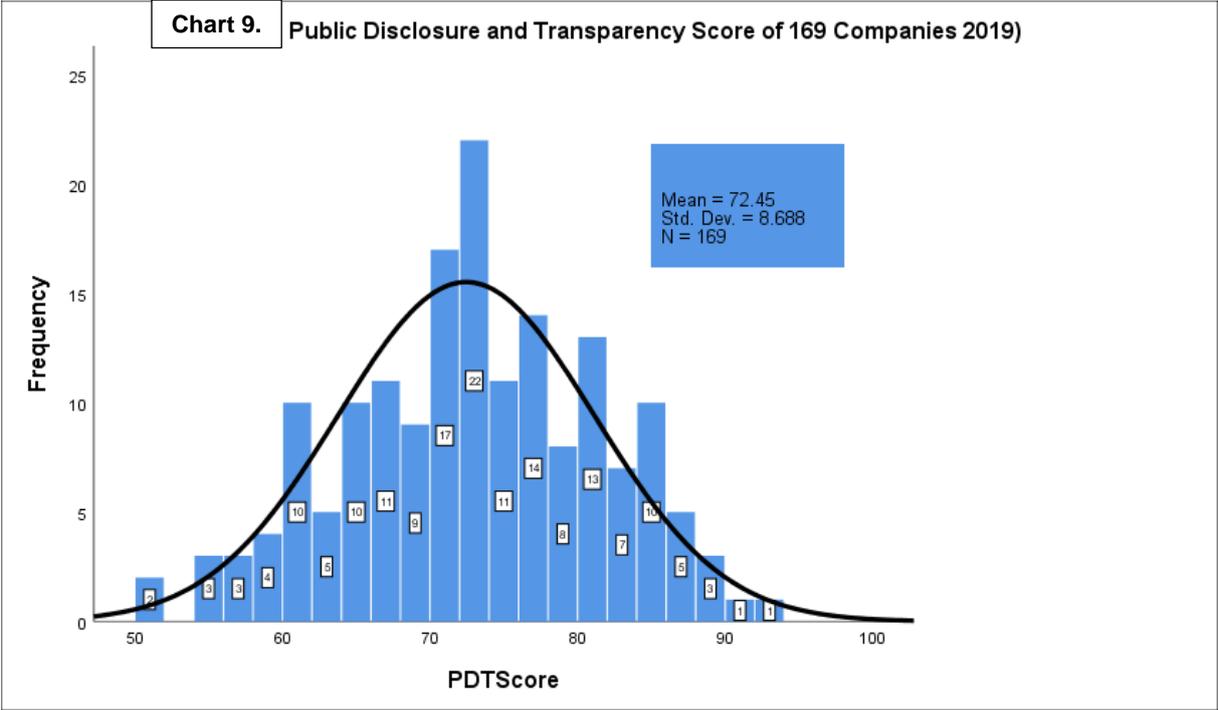
The mean BOD Score for 2019 is 68 points out of 100. It is lower than 2017’s score of 82 points, and also lower than 2018’s score of 78 points. Perhaps, this is due to the fact that it was the first year of the implementation of new CMA CG principles. Companies might need some time to fully adopt the new principles. The distribution is bimodal and standard deviation is 11 for this year, which is higher than that of both 2018 and 2017, where the standard deviation was 8 for 2018, and 7 for 2017. The increase in standard deviation tells us that this year more companies have a score that spreads significantly from the average score. The graph shows that a little over two dozen companies have a BOD score below 50. On the other hand, some 20 percent of the companies scored 80 or above.



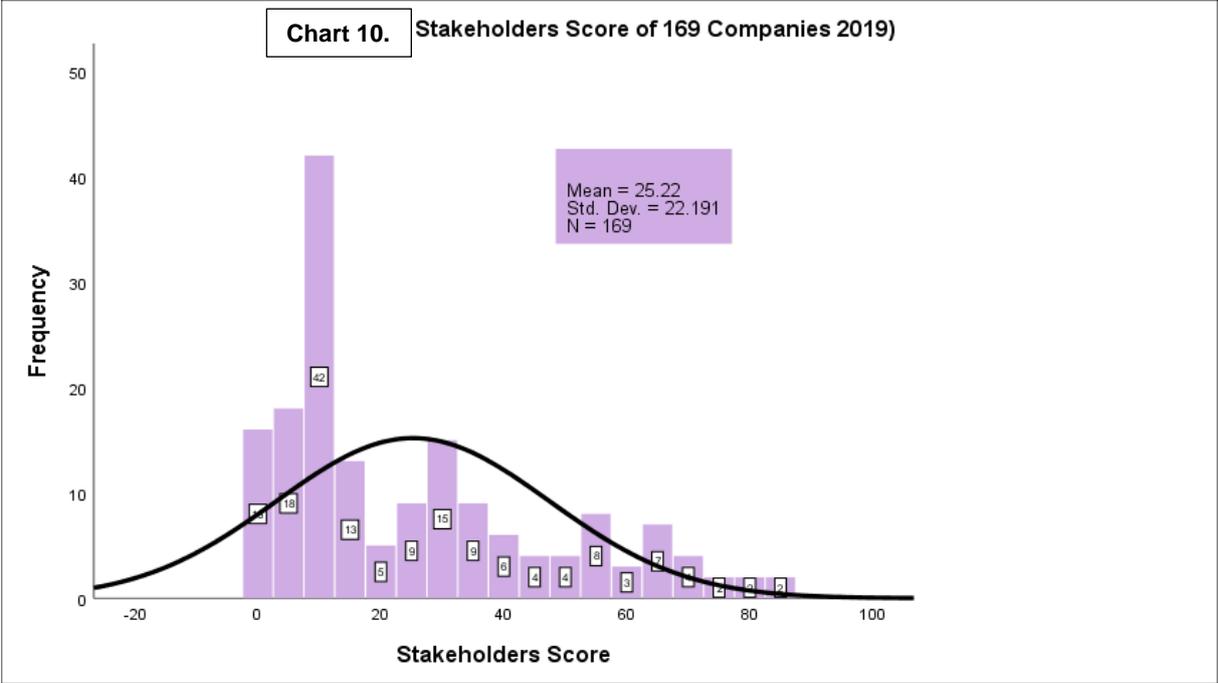
The Shareholders' Rights score for 2019 is 73 points out of 100. It is slightly below the 2018 score. Unlike the BOD score, it has a substantially smaller standard deviation. The standard deviation is 8 for this year and was 11 in 2017, and 10 in 2018. This shows that the standard deviation is reduced and that a greater number of companies have a score closer to the average score. In other words, with the exception of several outliers, most companies scored around the mean. Only ten companies scored 60 or below while more than thirty companies scored 80 or above. This may imply that companies are paying more attention to shareholders interests. Please notice the sharp difference between the two graphs: BOD and shareholders.



The Public Disclosure & Transparency score for 2019 is 73 points out of 100. It is much higher than 2017's score of 59 points and also higher than 2018's score of 64 points; it is a big shift to the right. This means that companies are giving an increasing amount of importance to Public Disclosure & Transparency. A steady improvement in this category is welcome news for a positive change in corporate culture. The relatively low standard deviation indicates that the changes are evenly spread across the companies. The standard deviation is 9 for this year and was 11 in 2018 and 13 in 2017. Again, this shows that companies continue to pay more attention to Shareholders' interests by providing more transparency.



The mean value for the Stakeholders’ score for 2019 is 25 points out of 100. It is higher than 2018’s score of 18 points despite the doubling of assessed variables. The score has a high standard deviation which tells us that the data values are more spread out from the mean score. Since less data is clustered around the mean, this shows that there are some companies that have a very high stakeholders score and some companies that have a very low stakeholders score. Indeed, nearly two dozen companies scored above 60. Perhaps, the best practices by those companies ought to be case studies to guide the others. Though the STR score is still way below an acceptable level, the gradual annual improvement is a positive nudge in the right direction.



