REGIONAL DISCUSSION PAPER
"ANTI-CORRUPTION AND PRIVATE SECTOR DEVELOPMENT IN THE ARAB REGION"

Developed with the support of the
joint UNDP-KOICA regional project
Anti-Corruption and Integrity in the Arab Countries (ACIAC)

Yasser Akkaoui, 2025

0.1 Executive Summary

0.2 Context and scope

This section will lay out the topic, methodology, research questions and approach. It will also include a summary of key insights and/or an executive summary to highlight core study findings.
Importance of addressing the nexus between anti-corruption and private sector development and its relevance to the broader anti- corruption and integrity reform efforts in the MENA region and the achievement of Agenda 2030 and Sustainable Development Goals (SDG).

The Report "**Nexus between Anti-Corruption and Private Sector Development in the MENA Region**" addresses two core corporate development issues that are faced by both privately held and publicly traded companies in the Middle East and North Africa (MENA) region, as well as by governments and regulators. These two issues are the quality and depth of corporate governance and the integrity of companies and regulatory systems.

My key themes of 'governance' and 'integrity' can be subsumed under the worldwide economic headline of "climate, environmental, social, and governance challenges". This broad field presents a tremendous, global as well as regional, innovation opportunity but also poses, if not responsibly mastered, barriers to growth and quality of economic agents. In extremis, willful neglect of governance and integrity opportunities might lead to the complete loss of economic agency for companies in promising but vulnerable emerging and frontier markets, such as are prevalent in the MENA region. The challenges in the region apply to companies of all sizes and specializations but also to whole countries, irrespective of these countries' differing sizes and economic complexity.

The report is based on researching two distinct but under macroeconomic perspectives interdependent corporate tiers: privately-held companies in Lebanon (Sample 1) and regulatory environments, and corporate internalizations thereof by the region's top listed companies (Sample 2). With governance and integrity, the study also covers two core aspects of today's top challenges for corporations and governments.

Whereas both governance and integrity are integral to corporate health and competitive advantages in the globalized economy, the common economic measure of a mature listed company's success is not the commitment to climate, social, and environmental principles – including aspects such as gender diversity, women's empowerment, and youth advancement – but the company's ability to offer sustainable returns to stakeholders and attract investments from existing and potential shareholders.

For companies positioned earlier in their journey of entrepreneurial orientation and growth, however, economic returns are volatile and sometimes misleading as predicators of long-term sustainability. For these companies, adoption of nuclear governance structures and proven commitment to comply with ethical principles, are prime benchmarks.

Therefore, the study chose the measuring sticks of voluntary commitment to development of environmental, social, and governance (ESG) capacities for entrepreneurial and expansionary, privately held companies in Sample 1 and market value for listed companies in Sample 2. The aim of the study is to support and inform the creation of a legal environment, corporate mindset, fair institutional support, and even playing field under sustainability objectives for

private sector corporate development and freedom from corruption on national market and regional levels in MENA.

From a granular perspective, the first issue, governance, refers to the thoroughness of disclosures and compliance with fundamentals of organizational management in a modern corporation of the 21st century. The second issue, integrity, refers to the completeness in application of environmental and social management systems (ESMS) and fortification of companies and societies against corruption as well as other risk externalities (e.g. climate and social conditions). As first-order performance and sustainability qualifiers of an economic actor in the MENA region, governance and integrity are to some extent gender and age agnostic, meaning that improvements in corporate accountability, compliance with international standards, ESMS, and resilience to corruption are both priority requirements for investability and can be achieved by male and female led as well as primarily meritocratic enterprises of all sizes.

With regard to the gender and youth empowerment perspectives, data are limited but, as far as analyzed, promising. In Sample 1, male-led companies still account for the majority (56%) of companies. However, women-led and female-merit-led[1] companies have outperformed men-led companies in terms of average ESMS scores and implementation of ESG practices[2]. For the corporations in Sample 2, regulatory environments do not proscribe specific quotas or targets for inclusion but a bird's eye review of recent promulgations of ESG guidebooks and regulator or operator-issued brochures on voluntary compliance with gender inclusiveness targets support findings by indices such as the Knowledge is Power (KIP) index by researchers at Beirut-based academic Center for Inclusive Business and Leadership (CIBL), as well as the regional initiative to Support and Accelerate Women's Inclusion in the workplace (SAWI), or IFI-led regional initiative such as "Women on Boards". [3] Corporate provision of youth leadership programs by companies in ether samples was not under the purview of this study.

This study is based on publicly accessible or voluntarily submitted indicators on anti-corruption by companies in what international, and historically heavily westernized, political and business lingo calls the MENA countries. According to not fully unambiguous conventions used to the present day by a legion of academic, financial, corporate, and multilateral bodies, the 19 countries and territories of two sub-regions (the Maghreb and Mashreq, or Arab West and Arab East) are included in the MENA region.

Yet, cognizant that the term MENA is disputed on one hand as Eurocentric or neocolonial by some critics and on the other hand expanded in scope by various international organizations to 20, 21, or up to 27 countries, this study follows the usage of the term as accepted in English-language communication in Lebanon. Thus, in line with the prevalent use of the term MENA in the region's English-language media and business publications, MENA is deployed in

[1] For the purpose f this study, a company is women-led if it was founded or co-founded by a woman or is owned or has significant female shareholding; a company is female-merit-led if the head of the integration efforts, human resources department, or overall business strategy department is female.
[2] See section 2.1, segment D, for further details
[3] Please refer to CIBL at the American University of Beirut for detailed KIP and SAWI data

abbreviation for the 19 jurisdictions of the Maghreb and Mashreq regions[4]. In a narrower alignment with the region's frontier and emerging capital markets, the study's bifocal lens for evaluation of regulatory environments for publicly traded corporations is predicated firstly upon these markets' membership in the Arab Federation of Capital Markets (AFCM) and secondly upon the presence of at least one of the region's 102 (top 100) most valuable corporations by market capitalization at time of the study's first wave of inquiry (2018).

0.3 Boundaries and limitations

Being a pioneering effort in the introduction of globally defined anti-corruption and corporate governance standards to the region's public and private economic development stakeholders, several limitations and boundaries apply to the scope and depth of the study. A more detailed consideration on boundaries and limitations is included in the methodology section.[5] Rather than being regarded as insurmountable barriers to achieving better governance and integrity returns in the MENA region, these current restraints are hinting at the importance of further inquiries into and real-time tracking of MENA ESG trajectories.

0.4 Core Recommendations

Analysis of the ESG trajectories in samples 1 and 2 of this study, offers strong notes of encouragement for corporate integrity programs and development targets. Governance and Integrity training and certification are sought after and well received by economic actors. This demand, however, is juxtaposed with fragmented regulatory environments and/or very challenging economic environments that hold companies back from pursuing and achieving world-leading climate, environmental, social, and governance through implementation of Environmental and Social Management Systems (ESMS), as well as freedom from corruption.

It is the core recommendation of this report to design and implement a multi-stakeholder program in the MENA countries on both national and regional levels. Aiming at macro-social inclusivity and more equitable prosperity of Arab societies, the rationale for the recommendation is that multi-stakeholder programs devised under collective action paradigms are aimed at both charitable or emergency relief works and at enhancements of societal and economic productivity. For optimal efficacy, programs may not only need to embrace paradigms of inclusion beyond political or ideological barriers but also widen program prequalification requirements beyond compliance with gender and youth related preconditions.

Called **Multi-Stakeholder Program of Collective Arab Action (MSPCAA)** in the recommendations of this study[6]**,** the author argues that by offering Business Integrity Programs in concerted strategic action by public and private stakeholders, corporate and public development stakeholders will effectively promote the MENA region as a safe investment destination, opening opportunities of securing funding, and accessing markets.

---

[4] Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauretania, Morocco, Oman, Palestine, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, United Arab Emirates, Western Sahara, Yemen

[5] Turn to Section 1.04

[6] Please turn to section 5 "Recommendations"

This, in turn, will lead to increased income levels, improved standards of living, and reduced poverty rates.

1. Introduction

1.01 Overview of findings

Measurements of governance integrity achievements were conducted for national markets in nine Arab countries that are part of the MENA region with analysis of listed companies in four dominant industries and their public market environments (sample 2), and also for 60 privately held companies in Lebanon that are classified in terms of meeting the needs for post-crisis national economic development of five industries[7] (sample 1).

The group of companies in sample 2 is dominated by enterprises based out of the GCC, with 88 percent representation. Non-GCC enterprises make up 12 percent of the 102 largest publicly traded companies. Of the former group, the Kingdom of Saudi Arabia accounts for 39 listed companies, more than 44 percent of the reviewed enterprises. The jurisdictions and listing locales of researched companies are the Kingdom of Saudi Arabia (39), the United Arab Emirates (19), Qatar (18), Kuwait (11), Egypt (5), Morocco (5), Jordan (2), Oman (2), and Bahrain (1). These listed companies are predominantly active in the four sectors of Banking, Telecommunications, Real Estate Management and Development (hereafter, Real Estate), and (Petro-)Chemicals.

The 60 companies in the second group are small to medium sized businesses, according to the definitions of the International Finance Corporation. Whereas the former group was selected on basis of objective size criteria (market capitalization), the latter group was self-defined on basis of companies' desire to improve their governance structures.

However, regardless of their categorization by size, national market domicile, or industry affiliation, the average Governance and Integrity Assessment (GIA) levels of companies measured under the scoring system of Beirut-based governance consultancy Capital Concept (CC) in no case reach 50 percent, meaning they fall woefully short of an, admittedly hypothetical, perfect GIA score. The observation from the first round of desk research into the annual reports of the concerned companies and of, via the internet publicly accessible, policy statements of companies, securities exchanges, and regulators, applies to the second wave of research in 2023-4.

In consequence of this analysis, in none of the region's measured industries or jurisdictions, the achievements of compliance with either governance or anti-corruption principles were seen as currently substantial enough to per se encourage investments into Arab companies, whether large listed corporations or small and medium enterprises. The study, which is constructed according to UN guidelines and within the wider context of pursuing UN

[7] The classification of Lebanese enterprises according to needs of recovering the real economy and financial economy of the country after the emergence of a historic economic meltdown in 2019 and following years was chosen by Capital Concept in line with a paradigm developed in the first quarter of 2021, at the time in coordination with a project under the auspices of the United States Agency for International Development (USAID).

Sustainable Development Goals (SDGs) and Agenda 2030, presents these findings in the first part of the paper before elaborating to some detail on how a recommended Multi-Stakeholder Program of Collective Arab Action in the field of corporate integrity development can help developing a nexus between governance integrity and anti-corruption and can constructively contribute to the MENA countries' improved social inclusion and sustainable prosperity and growth.

1.02 The topic

Companies interact with numerous stakeholders, such as shareholders, financial advisors, suppliers, customers, communities and others. Ever since 18th century moral philosopher Adam Smith alerted his peers to the fact that not pure altruism but self-love and self-interest drive the economic activity of individuals and companies ("it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner…"), generations of economic planners, policy makers, and practitioners have wrestled with closing the gap between maximum profit and optimal societal benefit. The management and, ideally, narrowing of this fundamental gap require systems of intermediation by legislation and regulation that are attuned to the ever-evolving needs of the society and economy. Moreover, the political system of economic management is impeded by the existence of corruption, the potential for which is inherent in the multitudes of relations among economic stakeholders if one defines corruption in the widest sense as a culture and system of excessive self-interests and inefficient transactions that are not optimized for the benefit of society.

This perspective, which can be traced to the original use of the word corruption in pre-industrial and pre-economic times, includes both public corruption as the abuse of public goods for private purposes, and graft as the obtaining of public favors by provision of bribes or illicit influence. But besides including private sector corruption through fraudulent obtaining of public goods and inequitable distortion of public processes, it extends to corruption within the economic realm, examples being embezzlement, industrial espionage, violation of anti-trust laws, illicit accumulation of market power and all forms of unfair competition. These corporate behaviors translate into distortions of the competitive environment both in form of private corruption within a company and as corruption between companies.

Such corrupt private and public behaviors detrimental to society are embedded into market societies and require relentless efforts of risk mitigation by both public actors and private stakeholders. Although globalization of trade and economic power has been observed in the latter part of the 20th century, today different industries and different world regions are faced with specific cultures of corruption and need for mitigation and control of the associated risks.

In the 21st century, environmental, social, and governance (ESG) risks pose gathering dangers to the sustainability of societies. This is to say that ESG factors, in the view of this author, have risen from a state of severe neglect in much of industrial and post-industrial history until the last quarter of the 20th century to become a crucial factor in economic safety and by current understanding, meaning as long as economic safety in an uncertain world can be predicted at all will be the best guarantors of such sustainability. The Arab region, with its cultural, political, climatic and demographic specificities faces complex challenges that are imperative for its stakeholders to address in the global development context. Thus, companies in the Arab

countries and regional areas of economic and political cooperation (such as the GCC and GAFTA) need certain mechanisms to help them manage and direct their actions and their relationships with stakeholders.

The presence of a gap between regional practices, shown in academic literature in the ability to access investment capital, and rates of capital activation in other emerging markets, has led to efforts of International Development Finance Institutions and United Nations agencies of empowering local partner organizations in MENA countries to measure and help improve the regional capacity of controlling and lowering corruption. To measure and rank MENA markets and Arab companies, both the largest listed enterprises that have an outsized role in terms of their economic contributions and the small and medium sized enterprises (SMEs) that account for the large majority of regional economic activity in terms of their diversity and numbers, a framework and measuring tool for governance and integrity has been developed in recent years with UN inputs. This framework was developed by consultancy Capital Concept (CC) for the MENA region in collaboration with UN, IFC and EBRD and on basis of a globally tested Environmental, Social, and Governance (ESG) approach. Examples of survey questions that probe the integrity of companies and the strength and extent of their environmental and social management systems (ESMS) are listed in table 3 of this paper.

Moreover, ESG encompasses the company's relationship with its larger environment, such as capital markets, community, suppliers, third party contractors, and the legal and regulatory environment in the country where the company has its domicile and the markets where it is active. From the perspective of securing the global sustainability of human economic and social activities, the alignment of national and regional ESG practices in MENA markets with best international practices and scientific insights into risk mitigation needs on climate and environment is an extremely timely concern. This timeliness is at time of this report's production accentuated by ongoing waves of global divergence in policies and politics related to corporate behavior and organization of national and global markets.

1.03 Approach and Methodology

Basic tenets of ESG apply similarly across different sectors. Notably, ESG is always about the protection of stakeholder and shareholder interests, organizational transparency, and accountability. It is always concerned with control of power within the company, the mitigation of financial and non-financial (environmental and Social) risks, company ethics, individual behavior within the organization, and with legal compliance. Thus, ESG has become a central element to strategic development and operations alike. ESG helps to fulfil stakeholder and investor expectations as to accountability and responsible corporate behavior.

