

#SCGU18

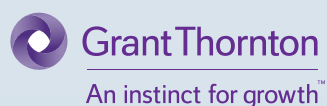
Special thanks to ICGU
and Grant Thornton



THE STATE OF CORPORATE GOVERNANCE IN UGANDA

OCTOBER 2018

SUPPORTED BY





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 The state of Corporate Governance in Uganda 2018.
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Special thanks to the Institute of Corporate Governance of Uganda (ICGU) and Grant Thornton Uganda for organising and sponsoring Corporate Governance Awards 2018 respectively which provided a basis for the publication by Summit Consulting Ltd which was contracted to undertake field verification



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	06	Executive Summary
Corporate Governance Awards 2018 Pictorial	37	08 Effective Corporate Governance process
Summary Statistics	33	10 Succession Planning
Sectoral Analysis	25	16 Board Approved Risk Management Framework
Best Practices in Governance Reporting and Transparency	23	18 Business Continuity Plans and/or Disaster Recovery Plans
	21	Corporate Social Responsibility





The Institute of Corporate Governance of Uganda in conjunction with Grant Thornton organized the first Corporate Governance awards to reward institutions that portray outstanding corporate governance, adhered to its best practices and implemented their policies neatly. With these, companies are able to benchmark their practices against the best practices of corporate governance. It encompasses companies' performance and the board's performance; appointment and assessment of the board of directors; board membership, committees and responsibilities; how the board works with the executive; code of conduct in the companies and, last but not least, risk management, corporate social responsibility and other obligatory internal controls.

The ICGU Corporate Governance (CG) Awards

The ICGU Corporate Governance (CG) Awards recognize organizations with outstanding achievements in the governance, risk and compliance fields in Uganda.



Foreword by the President, ICGU

Corporate Governance Awards 2018

recognize organizations with outstanding achievements in the governance, risk and compliance fields in Uganda. The ICGU CG Awards play an important role in encouraging improvements in the quality of CG, while reflecting changing attitudes and expectations among shareholders, investors and other stakeholders. ICGU leadership understands the best way to help corporate entities, government and the economy at large is to recognize entities that practice and demonstrate corporate governance best practices. At the start of 2018, posters and blogs circulated around as the rumours about the impending corporate governance awards spread profusely. Although not so commonly practised in the country, it drove a lot of attention. Almost every firm wanted to find out where it was in their state of governance. A portal, www.cgawards.icgu.org was later deployed calling for nominees to register on condition that they met certain criteria like being tax compliant and possessing a board of directors. In addition, companies were to present material that was bounded between January 2015 and December 2017.

Companies were categorised in different clusters, that is; large private sector enterprises, with turnover of more than Ugx. 100 billion; Small and Medium Sized Enterprises, with turnover of less than Ugx. 100 billion; public sector enterprises including Ministries, Departments and Agencies of the government; Non-Government Organisations,

Insurance Companies; Banks and Micro Deposit Institutions (MDIs)

On 15th February 2018, companies begun submitting their documents. A review of nomination feedback forms against the minimum criteria was performed. All nominations that met the stated criteria were shortlisted for further validation by the Institute of Corporate Governance of Uganda. More than 200 companies failed to meet the eligibility criteria, citing issues of missing documents, a sign of lapse in their policies and procedures. Already, the award was exposing those companies without all the right policies and procedures, a clear picture of the state of corporate governance of Uganda. No wonder they have been closing rampantly. After a thorough registration process, the portal was closed on 16th April 2018. We are grateful to our partners, Summit Consulting Ltd, for writing this State of Governance Report 2018, out of their own initiative. This report provides insightful overview of the field findings. The objective of this report is to provide lessons to all stakeholders and membership to draw lessons and improve their overall governance posture.

We are publishing this report in line with our mission "To promote excellence in corporate governance principles and practices." Read it carefully. You will learn a lot.

MR. MICHAEL KAROKORA MUGABI (Fcis)
PRESIDENT, ICGU



GOOD GOVERNANCE

ICGU VISION

An enterprise sector that upholds international best practices in Corporate Governance

ICGU MISSION

To promote excellence in corporate governance principles and practices

THEME

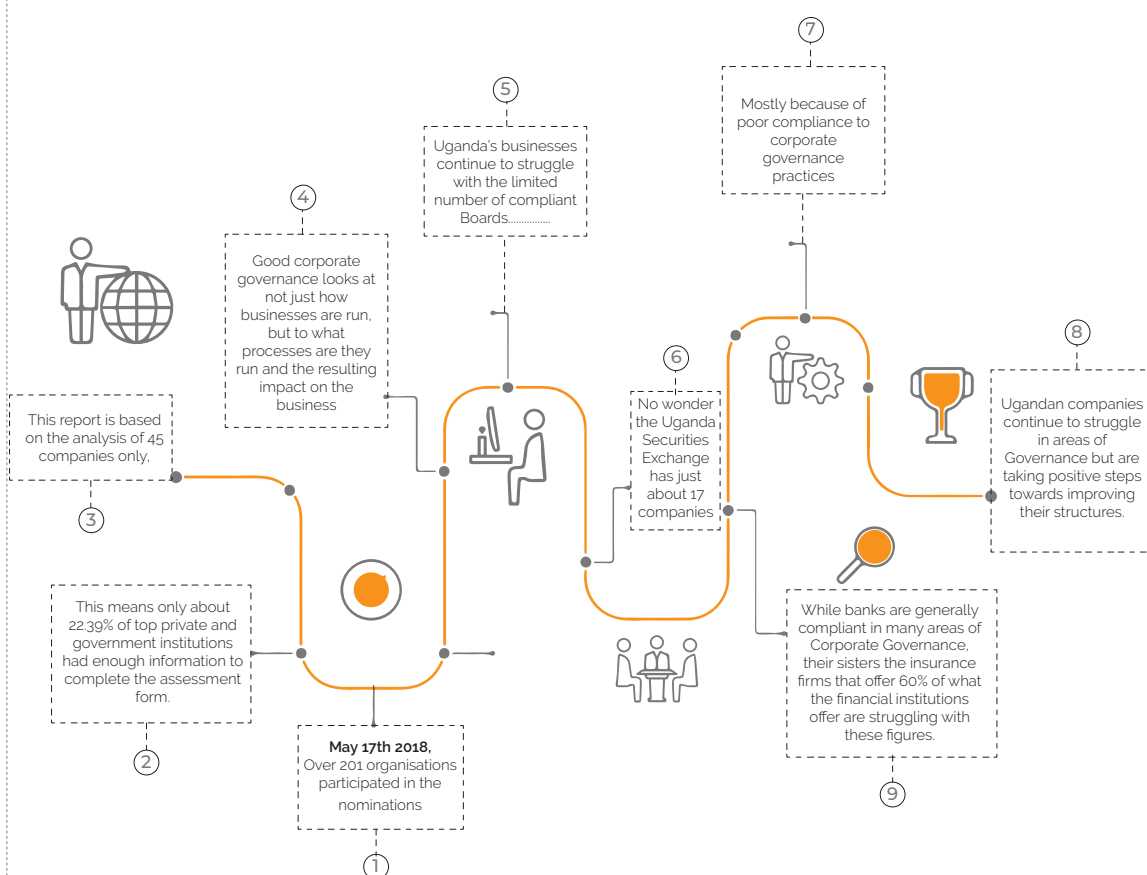
Corporate governance for performance and sustainability

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“ This report clearly shows Ugandan companies continue to struggle in areas of Governance but are taking positive steps towards improving their structures. “



There are so many organizations that have put Boards in place but are doing things, which do not necessarily add value to the business. Knowing the Prince IV corporate governance best practices is one thing. Putting such practices into action is another thing altogether.