## 2. Top Ranking Companies with Highest CGI Score

At the CG conference held on April 29, 2019, we gave awards to five companies within the non-financial sectors and three companies within the financial sectors based on their cumulative CGI score. We expect a healthy competition among companies in regard to good CG practices. We released the names of the top 17 companies (11 top performing ones in the None-Financial sector and 6 top performing ones in the Financial sector) with their ranking information as seen below:

### Companies Ranked in Top 11 within Non-Financial Sectors

Ranking	Company Name
1st	Fitaihi Holding Group
2nd	Arabian Cement Co.
3rd	Najran Cement Co.
4th	Almarai Co.
5th	Saudi Ground Services Co.
6th	Savola Group
7th	Saudi Arabian Mining Co.
8th	Saudi Telecom Co.
9th	Saudi International Petrochemical Co.
10th	Saudi Basic Industries Corp.
11th	Middle East Paper Co.

### Companies Ranked in Top 6 within Financial Sectors

Ranking	Company Name
1st	Saudi Investment Bank
2nd	Arabian Shield Cooperative Insurance Co.
3rd	The Company for Cooperative Insurance
4th	Alahli Takaful Co.
5th	Aljazira Takaful Taawuni Co.
6th	Al Rajhi Bank

We also released the names of 19 companies within non-financial sectors and 6 companies within financial sectors:

### Companies Ranked Between 12 to 30 in Non-Financial Sectors

(Alphabetical Order by Names)

Abdullah Al Othaim Markets Co.
Al Sorayai Trading and Industrial Group
Al Yamamah Steel Industries Co.
Alkhaleej Training and Education Co.
Altayyar Travel Group

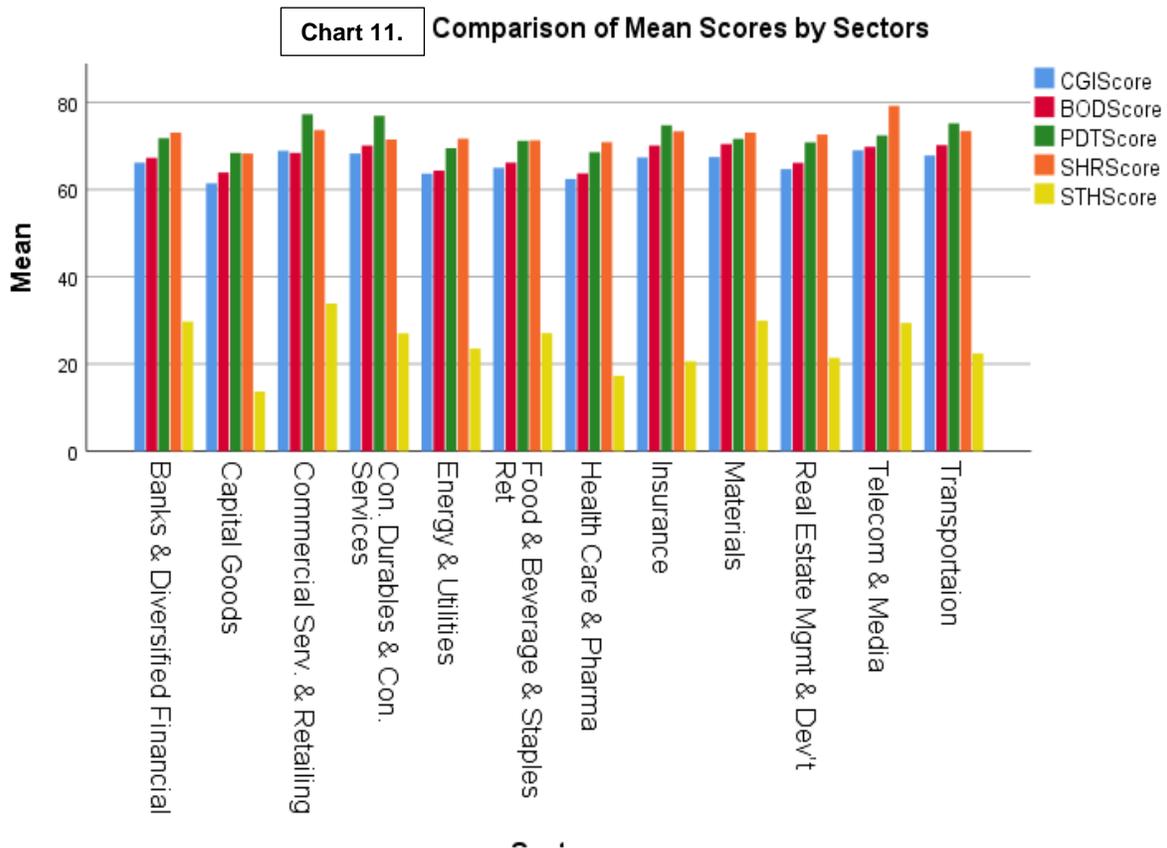
Electrical Industries Co.
Etihad Etisalat Co.
Fawaz Abdulaziz Alhokair Co.
Hail Cement Co.
Jarir Marketing Co.
Lazurde Company for Jewelry
Makkah Construction and Development Co.
National Agricultural Development Co.
Rabigh Refining and Petrochemical Co.
Saudi Advanced Industries Co.
Saudi Airlines Catering Co.
Saudi Arabian Fertilizer Co.
Saudi Automotive Services Co.
Takween Advanced Industries Co.

**Companies Ranked Between 7 to 12 in Financial Sector**

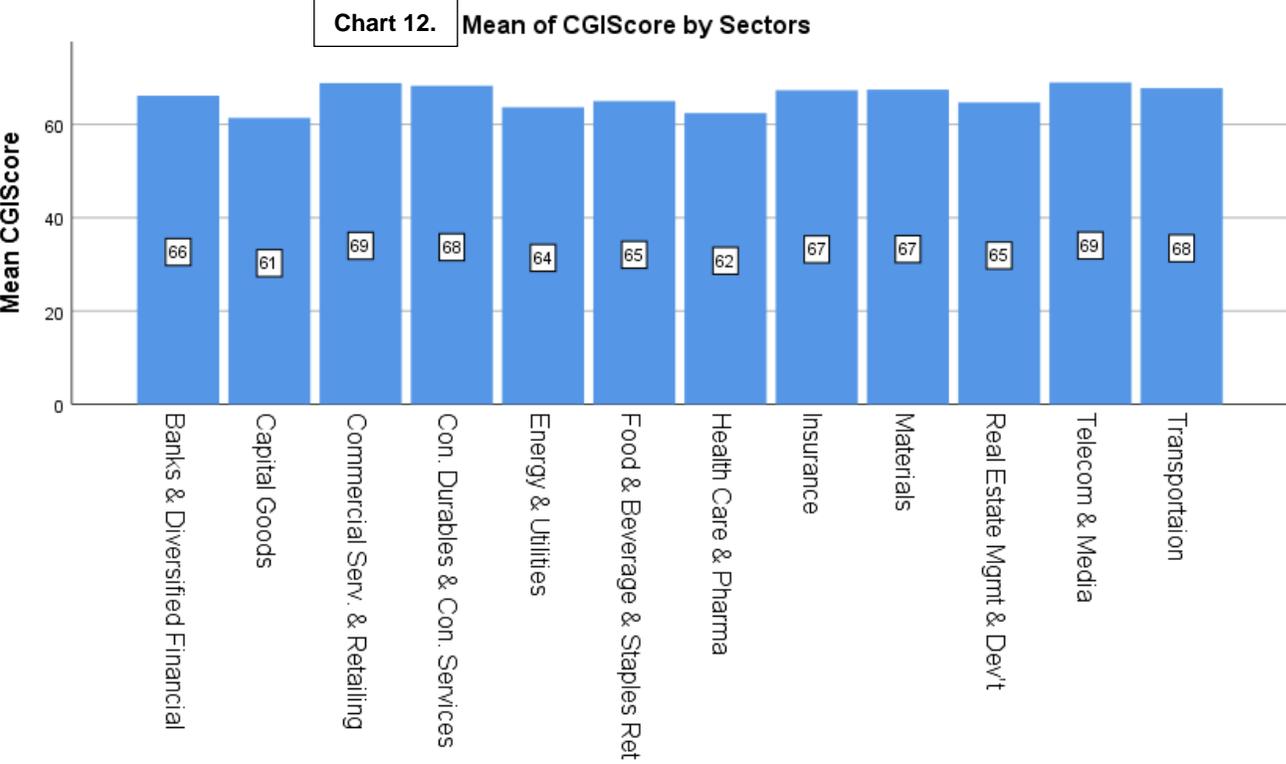
Al Sagr Cooperative Insurance Co.
MetLife AIG ANB Cooperative Insurance Co.
The National Commercial Bank
Riyad Bank
Saudi Arabian Cooperative Insurance Co.
Saudi Re for Cooperative Reinsurance Co.