At the same time, however, ESG is also a response to particular challenges in a firm's economic and competitive environment. These challenges may differ from one industry or sector to another and the anti-corruption and ethics mechanisms may therefore vary across industries.

Yet private sector efforts of ESG integration have been witnessing contrasting responses. Even in numerous developed markets where listed companies operate under strict legal and regulatory oversight and disclosure requirements, corporations have been slow in demonstrating their commitment to the required governance and business integrity –

prominently including anti-corruption - standards and principles. Meanwhile, an increasing number of companies across the Middle East and North Africa (MENA) region are going being local laws and embarking on their ESG and business integrity journeys. Such companies are starting to reap the rewards of their enhances risk and reputation posture, accessing capital, entering new markets.

1.04 Limitations

The first restraint faced in production of the is a historic boundary of securities and capital markets. The track record of structured financial markets, whose incremental growth by trial and error in the European and developed markets started some eight or more centuries ago, reaches back at most a century in the Arab region, and much less in the vibrant securities markets of the Arabian Gulf region. Adoption of global standards by Arab regulators and securities market operators took place at an accelerated – and therefore not easy to measure and evaluate for efficiency – speed over the past two decades.

A highly significant boundary to any assessment of the Arab, mostly Muslim-majority countries in the MENA region, is the cultural context of religion and behavioral norms in the formation of 21st century societies. The study does not delve into this context, nor does it elaborate on dichotomies between regional mores and the geo-economic environment in the first two decades of the 21st century.

For want of measurability of the economic success in the researched Arab companies' recent and globally inspired gender and youth initiatives, and because of the study's premise that long-term success of ESG policies will remain almost unmeasurable if not mirrored by returns to stakeholders and shareholders, the research did not yet include in-depth analysis of gender and youth programs at examined companies[8].

Bias, both bias in favor of practices that are considered very favorably and actively promoted by international development organizations and climate-concerned civil society, and self-selection bias of privately-held Lebanese companies that opted for taking advantage of Capital Concept's governance consulting and training offerings, cannot be excluded from the design, execution, and recommendations of this study. The author acknowledges that the aforementioned and other boundaries and limitations of the study warrant much further research and effort in the development of core recommendations that will empower MENA enterprises of all sizes on their pathways of sustainable growth through governance and integrity.

In a final limitation by design, the study presents data on ESG compliance of Arab listed companies for the assessment of readers and future analysis, without discussing questions on the causes of divergences in ESG achievements between different sectors or reasons for weaker compliance in some places of listing.

1.05 Cultural context and long-term strategy

[8] For descriptions of the role and impact of women in listed and privately-held companies in the MENA markets, the CIBL and KIP index findings of the internationally funded program for "supporting and accelerating women's inclusion" (SAWI) offer pertinent data. The long-term effectiveness and success of youth empowerment programs in Arab corporate contexts have yet to be researched.

The present report addresses business integrity and anti-corruption commitment in the MENA region through the lens of ESG integration. It uses a business-centered approach that does not include categories such as the religious identity of small business owners[9]. It deserves be pointed out, however, that the embeddedness into national cultures – strongly Islamic with varying tolerance for secularism in most Arab countries and multi-religious in Lebanon – has influenced corporate attitudes on national identity and gender roles as well as governance practices and social protection standards. These patterns of corporate behavior mirror societal Islamic values from the prohibition of usury and mandates for religious charity with their impacts on organizational governance to prevailing social behaviors such as the shielding of female family members and the emphasis on seniority. These chosen behaviors may defy biases, perceptions, and attitudes that are based on either Judeo-Christian or post-religious perceptions.

While sensitive to such cultural aspects, this study is part of a larger UNDP-led effort on understanding and addressing corruption and integrity practices in the region that studies anti-corruption on company, industry and national levels. In the following, we will focus on the results regarding anti-corruption and ethics with ESG commitment across different industry sectors across national economies. The report assesses anti-corruption, ethics, and ESG adoption in the MENA region based on criteria recognized by international organizations, regulators and civil society as necessary for access to capital and markets.

This report intends to act as a baseline establishing a starting point on which we can also evaluate and compare the level and the progress of ESG adoption of companies, industries and countries in the future. The report analyses ESG trends across different industry sectors, identifies prevailing risks and problems objectively and comprehensively, with the intention to assist progress in the fight against corruption and promote business integrity and ethics in the MENA region.

1.2.1 Research Approach

In order to qualify and quantify the real private sector and regulatory anti-corruption efforts and practices at a time when no or very little information about ESG compliance is accessible in the MENA region, the Governance Integrity Assessment (GIA) tool was developed by Capital Concept for the self-assessment of corporate organizations and enterprises. CC has since 2019 deployed this tool in its trainings and certification programs under a multi-use format. Whereas the GIA tool is offered to enterprises of all sizes and in this way serves as both a motivating awareness tool on governance and a means of identifying gaps and needs in ESG achievements and preparedness, it is the proprietary instrument that enables CC's iterative research process that allows revisiting data and information throughout all phases and connect it to newly emerging insights gained in the research process.

1.2.2 Generation of Scoring Categories:

In order to generate an extensive list of indicators related to governance Integrity, several experts and institutional investors as well as companies that demonstrated a progressive ESG program were interviewed. Based on these discussions, the areas of concern were identified

[9] Such segmentation is common in Lebanese socioeconomic studies

then were labeled and used as a basis to conduct literature research of academic and practitioner-oriented papers in the field of corporate sustainability. The diverse issues were distributed among 6 comprehensive governance categories that need to be addressed when evaluating companies' governance integrity, meaning in the term's usage by CC the interactivity and consistency of corporate governance that elevates a company's ESG performance.

1.2.3 Definition of Scoring Categories:

The relevance of these categories (denoted as "pillars" when referenced as GIA measurables) was controlled by comparing them to the propositions of influential existing standards and guidelines, notably, OECD Principles, the World Bank Group's International Finance Corporation Framework on Development of Corporate Governance, the United Nations Convention Against Corruption (UNCAC) and the UN Responsible Investment and Responsible Banking Principles (PRI/PRB). However, only categories that are in line with all the above guidelines were kept and denoted as GIA pillars in this analysis.

The following overarching categories (denoted as "pillars" when referenced as GIA measurables) represent the backbone of the assessment tool:

- **Pillar 1:** Commitment to ESG;
  this pillar covers the adoption of Environment and Social codes and codes of ethics (Sample 1 only)
- **Pillar 2:** Structure and Functioning of the Board of Directors;
  this pillar covers variables related to the functioning of the Board.
- **Pillar 3:** Control Environment;
  this pillar covers variables related to the company's processes and reports.
- **Pillar 4:** Disclosure and Transparency**;**
  this pillar covers variables that all relevant financial and non-financial information companies need to disclose.
- **Pillar 5:** Anti-Corruption management;
  this pillar covers variables coherent to anti-corruption and ethical principles
- **Pillar 6: Whistleblower Management;**
  this pillar covers variables that explicitly address the rights of stakeholders and shareholders within or outside a company.

1.2.4 Definition of Scoring Items:

The above standards and guidelines allowed the identification of questions/variables that represent meaningful measures for anti-corruption and ethics within ESG performance. These variables were clustered according to the previously defined key categories of ESG. In total a list of 60 anti-corruption and ethics - out of 380 ESG – was compiled allowing for measuring variables that would be applied to each company under review.

(BOX)

The ESG Methodology (https://unicbeirut.org/node/997)

The rapidly changing regulatory landscape and evolving governance standards have created an increasing demand for Environmental, Social, and Governance (ESG) integration into investment decision-making and stewardship. The ESG Assessment Methodology has been developed to help corporations evaluate their impact on sustainability and identify ESG-related risks and opportunities. This definitive methodology is regularly adapted to accommodate to regulatory trends, investor and supplier expectations.

The objective of this work is to evaluate the level of impact a corporation has on sustainability, and help them identify ESG-related risks and opportunities. Based on our findings, we can then place practical recommendations to improve a corporation's ESG practices and push beyond compliance boundaries. The ESG methodology is the ultimate tool to guide corporations to become socially responsible and run sustainable businesses, making them a safe investment destination.

In December 2018, Capital Concept released its ***ESG Methodologies*** *developed in collaboration with United Nations Lebanon, IFC and EBRD. Anchored in UN's Business and Human Rights Guiding Principles, the methodologies were revised by UNIDO, ILO, FAO, UNDP and WHO before they were examined by the IFC and EBRD. The methodologies were acclaimed during the Geneva UNBHR congress in November 2018 for their unique approach to business integrity and stakeholder protection.*

The ESG Assessment Methodologies are a result of extensive research, iterative assessments, and thorough peer reviews, as well as shareholders and stakeholder participation. Additionally, the methodology is instrumental to institutional investors during their due diligence process, before and during their investments, helping them meet risk mitigation objectives while maintaining a competitive value-based advantage in the market.

United Nations Agencies completed their second review of Capital Concept's ESG methodologies on May 31, 2024. *The second review was undertaken on the ESGSP.COM, hence, reconfirming the methodology's recognition, integrity, scoring method and pertinence to stakeholders, investors and supply chain professionals pursuing Sustainable Development Goals (SDGs).*

The work is driven by believe that companies with sustainable business practices and high standards of environment, social, and governance will become the success stories of the future. With this ESG Assessment Methodology, corporations can improve their risk posture to investors, suppliers, and stakeholders before and during their business relationships.

1.3 Pre-Tests of the GIA Tool:

The method of interactively assessing Governance and Integrity of companies through a consultative approach and volunteer survey filled in by companies was developed in collaboration between UN agencies and Capital Concept in 2018 and presented to strong acclaim at the BHR conference in Geneva (November 2018). To validate the GIA tool in advance of its deployment for this study, the tool was tested by CC on randomly chosen listed companies from exchanges that are among the members of the Arab Federation of Capital Markets (AFCM). This served to assess the technical functioning (orders of variable, possible redundancies, clustering issues) of the rating tool.

1.4 Construction of Samples:

The research approach consists of undertaking a Governance and Integrity Assessment of two dichotomous but complementary sets of companies; the first set (noted henceforth as Sample 1) exclusively comprises 60 small and medium, non-listed Lebanese companies that have submitted voluntary information on their ESG compliance in response to a survey by CC. These SMEs operate in Lebanon in the absence of any ESG legal or regulatory requirement. Contrasting to Sample 1, the second set of companies (Sample 2) comprises 100 large corporations that top regional securities markets in terms of their market capitalization according to their positioning as listed enterprises across MENA regulated markets (stock exchanges) with their, albeit to varying degrees, rigorous oversight and strict regulatory requirements. Notably, while all MENA securities markets have been reviewed for compilation of Sample 2, the application of the market cap criterion has resulted in an unequal distribution of the Sample across MENA markets, with a tilt towards Gulf markets and no single Lebanese company present in Sample 2.

The dichotomous nature of the two samples – one voluntary and one based on size of companies present in regulated markets – is also observed in their distinct approaches to the ESG compliance. Companies in Sample 1 undertook a voluntary decision of participating in the ESG evaluation offered to them at no charge by Capital Concept as their desire to improve their business integrity posture is driven by their pursuit of value retention and growth, improved management practices, enhanced reputation, talent retention and acquisition and access to capital and markets.

Meanwhile, Sample 2 companies operate by virtue of their stock market listings at some point in their past corporate journeys in an increasingly regulated environment. Whether or not they have taken a voluntary decision to emphasize their compliance with ESG principles for purposes of good corporate citizenship and improved access to capital, they are expected to demonstrate their commitment to very stringent corporate governance disclosure requirements that they have been subject to since 2006 in different MENA markets, with environmental and social impact considerations becoming mandatory since 2021.

BOX: Summary description of Samples 1 and 2

Sample 1

The first sample comprises 60 Lebanese SMEs that aspire for improvement of their governance and integrity structures in the absence of any ESG or anti-corruption compliance legal and regulatory requirements.

Companies were invited by the Capital Concept consultancy to voluntarily participate in the GIA process in order to have access to the full ESG assessment methodology and undertake their own self assessments free of charge as a first step towards enhancing their ESG and business integrity posture, become more attractive to investors and comply with international regulatory requirements. The number of companies taking this opportunity was xxxx. Of this total, 100 companies were analyzed for gender inclusion. However, for reasons of comparability between Sample 1 and Sample 2, the study restricts itself generally to consideration of 60 companies that meet an IFC definition benchmarks (also used by the Lebanese central bank) of SMEs as being registered enterprises that fit two of three benchmarks: 10-300 employees; $100,000 to $15 million in assets; and $100,000 to $15 million in annual sales.

The sample includes small enterprises, mid-size growth companies – meaning privately held companies with above cited that are seeking to develop regional or international markets – and large enterprises. Although the prevalence of single owner-operated and family owned and operated businesses with less than 10 employees is a well-known characteristic of the Lebanese economy and noting that international definitions of micro and small enterprises are not uniform, Banque du Liban (BDL, the Lebanese central bank) decided to apply an international standard in qualifying a registered business as eligible for SME financing and taxation privileges. Consequently, CC has adopted the BDL-applied standard and the following eligibility criteria (in accordance with the IFC criteria of defining an SME):

- More than 50 employees
- More than USD 3 million in turnover
- Actively looking for access to finance
- Actively looking to access new markets

Sample 2

The second sample comprises the 100 large publicly traded companies on regulated security markets in Saudi Arabia, the United Arab Emirates (Abu Dhabi and Dubai exchanges), Qatar, Kuwait, Egypt, Morocco, Jordan, Oman, and Bahrain. The number of listed companies from these markets are 39 (KSA), 5 (EGY), 19 (UAE), 18 (QAT), 11 (KWT), 5 (MOR), 1 (BHR), 2 (JOR) and 2 (OMN). The securities markets of Algeria, Tunisia, Libya, Palestine, Syria and Lebanon are not represented in the report, either because the market is not active at time of the research or because none of the region's top 100 companies is traded there. The study has not included countries grouped under other definitions, such as he numerous Arab or Muslim-majority countries (member states in the Organization of Islamic Cooperation) that are located outside of the Mashreq and Maghreb or MENA countries where no securities markets have been established.