No one wants organisations with window dressing Boards. Very many things go wrong with incompetent Boards. In politics, you will ask; "Is

our parliament actually a 'biting' parliament?" Can Parliamentarians put their feet on the floor and say no to the executive? If they can, then that Parliament is ok, because then it is said to be independent of any influence.

Uganda had its first Ever-Corporate Governance Awards on May 17th 2018, which marked another milestone in evolution of Uganda's corporate structure. Over 201 organisations participated in the nominations by



The objective of the report is to create awareness of the state of corporate governance in Uganda to inform policy and regulatory framework. There is need for automation of corporate governance process like strategy execution and risk management.

submitting information via an online form but only 45 companies made it to the finals. This means only about 22.39% of top private and government institutions had enough information to complete the assessment form, which had key corporate governance requirements including, codes of governance and other best practices corporate governance criteria. This report is based on the analysis of 45 companies only,

This is a worrying statistic. However, it is a positive move from the business perspective. The corporate governance debate is shifting from emphasis on compliance to processes and procedures to the effect on the business of applying them. From emphasis on compliance to emphasis on stakeholder value delivery, good corporate governance looks at not just how businesses are run, but to what processes are they run and the resulting impact on the business. Good governance drives organizational resilience, productivity, stakeholder value and economic development.

Uganda's businesses continue to struggle with the limited number of compliant Boards. No wonder the Uganda Securities Exchange has just about 17 companies. This means Uganda's Stock market takes about two years to list a new company. Mostly because of poor compliance to corporate governance practices as most businesses think the cost of good governance is higher than the benefits. It's only after a long period of time, for example, when original founders die or exit, that corporate sustainability becomes threatened and sudden realization of good governance comes

to mind. Most of these companies lack the right policies and procedures.

This report clearly shows Ugandan companies continue to struggle in areas of Governance but are taking positive steps towards improving their structures. Some companies really impressed in this analysis complying with almost every requirement although only about 10% of those that met the criteria had implemented these policies and procedures.

While banks are generally compliant in many areas of Corporate Governance, their sisters the insurance firms that offer 60% of what the financial institutions offer are struggling with these figures. Even the poorly structured SMEs are doing better in many areas.

The objective of the report is to create awareness of the state of corporate governance in Uganda to inform policy and regulatory framework. There is need for automation of corporate governance process like strategy execution and risk management.

I thank the Institute of Corporate Governance of Uganda for organising the 2018 inaugural Corporate Governance Awards, and Grant Thornton for sponsoring fully, the Awards, specifically for entrusting Summit Consulting with managing the Awards process for quality management.

It is against this background that we have published this report.

MUSTAPHA B. MUGISA
CHIEF EXECUTIVE OFFICER,
SUMMIT CONSULTING LTD





Section I

Effective Corporate Governance Processes

1



Board meeting frequency

While SME's recorded the only bi-annual meeting schedules, pulling only 6.57% of the portion. Some companies really had worrying figures. Some of the SMEs only scheduled Board meetings annually. This is worrying, as the Board does not get enough time to make key decisions. They most likely meet on the Annual General Meetings (AGM) and never get time to influence decisions during the entire year. The Board is too distant from the entire management team for they only meet once.

2



The Board presence

Only just 20% of the companies were assessed to have clearly written Board papers that facilitated Boards in decision-making. For best practice, Board papers should be labelled "for a decision", "for information only", of "for update", to facilitate ease of use. And were a paper is labelled "for a decision", it should clearly briefly give context, 2-3 options and analysis, and management recommended option with justification. 50% of companies did not provide information on the frequency of Board training. They also lacked a clear scorecard for the Board of directors.

3



Board of directors

Corporate governance is a fundamental subject in Board organization and strategy and this was the first area of scrutiny. Four fundamental factors were analysed in this section, i.e

- a) Presence of the Board of directors and their constitution
- b) Board meeting frequency
- c) Board committee composition
- d) Frequency of periodic reports to the Board



Risk Management Practices

These criteria were benchmarked on global best practices, which include but not exhaustively;

- i. Evidence of signed Board meeting minutes.
- ii. Meeting quarterly to drive decision-making. Some Boards met monthly, which undermines the power of the executive and increases the cost of monthly remuneration as Board members are paid as if employees with monthly allowances stressing organizational bottom-line. Others met less than quarterly, which meant less involvement in the decision-making, which is not best practice.
- iii. A vast diversity in Board committees covering almost every industry that affects the organization.
- iv. Quality of Board Agenda; historical, strategic and future looking

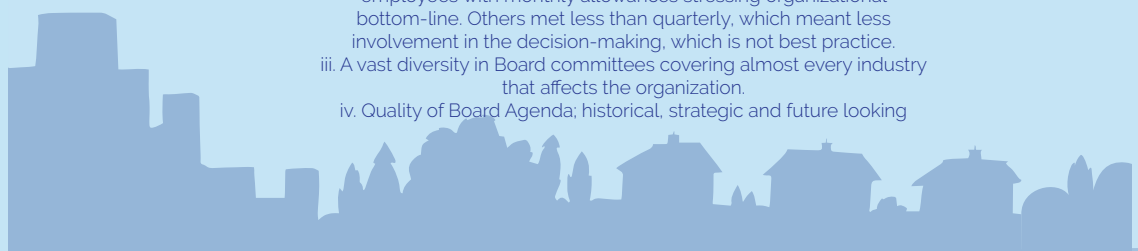
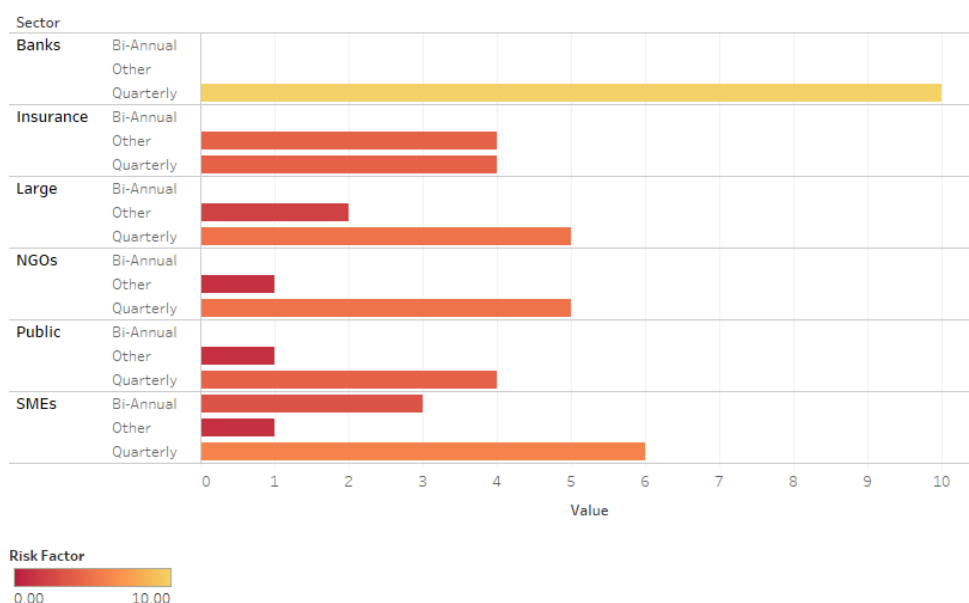




Fig 1

Board Meeting Frequency

NGOs have a fair Board-meeting schedule with 83.3% of them meeting quarterly. Public Sector Enterprises also came in with a considerable 80% having quarterly meetings. Large Private Sector pushed in 71.43% of their portion while SMEs had 60% of their meetings quarterly. NGOs and Private Sector Enterprises meeting frequency and consistency is attributed to good Board allowances collected. Same is true for regulated entities like Banks and Insurance companies.