### 3. Multi-Sectoral Analysis for CG Categories

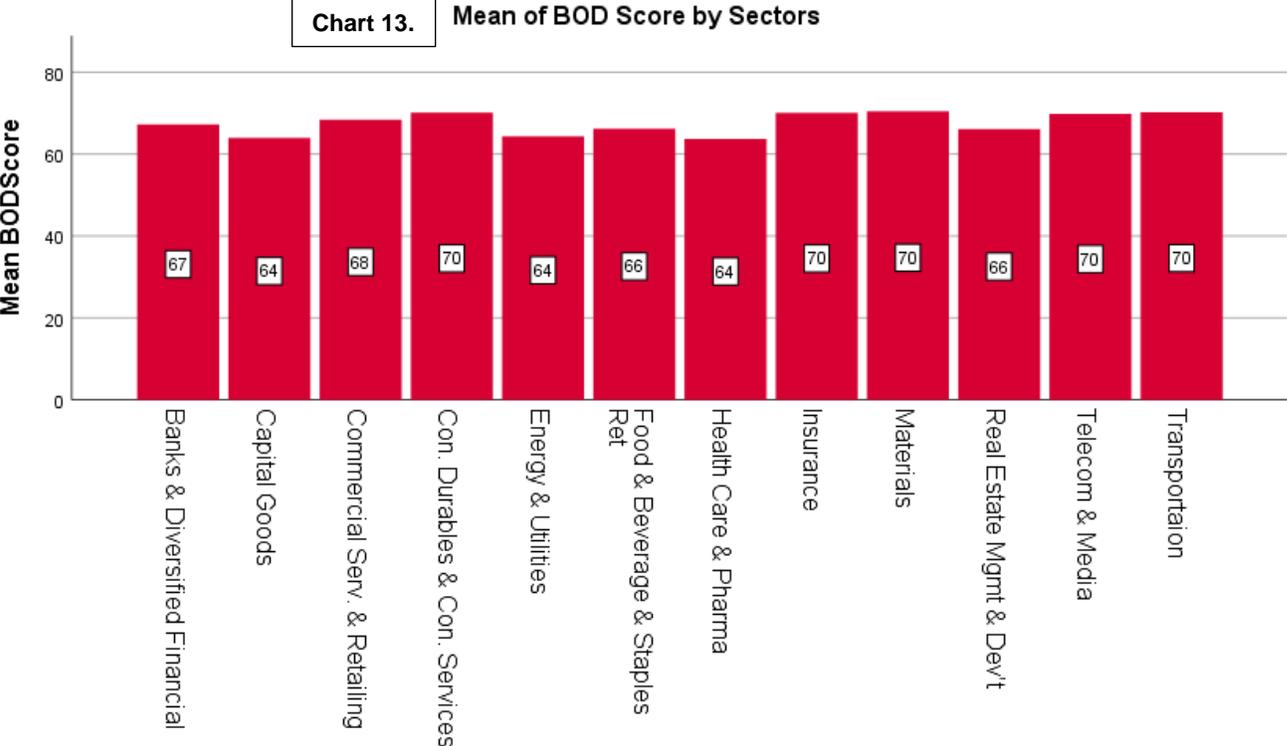
We conducted a multi-sectoral analysis to see whether companies differ in terms of their CG practices by sectors. We combined some distinct sectors based on their relevance. The chart below shows a summary comparison of the cumulative mean CGI score and its subcategory scores for all twelve sectors. Detailed analyses are provided below. However, it is clear that SHRS and PDTs scores are relatively higher than others across the sectors. This is a clear sign that companies pay greater attention to Shareholders' rights.



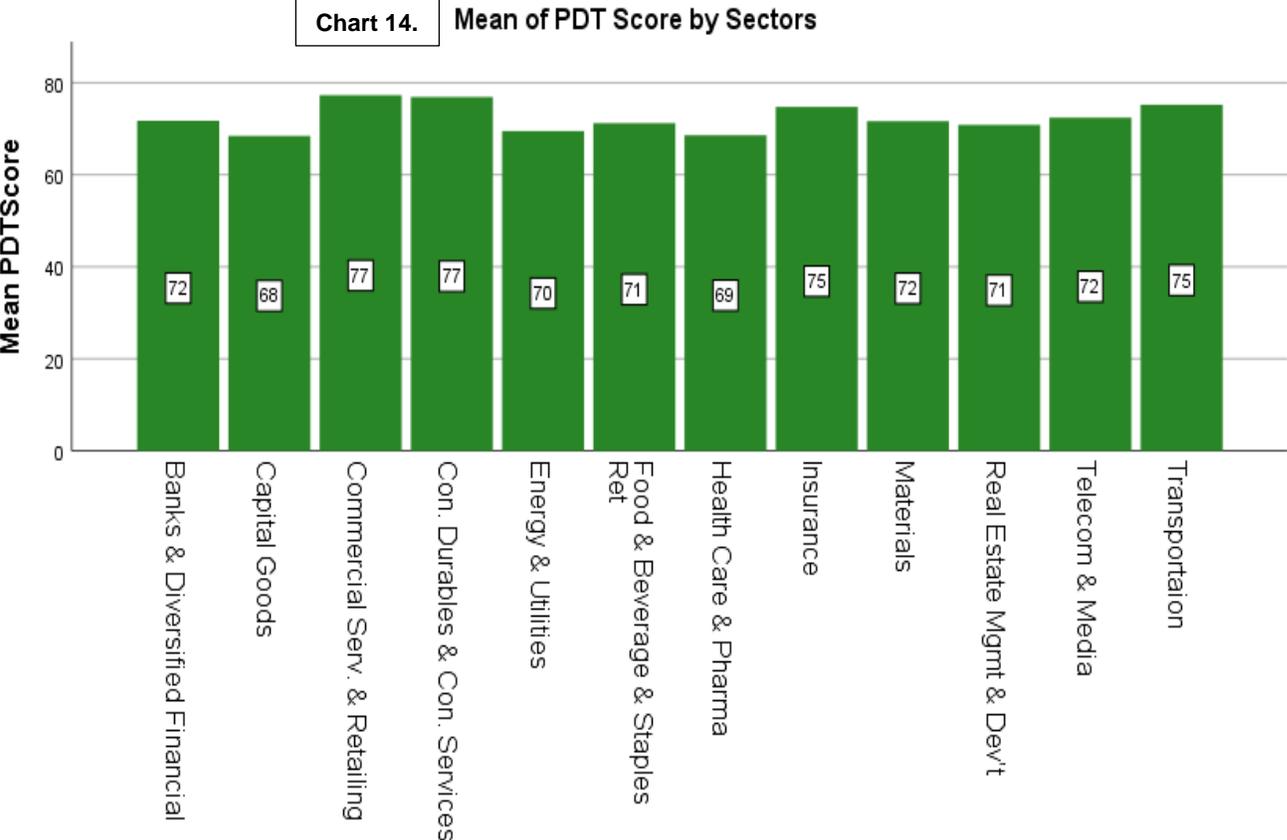
The chart below shows that the cumulative CGI score ranges from the lowest mean score of 61 out of 100 for the capital goods sector to the highest mean score of 69 out of 100 for both the Commercial Services & Retailing (CSR) sector and the Telecom & Media (TM) sector. The Healthcare, Energy & Utilities, and Real Estate sectors scored relatively low while Durables & Services, Transportation, CSR, and TM sectors scored relatively high. Although the sectoral variation is not substantial, it still reveals relatively low weakness in the capital goods, healthcare, and pharmaceutical sectors.



