

CORPORATE GOVERNANCE E-CONFERENCE REMARKS

The Right Honorable Speaker of Parliament.

The Keynote Speaker

My Fellow Panelists

Distinguished Guests, Ladies And Gentlemen

Good morning

The United Kingdom's 1992 Cadbury Report's often quoted definition is: "**Corporate governance is the system by which businesses are directed and controlled.**" In simpler terms however, corporate governance is simply about the interaction and relationship among the various stakeholders, in determining the direction and performance of a company. Corporate governance deals with determining ways to take effective strategic decisions and developed added value to the stakeholder. This can in many ways be a catalyst for industrialization, improving lives and the environment. Corporate governance ensures transparency which ensures strong and balance economic development. This is also ensures that the interest of all stakeholders are safeguarded.

As a legal practitioner, one of the ways in which I view corporate governance is through the various acts that for instance govern the different professional bodies. Laws such as **the Companies Act, Uganda Law Society Act, and Laws on the banking sector** as well as other bodies take up the core in trying to ensure the corporate governance is maintained. The quality of a corporation's corporate governance affects the risks, value of the corporation, affects the operational risk and, hence, sustainability of a corporation. Therefore, what makes good corporate governance is important

Many people relate this term to big multinational corporations and already established companies. Be that as it may, it affects our day to day living and business life around the world. With the integration of the world economies and businesses cutting across borders, there is need to adhere to world acceptable principles and business guidelines. Many international investors and private equity firms are looking out for companies that have structures. They need companies where their interests are secured at all levels of the company. This therefore drives the idea of Corporate Governance.

Perhaps what accelerated the need for robust corporate governance were the new century's financial scandals affecting major American firms, such as Enron, WorldCom and Arthur Andersen, and the resulting loss of confidence of the investing public in the stock market that caused substantial financial

losses to millions of individual investors. In Uganda, the Crane Bank saga was a true picture of why good corporate governance is key and there are a lot of theories on what could have or could not have happened, who to point fingers at and what might have gone wrong.

It should be noted that the foundation of modern company law emanates from the famous "**SALOMON'S CASE**". From this case, the veil of incorporation effectively segregates the owners from the management of the company. Therefore the company may be viewed as a conduit with two masters, namely, "the board of directors" deciding as a collective unit and "the members/Shareholders" deciding at a general meeting. The Directors are the directing mind and will of the Company and carry on day to day business of the company whereas the Shareholders own the company. In Uganda the roles of Director and Shareholder are usually married and enriched in one person.

In this view, the primary function of corporate governance law is to devise strategies and mechanisms to ensure that those in control of shareholders' property apply it strictly for the benefit of shareholders.

The separation of ownership and control together with the increasing involvement of other stakeholders who have an interest in the business of the company such as financiers, regulators, surrounding communities and employees has accordingly given rise to the need for a uniform and comprehensive system of control based on the predominant principles of transparency, fairness, responsibility and accountability.

The Organization for Economic Cooperation and Development (OECD) principles of corporate governance, 2006 cover five areas: The rights of shareholders, the equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, the responsibility of the board.

In Uganda, **the 2012 Companies Act** provides the primary framework for governance of companies and introduced a code of corporate governance that is voluntary for private companies and mandatory for new public companies. This code of Corporate Governance is enshrined under **Table F of the Companies Act**. Corporate governance in Uganda is approached in two forms. The mandatory form, also called 'comply or else', and the voluntary one also known as 'comply or explain'. "The former is where corporate governance standards are enshrined in legal enforceable instruments, with legal penalties for non-compliance, while the latter includes guidelines that contain best practices on particular governance issues such as treatment of shareholders, transparency and accountability among others.

In Uganda industries such as Capital markets, Banking and Insurance have compulsory corporate governance requirements. Corporate governance may sound a preserve for the big corporations in the private sector, but that is a misnomer because the principles also apply to non-governmental organizations, family-owned enterprises and public sector bodies among others.

A good corporate governance image enhances **the reputation of the organisation** and makes it more attractive to customers, suppliers and investors.

It is often said that a **good corporate governance is good business**. Deciding to ignore the best practice is at your peril and more to both shareholders and stakeholders.

Corporate Governance is intended to increase the accountability of your company and avoid massive disasters before they occur. Well-executed Corporate Governance should be similar to a police department's internal affairs unit, weeding out and eliminating problems with extreme prejudice. The Need, Significance or Importance of Corporate Governance is listed below.

Changing Ownership Structure:- In recent years, the ownership structure of companies has changed a lot. Public financial institutions, mutual funds, etc. are the single largest shareholder in most of the large companies. So, they have effective control on the management of the companies. They force the management to use corporate governance. That is, they put pressure on the management to become more efficient, transparent, accountable, etc. They also ask the management to make consumer-friendly policies, to protect all social groups and to protect the environment. So, the changing ownership structure has resulted in corporate governance.

Growing Number of Scams In recent years, many scams, frauds and corrupt practices have taken place. Misuse and misappropriation of public money are happening everyday. It is happening in the stock market, banks, financial institutions, companies and government offices. In order to avoid these scams and financial irregularities, many companies have started corporate governance.

Globalization Today most big companies are selling their goods in the global market. So, they have to attract foreign investor and foreign customers. They also have to follow foreign rules and regulations. All this requires corporate governance. Without Corporate governance, it is impossible to enter, survive and succeed the global market.

With the new way of tackling issues, companies have tried to adhere to the new normal by also holding virtual AGMs as well as allowing employees to work remotely online. The case of **Stanbic Bank**¹ holding its first online AGM is testimony to this point, while other bodies such as the **Uganda Law Society** online AGM² also speak proof to this. With this new emergence of doing things, a new trend of corporate governance is expected. Therefore in a bid to tackle the future challenges, organizations have to be ready to handle corporate governance issues the new way.

¹ <https://www.ceo.co.ug/stanbic-holds-first-ever-virtual-agm-as-aggie-konde-is-appointed-non-executive-director/>

² <https://chimpreports.com/uganda-law-society-seeks-court-permission-to-hold-scientific-agm-elections/>