

# V COMM

THE NEWSLETTER FROM VENTURE CAPITAL BANK, BAHRAIN

MARCH 2010

## SAUDI VENTURE CAPITAL INVESTMENT COMPANY MOVES FORWARD

Saudi Venture Capital Investment Company ("SVCIC") is a Saudi based investment company, currently under formation, with a paid up capital of SR 375 million, which will invest in small and medium sized companies in the Kingdom of Saudi Arabia. VCBank received provisional approval from the Capital Market Authority ("CMA") in June 2009 to establish SVCIC.

*Continued page 04*



"Our success to date will pave the way for greater prosperity in the future, insha'allah".



## INSIDE

### Chairman's Message

We can summarize the performance of the first quarter of 2010 in one word "success". We were able to launch ourselves from the 2009 results and press forward towards another year filled with profitable investments..... pg. 02

VCBank AGM approves 8.5% bonus share distribution with total value of USD 18.9 million

VCBank held its Annual General Meeting on Monday, 22 March 2010 at the Sheraton Hotel, Bahrain..... pg. 03

VCBank announces the launch of its Asset-Backed Short-Term Liquidity Certificates

VCBank has recently structured and introduced an innovative and unique program (the "Liquidity Program") offering highly liquid short-term financial instruments... pg. 04

VCBank Announces Profitable Exit for Venture Logistics' Investors

VCBank announced that it successfully achieved a full exit for its investors in the two tranches of the Venture Logistics deal, reporting exceptional returns..... pg. 05

Reef Venture Holding Evaluates Tenders to Select "Difaaf" Project Main Contractor

Reef Venture Holding Company is currently evaluating and studying tenders to select the main contractor for its first real estate project 'Difaaf' ..... pg. 05

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## CHAIRMAN'S MESSAGE



CHAIRMAN  
DR GHASSAN AHMED AL SULAIMAN

**We can summarize the performance of the first quarter of 2010 in one word "success". We were able to launch ourselves from the 2009 results and press forward towards another year filled with profitable investments.**

Our 2009 performance results reflect the efficient and solid strategic initiatives the Bank employed in the past few years, even more so during stressful times, where regional and international markets faced immense economic challenges that threw performance measures off balance in prominent financial establishments.

We have discussed the auditor's report for the financial year ending 31st of December 2009 during the AGM, and approved the financial results of the Bank which show a profit of USD 11 million and a return on equity of 5.4%. The Shareholders approved a payment of

8.5% dividends in shares which equals USD 18.9 million and represents 11% of the average paid up capital.

We thank the Shareholders and Investors for their loyalty and encouragement, and we would like to show gratitude to the Executive Management and all the members of the Venture Capital Bank team for their efforts and hard work that allowed the bank to sail through the difficult circumstances the world is facing. And with Allah's will, we look forward to achieving more success in 2010.

## CHIEF EXECUTIVE'S UPDATE



BOARD MEMBER &  
CHIEF EXECUTIVE OFFICER  
ABDULLATIF MOHAMED JANAHI

**A challenging year has lapsed, with all its difficulties. It was the downfall of many banks that could not withstand the blows, or recover from them. Nevertheless, for Venture Capital Bank, our year end results show that it was also a year filled with accomplishments, thanks to Allah.**

The 2009 results showed the flexibility of VCBank's framework in stressful economic circumstances. Despite the negative effect the Financial Crisis had on investment sectors, we managed, in 2009, to sign many deals that enriched our current investments, primarily the approval from the Capital Market Authority in the Kingdom of Saudi Arabia to establish the Saudi Venture Capital Investment Company. VCBank has made USD 11 million net profits and USD 32.4 million total revenue for the year ending 31st December 2009.

After the crisis blew over, a period of economic recovery followed. Now is the time for accomplishments and we promise our investors more of that in 2010. Using our framework, we will rise to achieve more for the promising investment opportunities.

As the first quarter of 2010 ended, we were able to structure rewarding investments for our stakeholders, thanks to Allah. VCBank was able to achieve a rewarding Exit for the stakeholders of Venture Logistics and realize returns of 139% to 82%. Asset backed Short term Liquidity Certificates were issued which assures optimal management of liquidity with a window for early redemption achieving an attractive return.

