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# Inside MIM

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Tel: +971 4 321 5848  
Fax: +971 4 321 5838  
Website: [www.mimcons.net](http://www.mimcons.net)

**Inside MIM** is a periodic newsletter written by MIM staff. It discusses key topics in management, consulting, auditing and accounting, etc. Since MIM is engaged in the field of management consultancies, our professionals have adequate expertise that they have gained through their years of experience at MIM. They therefore share their expertise and thoughts through this newsletter. Martin Cox & Associates, MIM sister company, is engaged in the field of auditing and accounting. Our professionals, through their experience in auditing and accounting, share updates, insights and information about auditing and accounting to keep you informed and up-to-date.

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Website: [www.mimcons.net](http://www.mimcons.net)

For any inquiries contact us:

Tel: +971 4 321 5848

Fax: +971 4 321 5838

Email: [falah.m@mimcons.net](mailto:falah.m@mimcons.net)

## *Brief About MIM Group*

### **MIM International Consultancies**



- MIM is a specialized leading consultancy firm with over 33 years of experience in the field of feasibility studies and management consultancies serving the region's top organizations and governments.
- Our professionals are result-oriented and thrive on achieving clients' satisfaction which is the benchmark that measures our performance and success.

### **ASEL AL MAAYER Auditing & Consulting**



- We offer a wide range of professional services in auditing & assurance, bookkeeping & accounting, and consultation services to small and medium sized organizations.
- Our professionals are highly educated and well trained, and are fully dedicated to serve our clients with due professional care and integrity. We do not just deliver reports; we make sure that our services will be a major contribution to your success and business development.

### **EBTIKARAT**



- Ebtkarat is MIM representative office in Cairo, Egypt. Its core business is management and business consultancies.
- Our Ebtkarat team collaborates with MIM team in order to ensure the best quality services are provided to our clients to achieve our clients' satisfaction and maintain a long term business relationship.

### **EBTIKARAT Development**



- Ebtkarat Development is a leading software house for developing desktop, websites and mobile applications, based in Egypt and Dubai. With the use of the latest information technology and telecommunication tools we achieve targets depending on a strong technical base and carefully selected expert resources.



Corporate Governance in simple terms is the manner in which a Corporate Organization is controlled and directed. It is a structured set of mechanisms processes and relations which identifies the roles and responsibilities of the different participants in the corporation, such as board of directors, managers, shareholders, creditors and other stakeholders.

It is mainly concerned with holding the balance between economic and social goals and between individual and communal goals. The Corporate Governance framework is there to encourage the efficient use of resources and equally to acquire accountability for stewardship of these resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.

#### Principles of Corporate Governance:



1. **Leadership:** Each Company should be led by an effective board which should ensure to meet its business purpose both in short-term and long-term.
2. **Capability:** The Board should have appropriate mix of skills, experience and independence to enable its members to discharge their duties and responsibilities effectively.
3. **Accountability:** The board should be accountable on how the company is achieving its business purpose along with meeting other responsibilities. The board should communicate this at regular intervals.
4. **Sustainability:** The board should take the responsibility of creating value for the business and shall be distributed fairly and sustainably among various stakeholders including shareholders, employees, customers etc
5. **Integrity:** The board should ensure that the business is conducted in fair and transparent manner so that it can withstand any scrutiny from any stakeholders.

## **Good Governance Model**

A good Governance Model will have the following features:

1. Majority of outside directors on the board.
2. Outside directors are truly independent and have no ties with the management.
3. Directors have significant stock holdings.
4. Large proportion of director's pay is stock/options.
5. Very responsive to request for information on governance issues.
6. Formal Director Evaluation in practice.

Having discussed the above, it is definite that a company which gives due importance to its governance practices, will create a sustainable value for all of its stakeholders.

## **Falah Mustafa**

**Audit Executive**  
**Asel Al Maayer**



falah.m@mimcons.net

# Sustainability leads to profitability, reveals major new report from the University of Oxford



## ***Report ‘From the Stockholder to the Stakeholder’ identifies correlation between sustainability and stock price performance***

A major new report released last year by the Smith School of Enterprise and the Environment (SSEE) at the University of Oxford and Arabesque Asset Management provides the clearest academic evidence to date of the financial rewards of corporate sustainability.

The enhanced meta-study, entitled *From the Stockholder to the Stakeholder*, is one of the most extensive reports of its kind on the effects of sustainability on financial performance, based on almost 200 academic studies, industry reports and books.

The report reveals a strong correlation between corporate sustainability and stock price performance, with 80 per cent of research sources showing that stock prices are positively influenced by good sustainability practices.

*From the Stockholder to the Stakeholder* also reveals that 88 per cent of studies link strong Environmental, Social and Governance (ESG) practices with better operational performance in a company, ultimately translating into cash flows. Factors ranging from good workforce relations, environmental management and executive compensation are cited as amongst the most impactful on improved operational performance.

Ninety per cent of analyzed studies reveal that high ESG standards will lower the cost of capital for companies, with superior sustainability standards improving a corporation’s access to capital.

In the report, authors Professor Gordon L Clark (Director, SSEE, University of Oxford), Andreas Feiner (Head of Values Based Research and Advisory, Arabesque Asset Management) and Michael Viehs (Research Fellow, SSEE, University of Oxford) predict that the inclusion of sustainability parameters into the investment process will become the norm in the years to come. This, they believe, will be amongst others influenced by a drive from

regulators to increase companies' transparency and performance on environmental and social issues, on improving corporate governance and on corporate social responsibility.

Based on the economic impact, the report's authors argue that it is in the best interests of investors and corporate managers to incorporate sustainability criteria into their decision making processes. Growth in 'Active Ownership' is predicted over the coming years, with multiple stakeholder groups including investors and consumers seeking to influence corporate behavior and benefit financially from improvements in more sustainable business practices.

Commenting on the report, Andreas Feiner from Arabesque Asset Management said: "Based on the growing trend that we are seeing of sustainability entering the corporate mainstream, we believe that the most successful future investors will be those with continuous research programmes that analyze a range of ESG factors. Sustainability and profitability can go hand in hand."

University of Oxford's Professor Gordon L Clark said: "This report very clearly demonstrates the economic relevance of sustainability for corporate management and for investors. The breadth of research analyzed in our study brings us to the conclusion that ESG can and will add significant value for companies and their investors."



**Mahmoud Ibrahim**

**Managing Director**

**MIM International Consultancies**

[mahmoud@mimcons.net](mailto:mahmoud@mimcons.net)