Operating under the principle that access to corporate governance information should be equally easy for prospective international investors, existing shareholders, and stakeholders in a listed corporation, CC focused our review on the online company information channels where investors look first, meaning information that companies publish on the internet. We thus limited the search regarding the provision of relevant company information on company websites and annual reports as per legal and regulatory requirements by capital market authority requirements. It deserves to be noted additionally that the information obtained by

CC for our evaluation of Sample 2 companies was, due to its sourcing from corporate websites and reports, generally not confirmed by dedicated information from either companies or the operators of the stock exchanges where they are listed and the regulators that are tasked with oversight of these markets. The majority of requests by Capital Concept for the latest data and up-to-date ESG compliance information and regulations from markets and regulators, as well as listed companies, did not receive responses.
End box

2 Executive Summary of findings on ESG compliance of Sample 1 and Sample 2

2.1 Quantitative scoring and analysis of scores:

Our analysis is based on the companies' information provision of self-assessed compliance with anti-corruption policies and implementation of ethics responsibilities towards their stakeholders. We developed a quantitative grading system that reflects the extensiveness of a company's compliance with these policies and responsibilities. Based on its declared degree of fulfilling extensive and comprehensive anti-discrimination and anti-corruption policies, a company receives a score from 0 to 5 for each of the questions. These values are summed and the percentage of covered indicators is calculated per category and per company and expressed as an average GIA score. All pillars in our ranking receive the same weighting, so standardization of values is not necessary.

In a headline finding, the compliance levels of measured companies at time of their voluntary participation or measured mandatory compliance under our scoring system in no case reach even the 40 percent adequacy benchmark, meaning they fall woefully short of advanced compliance or an, admittedly hypothetical, perfect GIA score. Whether measured by pillar of GIA compliance, industry, or jurisdiction of regulating authority, average achievements of compliance with anti-corruption and anti-discrimination principles were not substantial enough to encourage investments into Arab companies. This assessment also applies when company size is chosen as criterion, so an insufficiency of governance integrity is observed in large listed corporations as much as small and medium enterprises.

The average GIA scores of samples 1 and 2 companies were analyzed to evaluate the governance of their anti-corruption and ethics in their financial, environmental and social management systems. These companies were categorized based on their sizes and sectors.

2.1 Key Findings: Sample 1

A. Average score by pillar:

The findings reveal that while companies show some progress in whistleblower management and anti-corruption due diligence, they uniformly fall short achieving adequacy in every measured GIA pillar. Notably, board governance practices are borderline inadequate. Likewise, information practices show average rankings in the inadequate range (0 to 20% achievement of best GIA practices) and require urgent attention from companies and regulators. These results underscore the need for comprehensive governance reforms to move towards progressive or best-practice standards.

The bar graph illustrates varying performance levels across six pillars of corporate governance and ethics, categorized into five ranges of ESG achievements: inadequate (0–20%), deficient (21–40%), adequate (41–60%), advanced (61–80%), and best practice (81–100%). The findings for all pillars do not exceed the deficient range, signaling significant room for improvement across governance practices.

2.11 Whistleblower Management (Pillar 6)

With the average score of 37.44%, this pillar shows the highest average achievement but is classified as deficient. Companies demonstrate a reasonable level of progress in implementing whistleblowing mechanisms, reflecting the importance of fostering safe and effective reporting channels. However, moving this pillar toward the adequate or advanced range requires strengthening policies and ensuring broader adoption across industries.

2.12 Anti-Corruption Management Due Diligence (Pillar 5)

Scoring 34.01%, this pillar is also considered deficient, highlighting that while companies are taking steps to address corruption risks, their efforts remain partial. To reach adequate levels, organizations must embed anti-corruption measures more deeply within corporate culture and operational frameworks.

2.13 Control Environment and Processes (Pillar 3)

With an average score of 26.67%, this pillar is in the deficient category. While basic control systems, Pillar 3s, and compliance processes are in place, their effectiveness is limited. Enhancing internal controls and fostering a culture of rigorous oversight can elevate this pillar to adequate or higher levels.

2.14 Commitment to ESG (Pillar 1)

Scoring 22.13%, this pillar barely qualifies for the deficient range. The results indicate a lack of emphasis on ESG principles, which are critical for long-term sustainability and stakeholder engagement. Companies must prioritize integrating ESG considerations into their strategies to address this inadequacy.

2.15 Structure and Functioning of the Board of Directors (Pillar 2)

At 20.89%, achievement of this pillar is classified as borderline inadequate, reflecting a critical weakness in board governance practices. A strong and well-functioning board is essential for strategic direction, risk management, and oversight. Significant reforms in this area are needed to improve governance effectiveness.

2.16 Disclosure and Transparency (Pillar 4)

Returning the lowest average score of 17.37%, company performance in relation to this pillar is inadequate, signaling a major gap in the frequency and quality of information disclosed to stakeholders. Potential investors cannot rely on availability of even basic information on corporate health. Transparency is a cornerstone of good governance, and efforts to enhance disclosure practices should be prioritized to build trust and accountability.

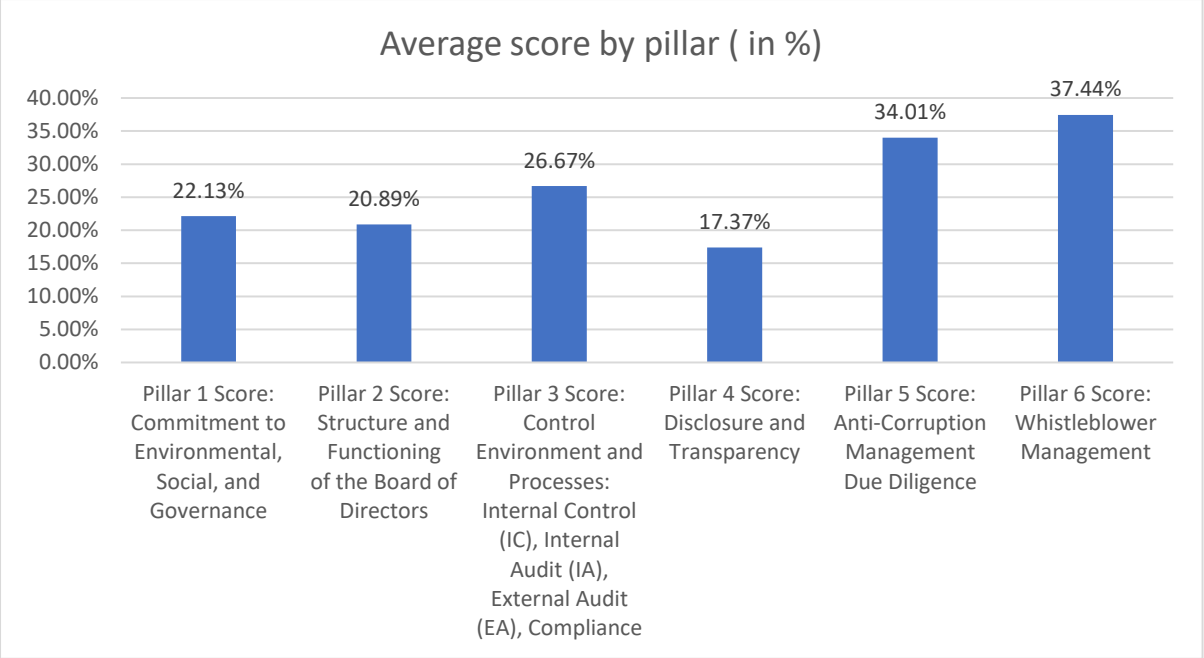


Table 1

B. Analysis of Environmental and Social Management Systems Governance Across Different Company Sizes

The analysis highlights a consistent **deficient** level in the presence and governing Environmental and Social Management Systems (ESMS) across all company sizes, with large enterprises performing slightly better than midsize growth and small enterprises. These results emphasize the need for all companies—regardless of size—to strengthen their governance frameworks. Tailored strategies and resource allocation are necessary to bridge the gaps, particularly for small and midsize companies, while large enterprises must aim to lead by example and progress toward higher governance standards.

The pie chart presents the average scores of ESMS governance across different company sizes. The findings reveal that all company pillars fall within the **deficient** range (21%–40%), indicating room for improvement across the board. Slight variations in performance are evident among the groups.

(1) Large Enterprises

With the highest average score of **27.72%**, large enterprises demonstrate relatively stronger governance systems and policies. Their classification as **deficient** suggests that while they possess more resources and structured frameworks than smaller companies, there is still significant room for improvement. Enhancing their governance systems could help large enterprises move toward the **adequate** range.

(2) Midsize Growth Companies[10] (MGCs)

Scoring **26.28%**, MGCs slightly trail large enterprises. This classification as **deficient** indicates their potential to compete with larger companies in governance performance. However, limited resources and less mature systems may hinder their

[10] MGC is the category applied to ventures that aim for acquisition of new investors or penetration of new markets in addition to meeting the IFC definition of an SME as adopted by BDL

ability to fully implement robust ESMS practices. Targeted investments in governance frameworks could drive significant progress.

(3) Small Enterprises

Scoring the lowest at **23.73%**, small enterprises are also in the **deficient** range but face more pronounced challenges. Their limited resources, expertise, and capacity to adopt comprehensive governance systems likely contribute to their lower performance. Focused support, such as capacity-building initiatives and access to resources, can help small enterprises improve their governance practices.

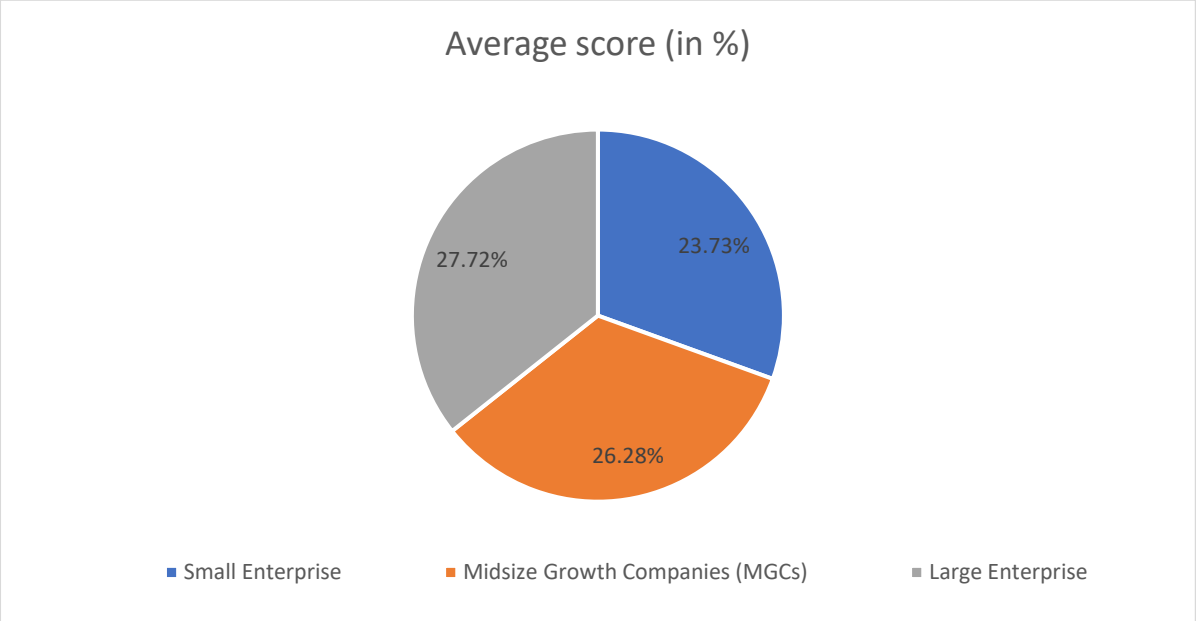


Table 2

C. Analysis of Governance of ESMS Across Various Sectors

Capital Concept allowed itself to be inspired by a 2021 USAID-funded and assessed project for identification of crucial value-adding industries in support of crisis recovery in designing its GIA tool classification of Lebanese companies by areas of economic activity with the largest development potential for growing out of the multi-tiered Lebanese crisis that started in 2019. This localized methodology distinguishes banks and companies with licenses for financial intermediation as “financial” sector, non-finance providers that are also not part of the real economy as “services” sector, companies in the productive sectors of the real economy as either “manufacturing” or “agri-business” sector, and miscellaneous enterprises as “Others” sector. The analysis reveals that while the financial and services sectors perform better than other sectors of industry, all sectors remain below **adequate** levels in ESMS governance. The agri-business and "Others" sectors, in particular, face critical weaknesses and require immediate attention to strengthen their governance practices. Addressing these deficiencies

across sectors, with an emphasis on tailored strategies and resource allocation, is essential for advancing ESMS governance to higher performance levels.

The pie chart presents the average scores of the governance of Environmental and Social Management Systems (ESMS) across five different sectors, revealing notable variations in performance. The covered sectors are finance, general services, manufacturing, agri-business, and “other”. All sectors fall into the **inadequate** or **deficient** range of the GIA methodology, underscoring the need for substantial improvements in governance systems.

I. Financial Sector

Scoring **29.63%**, the financial sector is the highest performer and falls within the **deficient** range. Compared with other sectors, the financial sector-related score reflects relatively stronger governance practices, likely driven by stricter regulatory requirements and a greater emphasis on risk management. However, to move toward the **adequate** range, further enhancements in ESMS governance are required.

II. Services Sector

With an average score of **27.43%,** the services sector is also classified as **deficient**. This performance reflects moderate governance practices but highlights the need for more robust frameworks and a stronger commitment to ESMS principles to reach **adequate** levels.

III. Manufacturing Sector

Ranking third with a score of **25.72%**, the manufacturing sector demonstrates governance efforts but remains within the **deficient** category. Challenges such as managing environmental risks specific to manufacturing and ensuring compliance across complex supply chains may contribute to this score. Improving governance structures and processes could significantly enhance their performance.

IV. Agri-Business Sector

Scoring **20%,** the agri-business sector is categorized as **inadequate,** highlighting critical weaknesses in governance. This score suggests that governance practices in this sector are underdeveloped, likely due to factors such as limited resources and less stringent oversight. Urgent efforts are needed to address these gaps, including capacity-building and sector-specific guidance.

V. “Others” Sector

The "Others" sector scores **18.70%,** placing it in the **inadequate** range. Companies in this sector are all those companies that have demonstrated their ambitions for governance and integrity development and are deemed of high significance in unlocking new economic opportunities and creating jobs but do not fall under any of the categories mentioned above. The average GIA score of companies in the “Others” sector represents the weakest governance performance among all sectors, suggesting significant gaps and underperformance. A lack of standardization and prioritization in governance practices may contribute to this result. Focused interventions and tailored governance frameworks are essential to bring this sector in line with others.