As bankers, whether we are in the Board, Executive office or members of staff, we maintain a keen eye for opportunities and challenges. With Allah's grace, we have everything required to attain the most favourable results, and hope that 2010 is a year full of achievements.

## VCBANK ACHIEVES USD 11 MILLION NET PROFIT AND RECOMMENDS 8.5% BONUS SHARES TO ITS SHAREHOLDERS

VCBank reported a net profit of USD 11 million for the year ended 31 December 2009. The total income reached USD 32.4 million. The results were announced following a meeting for the Board of Directors of the Bank, where the financial results for 2009 were approved.

Furthermore, VCBank's balance sheet has grown from a modest base of USD 66 million at inception to a total balance sheet size of USD 356 million now; an increase of 5.4 times since inception. In addition, off balance sheet fiduciary assets have grown to USD 672 million as at 31 December 2009 compared with USD 340 million in 2007 and USD 657 million in 2008. This track record is further corroboration of VCBank's status as the first Islamic investment bank specializing in venture capital investments in small and medium Enterprises (SMEs) in the MENA region.

Total Assets

356

USD Million

Net Profit

11

USD Million

Total Income

32

USD Million



## VENTURE CAPITAL BANK AGM APPROVES 8.5% BONUS SHARE DISTRIBUTION WITH TOTAL VALUE OF USD 18.9 MILLION

VCBank held its Annual General Meeting on Monday, 22 March 2010 at the Sheraton Hotel Bahrain to discuss the external auditor's report and approve the financial statements for the year ended 31 December 2009, in which the bank achieved a net profit of USD 11 million. The total income reached USD 32.4 million and 5.4% return on equity. The shareholders have declared bonus shares issue of 8.5% amounting to USD 18.9 million, which represents approximately 11% of the average paid up capital.

This is the first Annual General Meeting attended by the newly joined Board Members, who have contributed to VCBank, especially during 2009, despite the prevailing market conditions. The previous Board Members: **Mr. Salman Mohammed Al Jishi, Mr. Sulaiman Haider Al Haider, Mr. Bader Grmallah Al Zahrani, and Mr. Christopher Brown** were also honoured in the meeting during the AGM for their dedication and the tremendous support they provided during their serving period in VCBank's Board of Directors.

"I wish to extend my gratitude and thanks to the shareholders, clients, investors and business partners for their unwavering loyalty and encouragement, as well as to the executive management and all members of VCBank team for their constant efforts and endeavour which enabled the bank to achieve good results in spite of the

difficult global markets conditions", commented Dr. Ghassan Ahmed Al Sulaiman, Chairman of VCBank.

From his side Mr. Abdullatif Mohammed Janahi, Board Member and VCBank CEO, said: "Despite the negative consequences of the global financial downturn, VCBank continued to embrace a conservative and balanced approach to enter into new investments and focused on profitable projects to ensure realization of its objective both to add value to the shareholders and investors and contributing to the economic and social development of the Kingdom of Bahrain, GCC and the Middle East. We are keen on continuing our performance on the coming period to achieve our shareholders objectives and to prove VCBank's concept in investing in small and medium businesses".



## SAUDI VENTURE CAPITAL INVESTMENT COMPANY MOVES FORWARD



Saudi Venture Capital Investment Company ("SVCIC") is a Saudi based investment company, currently under formation, with a paid up capital of SR 375 million, which will invest in small and medium sized companies in the Kingdom of Saudi Arabia. VCBank received provisional approval from the Capital Market Authority ("CMA") in June 2009 to establish SVCIC. Certain steps and requirements must be completed in order for the CMA to grant SVCIC its full license and these are progressing well.

Members from the VCBank and SVCIC team have selected the offices for SVCIC in a brand new building, called "The Plaza", based in the heart of Riyadh, on Al Olaya Road. The offices are located in a high-tech, landmark building and should provide ample room for SVCIC to grow for the next few years at least.

The designers and fit-out consultants have been selected and work has begun on the IT infrastructure and interior of the offices. The Chief Executive Officer

for SVCIC has been selected from a short list of around 30 candidates and is expected to commence his duties early May 2010. In addition, all the necessary documentation that should be provided to the Ministry of Commerce for the incorporation of SVCIC and Saudi Arabian General Investment Authority have been submitted. Their approvals are expected to be received shortly, so SVCIC will be in a strong position to assist the many small and medium sized enterprises in the Kingdom of Saudi Arabia to grow and reach their full potential.