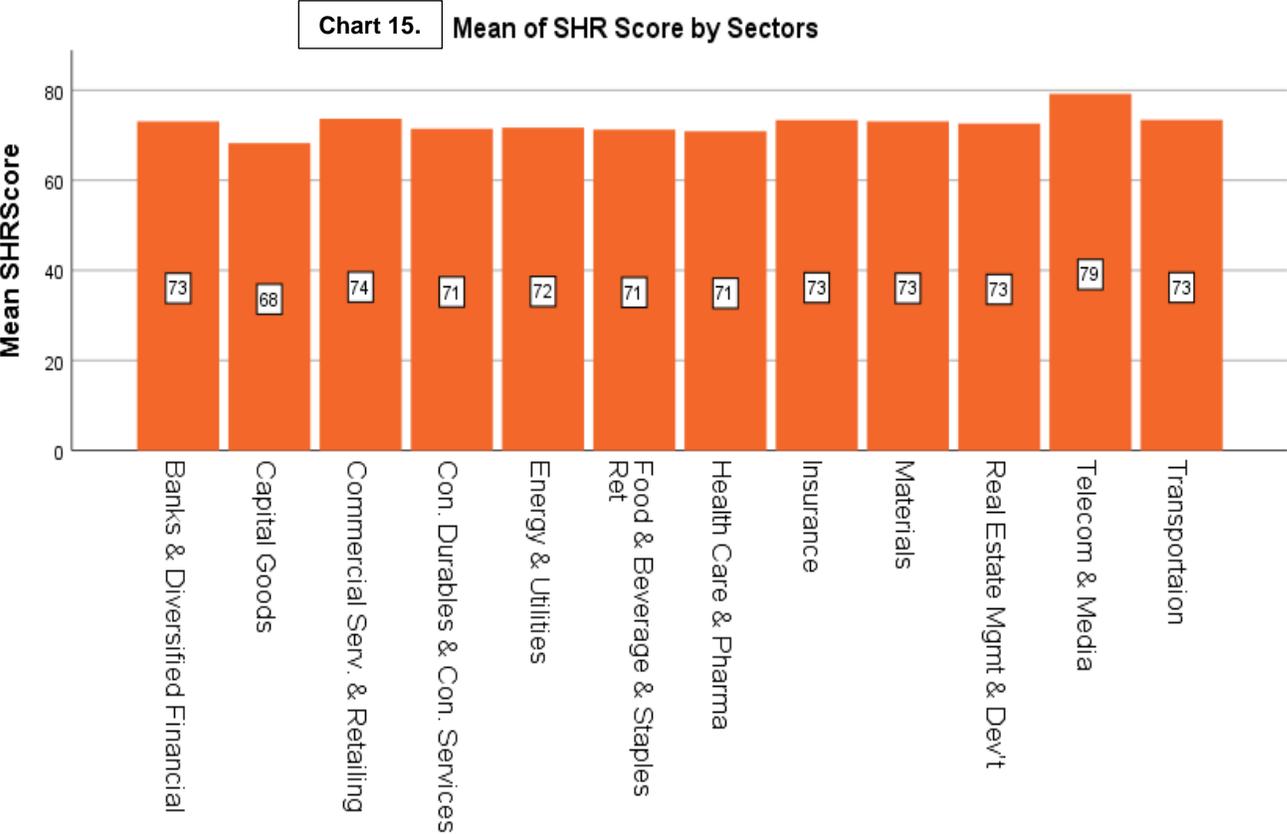
The chart below shows the Board of Directors’ score in twelve sectors. The variation is relatively low compared to the cumulative CGI score, with the lowest score of 64 points and the highest score of 70 points. The Healthcare, Energy & Utilities, and Capital Goods sectors scored low. Transportation, Materials, Consumer Durables, and TM sectors had a relatively high score. The sectors with relatively low scores need some support to enhance their CG practices. As explained in Part 1, for the banking model, we added 41 new variables based on SAMA regulations. While 33 of those variables are related to Board of Directors, only 3 of them are concerned with PDT. Therefore, it is not surprising to have a relatively low BOD score for the banking sector. Interestingly, despite a similar revision for the insurance sector with an additional 20 BOD variables, they still managed to get a relatively good score.



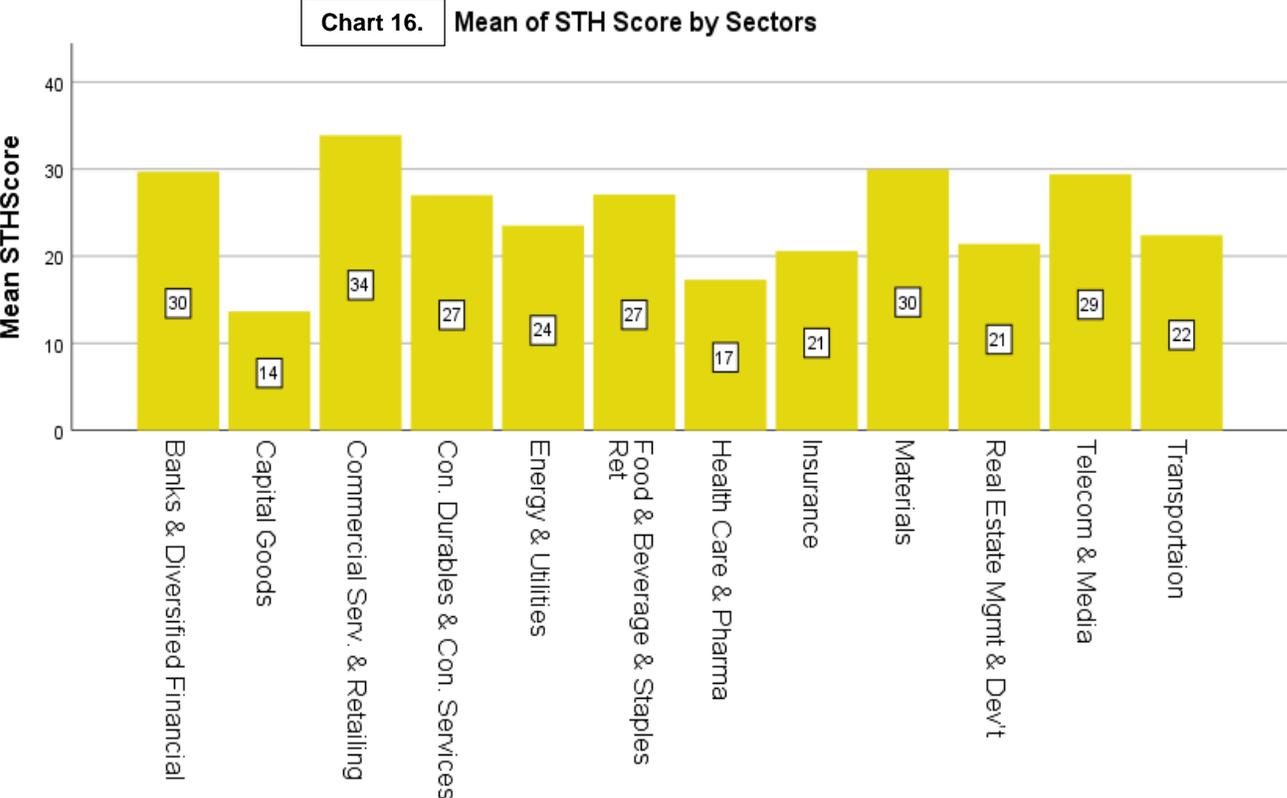
The chart below shows the mean Public Disclosure & Transparency score by sectors. Overall, all sectors scored between 68 and 77 out of 100. The relatively high scores compared to other CG categories indicates that the CG principles related to PDT are more internalized across all sectors. Consumer Durables and Consumer Services, and Commercial Services sectors scored highest with a mean score of 77, while the Capital Goods and Healthcare sectors scored the lowest with a mean score of 68 and 69, respectively.