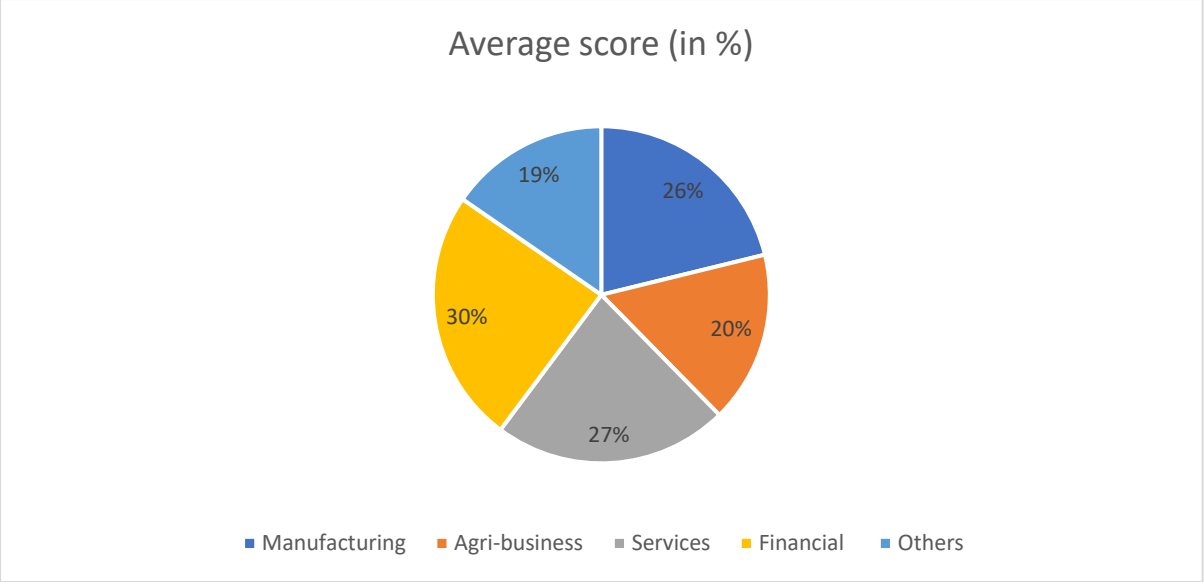


Table 3

D. Inclusiveness matters

We have undertaken analysis of ESMS achievements through a female leadership lens for 100 SME companies that have engaged with the Governance and Integrity service offerings of CC. The male-female leadership lens used three categories: women-led, men-led, and female-merit-led. These categories classify companies as men-led if the founders and owners are men. To qualify as women-led, a company has to be founded wholly or in part by a female entrepreneur or must be owned wholly or partially by a woman. A company meets the requirement of female-merit-led if the head of the department that is relevant for inclusiveness, such as the human resources department, business development department or enterprise strategy department, is a woman, irrespective of the ownership.

The 100 companies in the sample are to 56 percent in the male-led category. Companies with female leadership are sub-divided into women-led (17% of total) and female-merit-led (27% of total). Notably, CC ascertained that the differing trends apply in broadly equal terms to the 100 companies in this analysis and the 60 companies that satisfy the size/performance requirements applied elsewhere in the study.

The analysis was undertaken on two data sets: ESG performance measured by GIA scores and improvement of GIA scores over time. Measured was improvement in the GIA sore from the year-end 2023 to the year-end of 2024. Whereas all scores recorded at the end of 2024 were falling short of 40 percent ESMS achievements and thus classified in the inadequate or deficient ranges of, respectively less than 20 and less than 40 percent compliance, there were stark differences between men-led, women-led, and female-merit-led companies.

Men-led companies returned an average ESMS score of 18.45 percent at end of 2023, which positioned them a full ten percentage points below women-led and female-merit-led companies. This ESMS compliance gap widened over one year. While all companies showed improvements in the application of ESMS, the improvement for men-led companies barely lifted them over the 20 percent threshold. Returning an average ESMS score of 22.46 percent

at year-end 2024, the average gain at men-led companies was 4.01 percent. This is notwithstanding the fact that three men-led companies showed improvements of more than 10 percent in their scores.

The average scores of women-led and female-merit-led companies, on the other hand, improved by 7.61 percent to 36.14 compliance over the course of one year. Combined with the, by comparison to men-led companies, already more compliant 2023 baseline ESMS scores, the scores of many women-led and female-merit-led companies approached or entered the adequate ESG compliance range in 2024, which also means that the average female – male ESMS leadership gap widened to 13.68 percentage points. Visibly more effort in improving ESMS scores was invested by women-led and female-merit-led companies in the course of one year when compared with men-led companies. In direct comparison, one quarter of these 44 companies scored above the 40 percent threshold, while only two men-led companies were reportedly positioned as strongly.

As women-led and female-merit-led companies have outperformed men-led companies in terms of average ESMS scores and one-year score improvements, our findings emphasize the leadership potential of companies with active roles female leadership for driving a company's ESG strategy and better integrating ESG values into the fabric of the Lebanese business landscape.

2.2 Key Findings: Sample 2

Our sample contains 100 companies that were selected based on their economic importance in the Middle East and North Africa region with market capitalization as the determinant. Consequent to the fact that these companies are, sometimes fully and sometimes partially, publicly listed and subject to regulated securities exchanges, the GIA scores for these companies are derived from five categories of compliance. Noting that their adherence to governance practices is mandatory, the GIA scores are computed on basis of compliance on Pillars 2 – 6, minus the Pillar1 category of voluntary ESG commitment used in sample 1. At time of sampling in September 2024, the 100 largest publicly traded corporations by market cap represented 20 different sectors. The first layer of sector-related analysis shows that almost three quarters (70.5 percent) of the companies are clustered in four sectors of activity: Banking, Telecommunications, Real Estate Management and Development (hereafter, Real Estate), and Chemicals. For each of the remaining 16 sectors with a corporate representation in our sample, this presence is limited to between one and four companies and thus, due to the total sample size of 100 companies, between one and four percent. We have excluded these sectors from further analysis, as the sample per sector is too small for analysis.

2. 21 Combined Scores of Four Largest Sectors:

The companies rated by this study mainly represent four sectors notably, **Banking** (43 companies), **Chemicals** (8 companies), **Telecommunications** (11 companies), and **Real Estate** (10 companies). A total of 72 out of 100 companies belong to these sectors. Within the four sectors (see Figure 2):

– Examining aggregate GIA scores per sector, i.e. averaging the company scores across the five applied Governance Integrity assessment pillars for four types of enterprises in terms of economic activity, listed enterprises in the **Banking** sector reached the highest scores with 71 percent GIA compliance; followed by **Telecommunications** (62%), **Real Estate** (52%), and **Chemicals** (52%).
– Listed companies in the **Chemicals** (2% GIA compliance) and **Real Estate** (0%) sectors return the lowest values within the respective area of activity, reflecting the non-performance of at least one company when it comes to disclosing any relevant corporate governance information.
- Variance of scores within sectors is significant, indicating that in no sector uniform engagement with ESG standards is present. The lowest scoring **Banks** achieved 17 % GIA compliance and in **Telecommunications**, the lowest scorer returned 16 percent.
– The gap between the best and worst performer in terms of corporate governance information in the **Banking** sector is the widest, at 54 percentage points. The high-low gap is narrowest for the **Telecommunications** sector but stands at a still very significant 46 percentage points. For companies in the **Chemicals** industry, the gap amounts to 50 percentage points, leaving **Real Estate** as sector with another notable high-low gap (52 percentage points). The pervasiveness of significant high-low gaps in all examined sectors of economic activity is to be evaluated with great care about the origins and culture implied therein, for example by assessing the gap in the Real Estate sector in combination with noting that the highest score achieved by a Rel Estate enterprise range substantially below the high score found in Banking.
– **Banking** is the sector with the strongest average score, at 43 percent, followed closely by **Telecommunications** at 41 percent. Compared with these two sectors, average scores in **Real Estate** (30 percent) and **Chemicals** (29 percent) lag far behind.
– When seen against a GIA adequacy threshold of 50 % compliance with Corporate Governance Integrity standards, this threshold is surpassed in none of the sectors.

The above analysis of average company scores and high-low gaps confirms that Governance Integrity inadequacies exist in companies across the major sectors in the MENA economies. Moreover, huge discrepancies prevail within sectors regarding engagement and commitment for corporate governance. The persistence of large gaps in combined average scores is especially noteworthy in the **Banking** sector, given that banks are the objects of corporate governance regulations from both capital market authorities and central banks and that regulation of the financial sector in individual MENA countries is often more advanced than regulation of equity markets at large.

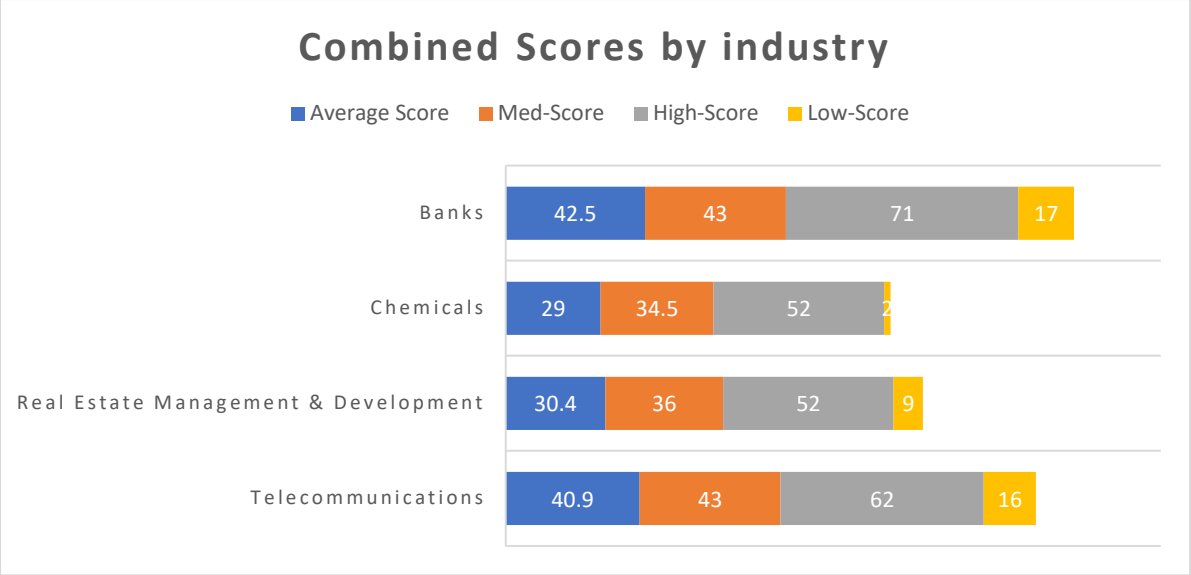


Table 4: Comparison of Combined Scores by Four Largest Industry Sectors

2.22 Comparison of Company Scores Achieved in the Four Largest Sectors for each of the Five Governance and Integrity Pillars

Drilling down from the average company scores per sector into the next analysis layer of the granular scores in each of the five GIA corporate governance pillars, we see the following results:

The fields Whistleblower Protection (***Pillar 6,***26 percent) and Control Environment (***Pillar 3,*** 17 percent) have the lowest average percentages of GIA achievements across all four sectors. Companies in Telecommunications achieve the highest relative performance in the Control Environment category (***Pillar 3,***23 percent); Chemicals and Real Estate each achieve only 11 % of perfect GIA compliance in this category.
In the Whistleblower Protection category (***Pillar 6)***, Telecommunications provides the highest GIA achievement rate with 39 percent, and Chemicals are lowest with 14 percent.
Highest averages are reached in the Disclosure and Transparency category (***Pillar 4)*** with an average compliance of 61 percent across the four different sectors. ***Pillar 4*** is the only category that returns a GIA compliance average coverage above 50 percent. Banks (72 percent) and Telecommunications (69 percent) disclose significantly more in this category than Chemicals (56 percent) and Real Estate (48 percent).
The ***Pillar 3*** category has an average coverage across the four different sectors of 45 percent. Telecommunications discloses most with 55 percent; Chemicals disclose the least with 33 percent.
These relatively low averages within the different corporate governance categories indicate that firms seem to mainly associate their mandate for corporate governance with ***Pillar 4***.

Industry	**Pillar 3**	**Pillar 2**	**Pillar 4**	**Pillar 5**	**Pillar 6**
Banks	47%	38%	72%	22%	28%
Chemicals	33%	26%	56%	11%	14%
Telecommunications	55%	29%	69%	23%	39%
Real Estate Management & Development	45%	30%	48%	11%	23%

Industry	Pillar 3	Pillar 2	Pillar 4	Pillar 5	Pillar 6
Average Across Sectors	45%	31%	61%	17%	26%

Table 5: Average GIA compliance percentages for 5 Different Corporate Governance Categories by Industry Sector

2.23 Attention to Anti-Corruption

The category ***Pillar 3*** comprises a total of 10 variables and covers topics such as *Ethics Code, Whistle Blowing Mechanisms, Strategies for Dealing with Bribery, and General Transparency* regarding strategic issues. Firms in our sample have paid very little attention to this corporate governance area. Seven out of ten indicators in this category show less than 20 % compliance. Only for one indicator, named Transparent Discussion of Corporate Strategy, the listed companies in Sample 2 achieve an average compliance rate of 51 percent. None of the companies in the four examined sectors is signatory to international declarations on Corporate ***Integrity***, such as governance, anti-bribery or others. Telecommunications and Banking (at 23 and 22 percent) show marginally better compliance rates in the ***Pillar 3*** category when compared with Real Estate and Chemicals, each reaching 11 % compliance. Overall, however, ***Pillar 3*** receives far too little attention in all reviewed sectors and companies can benefit greatly from including this category in their corporate governance focuses (see Table).