## THROUGH AN INNOVATIVE SHARIAH-COMPLIANT LIQUIDITY PROGRAM VCBANK ANNOUNCES THE LAUNCH OF ITS ASSET-BACKED SHORT-TERM LIQUIDITY CERTIFICATES

VCBank has recently structured and introduced an innovative and unique program (the "Liquidity Program") offering highly liquid short-term financial instruments that are consistent with the provisions of Islamic Shariah and backed by a prime asset. The aforementioned financial instruments are in the form of short-term trust certificates (the "Certificates") issued by Liquidity FinCo Ltd, a special purpose investment vehicle established for the sole purpose of issuing Certificates of up to USD 55 million.

The Certificates provide an ideal solution for the management of excess short term liquidity by providing investors with early redemption windows of 30, 90, and 180 days from the date of issuing such Certificates. This provides much needed flexibility to investors, enabling them to manage their short term cash balances while achieving an attractive rate of profit. It is expected that the holders of the Certificates will achieve profit rates of up to 6% per annum on their holdings. Additionally, it is important to note the Certificates are backed

by the Venture Capital Bank Building – a newly constructed mixed use property located in the heart of the Diplomatic Area, Kingdom of Bahrain. As such, this Program represents a remarkable innovation that fills a substantial existing gap in the market for Shariah compliant liquidity management instruments.

The product is characterized by the participation of a select group of institutional players in the Kingdom of Bahrain as liquidity providers, including major financial institutions led by VCBank. The role of the liquidity providers will be to promptly respond to any redemption requests by the holders of Certificates. It is worth mentioning that Keypoint Consulting was recently appointed as the Administrator and Registrar to the Liquidity Program. The level of demand for these Certificates by individual and institutional investors has been overwhelming, as the total size of the offering of USD 55 million was fully subscribed within record time despite the currently prevailing market sentiments of cautious investing.



## VENTURE CAPITAL ANNOUNCES PROFITABLE EXIT FOR VENTURE LOGISTICS' INVESTORS WITH INVESTORS ACHIEVING RETURN ON INVESTMENT OF UP TO 139%

VCBank announced that it successfully achieved a full exit for its investors in the two tranches of the Venture Logistics deal, reporting exceptional returns and in a record investment holding period. Venture Logistic Properties Ltd ("VL I") and Venture Logistic Properties II Ltd ("VL II") were structured and placed by VCBank in the form of independent investment vehicles with the objective of owning 100% of Bahrain-based Gulf Projects Company WLL ("GPC"). VL I was offered during the last quarter of 2006, holding 60% of GPC's shares, while VL II was offered in mid-2007 holding the balance 40%. GPC is owner and operator of the Venture Capital Bank Building (formerly known as the Park Plaza), a newly constructed multi-purpose property located in the Diplomatic Area in Kingdom of Bahrain.

With this exit, VCBank has managed to achieve an exceptional Return on Investment of 139% for investors in VL I, translating to an Internal Rate of Return of 35% over a 3-year investment holding period. Similarly, VL II investors achieved an attractive Return on Investment of 82% with an Internal Rate of Return of 27% over a slightly shorter investment holding period of two years and eight months. The aforementioned returns by far exceed the expected returns initially stated in the offering memoranda of the two investment vehicles, which declared that investors can expect a 15% Internal Rate of Return over a 5 year investment holding period.

// WITH THIS EXIT, VCBANK HAS MANAGED TO ACHIEVE AN EXCEPTIONAL RETURN ON INVESTMENT OF 139% FOR INVESTORS IN VL I, WHILE VL II INVESTORS ACHIEVED AN ATTRACTIVE RETURN ON INVESTMENT OF 82% //

Achieving this exit with such exceptional returns in today's market environment with its inherent set of challenges reaffirms, once again, Venture Capital Bank's ongoing commitment towards its valued investors and its superior ability to articulate and put into action a sound vision for the future that can withstand the cycles of the economy by devising creative investment structures and applying best investment practices.

The Venture Capital & Business Development team in VCBank has worked diligently on structuring this highly rewarding exit, which carefully balances between the application of international best practices in the design and execution of exits and managing the expectations of the various stakeholders involved therein.