Again, the insurance sector had just about 50% of its meetings quarterly. The other half met annually, seven times, five times or even monthly. Another worrying statistic for the sector. Corporate Governance in the insurance sector continues to be plagued by hesitancy. This is worrying considering sample size analysed composed of eight insurance companies accounting for more than 30% of the sector.

Like the saying goes, too much of anything is always bad. It goes for

Board meetings too. Having too many Board meetings is not prudent as it undermines the decisions of the management. It also increases the burden on a company's top-line, with increased SG&A costs. Three of the 44 companies met more than five times annually, with one meeting almost every month, and another, as many as seven times.

Whereas all organizations reviewed had minutes of the Board meeting, the Board Meeting Agenda for most companies lacked conflict of interest declaration and gave a lot of emphasis of review of organizational historical reports and less on strategy and innovation.

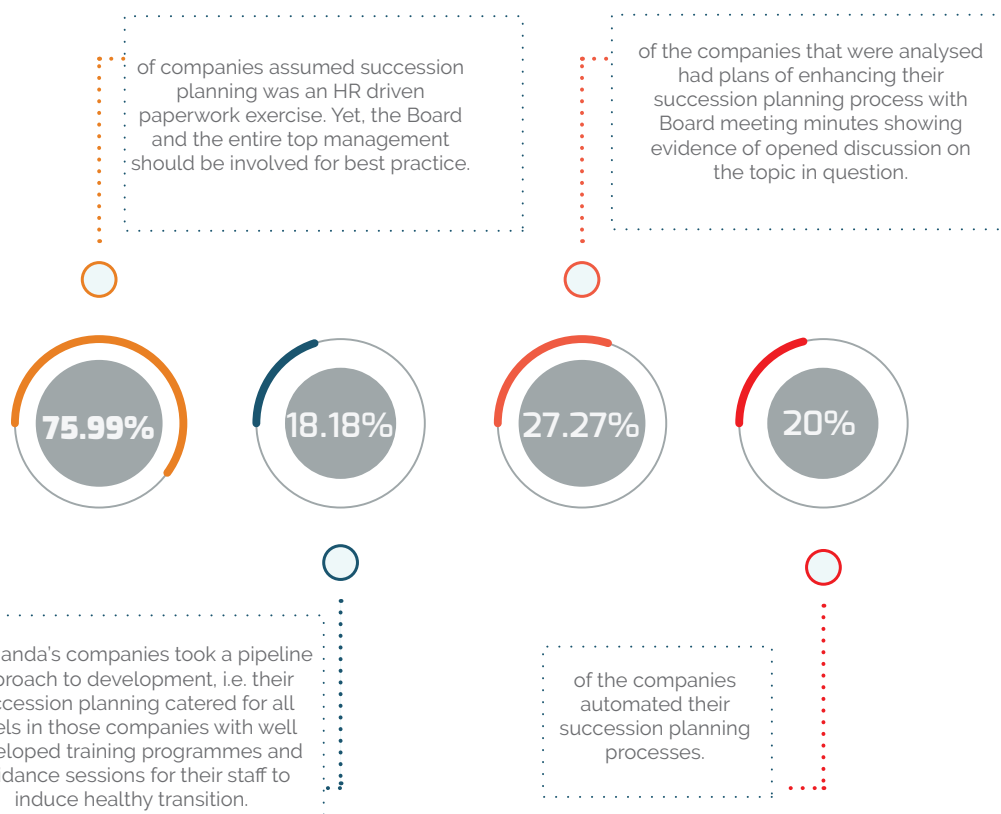
We noted some companies held several meetings over and above the normal scheduled meeting. And the agenda at these meetings was mainly covering operational issues. Management expressed concern over the increased meeting frequency.

The Board Meeting Agenda for most companies lacked conflict of interest declaration and gave a lot of emphasis of review of organizational historical reports and less on strategy and innovation.





Succession Planning



One of the best practices of succession planning considered was the development of a solid understanding of the most significant challenges their companies and industries are likely to face over the next four to six years. Also, the skills and experiences of their leaders and successors will need to lead the companies past those hurdles.

Another key consideration was the enterprises' onBoarding process of new hires and successors. While most companies had this documentation in place, they had no details or preplanner processes of onBoarding, only about 30% had these in place and of those, only two had implemented them in automated systems.

Of these two companies with

systems in place, only one of them had integrated succession planning with performance management, recruitment, selection, development and rewards.

A worrying 75.99% of companies assumed succession planning was an HR driven paperwork exercise. Yet, the Board and the entire top management should be involved for best practice. There was no way say, a CEO would be accountable to a Board in this structure.

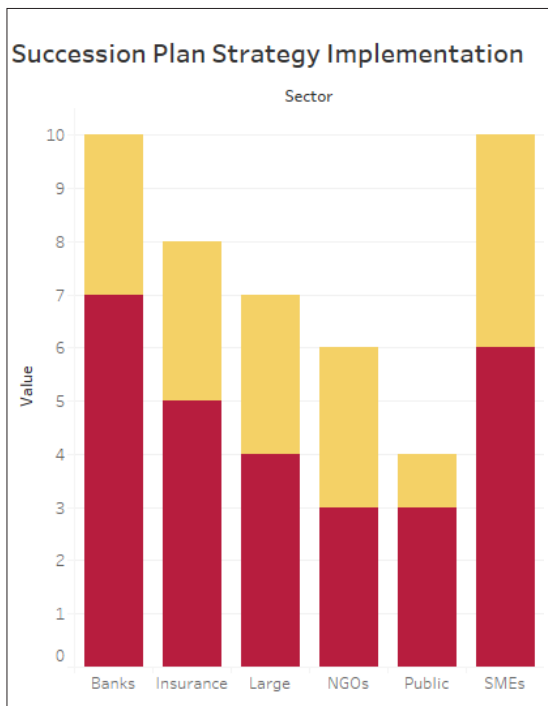
Have commitment and involvement of the CEO and Board. It's not an HR driven paperwork exercise – the CEO owns it, and has regular reviews with the entire Board or a Board subcommittee. Board members contribute to the process by providing feedback, asking great questions, and holding the CEO accountable.

Their succession planning catered for all levels in those companies with well developed training programmes and guidance sessions





Fig 2



Only 18.18% of Uganda's companies took a pipeline approach to development, i.e. their succession planning catered for all levels in those companies with well developed training programmes and guidance sessions for their staff to induce healthy transition.

However, 27.27% of the companies that were analysed had plans of enhancing their succession planning process with Board meeting minutes showing evidence of opened discussion on the topic in question. In addition, only 20% of the companies automated their succession planning processes.

86.95% have succession plans that identify and develop new leaders to replace predecessors for business continuity

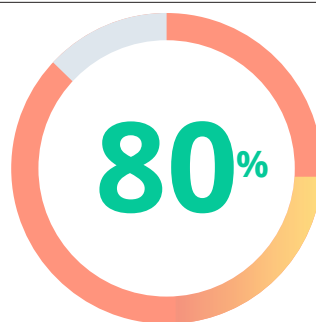
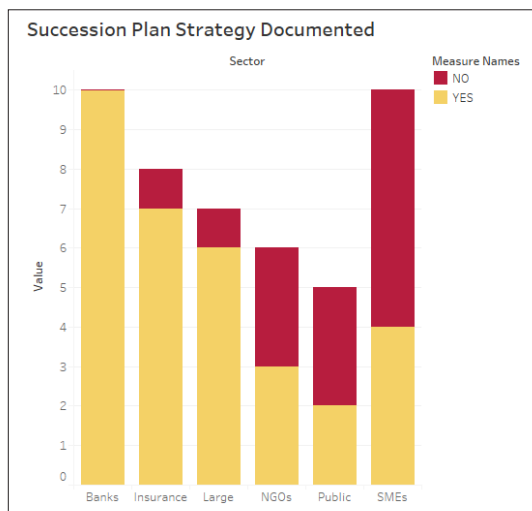
Succession Planning entails companies having a clear framework for succession that gives every staff equal opportunity and clear guidelines on how to attain the position in question. Banks and NGOs that participated had 100% succession planning policies and procedures in place, followed closely by SMEs (90%) and Insurance (87.5%).