Pillar 3 Indicators	Banks	Chemicals	Telecommunications	Real Estate	Average
Does the company have Code of Ethics? And is this posted in full public view?	19%	13%	9%	10%	13%
Does the company publish its Policy and Procedures against bribery and corruption?	12%	0%	9%	10%	8%
Does the company provide a whistleblowing mechanism accessible to all stakeholders (internal/external)?	14%	0%	18%	20%	13%
Does the company's annual report and investor relation page entail a Chairman/CEO statement regarding corporate governance?	47%	0%	9%	10%	16%
Does the company provide a Discussion of Corporate Strategy (mission, vision, strategy...)?	65%	38%	55%	40%	49%
Does the company disclose information about investment plans in the coming years?	16%	38%	18%	26%	23%
Does the company indicate market shares for any or all of the company's businesses?	30%	13%	20%	10%	25%
Does the company publish an output forecast?	7%	7%	9%	7%	7%
Does the company provide an overview of trends in its industry?	14%	0%	27%	0%	10%
Is the company a Signatory to national or international declarations on good governance for example Investors for Governance & Integrity (IGI)?	0%	0%	0%	0%	0%
Average	**22%**	**11%**	**23%**	**11%**	**14%**

Table 6: Disclosure of Pillar 3 Indicators

It can be said on basis of the information found across sample 2 that publicly traded companies in all sectors currently lack commitment to corporate governance and exhibit no signs of aiming for enhancing their corporate governance structures. Although listed companies comply with regulations imposed by national regulators and the stock exchanges on which they are listed, their commitment appears to be nominal rather than proactive, as suggested by the fact that compliance in the bulk of cases does not exceed the required minima. In a snapshot perspective of the results from the 20 sectors with any representation in sample 2, we found that disclosures by the reviewed companies in 10 out of these 20 sectors reach between 16 % and 35 % of GIA benchmarks. When expressed as grades, these disclosure rates put 10 sectors into the failed to inadequate range; moreover, noting that the rated companies are each sector's leading enterprises by market cap because of our sample's construction formula, it does not bode well for the regional investment climate that top companies in practically half of the represented sectors are scoring below the threshold for minimum adequacy of corporate governance.

As the investigation of governance and integrity scores of the Top 100 Listed Companies per Industry in the Middle East and North Africa did not entail a research module on mid-cap or small-cap companies, future research will have to look into possible correlations between company size and corporate governance behavior of listed companies in MENA. For a preliminary research opinion, however, we have not seen evidence – neither from our survey of top companies nor from other interactions with companies and regulators – that a company's strength or relative weakness in terms of market capitalization is strongly correlated with its disclosure practices and corporate governance approach.

In summary, the findings from all sectors and specifically from the four sectors that were the focus of detailed analysis demonstrate that adoption of corporate governance practices by listed companies in the Middle East and North Africa is fraught with many gaps and deficiencies. Striking evidence for this exists in the fact that the threshold of 50 % compliance with GIA, corporate governance was achieved in none of the four important sectors under stringent analysis – Banking, Real Estate, Telecommunications and Chemicals.

For further evidence of large variations and outright gaps in the corporate governance practices of publicly traded companies in MENA countries, the research shows the existence of massive discrepancies of compliance averages in provision of financial information versus non-financial information. We have moreover identified corporate governance areas where response rates of 10 % or less to GIA questions reveal opportunities for immediate improvements. The topics with the lowest coverage are those related to *Conflict of Interest, Board Operations, Board Responsibilities, Shareholder Democracy, and Ownership Information* – they represent opportunities for improving governance integrity rather quickly as they all are topics of a non-financial nature but important as part of a broader corruption risk management of companies and corporations.

ESG guidelines of researched Securities Markets in MENA[11]

[11] Only markets that are members of the Arab Federation of Capital Markets and are also places where one of the 100 top Arab companies by market cap is domiciled

Exchange	Country	No of top 100	Year of establishment	Relevant law or authority and year	Current ESG/ESMS rules and year of issuance
SSE (Tadawul)	Saudi Arabia	39	Informal since 1950s, index creation (TASI) 1985	Capital Market Authority and Capital Market Law 2003	CMA strategy 2024-26 under Saudi Vision 2030 (Shareholder protection focus)
ADX	UAE	19 (UAE total)	2000	Securities and commodities authority (2002)	ADX Rule booklet (no ESG references)
DFM	UAE		2000	Securities and commodities authority (2002)	ESG Guide of 2023
QSE	Qatar	18	1995	Financial Market Law of 2012 and QSE Rulebook of 2023	Homepage tab on ESG and related disclosure resources under Qatar Vision 2030 umbrella
KSE	Kuwait	11	Established 1977, privatized 2016-19	Capital Market Authority and Law of 2010, Boursa Kuwait Rulebook 2019	Corporate Sustainability commitment in 2017, ESG Reporting guide (optional, 2023) under New Kuwait 2035 umbrella
EGX	Egypt	5	1883	Capital Market Authority, Capital Market Law of 1992, last amended in 2022	Model guidance for reporting on ESG performance and SDGs (2019, non-binding)
CSE	Morocco	5	1929	Capital Market Authority (AMMC), various laws since	Creation of ESG benchmark index in 2018, publication of ESG guidebook (2017, French language) 'in preparation of future reporting obligations'
ASE	Jordan	2	1999	Jordan Securities Commission Securities law of 2002	Sustainability and climate related disclosure frameworks to be phased in from 2026, first for ASE 20 index companies
MSX	Oman	2	1988	Capital Market Law (1998)	ESG disclosure guidance for listed companies (2023)
BSE	Bahrain	1	1987	Central Bank of Bahrain Capital Market Law (2009)	Voluntary ESG reporting guideline (2020) integrated under goal of Bahrain 2030

2.3 Reality check of regional Findings in global context and stakeholder recommendations

The findings of this report are a wakeup call and platform for future analysis. The absence or perfunctory presence of ESG priorities and guidelines in the front pages – and sometimes also the less prominent pages – of Arab securities exchanges by the end of the first quarter in 2025, is alarming. Capital Markets Laws have been in force at various regional exchanges for more a decade without having been updated with stipulations on climate risk mitigation or mandatory ESG implementation. Innovation such as the publication of an ESG guideline for listed companies on Dubai's DFM is juxtaposed with the fact that the strategic plan for the region's largest exchange, SSE, in the current period does focus on investor protection but does not entail any reference to environmental and social risks. However, it is to be noted that the trend of publishing non-binding ESG Guidelines or awareness-creating Guidebooks and online advisories has over the past decade engulfed seven of ten surveyed Arab securities exchanges. None, however, is at time of this writing in March 2025 as yet mandating ESG compliance or ESG disclosures of any kind. The scarcity of issuance of dedicated sustainability reports or inclusion of social and environmental chapters in annual reports by top Arab companies has to be further analyzed but implementation of ESG measures is expected to remain elusive until mandatory requirements are in force and enforced. To this end, the GIA findings on companies, sectors, and countries, should motivate regulators and supervisors as well as global stakeholders with interests in the MENA markets to seek ways on how to incentivize rapid progress in the adoption and implementation of best international corporate governance standards and practices.

Industries worldwide are today operating in uncertain environments of increasing regulatory pressure, increasing scrutiny by shareholders and external stakeholders and relentless and widening competition on fronts that today range from markets to equity, human capital and even social recognition. Very recent changes in the global trade environment have only reinforced the importance of transparency and prudent disclosures to shareholders but global focuses on sustainability have equally moved non-financial topics to the top of the agenda at any company that wants to excel in its sector.

Companies

All Arab companies, if they aspire to grow in international markets or attract investors to fuel domestic growth, are in the perspective of CC highly advised to build the capabilities of managers and board directors and take the lead in changing the indifferent attitudes that so far have prevailed in regard to corporate governance. Some sectors are more prone than others to see regulatory changes, e.g. healthcare, banking and finance; however, it is not at all recommended to wait until regulators impose requirements. When making their investment decisions, shareholders and stakeholders will not wait for regulatory improvements to mandatory corporate governance practices.

Regulators

Compliance across the nine countries and 100 companies, current disclosure practices reveal much need for increased market regulations and compliance mandates against the fact that there is a lack of voluntary commitment to corporate governance principles on behalf of firms and on behalf of regulators. It is apparent that appeals of self-regulation are insufficient.

Here, the regulator has an important role to play in order to push companies to implement substantial corporate governance and to align with international best practices. It is in the interest of governments and regulating institutions alike to improve corporate governance levels of listed companies under their jurisdiction significantly in order to enhance their country's reputation in this area and to be able to attract international investors.

Shareholders

Investors and shareholders can use the data of corporate governance assessments to pinpoint cases where firms have failed to comply with minimum legal requirements. If listed companies consistently fail to improve their disclosure practices as to align with best-in-class standards or meet at least minimum legal requirements, it can be expected – and in the view of shareholder-rights.com it is the right and duty of shareholders – that investors exert pressure on the concerned firms through the means of shareholder intervention, even before regulators might become active.

Governance and Integrity stakeholders

A soft infrastructure of reliable and accurate information compilation, analysis, and dissemination is a vital need of investors and regional economic planners alike. The development of a culture of ESG compliance and governance integrity will establish and strengthen a nexus of mutual reinforcement between integrity and sustainability in the regional economy and within national economies of the MENA region. Governance consultancies, IT providers, and data companies with thorough understanding of Arab countries and their behavioral economic structures are urgently called upon to step up their contributions to the development of a sustainable infrastructure that serves enterprise integrity and responsibility.

3 Framing the nexus: Corruption and Private Sector Growth

This section will lay out definitions and concepts shaping the approach. The project will draw on the United Nations Convention Against Corruption framework on corruption as a starting point for the definition of corruption as first step to framing the nexus between anti-corruption and private sector development. particularly in relation to the Arab region, and how it be drawn on to inform the study.

Impact of corruption on productivity, access to finance, access to markets, value creation as well as on climate change and vulnerable groups.

The interrelations and correlations between anti-corruption (including transparency, accountability, integrity and law enforcement) and private sector development derived from the existing literature at the global level and the Arab region.

To address today's most pressing global challenges, government action alone is insufficient. The ethical private sector must play a pivotal role in identifying innovative and efficient technical solutions and adopt behaviors that mitigate corruption risks. Their engagement is critical in combating corruption, fostering economic development, ensuring fair and secure markets, and safeguarding the overall well-being of societies.

The 1997 observation of global thinker and strategy writer Robert D. Kaplan, in its essence if perhaps not its exact numbers, remains strikingly relevant today: "Of the world's hundred largest economies, fifty-one are not countries but corporations. While the 200 largest

corporations employ less than three fourths of one percent of the world's work force, they account for 28 % of world economic activity. The 500 largest corporations account for 70 % of world trade." Kaplan foresaw the immense influence of corporations in shaping the global economy, highlighting their potential to leave behind significant social and environmental consequences. His prediction - that corporations might eventually evolve to align their interests with the global community - underscores the importance of fostering corporate accountability and integrity today.

The private sector's global reach gives it unparalleled influence, which, when wielded responsibly, can foster a culture of fairness, transparency, and equal opportunity. However, when misused, it risks perpetuating the very social and environmental damage Kaplan described, such as abruptly relocating operations or exploiting weaker regulatory environments.

As Kaplan predicted, corporations are beginning to align with a "cohering global community." Rising expectations from consumers, investors, employees, and governments have placed business integrity at the forefront of corporate priorities. Environmental, social, and governance (ESG) frameworks are raising the standards for corporate accountability, transparency, and inclusivity. Companies are increasingly expected to act as responsible corporate citizens, actively contributing to the strengthening of public institutions and governance systems. This evolution reflects a shift away from the amoral practices Kaplan described toward a future where corporations serve as agents of positive change.

In the 15 Muslim-majority countries that comprise the MENA region, numerous companies are demonstrating ethical leadership and calling on governments to intensify anti-corruption efforts. Governments across the region are urged to align with global anti-corruption initiatives, emphasizing good governance as a cornerstone of sustainable and inclusive economic development.

Only collective and coordinated efforts - spanning the public and private sectors - can effectively tackle corruption, foster innovation, and create a more equitable and prosperous future for all. Kaplan's insights serve as both a cautionary tale and a call to action, reminding of the immense potential for corporations to contribute to a better global community if they embrace their evolving responsibility.

3.1 Exploring the nexus: Types of corruption by size and industries MSML

Public sector corruption: Bribery, embezzlement, fraud, abuse of power and authority, cost of bad governance, economic impact and graft. Political (Grand Corruption) and bureaucratic (Petty).

Nexus to:

Private sector corruption: Internal Embezzlement, Tax evasion, corporate fraud, insider trading, asset misappropriation, commercial bribery, monopolies (cartels). Impact on a national economy's growth and stability, environment and society.

Different institutional approaches and frameworks for countries in the region seeking to address this nexus, taking into considerations the variety of contexts existent in the Arab region, highlighting strengths, weaknesses, opportunities, and threats as applicable.

Exploring the cultural specificities and peculiarities in the historic evolution of social capital and distortions of productive social capital through political and confessional cronyism, clientelism, and colonialism or imperialism from pre-industrial times up to the end of foreign tutelage over Arab countries' sovereignty and self-determination is in the first instance an endeavor fraught with philosophical and anthropological baggage and in its necessary historic depth secondly goes far beyond the scope of this paper that is focused on quantifying the presence and extent of obstacles to economic growth because of what current investor preferences consider systemic corruption and/or failure of corporate governance.
Corporations can make great strides in attracting investors by implementing state-of-the-art corporate governance out of their own initiative or by adhering to corporate governance and ethics codes issued by their professional organizations and international bodies. Corporate choices and voluntary codes, however, rather than being possible replacements of imposed rules, only act value add-ons to the regulatory frameworks and disclosure requirements under the law of the land. In this context, regulators, central banks, capital market authorities, and stock exchanges have dual roles of developing and updating mandatory corporate governance frameworks and of educating their markets.

In a well performing regulatory environment, information on corporate governance codes will be displayed prominently and in ways that are understandable for both local and international investors and will be flanked by tutorials and education tools. This will allow shareholders and stakeholders to know their rights and assess how well-regulated companies measure up to legal mandates on corporate governance. Moreover, a clear description of the respective national regulatory environment allows shareholders and prospective investors to evaluate to what extent that specific regulatory environment and its commitment to mitigating shareholder risks are aligned with their requirements and expectations.

In Capital Concept's Governance and Integrity Assessment of corporate governance landscapes in the Middle East and North Africa, the review covered the corporate governance codes of nine jurisdictions. Findings have been congruent with the results of numerous studies, which have shown that the quality of corporate governance does vary tremendously across firms, as well as, across countries.

The report examines the corporate governance disclosure requirements issued by regulatory and supervisory authorities in the ten securities markets of nine countries where the assessed companies are traded, namely Saudi Arabia, the United Arab Emirates, Qatar, Kuwait, Egypt, Morocco, Jordan, Oman, and Bahrain. In each country, the report covers the national stock exchange, except for the federally structured UAE where both the Abu Dhabi Securities Exchange and the Dubai Financial Market are included in the review. The privately held Palestinian stock exchange and the Lebanese, Tunisian, and Algerian national stock exchanges have not been considered for the review. The above list is organized according to the number of top-100 companies across the market, with Saudi Arabia leading at 39 companies.

It is stated in numerous publications by regulatory bodies in the MENA countries that studies and projects for implementation of mandatory corporate governance disclosure regimes have been initiated in the respective markets since 2002. According to the same sources,

expansions and revisions of corporate governance regulations and ESG requirements have been ongoing in 2024, at the time of research for this report.