The chart below shows the mean Shareholders’ rights score by sectors. Overall, all sectors scored between 68 and 79 out of 100. The Telecom & Media sector scored the highest with a mean score of 79, while Capital Goods, Healthcare, Consumer Durables and Consumer Services, and Food sectors scored the lowest with mean scores ranging from 68 to 71. The Shareholders’ Rights’ score by sectors is quite high compared to the Board of Directors’ score because most of the additional variables were related to BOD. Thus, relatively more rigorous CG standards in the area of Board of Directors explain why the banking sector is doing poorly in its BOD score compared to its Shareholders’ Rights’ score.



The chart below shows the mean Stakeholders’ Rights’ score by sectors. Overall, all sectors scored very low with the highest score of 34 out of 100 and the lowest score of 14 out of 100. This result is striking, but not surprising, because the underlying variables are mostly from OECD CG principles, not CMA principles. However, the poor score is a clear sign that most companies perceive corporate governance principles as a compliance issue and are concerned primarily with Shareholders rather than other Stakeholders at large. The Commercial Services & Retailing, Banking, and Materials sectors did relatively better while the Healthcare and Capital Goods sectors scored really low.

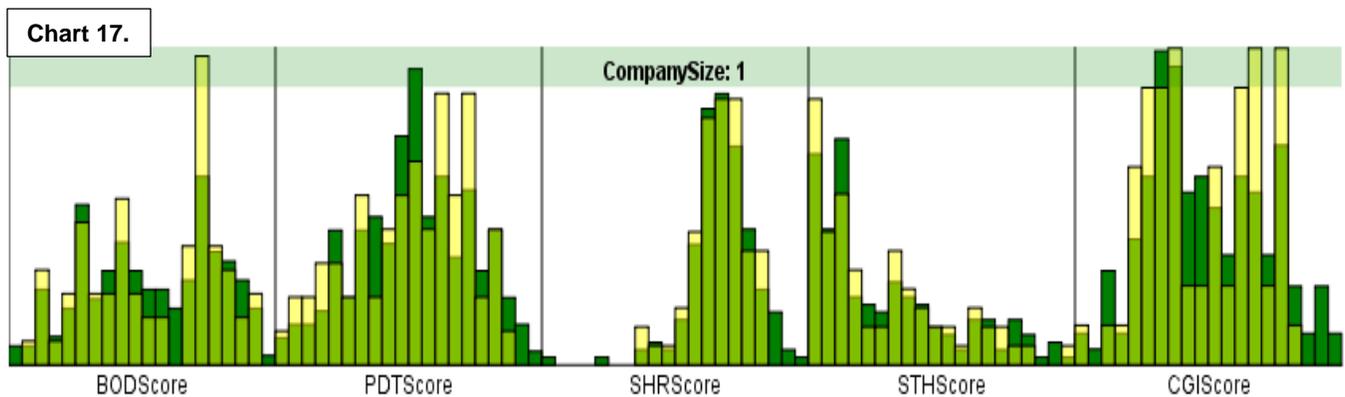


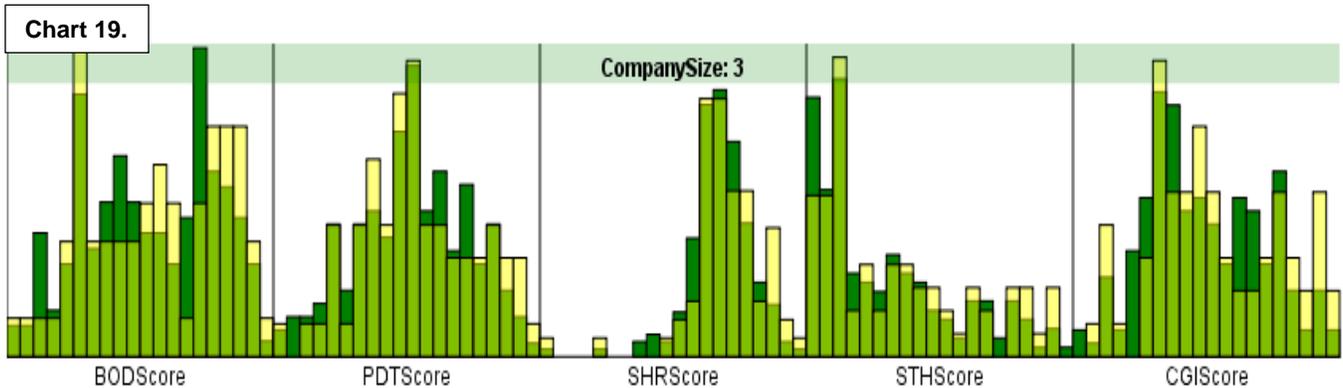
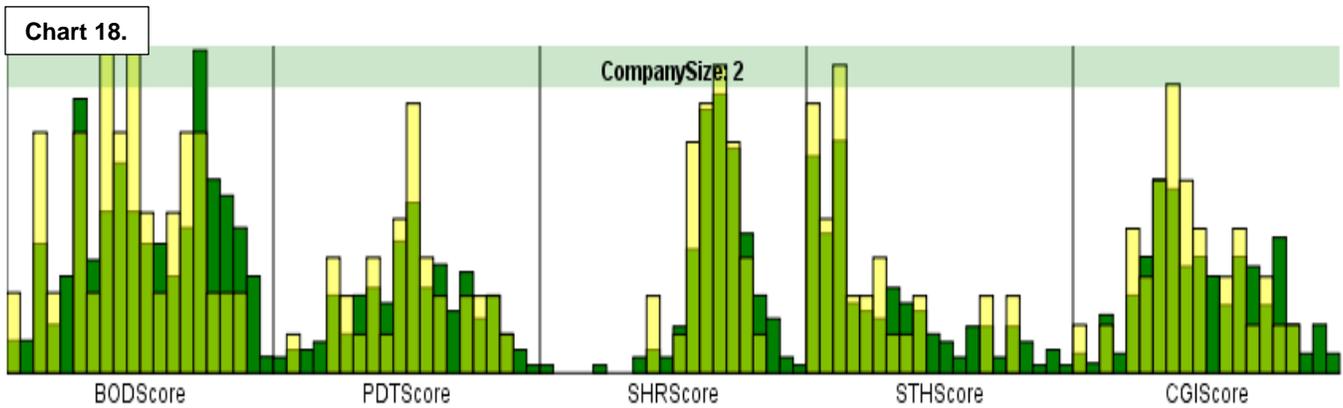
## 4. CG Analysis by Company Size

We also did a comparison by company size. Since we had the same companies as last year, we used the size categorization based on last year's data. We divided companies into three categories by size using total assets for all firms. The total assets for all companies was almost SAR 4 trillion with an average of SAR 23 billion and median of SAR 2 billion. Due to the skewed distribution, we used the 60th and 40th percentiles to divide them into three groups (large, medium, and small). The 68 companies which were above the 60th percentile (SAR 2.6 billion) are considered to be large, while those in-between the 60th and 40th percentiles are considered to be medium sized. We have 34 companies classified as medium with total assets above SAR 1.5 billion but below SAR 2.6 billion. Those under the 40th percentile (SAR 1.5 billion) are considered to be small. We have 67 companies considered as small.

The comparison of CG scores reveals that large and small sized companies did slightly better than medium sized companies. The CGI mean score for the large companies is 68 points. It is 66 points for the small companies and 64 points for the medium sized companies. The cumulative CG score is up with four points difference between the medium and large companies. The sub-categorical comparison reveals a similar pattern for all categories, which means that small and large companies did slightly better than the medium sized companies in terms of Board of Directors' score, Shareholders' score, Stakeholders' score and Public Disclosure & Transparency score. The score for medium and small companies has the same value of 72 points for Public Disclosure & Transparency, so this means that only large companies were doing better in this category. Similarly, large and small companies did a little bit better in terms of Stakeholders' Rights in comparison to medium sized companies.

The three charts below show the distribution of cumulative scores and sub-categorical scores for small (coded as 1), medium (coded as 2), and large (coded as 3) sized companies. Light and dark green colored bars show the entire sample while the yellow color shows how companies with a particular size performed in terms of relevant CG categories.