However, these statistics mean nothing if the policies and procedures are not clearly implemented. There is need to enhance the transparency of the process and criteria for selection and appointment of Board members. Only one NGO of all the organizations we reviewed has ever advertised for vacant Board positions in the national papers; thereby attracting diverse and knowledgeable members and composing a multi-dimensional Board. Many Boards have very few Women in the Boardroom. Board diversity in terms of gender balance is critical.

Even if the succession plans were evident, they were inadequate. Most of them had no clear job profiling with only 25% of them clearly analysing the skills of incumbents and skills gap for successors. A meagre 36.4% of them had mentorship and training programmes aligned to identifies skills gaps

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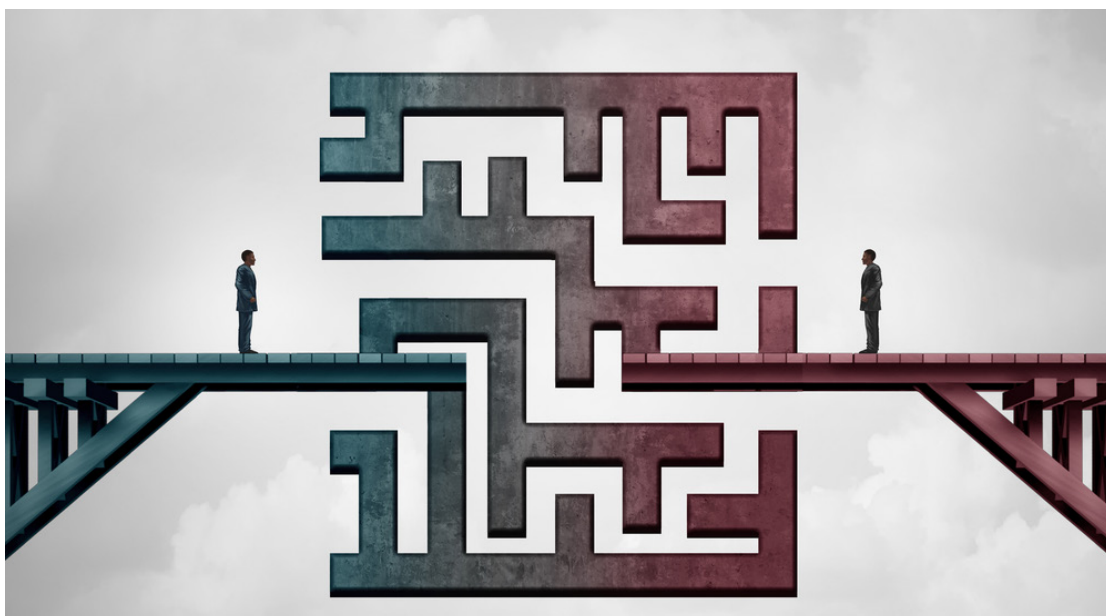
Fig 3



Over 80% of these companies had no software or platform that would monitor and automate succession planning. They used manual means that are at most times biased.



Board Approved Corporate Strategy



Boards were assessed on the following best practices of corporate strategy;

- I. Board approval of the strategy.
- II. Availability of minutes showing discussion on the strategy.
- III. Strategy covering different time perspectives; it should be able to cover short term, medium term and long term
- IV. Whether the entire staff are aware of the company strategy and both internal and external stakeholders were involved in the development.
- V. Current strategy execution and monitoring; how far with the strategy currently, track sheets and scorecards.

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Board Approved Strategy

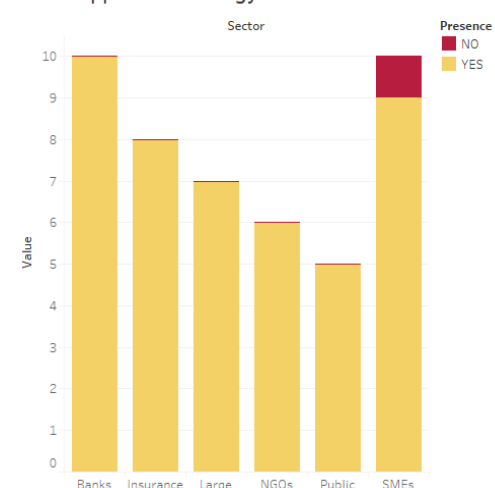


Fig 4

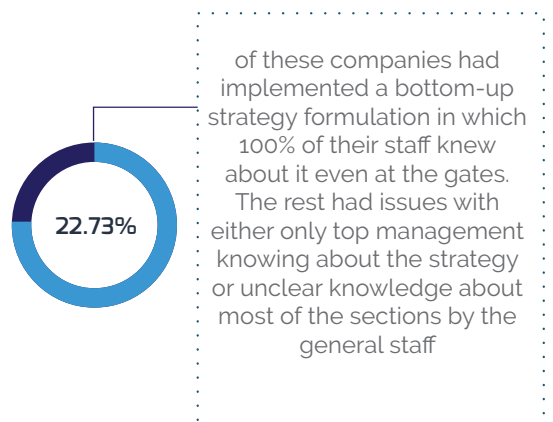
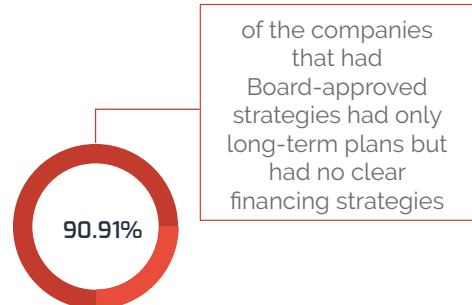
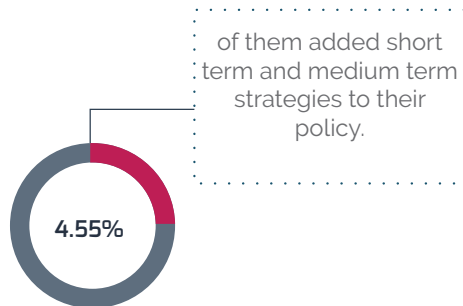
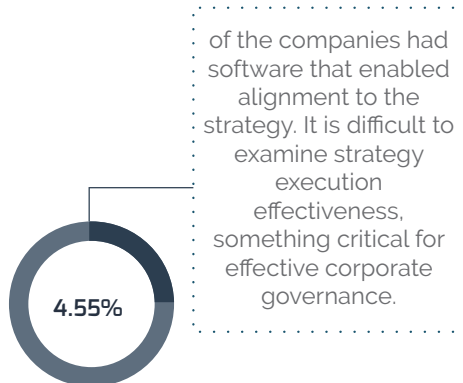
97.8% Boards play an active role in the strategic planning process.

Almost every company had a Board-approved strategy except for one of the SMEs. This is evidence that most of the top companies in the country are steered by Board strategies.

Meanwhile, only about 63% of the companies had a Board meeting minutes showing discussion of the strategy. Yet most of these strategies only covered long term, 4-years on average.



97.8% Boards play an active role in the strategic planning process. This is commendable.



Moreover, there was a general lack of software to automate strategy execution, monitoring and performance management. Only 4.55% of the companies had software that enabled alignment to the strategy. It is difficult to examine strategy execution effectiveness, something critical for effective corporate governance.

Most of their strategies lacked a clear strategy communication and on—going performance review against the set targets. This is the biggest challenge most Ugandan entities where they have a good strategy but lack execution.

90.91% of the companies that had Board-approved strategies had only long-term plans while a meagre 4.55% of them added short term and medium term strategies to their policy.