## REEF VENTURE HOLDING EVALUATES TENDERS TO SELECT "DIFAAF" PROJECT MAIN CONTRACTOR

Reef Venture Holding Company is currently evaluating and studying tenders to select the main contractor for its first real estate project 'Difaaf', a real estate development project consisting of two high rise residential towers and situated on a plot measuring 16,000 sqm. The project is strategically located on Reef Island; a man-made island being developed off the coast of Manama and considered to be one of the most exclusive and luxurious real estate projects in the Kingdom of Bahrain.

The main contractor will be selected after evaluating submitted tenders and ensuring all necessary requirements of construction are met, in addition to considering other factors of contract awarding. Following selection of the main contractor, construction works should commence at the site.

The unique architectural design and strategic location of the project will make "Difaaf" a distinguished project. At present we have received tenders and will select suitable applicants for evaluation according to certain engineering criteria of evaluation to guarantee the main contractor's ability to carry out the project in conformity with the above set criteria and with best possible costs. We expect to determine the main contractor very soon.



## INVESTMENT PLACEMENT



VCBank Investment Placement team is responsible for developing and maintaining relationships with the Bank's broad network of institutional investors and high net worth individuals. The team has also established a number of 'strategic' relationships with certain institutions interested in particular types of investment offerings.

The team consists of highly qualified and experienced individuals assigned to cover Bahrain, Saudi Arabia (all provinces), Kuwait, UAE (all Emirates), Qatar and Oman. Members of the team have demonstrated their technical ability to place a wide range of different products across different sectors. VCBank's core investment activities cover venture capital and business development, private equity and financial advisory, and real estate.

Placement team members are points of contact for investors and ensure regular portfolio updates, presentation material for the new opportunities, and insight into local and regional markets, as well as providing financial advisory to their clients as partners. During 2009, against the challenging backdrop of the global economy, and

with a unique performance, VCBank placement velocity maintained its pace as the team was able to place all the offered new investment products with its investors.

Some of the main achievements of the placement team during 2009, include; increasing the Bank's capital from USD 165 million to USD 250 million; placement of the first specialized hospital for maternity in the Kingdom of Bahrain, the "Royal Maternity Hospital"; and the USD 55 million of short term trust certificates which was very well accepted by the investors.

In just less than four years, the Investment Placement team has successfully placed all the Bank investment offerings, which constitutes an exceptional performance.

## CORPORATE GOVERNANCE AT A GLANCE

### What is Corporate Governance?

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way an institution is directed, administered or controlled. It also includes the relationships among the stakeholders involved and the goals for which the corporation is governed. The principal stakeholders are the shareholders, management, and the board of directors. Other stakeholders include employees, customers, creditors, suppliers, regulators, and the community at large.

So, Corporate Governance is the system by which institutions are directed & controlled. It is the manner in which the business and affairs are governed by Boards of Directors and Senior Management, which affects how they set corporate objectives; operate the Bank's business on a day-to-day basis; meet the obligation of accountability to their shareholders and take into account the interests of other stakeholders; and align corporate activities and behaviour with the expectation that banks will operate in a safe and sound manner, and in compliance with applicable laws and regulations. Corporate governance main success factors are achieved through; having an independent Board,

protection of minority shareholder rights, and appropriate level of disclosures & transparency.

### Benefits of Corporate Governance

Upholding to the best Corporate Governance practices will lead to having more efficient operations and better performance; decreasing the possibility of fraud; less and better managed risk; greater confidence by lenders, shareholders, and investors; reducing agency conflict and cost; increasing access to finance; attracting high-quality directors; lowering cost of capital and improving valuation; sound bank and less supervision; building a Bank's reputation; positive role in the economy; less financial crises; and stable financial industry.

### VCBank and Best Corporate Governance Practices

Since inception, VCBank was committed to upholding the highest standards of corporate governance in compliance with relevant governing laws and regulations and global best practices. The Bank has put in place a robust and comprehensive corporate governance framework aimed at ensuring operational effectiveness, which is considered to be one of the best and more effective frameworks in

### VCBank Corporate Governance Committee

The Corporate Governance Committee assists the Board of Directors in fulfilling its responsibilities of corporate governance and overseeing over the Bank's compliance with legal and regulatory requirements and Sharia'a rules. It comprises of three director-members and one non-directors-independent member. The Committee met four times during 2009 with 100% attendance level.

