International Consultations Group

Governance Is Not a Single Regulation... but an Integrated Legal System: Does Your Company Possess All Governance Documents?

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Over the past few years, corporate governance has become one of the most widely used terms among companies, investors, and regulatory authorities. It has also become a key benchmark for evaluating companies' efficiency and their ability to grow and sustain themselves. Governance is no longer merely a theoretical concept or a regulatory requirement limited to listed companies or financial institutions. Rather, it has become an institutional framework that companies of all sizes rely on to ensure proper management, enhance transparency, manage risks, and protect the rights of shareholders and stakeholders.

However, there remains a widespread belief among many companies that implementing governance begins and ends with preparing a corporate governance charter or establishing a board of directors and its committees. In reality, this perception represents one of the most common misconceptions, because it reduces the entire governance system to a single document, while governance in its true essence is an integrated legal, administrative, and operational system composed of a set of interconnected regulations, rules, policies, and procedures that govern all aspects of a company's operations—starting from the incorporation stage, passing through daily operational management, and extending to risk management, dispute resolution, and strategic decision-making.

Accordingly, having a governance charter without the rest of the system's components is like having a state constitution without laws regulating its institutions or defining their powers. Governance is not achieved through a single document; rather, it is achieved when all institutional documents and policies operate in an integrated and coherent manner to achieve shared objectives represented in transparency, accountability, compliance, efficiency, and sustainability.

From this perspective, the real question every company should ask is not: “Do we have a governance charter?” but rather: “Does our company possess an integrated governance system that reflects best legal and managerial practices?”

Why Do Governance Projects Fail Within Companies?

Despite most companies today being aware of the importance of governance, a significant proportion of governance projects fail to achieve the desired results. This is not due to weak legislation or lack of regulations, but rather due to the way governance is implemented within companies.

In many cases, companies initiate governance projects in response to regulatory requirements, in preparation for a new investor entering, as a prerequisite for obtaining bank financing, or in anticipation of listing on capital markets. However, the project often ends once a number of regulations and policies have been drafted, without this being reflected in the way the company is managed, the decision-making mechanisms, or the distribution of responsibilities.

This becomes clearly evident when executive management is asked about the mechanism for handling conflicts of interest, the authority responsible for approving investments, how whistleblowing is conducted, or the responsibilities of each board committee. In many cases, answers are based on personal practice or internal customs rather than written rules or approved policies.

This problem becomes more severe as the company grows and expands its operations, where decisions become more complex, operational and financial risks increase, and authorities overlap between the board of directors and executive management. Disputes may also arise between partners or shareholders due to the absence of a clear framework governing rights, obligations, and decision-making mechanisms.

For this reason, governance is not a document-preparation project; rather, it is a project of restructuring the company legally and administratively in a way that ensures clarity of responsibilities, distribution of authority, strengthening of internal control, improvement of decision quality, and reduction of legal and operational risks.

Governance Begins Before the Governance Charter

One of the recurring mistakes is that companies begin their governance project by drafting a corporate governance charter, whereas in reality governance begins from the very moment the company is established.

The Articles of Association or incorporation contract is not merely a document for registering the company; rather, it is the legal document upon which all subsequent governance components are built. It defines the company's legal entity, its purposes, its capital, its administrative structure, the powers of different bodies, and the mechanisms for making fundamental decisions.

The more precise and clear the Articles of Association are, the easier it becomes to build a coherent governance system aligned with the company's nature and strategic objectives. However, if the Articles of Association have been drafted in a traditional manner or using general templates that do not take into account the company's specific needs, then the rest of the governance documents will remain focused on addressing the consequences of these gaps rather than establishing an effective institutional system.

Therefore, the first step in any successful governance project is to review the company's incorporation documents and ensure that they are aligned with its current structure, its activities, and its future plans.

The Governance Charter… the Framework That Connects All Components

A company's corporate governance charter is considered the central document that brings together the various elements of governance within a single framework; however, it does not represent the entire governance system.

The function of this charter is to establish the general principles through which the company is governed, define the relationship between shareholders, the board of directors, and executive management, regulate the work of committees, set internal control, disclosure, and transparency rules, manage risks, and determine the policies that must be adopted within the company, thereby ensuring the practical implementation of governance principles.

For this reason, the governance charter should not be a copied version of another company's charter, because effective governance does not rely on ready-made templates. Instead, it must be designed in a way that aligns with the company's size, nature of activity, ownership structure, number of partners or shareholders, and level of risk exposure.

A successful charter is one that is capable of translating general governance principles into practical, implementable rules, rather than remaining a document stored in company files with no real impact on its management.

The Board of Directors Does Not Achieve Governance on Its Own

One of the most common misconceptions is the belief that the mere existence of a board of directors automatically means that governance exists.

In reality, the board of directors—no matter how competent its members are—cannot perform its role effectively unless there are clear rules governing its work, defining its competencies, and regulating its decision-making process.