Another issue that cropped up in this section was the lack of staff involvement. Only 22.73% of these

companies had implemented a bottom-up strategy formulation in which 100% of their staff knew about it even at the gates. The rest had issues with either only top management knowing about the strategy or unclear knowledge about most of the sections by the general staff. A strategy must be inclusive even with the lowest of levels in an organization.

All in all companies continue to struggle with strategy formulation and implementation either because there is limited time put into strategy planning or poor guidance from advisors and management.

We noted with other surprise absence of clear corporate governance best practices of target setting by the Board for the executive. Only 8% of the evaluated companies were found to have a scorecard approved by the board against which to evaluate executive performance.





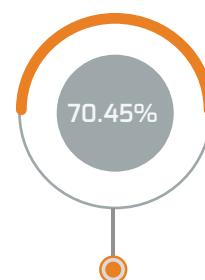
Formal written policies covering Anti-Fraud, Corruption, Whistleblowing, Ethical Behaviour, Security, Health & Safety

There is need for organizations to consider web-based anonymous whistleblowing systems that meet minimum international practices.

Whereas many organizations have anti-fraud and whistleblowing policies and procedures, there is little evidence of effective implementation of same to meet the minimum recommendations of the Whistle-blowers Protection Act, 2010. There is need for organizations to consider web-based anonymous whistleblowing systems that meet minimum international practices.

70.45% of all the companies that were examined had poor cyber resilience strategy. Only 45.5% of those that had it in place had it automated. 56.82% of the institutions conducted black box and white box pen test annually showing that the bigger percentage is exposed to cybercrime.

Only about 5% had whistleblowing/ Feedback or Tip-off Systems that meet the requirements of the Whistle-blower's Protection Act 2010 undermining the element of transparency in effective governance. Many of these companies channel their



of all the companies that were examined had poor cyber resilience strategy.

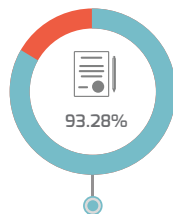




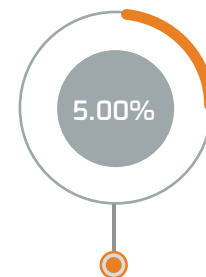
tips to third party providers in foreign countries, in shared call centres which cast doubt on the effectiveness of such interventions.

Good news, 93.28% of the companies had a Board approved security policy with on average 70% of the staff aware of its components. The ones that weren't aware of all its components still had an idea of the policy in place.

At least 63.64% of the firms had ethical code of conduct in place. Only 29.55% of the companies had a signed copy with employees understanding all policies. The biggest challenge is in implementation of policies and procedures. A casual discussion with respective staff indicated they lack clear understanding of the same.



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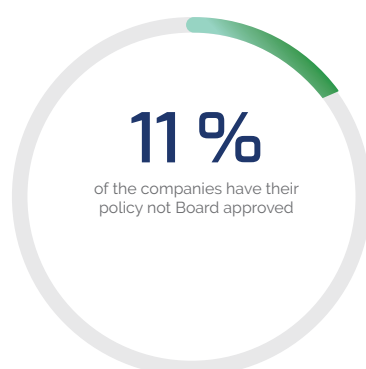


have effective whistleblowing systems that are 99% anonymus, and internally managed which meet the laws of Uganda WPA 2010





Board Approved Risk Management Framework



88.9% enterprises have a risk management framework in place. However, many of these lack evidence of alignment to the ISO 31000, Risk Management Standard. Although the risk register is in place in many companies, this is generated by one person in the risk management department. This indicated presence

of a bad risk culture and a poor risk management regime.

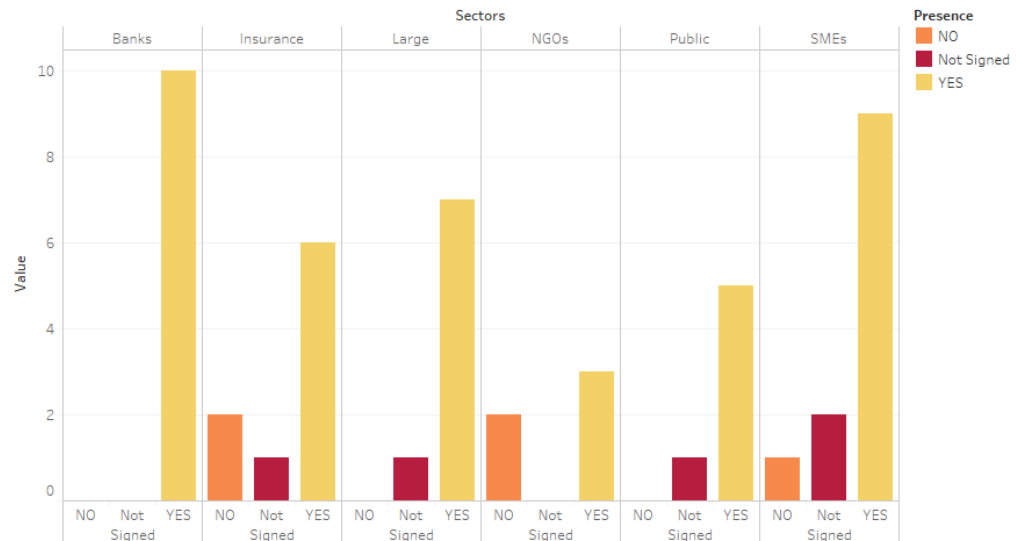
Only 11.36% of these companies have a well implemented software to facilitate on-going risk assessment so that the risk register is kept up to date. A massive number of the registers seen were manually implemented with a mound of outdated risks in a Ms Excel





Fig 5

Risk Management Framework



All banks inspected had the Risk Management Framework in place. They were closely followed by Large Private Sector Enterprises that pooled a substantial 87.5% and Public Sector that did well with 83.3% of the portion.

sheet.

While more than half of these enterprises had this documentation signed and in place, there was no clear articulation of the Board's risk appetite. Also, only 21% of these companies had risk registers in place to inform internal controls prioritisation.

A significant 11% of the companies have their policy not Board approved. Most of them are in the pipeline while others assumed Risk Management Framework was a management issue that did not require Board approval, which is very wrong.

All banks inspected had the Risk Management Framework in place. They were closely followed by Large Private Sector Enterprises that pooled a substantial 87.5% and Public Sector that did well with 83.3% of the portion.

NGO's continue to struggle in managing risk with only 60% of them having frameworks in place. The shocker in this analysis was from the Insurance Sector. Most of these companies cover people and offer risk management solutions in form of

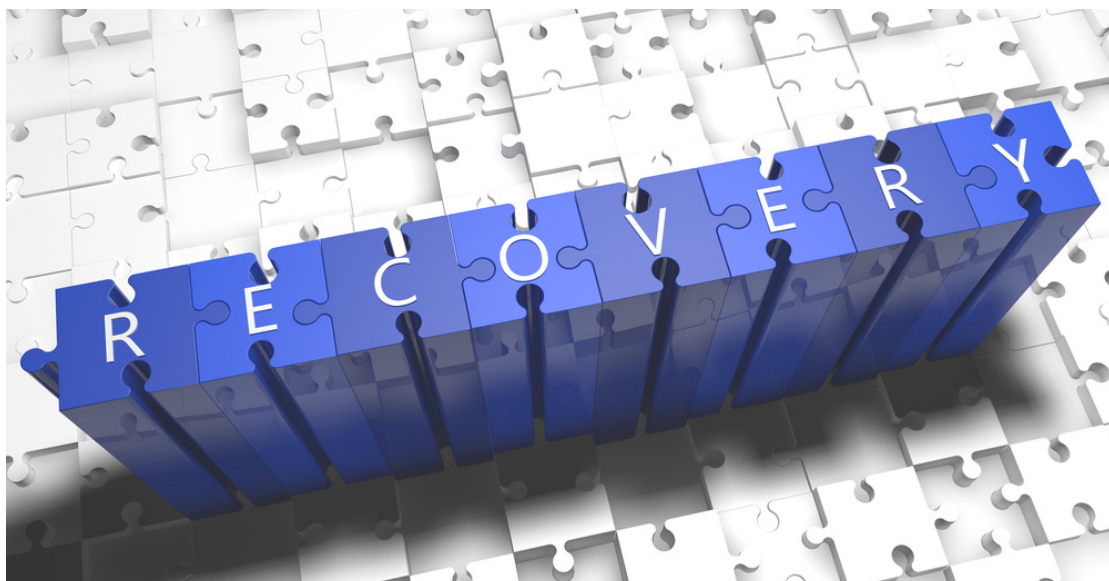
insurance but only 66.7% of them had risk management frameworks in place. The Regulators should be ware.