### لجنة الحوكمة المؤسسية في فينشر كابيتال بنك

تتولى لجنة الحوكمة المؤسسية مهمة مساعدة أعضاء مجلس الإدارة على الوفاء بمسؤولياتهم فيما يتعلق بالحوكمة المؤسسية، فضلاً عن ضمان التزام البنك بمتطلبات القوانين والأحكام التنظيمية، وأحكام الشريعة الإسلامية. تتكون اللجنة من ثلاثة أعضاء من مجلس الإدارة، وعضو واحد مستقل من غير أعضاء مجلس الإدارة. اجتمعت اللجنة أربع مرات خلال عام ٢٠٠٩ بنسبة حضور بلغت ١٠٠٪ لجميع الأعضاء.

the region, while protecting the rights and interests of all stakeholders. The following factors are agreed to be the best corporate governance practices by international Corporate Governance experts the majority of directors are independent; directors recruited for their relevant business, industry/ financial expertise; independent audit function; independent Compliance Function; code of ethics that applies

to all officers, board members and employees; Whistleblower Policy; comprehensive policies and procedures to manage the bank; effective committee structure; encourages participation by independent directors; verifies the Bank's financial management through external audits; formal succession plan and review it annually for adequacy; and rigorous self-assessment at least every two years.



## تسويق وتوظيف الاستثمار

يتولى فريق تسويق وتوظيف الاستثمار في فينشر كابيتال بنك مسؤولية تطوير وتعزيز علاقات البنك مع شبكته الواسعة من المستثمرين من شركات كبرى ومؤسسات مالية ونخبة من رجال الأعمال والأفراد. وقد نجح الفريق كذلك في بناء العديد من العلاقات الاستراتيجية مع المؤسسات المهتمة بأنواع معينة من العروض الاستثمارية.



يتكون الفريق من نخبة من ذوي الكفاءة العالية والخبرة الواسعة الذين يغطي نشاطهم أسواق مملكة البحرين، والمملكة العربية السعودية (جميع المناطق)، والكويت، ودولة الإمارات العربية المتحدة (جميع الإمارات)، إضافة إلى قطر وسلطنة عمان. ولقد أظهر أعضاء الفريق قدرة تقنية عالية على توظيف مجموعة واسعة من المنتجات في مختلف القطاعات. وتغطي أنشطة الاستثمار الأساسية في فينشر كابيتال بنك المشاريع الناشئة وتطوير الأعمال، والاستثمارات المباشرة والاستشارات المالية، والاستثمار العقاري.

يعد أعضاء فريق تسويق وتوظيف الاستثمار بمثابة نقطة اتصال مباشر بين المستثمرين والبنك، كما يحرص الفريق على التأكد من تزويد المستثمرين بأخر المستجدات المتعلقة بمحفظة استثماراتهم بشكل دوري ومنظم، فضلاً عن عرض وتقديم العروض التوضيحية الخاصة بالفرص الاستثمارية الجديدة، وإطلاعهم على التطورات في الأسواق المحلية والإقليمية، وتقديم المشورة المالية.

خلال عام ٢٠٠٩، وبالرغم من التحديات الناتجة عن حالة الركود الاقتصادي التي سادت الأسواق العالمية، نجح فريق تسويق وتوظيف الاستثمار في فينشر كابيتال بنك في الحفاظ على خطواته الراسخة، وتمكن من تسويق جميع الفرص الاستثمارية الجديدة التي طرحها البنك. وتتمثل أهم إنجازات الفريق توظيف الاستثمار خلال عام ٢٠٠٩ في زيادة رأس مال البنك من ١٦٥ مليون دولار أمريكي إلى ٢٥٠ مليون دولار، وإغلاق الاكتتاب في أول مستشفى ولادة متخصص في مملكة البحرين وهو «المستشفى الملكي للولادة»، بالإضافة إلى تسويق شهادات الثقة المدعومة بالأصول قصيرة الأجل والتي لاقت رواجاً كبيراً من قبل المستثمرين.

وقد نجح الفريق في مواصلة نجاحاته وتسويق جميع الفرص الاستثمارية المطروحة من قبل البنك والموكلة إليه في الأربع سنوات من عمر البنك وهو ما يمثل الاستمرارية في تقديم أداء متميز للبنك.