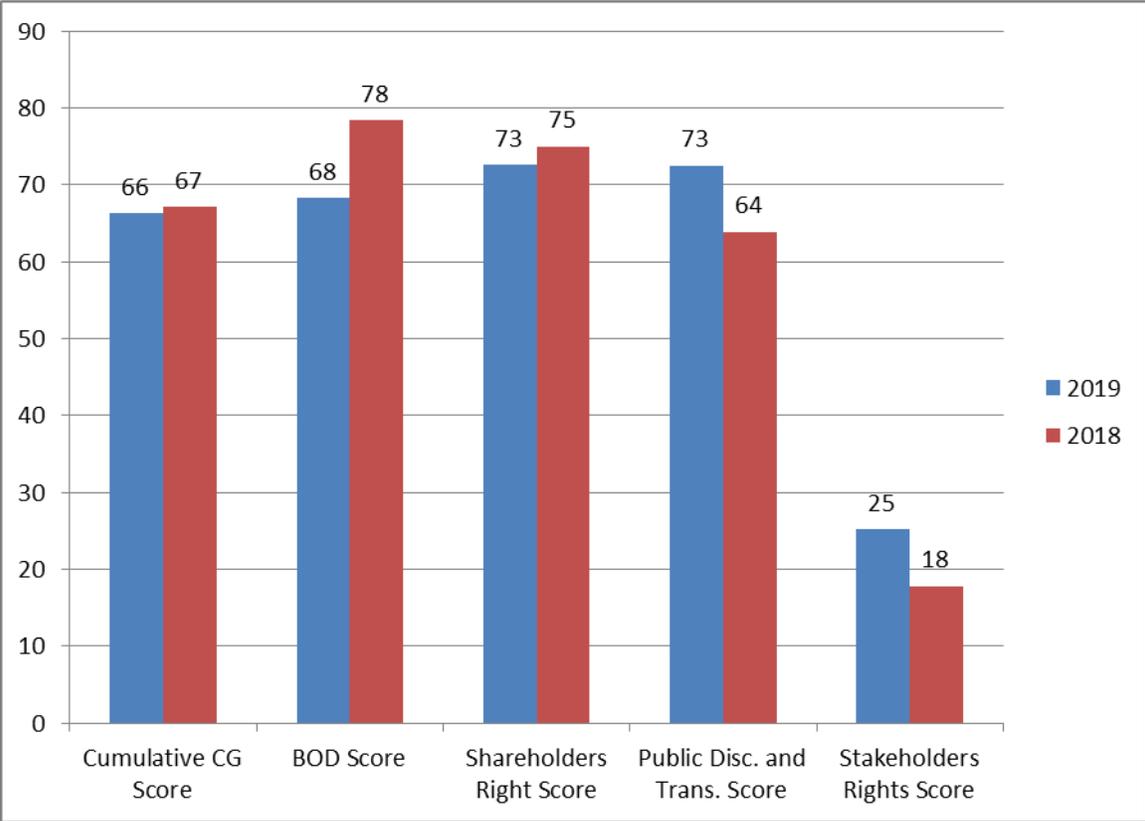
## 5. CG Trend Analysis for Cohort-2 of 169 Companies

We created two cohorts to conduct a trend analysis for the companies in terms of their CG performance. The first cohort includes the companies we began evaluating since 2017, whereas the second cohort includes all companies in the first cohort plus the companies we began evaluating since 2018. In this section, we will report on the trend analysis findings for Cohort-2. In the following section, we will do the same thing for the Cohort-1.

Cohort-2 includes 169 companies, which were assessed in 2018 and 2019 based on the fiscal years of 2016 and 2017, respectively. The graph below displays the comparison of the subcategories for Cohort-2. The scores are out of 100, and we see that the mean cumulative CG Score for 2018 is higher by one point due to the fact that we changed the number of variables substantially as explained before; i.e. 2019 is more restrictive. The sharp decline (of 10 points) is observed for the BOD score, while the SHR score dropped only two points. On the other hand, the Public Disclosure & Transparency score and the Stakeholders' Rights' score are up for 2019. This shows us that there has been some improvement in these CG categories in comparison to 2018 despite the increase in

the number of variables. Again, since we revised the variables substantially for this year’s evaluation, one needs to be cautious in reading the changes over time. We expect to get a better reading on the trend analysis in the next CGI report since the same sets of variables will be analyzed.

**Chart 20. Comparative Mean Score for 169 Companies in Cohort 2**



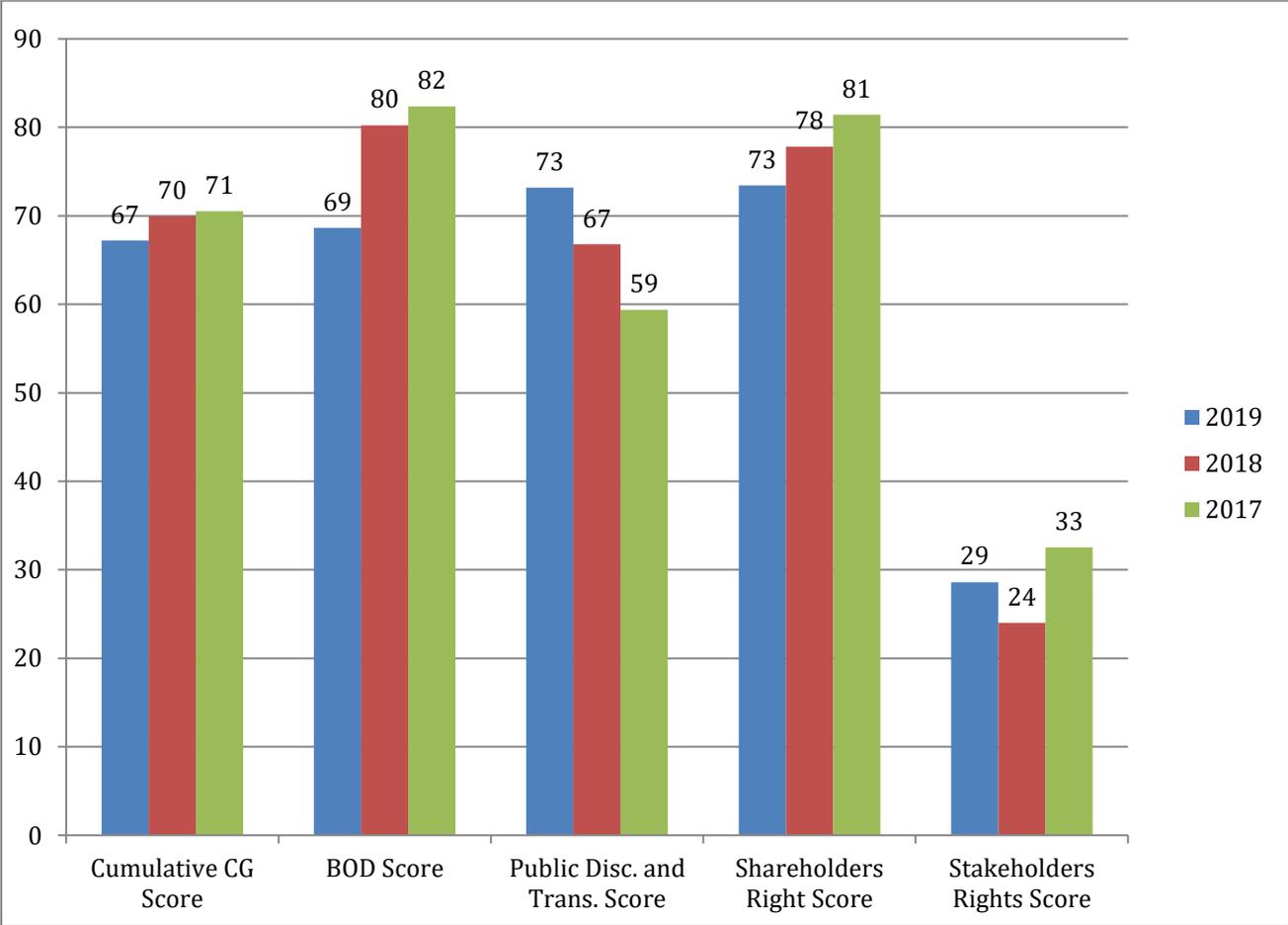
### 6. CG Trend Analysis of Cohort-1 for 92 Companies

We conducted a trend analysis to see any change in the CGI score for the 92 companies we evaluated in 2017. Since then, one company has been delisted from Tadawul. Therefore, the 2017, 2018 and 2019 CGI scores include 91 companies, and this is known as the **Cohort-1 study**.