This is where the importance of the Board Charter becomes evident. It defines the board's responsibilities and powers, establishes the separation between the board's duties and executive management's responsibilities, regulates board meetings, governs the preparation of meeting minutes, ensures follow-up on decisions, defines the responsibilities of the chairman and the secretary, addresses conflicts of interest, sets standards for evaluating board and member performance, and establishes training and continuous development programs for board members.

Governance Means Building a Control System, Not Merely Management

Governance is not based solely on the existence of strong management; it is also based on the existence of an effective oversight system that ensures the integrity of decisions, the efficiency of performance, and the protection of the company's interests.

For this reason, board committees have become a fundamental pillar of modern governance systems.

At the forefront of these committees is the Audit and Risk Committee, which is responsible for reviewing financial reports, evaluating the internal control system, overseeing risk management, monitoring compliance with regulations and policies, and contributing to the prevention of fraud, embezzlement, and corruption. It also acts as a link between the board of directors and the external auditor, thereby enhancing the integrity and reliability of financial information.

The Nomination and Remuneration Committee also plays a central role in ensuring the selection of qualified individuals for board membership and in establishing fair and transparent remuneration standards, achieving a balance between performance incentives and accountability. In companies that rely on continuous investment or expansion, it may be necessary to establish an Investment Committee or an Executive Committee to ensure speed in decision-making while maintaining institutional oversight.

The importance of these committees does not lie merely in their existence, but in the clarity of their mandates, their operating mechanisms, the limits of their authority, and the mechanisms for reporting to the board of directors. This requires the preparation of independent charters for each committee to ensure integration among all governance components.

Internal Policies… The Most Neglected Link in Governance Implementation

If regulations define the structural framework of governance, then internal policies are what transform that structure into daily corporate practice.

Despite this, many companies possess advanced regulatory frameworks but lack clear policies governing practical situations faced by management and employees. This leads to inconsistent decisions, varying practices, and increased legal risks.

Among the most important of these policies is the Conflict of Interest Policy, which establishes the necessary controls for disclosing personal interests and preventing their influence on decision-making; the Whistleblowing Policy, which provides a safe channel for reporting violations; the Anti-Fraud, Embezzlement, and Corruption Policy, which defines mechanisms for detecting and investigating violations; and the Code of Conduct and Professional Ethics Policy, which reinforces standards of integrity and compliance within the company.

The system also includes policies governing stakeholder relations, document retention and destruction, dividend distribution, and other policies regulating various operational and administrative aspects of the company.

The importance of these policies is not limited to ensuring compliance; they also contribute to standardizing decision-making mechanisms, reducing individual discretion, enhancing transparency, and increasing trust between the company, investors, clients, and regulatory authorities.

What Happens When Governance Documents Are Absent?

The effects of missing governance documents may not be immediately visible in the early stages of a company's life, particularly when the number of partners is limited or when management is concentrated in the hands of the founder. However, these gaps gradually emerge as the business expands, the number of employees increases, new investors join, or the level of risks and obligations grows.

At that point, issues that could have been managed through a policy or internal regulation turn into legal disputes, conflicting decisions, or financial losses that could have been avoided.

Among the most significant consequences of the absence of an integrated governance system are:

- Lack of clarity in the distribution of authority between the board of directors and executive management.
- Overlapping responsibilities and delays in making key strategic decisions.
- Weak internal control and absence of accountability mechanisms.
- Increased likelihood of fraud, embezzlement, and misuse of authority.
- Absence of safe channels for reporting violations and protecting whistleblowers.
- Increased disputes between partners or shareholders due to the absence of written rules governing their relationship.
- Declining confidence of investors, banks, and financial institutions in the company.
- Difficulty in attracting investment or completing financing, merger, or acquisition transactions.
- Increased legal and regulatory risks resulting from weak compliance.

- Declining ability of the company to achieve sustainable growth due to the absence of a clear institutional framework for managing operations.

From this perspective, governance is no longer an administrative choice or a regulatory luxury. It has become one of the most important tools that companies rely on to build organizations capable of growth, managing risks, strengthening investor confidence, and achieving sustainability in a business environment characterized by rapid change and increasing regulatory demands.

Governance Is Not a Legal Project… It Is a Strategic One

One of the common mistakes within many companies is viewing governance as the sole responsibility of the legal department, or considering it a project aimed at preparing a set of regulations and policies merely to comply with regulatory requirements. However, this understanding does not reflect the true role of governance in modern organizations.

In reality, governance represents a strategic project in which all stakeholders within the company participate in its development—from owners or shareholders, through the board of directors and executive management, and extending to all operational and oversight departments. The legal department establishes the legal and regulatory framework, while the board of directors defines the vision and strategic direction. Executive management is responsible for implementing those policies, while specialized committees perform their oversight role to ensure compliance, efficiency, and risk management.