A meagre 29.55% in NGO's implement a software to facilitate on-going risk assessment to keep the register up-to-date. More than 40% of these companies have manual registers, which is prone to outdated risks.

Another worry was with the expertise to operate these risk tools. Most of the companies assessed that had the software only had a single person who could use these technologies and they had to spend 10-30 minutes contacting him to show automation. While there is only a single risk champion operating the register, the other staff should be given essential knowledge on this so that there is no bureaucracy in updating system. For good risk management presence, the risk owners (general staff) who run the day-to-day business should update risks in the register. This lack of a risk culture organisation was attributed to the absence of staff awareness training in enterprise risk management companywide.



BCP/DRP



A big 59.09% of Uganda's firms document their Business Continuity Plans and/or Disaster Recovery Plans on hard copy only. Another 22.73% have them in softcopy in PDF and other Office products. 15.91% have both systems in place while a worrying 6.82% of these have cloud solutions to ensure availability of these plans whenever a disaster or awareness of recovery processes is needed. There were only three companies that had a fully implemented DRP solution to curb these events.

A figure of 27.27% do not have updated BCPs/DRPs with most of them having been last updated two years ago. Considering the rising issues of cyberthreats and other data threats that adapt with time, these companies are potentially exposed to a number of business shuttering threats. A lot has changed since the inception of most of these documents. It's not a document that is signed and just kept. It has to be updated consistently. Only 5% of the assessed organisations were found to have tested their BCP/ DR plans. And those that had tested, did a dry run in respect to IT recovery. Over 80% of the companies evaluated lack a clear

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59.09%

of Uganda's firms document their Business Continuity Plans and/or Disaster Recovery Plans on hard copy only.

5.00%

have evidence of having conducted a BCP/DR dryrun test of their BCP plans.

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business impact analysis (BIA) showing the mission critical assets and their dependancies as well as their recovery time objectives specifically RTO, RPO, MTD and WRT.

In spite of some of the implementation in place, a meagre 4.55% of these companies have tested their plans to make sure they work efficiently with evidence of documents showing drills and training carried out in line with disaster recovery.

73.3% have a strategy that recognises threats and risks facing their companies to ensure assets and personnel are protected in case of disaster

13.3%, of the companies that had Business Continuity and Disaster Recovery Policies and procedures in place had no

73.3%

have a strategy that recognises threats and risks facing their companies

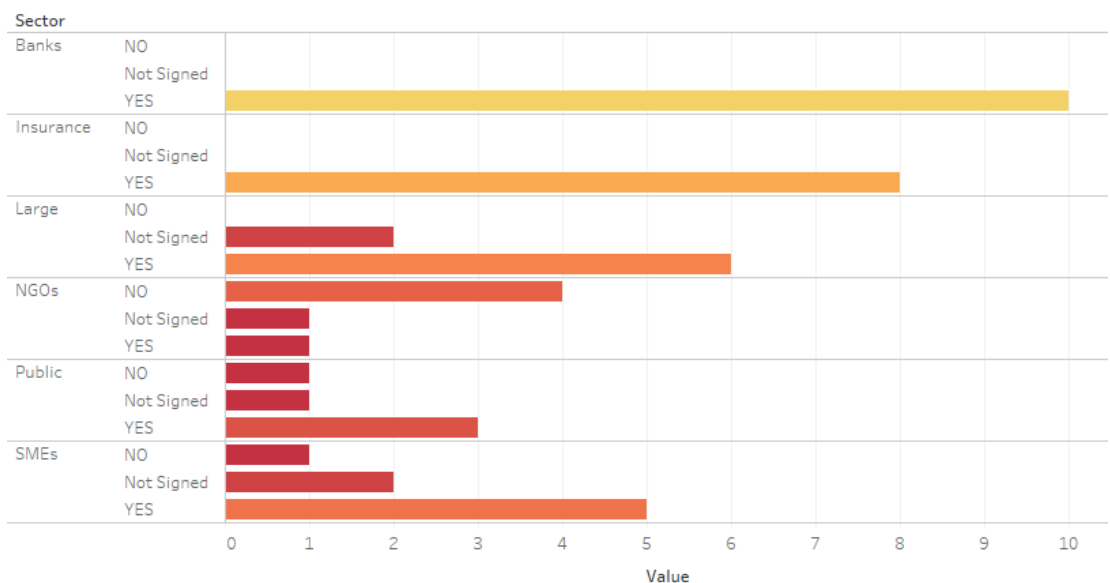
6.82%

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Only 5% of the assessed organisations were found to have tested their BCP/ DR plans. And those that had tested, did a dry run in respect to IT recovery.

Fig 6

BCP/DRP Presence



Measure Values

Board approval or any meeting minutes showing discussion of the matter at hand and were exposed to a number of threats that could impair their business growth or even shutdown their premise. The same percentage had nothing in place but were in the process of formulating them. This means that BCP/DR is not considered as a mission critical priority at Board level. This increases the risk of going concern for

the organisation considering a disaster requires a lot of money to recover from. We noted with concern the limited view and understanding of Risk management inform of insurance cover only.

Positively, the highest percentage had these plans in place with 54% of them integrating the two documents. Data centres, insurance covers, backups, and more measures have been put in place. Most of the measures in place



are to protect the very delicate batches of data that are very essential in this era of big data. No wonder firms are heavily investing in data centres and are backing up most of their "treasure".

While all insurance and banking companies had BCPs and DRPs in place, large private sector chipped in with 75% and SMEs with 62.5%. Public Sector Enterprises had just about 60%.

The worst prepared companies for disaster were the NGOs pooling just about 16.67%. Most of the companies had non-in place and some that had, had no Board approval. There was only one significant representative that had but had their plans designed for the international perspective as most of their policies and procedures were made from their headquarters abroad.

However, only 29.55% of the BCPs cover all the business operations of the company. Of these, 60% had no

clear Business Impact Analysis (BIA) to clearly define mission critical items and prioritize security accordingly.

Another worrying stance was the cybersecurity hygiene in most of the organisations with no provision of real time backup of all core database and network logs to external servers that have limited access. Only 43.18% of the companies assessed, had real-time backups.

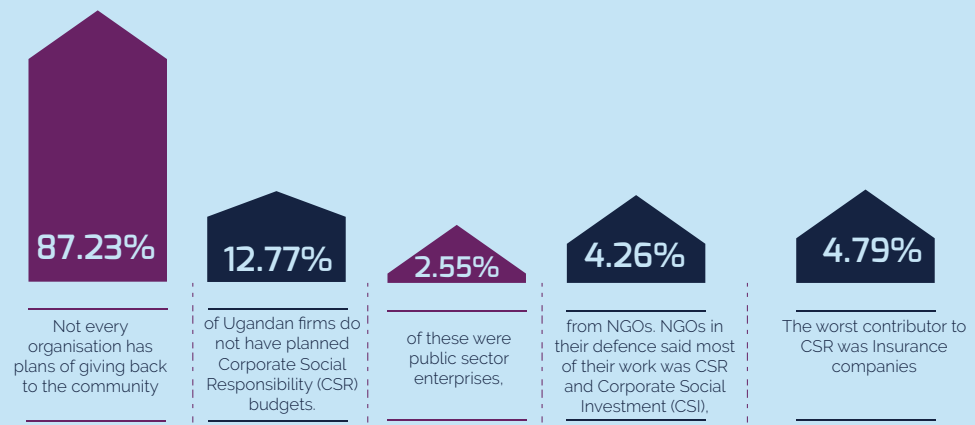
No company we reviewed had a clear budget line to cater for BCP/DRP implementation. No clear incident response and recovery team structure, communication flow with current email, phone and direct line was seen in most companies.