It is important to note that when undertaking the assessment of regulators and supervisors, the report relied on varying numbers of source documents in each jurisdiction. This is because corporate governance standards have nowhere in the region been compiled into comprehensive sets of guidance. Even where central banks or capital market regulators published corporate governance handbooks, these would not entail all disclosure rules that we check against the GIA list of variables outlined in the Assessment Methodology.

It is not within the scope of this report to gauge the past progress of corporate governance regulations in the nine MENA countries that are considered in this study (Saudi Arabia, the United Arab Emirates, Qatar, Kuwait, Egypt, Morocco, Jordan, Oman, and Bahrain) and the extent of compliance historically achieved by listed companies in each jurisdiction. Nor are draft laws and regulations whose implementation is ongoing in 2024 discussed.

The present report has researched how the disclosure regulations that are currently in force and mandated by central banks, capital market authorities, and stock exchange operators in the nine aforementioned countries compare with the list of corporate governance disclosure items that are the basis for the Governance and Integrity Assessment. The intention is to delineate a baseline of current regulations on which later reports will be able to evaluate and compare the level and progress of corporate governance disclosures, as they will be implemented in years to come.

3.2 Corporate Governance Regulations in the different Countries and Comparison with GIA

Disclosure of information by companies needs to comply with laws and regulations. National legal requirements define the floor and set minimum standards, as well as give important incentives for companies' corporate governance activities. For each country in our sample, we identified the main bodies that regulate companies. While names and precise roles of institutions concerned with regulation and supervision of corporate governance differ from country to country, institutional ownership of corporate governance is usually reflected in the regulations and rules imposed by the central bank, the capital market authority (CMA), and each stock exchange's listing requirements. In the countries reviewed for this report, central banks and market authorities often collaborate closely in the establishment and upgrading of corporate governance frameworks. Yet, not all three institutions exist in all countries. Five of the reviewed countries, namely Saudi Arabia, the UAE, Qatar, Morocco, and Jordan use a tripartite regulatory and supervisory system of central bank, CMA, and exchange authority. In the four other countries, regulation is either provided by central bank and CMA (Kuwait and Oman) or by central bank and stock exchange authority (Egypt and Bahrain). For a list of the latest governance guide books and brochures promulgated by stock market operators, please refer to the list in the previous chapter. In the following we briefly describe how much information national regulators require from listed companies according to their publicly accessible online pages. We furthermore assess the regulators' requirements based on the 100 GIA assessment variables.

Saudi Arabia

In the Kingdom of Saudi Arabia (KSA) three institutions have roles in regulating publicly listed companies – CMA, the Saudi Stock Exchange (SSE), also known as Tadawul, and the Saudi Arabian Monetary Authority (SAMA), the kingdom's central bank. Corporate governance disclosure requirements by CMA and SSE are identical. CMA and the Saudi Stock Exchange pay most attention to disclosure of information regarding the category Pillar 6 (68%), followed by issues related to Pillar 4 (56%), and Pillar 2 (50%). The corporate governance category of Pillar 5 (36%) receives the least emphasis regarding disclosure by these two regulating institutions.

Compared to CMA and SSE, SAMA requires significantly less disclosure especially in the category of Pillar 6. In this category, the gap between CMA/SSE disclosure requirements and SAMA requirements is the widest at 52 percentage points. Whereas CMA/SSE mandate disclosure equivalent to 68 % of GIA recommendations by listed companies, banks and financial institutions as per SAMA requirements have to deliver only 16% of Pillar 6 disclosures. The central bank requirements are most stringent in the category of Pillar 2 (47%). When comparing the top line of disclosure requirements in Saudi Arabia with the GIA standards, the Pillar 6 and Pillar 4 categories are, in relative terms, most developed. In the integrity, Pillar 3, and Pillar 2 categories, the top mandated requirements do not surpass 50% of the issues defined in the GIA assessment.

UAE

In the UAE four institutions are active stakeholders in defining instructions and regulations regarding corporate governance of publicly traded companies: the Central Bank of the United Arab Emirates (CBUAE), the Emirates Securities and Commodities Authority (ESCA), the Dubai Financial Market (DFM), and the Abu Dhabi Securities Exchange (ADX). The CBUAE on its website references corporate governance rules established in 2005 and a set of guidelines for directors of UAE banks. The ESCA affirms on its website that it has been mandated to supervise corporate governance compliance of all listed companies in the UAE under a 2009 Ministerial Resolution.

The CBUAE emphasizes disclosures in the Pillar 3 category where its requirements equal 57% of GIA standards. In other categories, the central bank imposes disclosures equal to 34 – 36% of GIA except for Pillar 6 where the requirement is lowest at 5%. ESCA requirements range on the lower end of GIA equivalency and in all categories less stringent than CBUAE requirements, except for Pillar 6 where 16 % equivalency is achieved. ESCA asks companies to disclose most information in the category of BMSP (21%).

Regarding the different corporate governance categories across the four supervisory entities, there is little consistency. Within all corporate governance categories, we can find a huge spread of percentage points between lowest and highest requirements, which is biggest in the category Pillar 3 (57 points), followed by Pillar 4 (48 points) and Pillar 5 (36 points).

The Abu Dhabi Securities Exchange requires most disclosure regarding Pillar 4, compared to the Dubai Financial Market that only requires disclosure regarding items related to Pillar6.

Qatar

In Qatar three institutions have authority to regulate/supervise listed companies: the Qatar Central Bank (QCB), the Qatar Stock Exchange (QSE), and the Qatar Financial Market Authority (QFMA). The QCB states in its 2008 issuance of corporate governance guidelines that it expects banks and financial institutions to abide by these guidelines and says the guidelines will be used in supervisory processes but does not mention any penalties for non-compliance. It requires most disclosure in the area of Pillar 4 (52%), whereas in all other categories the central bank requires less than 50% disclosure when viewed against GIA assessment standards. QCB puts the least emphasis on corporate governance disclosures related to Pillar 3 (14%) and Pillar 3(27%).

Under a Corporate Governance Code first published in 2009 by QFMA, the authority demands all joint stock companies listed in a stock market under its regulatory oversight – i.e. the QSE – to abide by the Code on terms of comply-or-explain. QFMA requires most disclosure in the areas of Pillar 6 (58% and Pillar 4 (56%), and the least in the area of Pillar 3(18%). The QSE requires the disclosure of most information in Pillar 2 (55%). All other categories are below 50% GIA recommendations in terms of disclosure requirements. QSE puts the least emphasis on the disclosure of information relating to Pillar 3 (14%) and Pillar 3(9%) categories.

Across all three regulators, averages are highest for required disclosure of information in Pillar 4 (52%), Pillar 6 (42%) and BMSP (40%). The categories Pillar 3 and Pillar 3 are both below 20% regarding required disclosure of information to investors and stakeholders.

Kuwait

In Kuwait the Central Bank of Kuwait (CBK) and the Capital Market Authority (CMA) are in ownership of corporate governance codes that regulate banks and listed companies. According to CBK officials, first efforts to instill corporate governance practices in the banking sector go back to the early 1990s and were updated in 2004. Legal documents show that CBK issued new corporate governance instructions for banks in 2012 and the CMA issued a code of rules for listed companies in 2013. At time of this report's review in 2024, the corporate governance disclosure requirements by the two Kuwaiti regulatory entities seem, very restrained. Neither regulator mandates the corporate entities under its supervision to disclose information above 50 % GIA equivalency in any of the five corporate governance categories. CBK has set its highest requirements in the Pillar 4 category where it mandates disclosure equal to 40 % of GIA standards. These requirements are significantly higher than those issued by CMA in the same category where 8 % equivalency translates into a 32-point gap versus CBK. Across all categories, CMA has very low disclosure requirements, with strongest emphasis on Pillar 6 (11%). CMA requires zero disclosure for topics related to Pillar 3. CBK has significantly higher expectations regarding disclosures by banks and financial institutions, but mainly in the fields of Pillar 3 (29%) and Pillar 4 (40%). The central bank does not oblige banks to disclose information regarding board management and processes or Integrity.

Egypt

In Egypt, banks and publicly traded companies are regulated by the Central Bank of Egypt (CBE) and the Egyptian Exchange (EGX). Both institutions demand little in terms of information transparency of the corporations under their supervision. Both institutions cover 29% of issues related to Pillar 3. In only one category, Pillar 6, EGX requires more disclosure than the

central bank. The remaining categories, Pillar 2, 4, and 5, receive significantly more attention by CBE when compared with the bourse's regulations.

Morocco

In Morocco, the Conseil Deontologique des Valeurs Mobilieres (CDVM), which is the Moroccan capital markets authority, and the Casablanca Stock Exchange (CSE) are responsible for corporate governance regulations of companies. Bank Al-Maghrib (BKAM), the kingdom's central bank, follows relatively high standards across all governance categories regarding the transparency of firms and their activities.

At the exception of Pillar 3 (43%), BKAM requires disclosure that are 59% and above of GIA equivalency. The Bank covers 76% of issues related to Pillar 4; moreover, its regulations cover non-financial areas such as Pillar 2 (66%), 5 (60%), and 6 (59%). CDVM requires significantly less disclosure from firms, however. The provision of information on financials mandated by CBVM covers 68% of GIA variables. All other categories are covered with less than 50%. The weakest emphasis is on Pillar 2 (11%). The CSE focuses on Pillar 6 (21%) and requires very little information regarding Pillar 4 (4%).

Jordan

In Jordan three organizations are responsible for control and regulation of corporate governance: the Amman Stock Exchange (ASE), Jordan Securities Commission (JSC), and the Central Bank of Jordan (CBJ) as supervisor of the banking sector. JSC follows very high disclosure standards in the Pillar 3 category (86%) and with regards to Pillar 4 (64%). Yet, the organization does not apply the same rigor in the three other categories of Pillars 2, 5, and 6, where JSC requires listed companies to disclose significantly less than 50% of GIA equivalency. The disclosure requirements of ASE and CBJ remain below 50% in all governance categories.

Oman

In Oman the Central Bank of Oman (CBO) and the Financial Services Authority, which has jurisdiction over the capital market and insurance, regulate and supervise banks and listed companies. The CBO organization chart does not specify a line activity or domain related to corporate governance website; according to the little information published by CBO about their requirements. It seems to mandate disclosures from banks only regarding the categories of Pillar 2 and Pillar 6, at low rates of GIA equivalency of 8 % and 5 percent. The FSA emphasizes Pillar 3 (57%), followed by Pillar 4 (40%), 6, (37%) and 2 (34%). According to a CMA statement from July 2015, issuance of a new code of corporate governance for listed companies is a work in progress in parallel with the establishment, under Royal Decree, of an institution called the Oman Centre for Corporate Governance and Sustainability.

Bahrain

Two institutions, the Bahrain Stock Exchange (BSE) and the Central Bank of Bahrain (CBB) regulate public companies in Bahrain. The CBB emphasizes disclosure in the categories of Pillar 4 (60%), Pillar 2 (58%), and Pillar 3 (57%). Pillar 6 receives significantly less attention (42%) and so does information disclosure regarding Pillar 3 (18%). The BSE corporate governance policy is notably absent in terms of Pillar 5, with zero requirements. It focuses on disclosure in the Pillar 6 (47%) and Pillar 3 (43%) categories. Yet none of the five categories is covered by BSE with more than 50% equivalency to the corporate governance variables defined by GIA.

			Central Banks		
Country	**Pillar 3**	**Pillar 2**	**Pillar 4**	**Pillar 5**	**Pillar 6**
Saudi Arabia	29%	47%	36%	27%	16%
UAE	57%	34%	36%	36%	5%
Qatar	14%	45%	52%	27%	42%
Kuwait	29%	0%	40%	0%	11%
Egypt	29%	34%	32%	27%	16%
Morocco	43%	66%	76%	60%	59%
Jordan	14%	26%	44%	18%	5%
Oman	0%	8%	0%	0%	5%
Bahrain	57%	58%	60%	18%	42%
Average	**30%**	**35%**	**41%**	**23%**	**22%**

			Capital Market Authorities		
Country	**Pillar 3**	**Pillar 2**	**Pillar 4**	**Pillar 5**	**Pillar 6**
Saudi Arabia	43%	50%	56%	36%	68%
UAE	14%	21%	12%	9%	16%
Qatar	29%	21%	56%	18%	58%
Kuwait	0%	8%	8%	0%	11%
Morocco	43%	11%	68%	45%	37%
Jordan	86%	11%	64%	36%	26%
Oman	57%	34%	40%	0%	37%
Average	**39%**	**22%**	**43%**	**21%**	**36%**

			Stock Exchanges		
Country	**Pillar 3**	**Pillar 2**	**Pillar 4**	**Pillar 5**	**Pillar 6**
Saudi Arabia	43%	50%	56%	36%	68%
UAE	29%	0%	48%	9%	26%
Qatar	14%	55%	48%	9%	26%
Egypt	29%	24%	8%	0%	21%

Morocco	0%	0%	4%	0%	21%
Jordan	43%	32%	48%	18%	21%
Bahrain	43%	24%	36%	0%	47%
Average	**29%**	**26%**	**35%**	**10%**	**33%**

4. Tackling the nexus: with a focus on the MENA region

1- *How corruption impedes individuals and companies from operating as business actors, either by setting up or growing a business, especially if they have a strong value proposition*
2- *How corruption enables unethical and illegal practices by companies. This second sphere of analysis is important as it places responsibility on both governments and the private sector to view anti-corruption not only as an end but as a means to reduce harm from an ESG perspective*
3- *What companies can do internally and what support they need from governments to create a better enabling environment for private sector development*

Good practices and lessons learned from specific regional and/or national initiatives that address the nexus of anti-corruption and private sector development.

4.1 Experiences of MENA market failures in the context of the Great Recession of 2007-2009, company failures in the aftermath of highly ambitious economic development schemes' abandonment in the 2010s, regional hegemony competitions and external (geopolitical) disruptions of economic peace and political conflicts, have over the past two decades demonstrated the presence of vulnerabilities to corruption and global conflict pressure in the MENA region. In the region's Mediterranean countries, specifically in Lebanon, corruption and criminal negligence exploded literally as the most devastating urban incident of a man-made catastrophe with explosive chemicals outside of wars but all throughout the countries on the southern and eastern Mediterranean rim, private entrepreneurship has in recent years been curtailed by institutional dysfunctionalities, and by as invasive as pervasive corruption and cronyism, as described in a large number of World Bank country diagnostics, IFI assessments, and local academic papers. This delineates the urgent need for mitigation and control of cultures of corruption in the Maghreb and Mashreq parts of the MENA region, on top of which the 2010s and 2020s to date saw violent internal and external conflicts that make the institution of new national governance systems in every single affected country as vital as the creation of new social contracts.