For this reason, the success of governance is not measured by the number of policies or regulations issued by the company, but rather by the extent to which those policies are reflected in the organization's culture and decision-making processes. Every investment, financial, operational, or human resources decision must be made within a clear framework of delegated authority, defined competencies, established controls, and approved policies.

Practical experience has shown that companies that view governance as part of their institutional strategy are more capable of achieving sustainable growth, managing crises effectively, attracting talent, securing investment, and maintaining their reputation in the market. In contrast, companies that treat governance as a mere formal compliance requirement often face significant challenges when expanding, seeking financing, or entering into strategic partnerships.

Governance and Its Relationship with Attracting Investors and Financing

Today, governance is no longer merely a regulatory requirement; it has become one of the most important criteria used by investors, investment funds, banks, and financial institutions when evaluating companies.

When an investor considers investing in a company, they do not look only at financial statements or profit levels. Rather, they seek to answer a set of fundamental questions, including:

- Is there a clear decision-making framework?
- Are authorities distributed in a way that prevents misuse?
- Are there effective risk management mechanisms?
- Does the company maintain an adequate level of transparency and disclosure?
- Are there policies addressing conflicts of interest and protecting shareholder rights?
- Does the company have a clear internal control and compliance system?

The clearer the answers to these questions are, the greater the investor's confidence in the company, and the lower the perceived investment risk.

For this reason, Legal Due Diligence reports are no longer limited to reviewing contracts and licenses; they now extend to assessing the level of corporate governance, the completeness of policies and regulations, the effectiveness of the board of directors, and the strength of the internal control system.

Accordingly, governance is no longer merely a tool for improving management efficiency. It has become one of the key drivers of increasing a company's market value, enhancing its ability to attract financing, and enabling it to successfully complete investment transactions.

Governance Is a Continuous Process, Not a One-Time Project

One of the mistakes some companies make is believing that the governance project ends once policies and regulations are approved by the board of directors or the general assembly.

However, the reality is that governance is a dynamic process that continuously evolves alongside the company.

As the company expands, enters new markets, introduces new activities, welcomes new investors, or restructures its operations, the governance framework must also evolve accordingly to match these changes.

Regular updates of policies and regulations are also one of the most important indicators of governance maturity within a company. Systems that were suitable five years ago may no longer be capable of addressing current risks or keeping pace with new regulatory requirements.

For this reason, global best practices are based on conducting periodic reviews of the entire governance system, with the aim of assessing its effectiveness, identifying regulatory gaps, and updating documentation to ensure alignment with applicable laws and the company's strategic objectives.

Does Your Company Have an Integrated Governance System?

After reviewing the key elements of governance, it may be appropriate for a company to ask itself a number of fundamental questions:

- Do the current legal documents reflect the company's nature of activity and size?
- Are there independent bylaws regulating the work of the board of directors and various committees?
- Does the company adopt clear policies for managing conflicts of interest and reporting violations?
- Is there an effective system for risk management and internal control?
- Are policies and regulations reviewed on a periodic basis?
- And are these documents actually implemented in practice, or are they merely documents stored in company files?

Answering these questions represents the starting point of any successful governance project, because the real objective is not simply to possess a large number of documents, but rather to build an integrated system in which all components operate in harmony to achieve the company's objectives and enhance its sustainability.

In a business environment characterized by rapid change, increasing investor expectations, and stricter regulatory requirements, governance has become one of the most important intangible assets a company can possess. It not only protects the company from legal and regulatory risks, but also enhances its ability to expand, attract investment, secure financing, and sustain long-term growth.

How Can the ICG Team Help?

In light of rapidly evolving regulatory developments, governance is no longer an option—it has become one of the core pillars for building strong companies capable of growth and attracting investment. From this perspective, **ICG** provides integrated legal solutions to help companies design, develop, and implement corporate governance systems that align with international best practices and regulatory requirements, while taking into account each company's nature, industry sector, and strategic objectives.

Our services include, in particular:

- Conducting a Governance Gap Assessment to evaluate the current level of governance and identify legal and regulatory gaps.
- Preparing and reviewing Articles of Association, governance charters, board bylaws, and committee charters.
- Developing corporate policies, including conflict of interest policies, whistleblowing policies, ethics and conduct policies, risk management policies, compliance policies, and other regulatory policies.
- Designing appropriate governance frameworks for family businesses, startups, joint-stock companies, and investment groups.
- Providing legal advisory services related to board and executive management responsibilities, corporate governance, and enterprise risk management.
- Supporting companies in preparing for investment rounds, Legal Due Diligence, and mergers and acquisitions, by building governance systems that enhance investor and financial institution confidence.
- Providing ongoing legal support to ensure continuous updating of governance systems in line with regulatory developments and best practices.

At ICG, we do not merely prepare policies and regulations; we work with our clients as a legal and strategic partner to build effective and implementable governance systems that enhance compliance, manage risk, support sustainable growth, and improve companies' readiness for investors and regulatory authorities.

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