Only 30% banks had clear response plan in place. This is worrying. The ability to respond to an incident is debatable for most organisations, reviewed.



Section II

Corporate Social Responsibility



87.23%: Not every organisation has plans of giving back to the community
12.77% of Ugandan firms do not have planned Corporate Social Responsibility (CSR) budgets. They in other words spend as they wish based on achieving specific bottom-line targets, which is not best practice in Corporate Governance.

2.55% of these were public sector enterprises, with another 4.26% from NGOs. NGOs in their defence said most

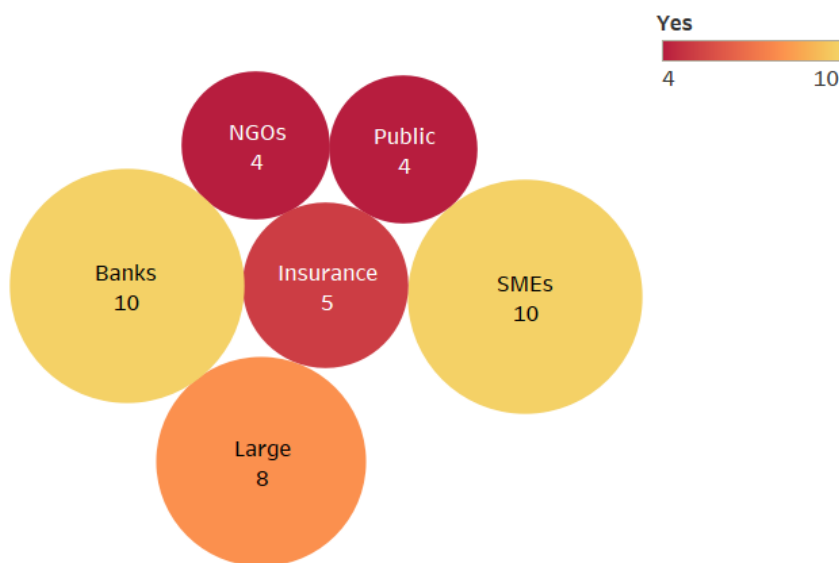
of their work was CSR and Corporate Social Investment (CSI), which meant that almost all their money was spent on helping communities.

The worst contributor to CSR was Insurance companies, which represented 4.79% of the unplanned share. These entities are basically run on driving top-line rather than having community interest. This is bad. Their Boards should look into this area with utmost priority.





CSR Budget in place



On a positive note, Banks, Large Private Sector Enterprises and SMEs all had planned CSR budgets. Going forward we would like to see every sector being represented in these areas that give the company a good public image.

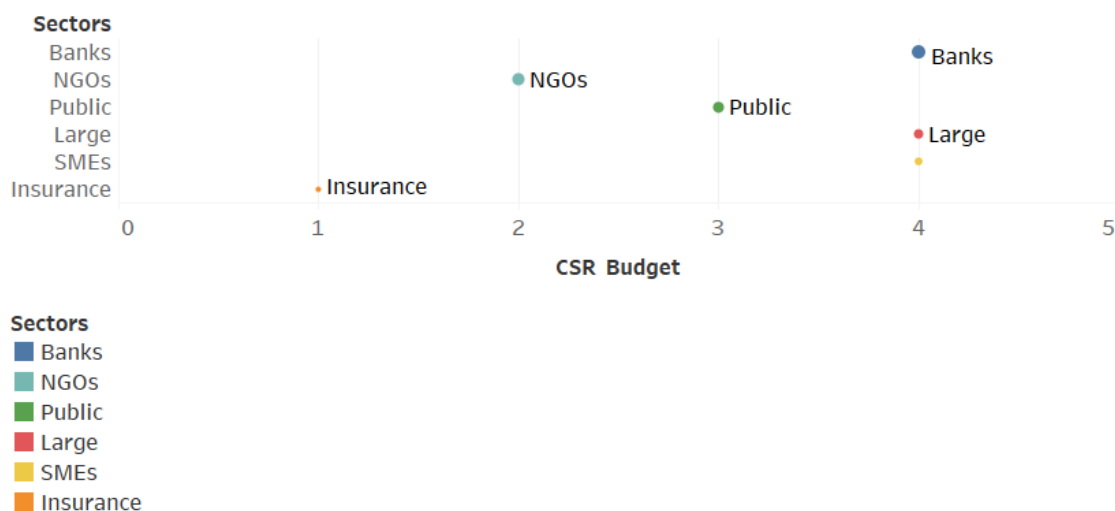
However, over 31.82% of the companies either misplaced or did not have letters of appreciation for CSR, which exposed their lack of organisation especially in documentation of core governance,

A myriad 75% of these companies did not properly file letters of appreciation

for either CSR or CSI activity. This undermines the Board's influence in social activities as they cannot confirm where the companies' contributions have gone to. Letters of appreciation also show companies practice what they preach.

Only 31.82% of the companies with planned CSR documented self-assessment of their CSR activity. Two of these do social media monitoring of their activity.

Insurance and SMEs low on CSR budgeting prerequisites



Reporting and Transparency

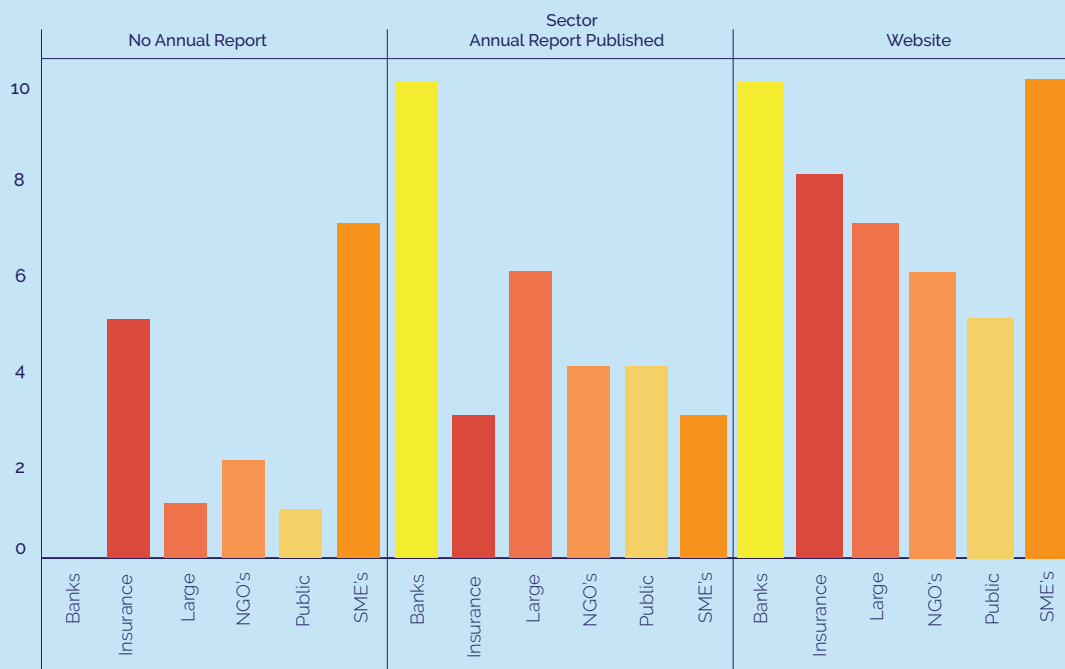


Fig 7

We view corporate governance as the subset of a firm's contracts—both formal and informal—that help align the interests of managers with those of shareholders. Therefore, corporate governance consists of the mechanisms by which shareholders ensure that the interests of the board of directors and management are aligned with their own.⁴ We also view this definition to be broad enough to encompass all of the firm's contracts that assist in aligning the incentives of the firm's shareholders, directors, and managers. For example, when a firm's creditors have the right to monitor the firm's financial reporting, those creditors may help align the interests of managers and shareholders; therefore, a debt contract that allows such monitoring could constitute a governance mechanism

With respect to the board's monitoring and oversight responsibilities, hypotheses frequently emphasize that the firm's operations and information environment influence the monitoring costs and benefits of certain board structures. Specifically, it has been argued that firms in more uncertain business environments.