Systems of cronyism as much as the presence of institutional paralysis and inefficiency with high and economic growth-zapping vain barriers to doing business are important enablers and in some cases even direct facilitators of corrupt corporate behaviors in MENA countries, just as much as states' moral failure is a conduit of private corruption in any, however highly developed and world-leading, political constituency. On the other hand, analysis of the ESG trajectories in samples 1 and 2 of this study, offers strong notes of encouragement for corporate integrity programs and development targets.

4.1 Sample 1 – Trailblazing enhanced environmental social and financial sustainability of Lebanese SMEs

In Lebanon, one successful attempt as scaling peaks of corporate integrity was made against the backdrop of, according to World Bank assessments of the macro-social and political environment, institutional paralysis and regional conflictedness. Sample 1 is comprised

entirely of small to large, privately held Lebanese enterprises that expressed their will and commitment to the pursuit of business integrity and implementation of anti-corruption safeguards. They received funding support and training as they embarked on an open-ended journey of integrating environmental, social, and governance (ESG) standards into their management systems and company cultures. The motivation of more than half of the companies in sample 1 was rational economic self-interest as they affirmed their ambitions to enhance their attractiveness to a wide spectrum of stakeholders; investors, clients, suppliers, and markets.

As companies could take advantage of self-assessing their compliance with corporate integrity by perusing consultancy Capital Concept's Governance Integrity Assessment (GIA) process free of charge, they participated in ESG certification programs and training modules. The improvement in corporate integrity was evident across all participating companies. Notable areas of advancement included improved risk mitigation capacity and regulatory compliance, new job creation, enhanced management practices, access to capital, and access to markets.

As a milestone of the ESG Stewardship program was achieved within the sponsored period, each of the sample 1 companies has moved towards embracing ESG standards and practices. After participating in the training, companies are newly acknowledging the significance of weaving environmental, social, and governance considerations into the fabric of their core business. Participating investors, including institutional investors and impact investors, are aligning their portfolios with ESG principles.

The aggregate annual revenues of the sample 1 companies, totaling $3.3 billion, served as the basis for calculating the enterprise value of these companies by program manager Capital Concept. In accordance with the IFC's methodology, we categorized these companies by their size and applied the relevant multiplier associated with each category. Since these multipliers were directly tied to company size, distinct multipliers were employed for different companies. This approach yielded a combined enterprise value amounting to $27.1 billion. Subsequently, this total enterprise value was utilized to compute the achieved or enhanced enterprise value, taking into consideration various premiums based on our research findings.

(BOX)

McKinsey 2022: A study by McKinsey revealed that 25% of executives and investors would pay a 20-50% premium to acquire a company with a positive ESG record, 7 % would pay a premium of more than 50 % and even those who believe ESG has no effect on shareholder value would still pay a 10% premium for companies with strong ESG practices, while the median among those who say ESG programs increase value for shareholders is a premium of 15 percent.

Deloitte: Using regression analysis, it is found that a 10-point higher ESG score is associated with an approximate 1.2x higher EV (enterprise value) multiple/EBITDA multiple. Furthermore, a company that increases its ESG score by 10 points experiences an increase of approximately 1.8x in its EV/EBITDA multiple. Corporates with higher ESG scores are rewarded with an "ESG-driven value premium" in the form of a higher EV/EBITDA trading multiple.

IFC: Under the IFC's methodology, the valuation of a company is calculated by using the company's total revenue before subtracting operating expenses and multiplying it by an

industry multiplier, which is an average of what companies usually sell for in the given industry. This multiplier can vary depending on factors such as the size, profitability, growth rate of the business, and the industry where it operates. Reflecting the different growth advantages that are commonly observed for larger, publicly traded companies over small enterprises, the multiplier applied to a small business might be limited to a value between three and five x, whereas the multiplier for a large listed enterprise can easily be between seven and 12 x.

There is a direct correlation between improved financial valuation resulting from robust ESG practices and growth potential. When a company demonstrates a commitment to sustainability and ethical conduct, it enhances its reputation, fostering trust and loyalty among existing and new customers. When we apply the above recognized methods, it is estimated that the total enterprise value of sample 1 companies increased by 23% to $34 billion. This represents a clear indication of how purpose-led organizations with a solid commitment to business integrity are increasingly sought after by investors.

4.2 Sample 2 – Optimizing and surpassing the Regulatory Approach

From reviewing the official documents and statements of regulators as well as research publications and high-level speeches by representatives of central banks, capital markets authorities and stock exchanges in the nine MENA countries examined for their corporate governance rules and guidelines, the report finds strong conceptual agreements and verbal commitments to the implementation of corporate governance standards in the respective markets. Conferences, trainings, and studies on the subject have been hosted by market authorities in most capitals of the region at various times throughout the past 15 years.

This is part of the evolution of the region's securities markets, which in some cases (e.g. Egypt under the Alexandria bourse's initial connection to colonial cotton trade) were established with strong links to European financial markets from the start of the 20th century but which in a larger number of cases have at the start of the current century moved from being somewhat introspective markets with focus on Arabic-speaking financiers to reshape themselves into markets determined to appeal to international investors. Evidence of this development ranges from adoption of advanced trading mechanisms and increased use of English as, in operational albeit not legal terms equally weighted language of communication to alignment of market rules with global standards. The latter includes, notably under this report's theme, adoption of the corporate governance paradigm.

In terms of this adoption of corporate governance standards and publication of mandatory frameworks or "comply or explain" guidelines, the published codes and their enforcement at time of this report's writing still fall short of the levels that will entice international investors and give them full comfort in dealing with MENA markets and their largest listed companies. Research into the promulgation of corporate governance in the region's regulatory systems revealed important weaknesses, beginning with the rarely diffuse provision of corporate governance information. The relevant guidelines appear in uneven presentation formats on the exchange websites. Moreover, the interactions between regulators in the reviewed countries were not sufficiently explained on the websites of the involved institutions.

Based on the top-level international corporate governance standards which shareholder-rights.com has assembled in the Governance and Integrity Ratings (GIA) checklist, regional

standards as published by the relevant authorities only in one category meet the threshold criterion of exceeding 50 % equivalency to the, purposely hard to reach, GIA target benchmark of 100 % corporate governance information disclosure and standards compliance.

For this report, regulatory prescriptions in nine jurisdictions were examined and in-depth country-level assessments of corporate disclosure practices by listed companies were conducted in six countries. In both research scenarios, compliance with best practices was at best in the 70 % range of GIA equivalency but performances in the 50 % range were more typical for companies that were ahead of the regional corporate governance disclosure curve. Companies with mediocre corporate governance performances were delivering results in the 40 % range and low-end performers provided corporate governance information in the 20 % range and in some cases, below.

In terms of regulatory requirements, the rules set by capital market authorities define the standards for publicly traded companies and provide the most relevant corporate governance signposts in the majority of the reviewed countries. According to the analysis undertaken for the GIA report, national capital market guidelines of seven countries with a CMA meet or exceed the 50 % GIA criterion in nine of 35 possible instances. In 13 instances of the 35 possibilities – which consist of the corporate governance standards for each of five categories in the seven countries – the national guidelines were at a low level of less than 20 % equivalency with GIA target benchmarks. With regards to average CMA requirements for the five categories across the seven countries, the 50 % criterion was achieved for no category.
The GIA benchmark of 100 % alignment with global best governance notably, in terms of communication, includes a premise in relation to language.

The target is alignment of markets with English as primary language of market analytics and global investor communication. In reviewing the top 100 companies by market cap in MENA, the report found that more than one third of these companies' disclosed documents and reports provided less relevant or less complete information in English than in Arabic or, in case of Morocco, in French. In the present report, GIA equivalence achievements were adjusted upward to recognize the higher disclosure levels that are present in non-English corporate communication of companies. However, future GIA reports may apply the requirement for complete English-language disclosures with full stringency, which would, under unchanged corporate behavior, result in a significant drop of GIA ratings of companies in at least two countries, Morocco and Saudi Arabia. In another practice, which was not modified for the first edition of the GIA Assessment of Corporate Governance in MENA, the report did not take company information, specifically if published in an Annual Report or Corporate Governance Report, into account as relevant where this information was published for the year 2013 or earlier.

We find that Saudi Arabia is the only country in our sample where companies across all five governance categories supplied fewer disclosures than required under the regulatory frameworks that apply to them. The discrepancies between companies' disclosure and regulators' requirements are most significant when it comes to pillar 2, integrity, and shareholders rights. Insufficient disclosure by listed Saudi companies may not be a trifle matter and only represent a divergence from regulatory guidance but constitute punishable

violations of mandatory requirements under national law as well as grounds for legal disputes with foreign shareholders and stakeholders.

On the upside of corporate integrity trends observed by Capital Concept in its research for this report, several reviewed markets reflected corporate practices that went beyond the legal minimums. In the UAE, firms on average, and across all GIA pillars, disclose significantly more than required by the regulators. The same observation is valid for companies listed in Kuwait and for Egypt.

When compared with the UAE and Egypt, disclosure performances are mixed for Morocco and Qatar. Here, firms disclose significantly more than required by the regulators in three categories, Pillar 3, 4, and 2.

> ***5. Recommendations*** *for reforms and actions by governments, corporate citizens, and civil stakeholders in the Arab region for linking a corporate development nexus back to Sustainable Development Agenda 2030*
>
> ***Recommendations*** *for related reforms and actions that could be undertaken by government, business, civil society and the international community in the Arab region linking the nexus in question back to Agenda 2030 as appropriate*

The report confirms the existence of a strong positive correlation between business integrity, measures of corruption prevention or anti-corruption by regulators, central banks, and securities markets operators, investment and socio-economic improvement. In this nexus, strategic investments act as drivers of socioeconomic change, laying the foundation for a more prosperous and equitable society in line with the UN 2030 agenda for achieving the Sustainable Development Goals (SDGs). Furthermore, provision of an efficient investment environment by legislation and regulators plays a pivotal role in fostering a concert of social and economic improvements by serving as a catalyst for growth and development.

Recognizing the pivotal role of investments in the success of the region's transformation strategy becomes imperative to ramp up investments and channel them towards opportunities that can stimulate economic growth.

Despite active efforts by companies to seek investment opportunities, a significant proportion of the region's business community remains inadequately prepared for investment or market entry. Furthermore, gender equity is poorly integrated in the broader finance ecosystem, necessitating a concerted effort to reduce the market barriers that obstruct women's access to finance. Therefore, enhancing investment readiness, encompassing ESG compliance, enhancing anti-corruption safeguards as well as financial awareness, and market viability becomes essential, in addition to the multi-faceted need for advancing women-led business solutions.

Success stories and positive integration narratives, voluntary collective action, and institutional support of responsible private sector organizations by states and international development actors are essential for sustainable growth that aligns with SDGs such as SDG 5 and SDG 8. Additionally, the establishment of a credible vetting mechanism and

implementation vehicles of efficient funding use is vital for international investors that are willing to engage in the region's corporate citizenship and private support of civil society in Arab countries.

5.1 Recommendation of Multi-Stakeholder programs

To achieve the above objective, it is the recommendation of this report to design and implement a multi-stakeholder program in the MENA countries on both national and regional levels. Aiming at macro-social inclusivity and more equitable prosperity of Arab societies, the rationale for the recommendation is that multi-stakeholder programs devised under collective action paradigms are aimed at both charitable or emergency relief works and at enhancements of societal and economic productivity. In offering Business Integrity Programs in joint action, private sector and development stakeholders will effectively promote the MENA region as a safe investment destination, opening opportunities of securing funding, and accessing markets. This, in turn, will lead to increased income levels, improved standards of living, and reduced poverty rates.

5.11 Purpose in detail

The aim of a **Multi-Stakeholder Program of Collective Arab Action (MSPCAA)** is to provide MENA corporations with practical knowledge and capabilities to help them establish a solid structure in line with international best ethical practices. The core objective is to nurture a vibrant corruption-mitigated ecosystem with innovation and investment, fortifying the long-term viability of companies and increasing their intrinsic value.

5.12 The envisioned processes and outcomes of such MSPCAA program will encompass but are not limited to:

- Equipping companies with essential skills and capabilities necessary for attracting investment;
- Enhancing the market readiness and competitiveness of companies;
- Increasing access to finance for gender-responsive, women-led businesses;
- Reaching positive inflection points in corporates' growth trajectories;
- Facilitating access to capital for investment-worthy enterprises;
- Fostering economic growth and development through increased FDI inflows.

Considering the diversity of regulatory and supervisory authorities, the strength of Arab cultural traditions and entrenched social and economic behaviors, and the dynamics found in national and regional enterprise communities, the here stated objectives can only be achieved through consultation and collaboration among all stakeholders in Arab socioeconomic development – private and public, local and international.

Operating under strict anti-corruption and transparency standards, a one-year or multi-year MSPCAA program will incentivize investors to identify opportunities from the beginning of the program cycle. By the end of the program, the majority of participating companies are likely to have realized an average of at least 20% premium on their value.

5.13 The Program is comprised of four phases:

- **Phase 1:** Design

- **Phase 2:** Onboarding
- **Phase 3:** Implementation
- **Phase 4:** Matchmaking and Investment Solution Design

By enhancing investment readiness of participating companies, the program will address the problem of declining FDI and will encourage companies to adopt sustainable business practices. Ultimately, this initiative will not only facilitate access to capital but also improve companies' readiness to exporting and cultivating an environment conducive to growth. More detailed objectives will be set on country levels on basis of analyzing national market and regulatory environments for their strengths and weaknesses. For an institutionally deficient and ethically disrupted country such as post-(2024)-war Lebanon, the creation of a MSPCAA with an all-encompassing profile of stakeholder participation will be pivotal in steering Lebanon towards a new, robust economic model – one that addresses both sustainability and growth in tandem. Given the, compared to other MENA economies, small size of country and disrupted state of the economy, high prevalence of expert knowledge and English-language proficiency, and high existing diversity, Lebanon can serve as a pilot case for MSPCAA programs on other country levels and for the entire region.

5.2 The Four Phased Multi-Stakeholder through Collective Action Approach

The pilot Program in Lebanon and all following iterations in Arab jurisdictions will be executed over a period to be defined in coordination with sponsors as well as stakeholders. During each program, all participating companies will first have access to a variety of expert capacity building activities that will help them identify their areas of improvement and develop strategies for implementation. The pilot program will be offered to Lebanon-domiciled companies that are currently actively seeking access to capital and/or new markets, including regional and international markets. Throughout the pilot program, companies will receive support in complying with ESG and business integrity standards, preparing pitches, financial documentation, understanding legal and regulatory requirements, among other incentives. At the core of this initiative lies the pivotal role of UNDP tasked with orchestrating activities, coordinating workshops, and overseeing the program's process, all geared towards empowering Lebanese enterprises to achieve investment readiness while fulfilling their anti-corruption roles. The program will go beyond providing participating companies with essential tools for enhanced sustainability and growth by also offering training and support in facilitating and streamlining access to new markets.