The cumulative CGI score for the Cohort is lowest for 2019, and this is expected as more variables have been added. However, the scores for all three years are very close, which shows that even though 2019 and 2018 are lower than 2017, there is an overall improvement if we ignore the additional variables. The Board of Directors’ score and the Shareholders’ Rights’ score have declined since 2017. The score for Public Disclosure & Transparency has been increasing every year and is the highest in 2019 with a score

of 73 points. It means that some companies are changing their practices. This may be is due to their anticipation of being evaluated by an independent entity. Finally, the Stakeholders’ Rights’ score has seen a positive change, and has increased to a score of 29 this year, when compared to 2018’s score of 24. However, it is still lower than 2017’s score of 33 due to the difference in the number of assessed variables.

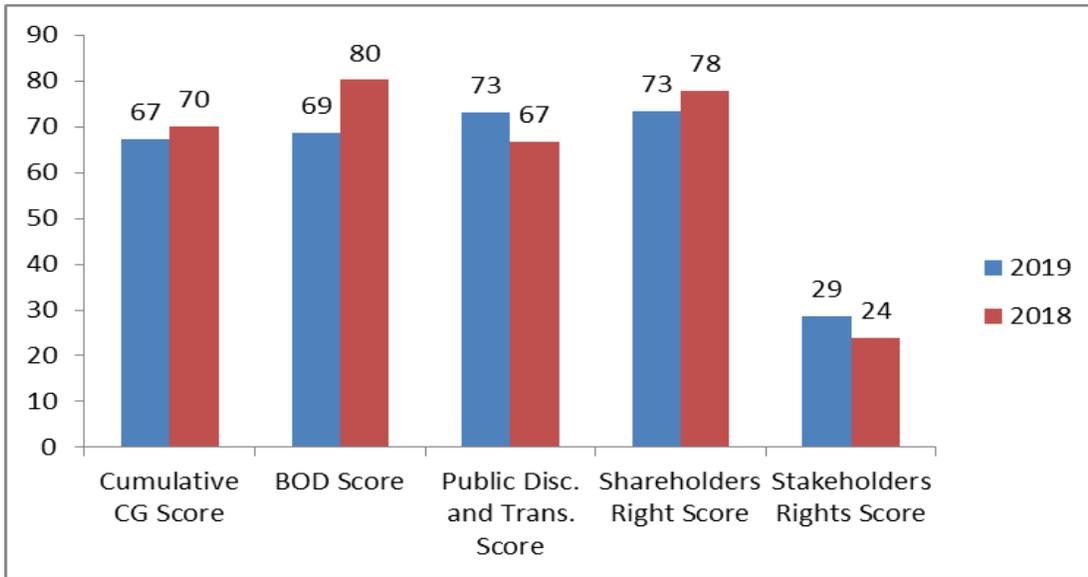
**Chart 21. Comparative Mean Score for 2019, 2018, 2017 (Cohort-1)**



### The Impact of New CMA Principles on CG Scores

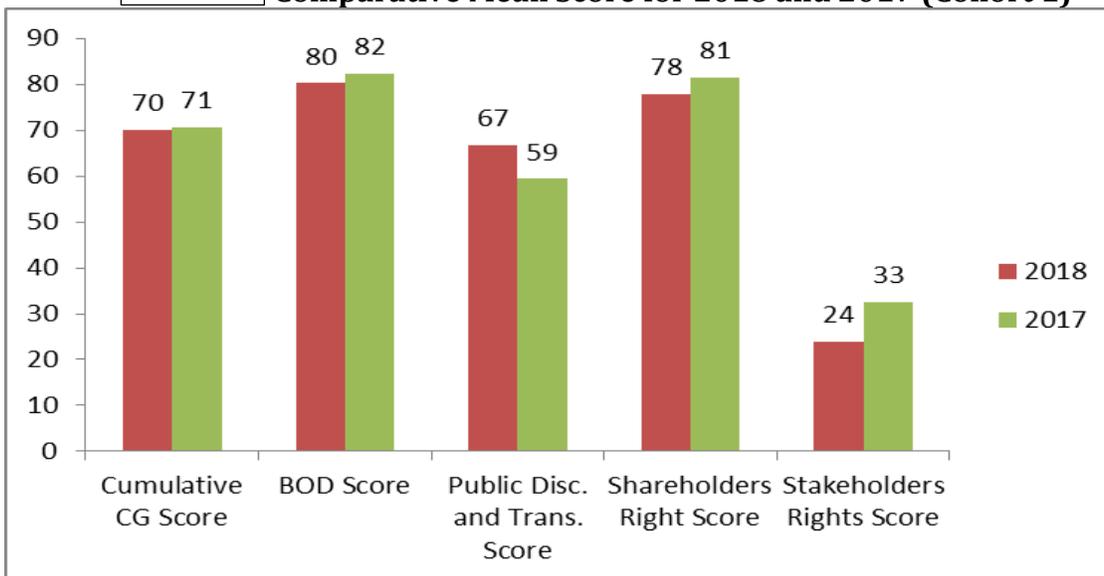
The graph below shows a comparison for the mean values of the subcategories for 2018 and 2019. The CG score for 2018 is higher than 2019 which is expected due to the addition of variables in the study. A significant improvement is seen in the Public Disclosure & Transparency score and the Stakeholders' Rights' score for 2019.

**Chart 22. Comparative Mean Score for 2019 and 2018 (Cohort-1)**



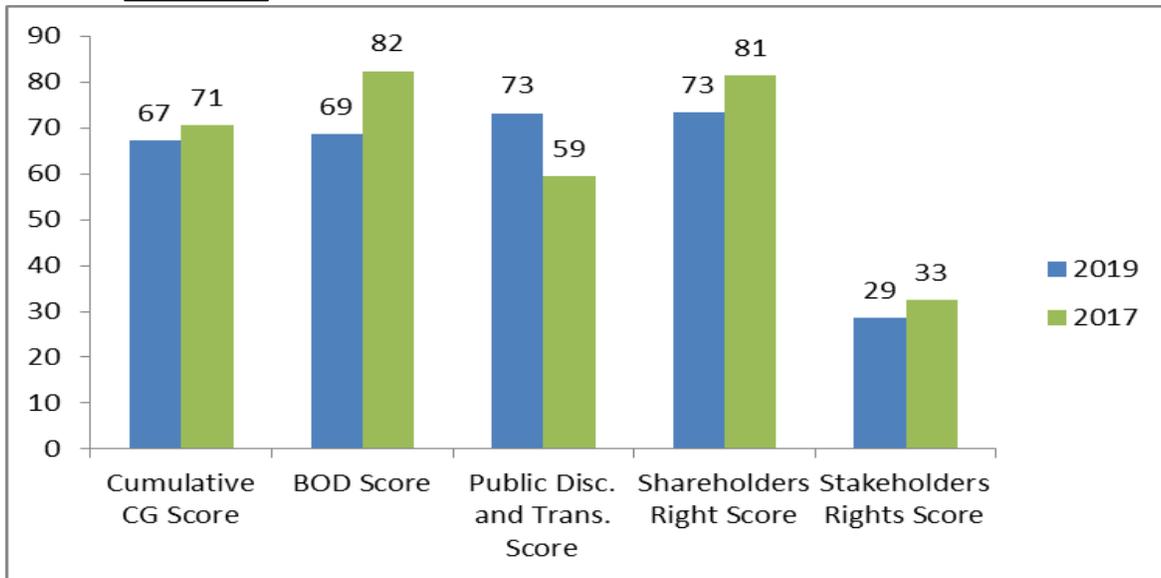
The graph below shows the impact of adding SAMA principles for the 2018 model on the scores. This created more constraints and hence lowered the 2018 scores. The CG score for 2017 is higher by only one point. There has been a noticeable improvement in 2018 for the Public Disclosure & Transparency score. Although variables have been added, the score has increased by 8 points.