## الحوكمة المؤسسية وأهميتها

### مزايا الحوكمة المؤسسية

هناك مزايا عديدة للحوكمة المؤسسية منها: ضمان عمليات تشغيل أكثر كفاءة وتحسين الأداء وخفض إكاليات الاحتيال والتدليس وضمان إدارة أفضل للمخاطر وتعزيز ثقة المقرضين والمساهمين والمستثمرين والحد من الاختلافات وخفض التكاليف وتسهيل الحصول على التمويل وجذب الكوادر عالية الكفاءة وخفض التكاليف الرأسمالية وتحسين التقييم وتعزيز الخدمات المصرفية السليمة وخفض مستوى الإشراف واكتساب سمعة مرموقة والقيام بدور فعال في دعم الاقتصاد الوطني والحد من التأثير بالأزمات المالية وضمان استقرار الصناعة المالية.

### فينشر كابيتال بنك وأفضل ممارسات الحوكمة المؤسسية

منذ تأسيسه، حرص فينشر كابيتال بنك على الالتزام بأعلى معايير الحوكمة المؤسسية من خلال تطبيق القوانين والأحكام التنظيمية السارية، وتطبيق أفضل الممارسات العالمية في هذا الخصوص. ويتبنى البنك هيكلًا صارمًا وشاملاً للحوكمة المؤسسية يهدف إلى ضمان فعالية وكفاءة العمليات التشغيلية للبنك. ويعتبر هذا الهيكل التنظيمي واحداً من أفضل الهياكل في المنطقة وأكثرها فعالية، ويهدف أيضاً إلى حماية حقوق ومصالح جميع الأطراف ذات الصلة.

### ما هي الحوكمة المؤسسية؟

إن الحوكمة المؤسسية هي مجموعة من العمليات والسياسات والأعراف والقوانين والأحكام التنظيمية التي تؤثر على الطريقة التي يتم بها توجيه أي مؤسسة أو إدارتها أو مراقبتها، والأهداف التي تسعى المؤسسة إلى تحقيقها. والأطراف ذات الصلة كالمساهمين، والفريق الإداري، وأعضاء مجلس الإدارة، إلى جانب الموظفين، والعملاء، والدائنين، والموردون، والجهات المنظمة، وأفراد المجتمع ككل.

لذا يمكن القول أن الحوكمة المؤسسية هي النظام الذي يتم به توجيه وإدارة المؤسسات، والطريقة التي يتم بمقتضاها مراقبة نشاط المؤسسة وشؤونها من قبل أعضاء مجلس الإدارة وأفراد الإدارة العليا والتي تؤثر على دورهم في وضع أهداف البنك وإدارة نشاط البنك على أساس يومي والوفاء بمسؤولياتهم تجاه المساهمين والأخذ في الاعتبار مصالح الأطراف ذات الصلة وتحقيق التوازن بين أنشطة البنك والتوقعات المنشودة التي تهدف إلى إدارة البنك بأسلوب آمن وسليم يتماشى مع القوانين والأحكام التنظيمية السارية.

ويمكن تحقيق عناصر النجاح الأساسية لنظام الحوكمة المؤسسية من خلال تشكيل لجنة خاصة مستقلة، وحماية حقوق الأقلية، وضمان مستوى مناسب من الشفافية والوضوح.



عليها جميع أعضاء مجلس الإدارة والمسؤولين والموظفين وتطبيق سياسة الشفافية والإبلاغ عن المخالفات وتطبيق سياسات وإجراءات شاملة لإدارة البنك وضمان هيكل فعال للجان وتشجيع مشاركة أعضاء مجلس الإدارة المستقلين والتحقق من الإدارة المالية للبنك من خلال مدققين خارجيين وتطبيق خطة للإحلال ومراجعتها سنوياً لضمان ملائمتها وإجراء تقييم ذاتي صارم كل عامين على الأقل.

اتفق الخبراء العالميون المتخصصون في الحوكمة المؤسسية بأن العوامل التالية تعد أفضل ممارسات الحوكمة المؤسسية: أن يكون أغلبية أعضاء مجلس الإدارة مستقلين ويتم تعيين أعضاء مجلس الإدارة لخبراتهم المالية، ومعرفتهم بالصناعة والنشاط ذي الصلة وإيجاد وحدة مستقلة للتدقيق وإيجاد وحدة مستقلة معنية بأمور الالتزام بالأنظمة وتطبيق مجموعة من القواعد الأخلاقية التي تسري