5.3 The Program is composed of four phases and a Grand Finale:

I. Design Phase:

During this phase, contributing stakeholders on the supply side, i.e. all ESG capacity building and compliance, strategic advisory, and finance experts, will be responsible primarily in agenda-setting; defining and setting – in concert with participating companies – the desired outcomes and objectives of the program. Contributing stakeholders will be validating roles, responsibilities, and engagement levels; and deciding on appropriate incentives.

II. Onboarding Phase:

Contributing stakeholders will invite companies seeking access to capital and assess their adherence to the program's entry conditions through direct outreach and a social media

campaign. Continued engagement with additional relevant stakeholders will also be a priority during this phase.

III. Implementation Phase:

The implementation phase is dedicated to preparing companies to become investment-ready by elevating their compliance with best-in-class anti-corruption practices and enhancing their risk posture to mitigate investment risks. This entails rendering the companies more attractive to potential investors. The program will include sessions on business strategy, financial management, and legal aspects, supplemented by specialized workshops focusing on effective pitching, communication, and negotiation skills. Capacity-building initiatives on ESG and business integrity principles and sustainable finance should also be provided. Additionally, guidance shall be offered on preparing thorough due diligence documentation and implementing risk management strategies to anticipate and mitigate potential pitfalls. The overarching goal remains the collective advancement of MENA businesses.

IV. Matchmaking and Investment Solution Design Phase:

The goal of this phase is to facilitate investment opportunity identification and introduce new investment vehicles that create an environment conducive to attracting capital by showcasing and promoting participating companies to potential investors and financial institutions.

V. The Grand Finale:

Companies that successfully complete the program and align with recommended sustainable practices will be duly acknowledged. UNDP should develop criteria to guide the selection of winning companies both in adherence to legal regulations and in practice, ensuring transparency and fairness.

In addition, winning companies will be celebrated for their impact, particularly those that have exceeded expectations and demonstrated a purpose-driven approach. Such exemplary organizations will be honored with awards, distinguishing them as leaders in the realm of impact investment.

Recognizing the achievements of companies that have gone above and beyond, including advancing ESG and impacting SDGs, is of utmost importance. By celebrating these remarkable efforts, the program will not only shed light on MENA's business landscape but also send a powerful signal worldwide about their unwavering commitment to sustainability.

5.4 Stakeholders' Roles

The program's participatory, multi-stakeholder approach entails, as essential design core, the collaboration among a diverse consortium of partners. This section briefly outlines these stakeholder roles as they are spanning financial institutions, business associations, international organizations, international development agencies, investment and management advisors, media and universities.

Vetted corporate partners – that are ESG certified - will also be invited to collaborate. They will be considered role models within their respective industries for having a proven track record of successfully attracting capital and adhering to the highest sustainability standards.

Through this collaborative effort, each stakeholder, including local and diaspora stakeholders, will be bringing unique resources and expertise to ensure the initiative's success. Ultimately, this approach aims to cultivate a vibrant investment ecosystem anchored in the principles of sustainable finance.

a. The pivotal role of UNDP and the agency's Anti-Corruption and Integrity in the Arab Countries (ACIAC) initiative

UNDP will play an active role within the sustainable investment program, serving as the overarching organizing entity facilitating its progression.

That said, UNDP will play a pivotal role throughout the project lifecycle:

In the design phase, UNDP will be:
- Defining the program's strategy and drawing the roadmap;
- Reaching out to all stakeholders;
- Setting a well-developed communication strategy;
- Extending administrative support.

During the onboarding phase, UNDP will be:
- Inviting companies seeking capital and assessing their adherence to the program's entry conditions;
- Providing expertise and technical advice.

During the Implementation phase, UNDP will further contribute by:
- Providing essential capacity building resources to companies, expediting their investment readiness through tailored training programs focusing on ESG and Business integrity;
- Orchestrating activities and coordinating workshops;
- Implementing the communication strategy;
- Overseeing the program's process and adherence to objectives and timeline.

During the Matchmaking and Investment Solution Design phase, UNDP, in conjunction with the other stakeholders, will also be responsible to:
- Play a key role in facilitating the establishment of funds or alternative investment vehicles, to sustain and expand the impact of this initiative.

b. The role of Financial Institutions (FIs):

Financial Institutions (FIs) will play a massive role throughout the project lifecycle:

In the design phase, FIs will be:
- Collaborating to identify strategic objectives;
- Extending financial support.

During the onboarding phase, FIs will be:
- Influencing through direct financial incentives;
- Providing expertise and technical advice;

- Promoting the program through their communication channels.

During the Implementation phase, FIs will further contribute by:
- Providing essential capacity building resources to companies, expediting their investment readiness through tailored training and development programs.
    - Financial modeling
    - Risk management
    - Market analysis
    - Business valuation
    - Pitch development

During the Matchmaking and Investment Solution Design phase, FIs, in conjunction with the other stakeholders, will also be responsible to:
- Play a key role in advising on establishing funds or alternative investment vehicles, to sustain and expand the impact of this initiative.

c. <u>The Role of Business Associations:</u>

Business Associations will play a strong support role throughout the project lifecycle:

In the design phase, Business Associations will be:
- Collaborating to identify strategic objectives;
- Extending administrative support.

During the onboarding phase, Business Associations will be:
- Providing expertise and technical advice;
- Facilitating meetings;
- Delivering engaging presentations to their members;
- Promoting the program among their members and network through various communication channels.

During the Implementation phase, Business Associations will:
- Providing essential capacity building resources to companies, expediting their investment readiness through tailored training and development programs

During the Matchmaking and Investment Solution Design phase, Business Associations in conjunction with the other stakeholders, will also be responsible to:
- Encourage members to invest and/or extend invitations for investment;
- Reflect on outcomes and lessons learned to refine strategies and approaches for future endeavors;
- Continuously support and promote the sustainability of this initiative through ongoing collaboration and resource allocation.

d. <u>The Role of Vetted Corporate Partners:</u>

Vetted Corporate Partners are companies that have already embarked on their ESG journey and demonstrated best sustainability practices.

Vetted Corporate Partners will play a pivotal role throughout the project lifecycle:

In the design phase, Vetted Corporate Partners will be:
- Collaborating to identify strategic objectives;
- Extending administrative support;
- Extending financial support;
- Promoting the program through their communication channels.

During the onboarding phase, Vetted Corporate Partners will be:
- Promoting the program through their communication channels.

During the Implementation phase, Vetted Corporate Partners will further contribute by:
- Showcasing their success stories;
- Provide mentorship;
- Deliver workshops.

During the Matchmaking and Investment Solution Design phase, Vetted Corporate Partners, in conjunction with the other stakeholders, will also be responsible to:
- Reflect on outcomes and lessons learned to refine strategies and approaches for future endeavors;
- Continuously support and promote the sustainability of this initiative through ongoing collaboration and resource allocation;
- Establish business relationships with participating companies and explore potential investment opportunities.

e. <u>The Role of International Organizations (IOs):</u>

International Organizations will play a pivotal role throughout the project lifecycle:

In the design phase, IOs will be:
- Collaborating to identify strategic objectives;
- Extending administrative support;
- Extending financial support;
- Promoting the program through their communication channels.

During the onboarding phase, IOs will be:
- Providing expertise and technical advice;
- Promoting the program through their communication channels.

During the Implementation phase, IOs will further contribute by:
- Providing essential capacity building resources to companies, expediting the knowledge transfer of key SDG related guiding principles through tailored training, capacity building, and development programs.

During the Matchmaking and Investment Solution Design phase, IOs, in conjunction with the other stakeholders, will also be responsible to:

- Continuously support and promote the sustainability of this initiative through ongoing collaboration and resource allocation;
- Reflect on outcomes and lessons learned to refine strategies and approaches for future endeavors;
- Play a key role in advising on establishing funds or alternative investment vehicles, to sustain and expand the impact of this initiative.

f. The Role of Universities:

Universities will play a major support role throughout the project lifecycle:

In the design phase, universities will be:
- Collaborating to identify strategic objectives;
- Promoting the program through their communication channels.

During the onboarding phase, universities will be:
- Promoting the program through their communication channels.

During the Implementation phase, universities will further contribute by:
- Providing training and capacity building through executive education.

During the Matchmaking and Investment Solution Design phase, universities, in conjunction with the other stakeholders, will also be responsible to:
- Reflect on outcomes and lessons learned to refine strategies and approaches for future collaborations;
- Participate in discussions on the establishment of funds or alternative investment vehicles, to sustain and expand the impact of this initiative.

g. The Role of Investment and Management Advisors:

Investment and Management Advisors will play a massive role throughout the project lifecycle:

In the design phase, investment and management advisors will be:
- Collaborating to identify strategic objectives;
- Extending administrative support;
- Extending financial support.

During the onboarding phase, investment and management advisors will be:
- Providing expertise and technical advice;
- Promoting the program through their communication channels.

During the Implementation phase, investment and management advisors will further contribute by:
- Providing essential capacity building resources to companies, including mentorship, workshops, and access to networks, expediting their investment readiness through tailored training and development programs.

During the Matchmaking and Investment Solution Design phase, investment and management advisors, in conjunction with the other stakeholders, will also be responsible to:

- Reflect on outcomes and lessons learned to refine strategies and approaches for future endeavors;
- Continuously support and promote the sustainability of this initiative through ongoing collaboration and resource allocation.

h. The Role of other International Development Agencies:

International Development Agencies will play a strong support role throughout the project lifecycle:

In the design phase, International Development Agencies will be:

- Collaborating to identify strategic objectives;
- Extending administrative support.
- Extending financial support.

During the onboarding phase, International Development Agencies will be:

- Providing expertise and technical advice;
- Promoting the program through their communication channels.

During the Implementation phase, International Development Agencies will further contribute by:

- Providing essential capacity building resources to companies, expediting their investment readiness through tailored training and development programs (such as training on legal and regulatory requirements related to export, import, etc.)

During the Matchmaking and Investment Solution Design phase, International Development Agencies, in conjunction with the other stakeholders, will also be responsible to:

- Reflect on outcomes and lessons learned to refine strategies and approaches for future endeavors;
- Continuously support and promote the sustainability of this initiative through ongoing collaboration and resource allocation.

i. The Role of Regulators:

Regulators, will play a decisive public sector role throughout the project lifecycle:

In the design phase, regulators will be:

- Providing expertise and technical advice;
- Extending administrative support;
- Facilitating access to grants;
- Wielding influence through direct legislative measures, regulatory frameworks, and incentivization strategies.

During the Implementation phase, regulators will further contribute by:

- Mandating companies to adopt best practices;
- Providing essential capacity building resources to companies, expediting their investment readiness through tailored training and development programs;
- Encouraging the donor community to offer additional incentives and capacity building support for companies committed to ESG and business integrity principles.

During the Matchmaking and Investment Solution Design phase, regulators, in conjunction with the other stakeholders, will also be responsible to:
- Reflect on outcomes and lessons learned to refine strategies and approaches for future endeavors;
- Continuously support and promote the sustainability of this initiative through ongoing collaboration and resource allocation;
- Produce/adopt a policy roadmap on the transition to circular economy.

j. <u>The role of Media:</u>

Media organizations will play a supportive role throughout the project lifecycle:

In the design phase, qualified Media, i.e. online and offline economic media with expertise in coverage of corporate integrity topics, will be:
- Collaborating to reach agreements and develop strategic plans for the partnership;
- Assisting UNDP in devising a strategic local and international communication plan to maximize outreach and engagement.

During the onboarding phase, these Media will be:
- Promoting the program through their communication channels.

During the Implementation phase, Media will further contribute by:
- Covering the program, ensuring its visibility to a wide audience, and facilitating its diffusion across various channels;
- Providing capacity building.

During the Matchmaking and Investment Solution Design phase, Media, in conjunction with the other stakeholders, will also be responsible to:
- Reflect on outcomes and lessons learned to refine strategies and approaches for future endeavors;
- Celebrate achievements of companies participating in the program, thereby amplifying their impact and recognition and hence, promoting Lebanon as a safe investment destination.

Additional Bibliography

- United Nations Convention against Corruption (UNCAC) (https://www.unodc.org/documents/brussels/UN_Convention_Against_Corruption.pdf)

- Organization for Economic Co-operation and Development (OECD) Convention Combating Bribery of Foreign Public Officials in International Business Transactions and its 2009 Recommendation. Businesses seeking to develop The Principles may also wish, in those countries which adhere to the following inter-governmental tools, to consider;

  OECD Good Practice Guidance on Internal Controls, Ethics and Compliance (2010) (http://www.oecd.org/daf/anti-bribery/44884389.pdf)

- OECD Guidelines for Multinational Enterprises (2011) and related Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (http://www.oecd.org/corporate/mne/GuidanceEdition2.pdf)

- G20-OECD Principles of Corporate Governance (2015) (http://www.oecd.org/g20/meetings/antalya/Corporate-Governance-Principles-ENG.pdf)

- World Bank Group Integrity Compliance Guidelines (2010) (http://siteresources.worldbank.org/INTDOII/Resources/IntegrityComplianceGuidelines_2_1_11web.pdf)

- APEC General Elements of Effective Voluntary Corporate Compliance Programs (2014)* (http://mddb.apec.org/Documents/2014/SOM/CSOM/14_csom_041.pdf)

- Anti-Corruption Ethics and Compliance Handbook for Business prepared by UNODC, OECD and the World Bank (https://www.unodc.org/documents/corruption/Publications/2013/AntiCorruptionEthicsComplianceHandbook.pdf)

- UNODC An Anti-Corruption Ethics and Compliance Programme for Business: A Practical Guide (https://www.unodc.org/documents/corruption/Publications/2013/13-84498_Ebook.pdf)

- https://www.eib.org/en/about/documents/ifi-anti-corruption-task-force-uniform-framework.htm

- http://lnadbg4.adb.org/oai001p.nsf/0/A7912C61C52A85AD48257ACC002DB7EE/$FILE/MDB%20Harmonized%20Principles%20on%20Treatment%20of%20Corporate%20Groups.pdf

- OECD (2020), *Corporate Anti-Corruption Compliance Drivers, Mechanisms, and Ideas for Change*, OECD Publishing, Paris, https://doi.org/10.1787/4245d0fc-en.

- https://knowledgehub.transparency.org/assets/uploads/kproducts/Anti-corruption-in-ESG-standards_Final_15.06.2022.pdf