**Chart 23. Comparative Mean Score for 2018 and 2017 (Cohort 1)**



The chart below shows a comparison of the same 91 companies from 2017 to 2019. The Public Disclosure & Transparency category has shown improvement in 2019 by an increase of 14 points. This means that companies are paying greater attention to Public Disclosure & Transparency, perhaps due to increased monitoring from the CMA. However, all other categories showed a decline as expected due to more constraints in the new CMA principles.

**Chart 24. Comparative Mean Score for 2019 and 2017 (Cohort-1)**



## 7. Improvement in the Corporate Governance over the Last Three Years

During our project lifetime, we have seen some major changes in the corporate governance both in terms of principles and practices. As discussed in this report, CMA raised the bar through its major revision of CG principles in 2017. We revised our evaluation criteria to reflect this change. In this section, we would like to provide our summary findings of Cohort 1 and 2 as we track their improvements over the years.

The summary table below shows that for Cohort-1, twenty-three companies had an increase in their cumulative CGI score in 2019 from the score of 2017, while 65 companies had a decreased score, and 3 companies had the same score as 2017. The highest improvement is observed in the area of Public Disclosure & Transparency with upward changes in 82 out of 93 companies. That is followed by Stakeholders' Rights with positive improvements in 32 companies.

	Comparing 2019 and 2017 (Cohort 1)				
	BOD Score	PDT Score	SHR Score	STH Score	CGI Score
# of Companies with a Higher CG Score	13	82	13	32	23
# of Companies with a Lower CG Score	77	8	77	57	65
# of Companies with a Constant CG Score	1	1	1	2	3

The table below shows that 29 companies have had an increase in their CG Score in 2019 from their score in 2018, while 57 companies had a decreased score and 5 companies had the same score as in 2018. Again, the highest improvement was in the Public Disclosure & Transparency score followed by the Stakeholders' score. In addition, we see some noticeable improvement in the Shareholders' Right's score as well. It is clear that companies need more time and support to fully implement the new CMA comprehensive principles related to the Board of Directors.

	Comparing 2019 and 2018 (Cohort 1)				
	BOD Score	PDT Score	SHR Score	STH Score	CGI Score
# of Companies with a Higher CG Score	15	68	25	43	29
# of Companies with a Lower CG Score	72	20	60	44	57
# of Companies with a Constant CG Score	4	3	6	4	5

The table below shows that 37 companies have had an increase in their CG Score in 2018 from their score in 2017, while 45 companies had a decreased score and 9 companies had the same score as in 2017. The highest improvement was observed in Public Disclosure & Transparency followed by the Board of Directors. Despite increasing the number of CG standards in 2018 based on SAMA principles, the improvement is a clear sign of a positive trend towards better governance.

	<b>Comparing 2018 and 2017 (Cohort 1)</b>				
	<b>BOD Score</b>	<b>PDT Score</b>	<b>SHR Score</b>	<b>STH Score</b>	<b>CGI Score</b>
# of Companies with a Higher CG Score	<b>34</b>	<b>72</b>	<b>16</b>	<b>17</b>	<b>37</b>
# of Companies with a Lower CG Score	<b>56</b>	<b>15</b>	<b>66</b>	<b>66</b>	<b>45</b>
# of Companies with a Constant CG Score	<b>1</b>	<b>4</b>	<b>9</b>	<b>8</b>	<b>9</b>

The table below shows the summary results for Cohort-2. Seventy-two companies have had an increase in their CG Score in 2019 from the score of 2018, while 88 companies had a decreased score and 9 companies had the same score as in 2018.

	<b>Comparing 2019 and 2018 (Cohort 2)</b>				
	<b>BOD Score</b>	<b>PDT Score</b>	<b>SHR Score</b>	<b>STH Score</b>	<b>CGI Score</b>
# of Companies with a Higher CG Score	<b>35</b>	<b>138</b>	<b>58</b>	<b>94</b>	<b>72</b>
# of Companies with a Lower CG Score	<b>130</b>	<b>28</b>	<b>99</b>	<b>66</b>	<b>88</b>
# of Companies with a Constant CG Score	<b>4</b>	<b>3</b>	<b>12</b>	<b>9</b>	<b>9</b>

## Part IV: 3<sup>rd</sup> Annual CG Conference

The third Corporate Governance conference was held at Alfaisal University on Monday, the 29th of April 2019. The conference attracted a large number of participants from both the government and private sectors. The program started with a welcoming message from the Dean of the College of Business, Dr. Bajis Dodin, followed by a presentation by Dr. Necati Aydin, releasing the corporate governance indices (CGI) for 171 listed companies in Tadawul using the CMA's new CG principles.

After presenting the findings of the third CGI scoring, the program continued with a panel discussion on "the importance of the CMA's new corporate governance principles for investors". The panel was moderated by Dr. Necati Aydin. The panelists included Dr. Bander Assad Alsajjan, Deputy, Strategy & International Affairs, Capital Market Authority (CMA); Dr. Ayedh H. AlOtaibi, Deputy Governor for Investment Climate, Saudi Arabian General Investment Authority (SAGIA); Ms. Jane Valls, Executive Director, GCC Board of Directors Institute (GCC BDI); and Dr. Chris Pierce, Chief Executive Officer, and founder of Global Governance Services Ltd. The panelists discussed the importance of good governance under the new CMA principles to integrate the national economy with the global economy within Vision 2030.

Also, at the conference, Ms. Khloud Alharbi informed the participants about the services of Alfaisal University's Corporate Governance Center and Mr. Abdulaziz Al-Rumaih presented the roadmap for the Center.

The conference ended by announcing the names of the Top-30 companies with the highest CGI scores from amongst the 126 companies in the non-financial sectors and Top-12 companies from amongst the 44 companies in the financial sectors. The top five companies in the non-financial sectors and top three companies in the financial sectors were presented the "CG Excellence Award" by his Excellency Dr. Mohammed Alhayaza, Alfaisal University's President, and Dr. Maha bint Mishari AlSaud, Vice President for External Relations & Advancement.

The CG Team will continue its work for the 4th CGI round by measuring CG performance based on the fiscal year 2018 data. **The CG Center at Alfaisal University is planning to organize the first international conference on corporate governance on December 9, 2019. The findings of the 4th CGI scoring will be released at that conference.**

# Part V: Customized CG Report

## 1. Do you want a customized CG report for your company?

One of the services provided by the Corporate Governance Center is an individualized report, which is a report of governance customized for your company. The report will include a full assessment of the company’s corporate governance practices within four categories (Board of Directors, Shareholders’ Rights, Public Disclosure & Transparency, and Stakeholders’ Rights). The cumulative CG score along with a CG score by four categories will be provided. The coverage of the basic and comprehensive CGI reports is provided below.

### Basic and Comprehensive Customized CGI Report

Coverage	Basic Report	Comprehensive Report
What, why, and how of corporate governance index	✓	✓
The company’s CG scorecard by category (Board of Directors, Shareholders’ Rights, Public Disclosure & Transparency, and Stakeholders’ Rights)	✓	✓
Comparative CG scores by category for the relevant sector	✓	✓
Comparative CG scores by category for all non-financial sectors	✓	✓
Comparative CG scores by category for all financial sectors	✓	✓
Comparative CG scores by category for all sectors	✓	✓
Brief descriptive information of the CG scores above	✓	✓
Historical trend of CG scores for the company and sectors		✓

In-depth analysis of the company's CG performance by subcategories		✓
Strengths of the company in CG by four categories		✓
Weaknesses of the company in CG by four categories		✓
Key recommendations to improve your CG score		✓
Half-day onsite presentation and workshop delivering the key findings of the report to the company's board members, top executives, and CG team.		✓
<b>Cost</b>	<b>SR 20,000</b>	<b>SR 40,000</b>

## 2. How can you order a customized report?

To order the customized CG report for your company, please contact the CG Center at College of Business by phone: +966 -11 - 215 - 7682 or by email: [cgi@alfaisal.edu](mailto:cgi@alfaisal.edu).