100% of the banks that participated had annual reports considering the tight regulation surrounding this industry while sectors like SMEs struggled as many cited they were avoiding rivals using their data against them.

Only 65.2% give shareholders and other interested people information about their activities and financial performance

Most notable companies have a website in place and at least 65.2% of these have a brand manual and an annual report in place to guide investors and inform stakeholders.

100% of the banks that participated had annual reports considering the tight regulation surrounding this industry while sectors like SMEs struggled as many cited they were avoiding rivals using their data against them.

While all banks had annual reports in place, 85.71% of the large Private Sector followed suit. NGOs were the closest to the two giants with at least 66.67% of their contributors having these in place.

Another shocking statistic from the Insurance sector saw only about 37.5% of them publishing annual reports.

These are companies to which stakeholders trust with their monies, savings and other treasures and yet they're not as transparent as desirable.

The worst performing sector was for the Small and Medium Sized Enterprises that scored a meagre 30% considering most of them are sole proprietorships with small Boards and others where less than two years old.

Organizations that got higher scores generally have elaborate annual reports in which the governance disclosures, business model, strategic focus, risk management practices and CSR activities are properly explained. Some companies especially banks and all listed companies have mature governance practices; with a clear Board induction program, Board charter that is practical and IT systems to facilitate effective management of Board affairs.



Section IV

Sectoral Analysis

We analysed sector per sector in general to streamline the best and worst players.

Large Private Sector

87.71%

of these had succession planning in place. Being relatively large and handling a lot of money (Over Ugx. 100billion),

87.5%

of these enterprises had a risk management framework, representing 18.52% of the entire 88.9% of the economy.

71.43%

of their Boards meet quarterly while others meet in uneven sequences. This is 16.06% contribution to the entire 73.91% quarterly Board spectrum. None of these companies' Boards met bi-annually.

Small and Medium Sized Enterprises

49%

Small and Medium Enterprises (SMEs) are spread across all sectors, accounting for 49% of the service sector

33%

in commerce and trade,

From which

10%

Manufacturing

08%

Others



Over 2.5 million people are employed in this sector and account for approximately 90% of the entire private sector, generating over 80%

Public Sector Enterprises

86.9%

number of organisations with a succession plan, evidence of terrible corporate governance in public institutions

20%

A good return on publishing annual reports sees the public sector

60%

have these plans in place to recover from disaster and guard against business decapitating risks.

80%

public enterprise Boards meet quarterly, while the remaining ones meet unevenly. This is 17.99% of the 73.91% of quarterly meetings which is deemed best practice,

80%

Public sector enterprises are also patently involved in CSR, having CSR budgets in place.

NGOs

100%

On top of knowing the succession planning process adequately, their Board-approved strategy is passed along to all employees and executives. With 100% of them having these strategies, they are propelling corporate governance in the country.

66.67%

of NGOs publish annual reports, which allots for just 16.67% of the entire economy.

87.5%

of NGOs hold their Board meetings quarterly, representing 18.7% of the wholesome.

4.02%

NGOs are the worst prepared for disasters. Already without adequate risk management framework, their BCP and DRP documents are just 4.02%



Large Private Sector

The private sector in Uganda has been growing steadily in the country. This has been attributed to the good investment environment in the country, which has attracted both local and international investors. This analysis seeks to scrutinize an organization in the

country's economy, which consists of industries, and commercial companies that are not owned or controlled by the government. It excludes banks and insurance companies. The companies must have a turnover in excess of Ugx.

Large Performance

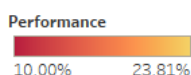
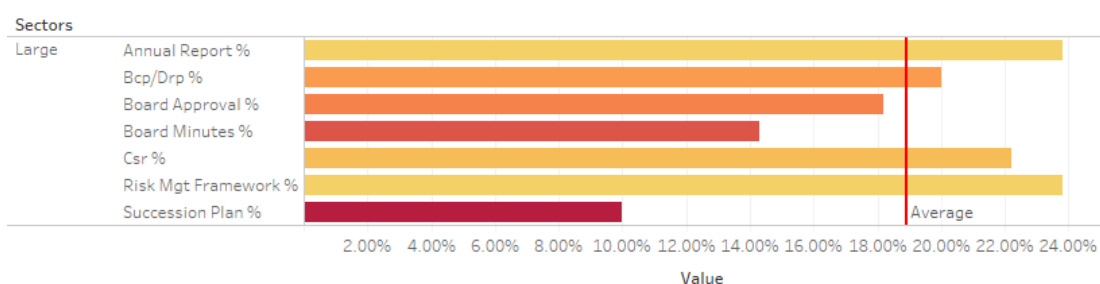


Fig 8

Of the entire portion of 73.3% presence of DCP/DRP documentation at companies, they had 18.11% of this share, being part of the top three after only banks and insurance.

100 billion annually.

87.71% of these had succession planning in place. Being relatively large and handling a lot of money (Over Ugx. 100billion), they all had Board approved strategies. However, one of the companies did not clearly communicate the strategy to its employees, as they had no idea of it.

87.5% of these enterprises had a risk management framework, representing 18.52% of the entire 88.9% of the economy, the second best performer in risk management implementation.

The sector also contributed a significant 21.43% to the annual report publishing metrics, coming in second after the highly regulated banks that

covered a close figure of just about 25.01% of the entire annual reports published.

71.43% of their Boards meet quarterly while others meet in uneven sequences. This is 16.06% contribution to the entire 73.91% quarterly Board spectrum. None of these companies' Boards met bi-annually.

Of the entire portion of 73.3% presence of DCP/DRP documentation at companies, they had 18.11% of this share, being part of the top three after only banks and insurance.

All large sector enterprises had a CSR budget. It is good to give back to the community especially when you are making supernormal turnover.



Small and Medium Sized Enterprises

Small and Medium Enterprises (SMEs) are spread across all sectors, accounting for 49% of the service sector, 33% in commerce and trade, 10% in manufacturing and 8% in other fields. Over 2.5 million people are employed in this sector and account for approximately 90% of the entire private sector, generating over 80% of manufactured output that contributes 20% of the gross domestic product (GDP), according to Uganda Investment Authority (UIA). This analysis seeks to examine privately and publicly

owned Small and Medium Enterprises operating in the country; with turnover less than Ugx. 100bn.

90% of the SMEs that were assessed had succession planning in place, a very promising figure in this sector. This represented 17.89% of the entire succession-planning present in the economy.

The same percentage goes for Board-approved strategy, which represented 15.25%, the worst contribution to the average Board strategy implementation metrics. Most of these SMEs were

Most of these SMEs were running on employer's intuition not Board approval. The ones that had strategies did not look like they were using them. Only a few of these had implemented their strategies efficiently.

SMEs Performance

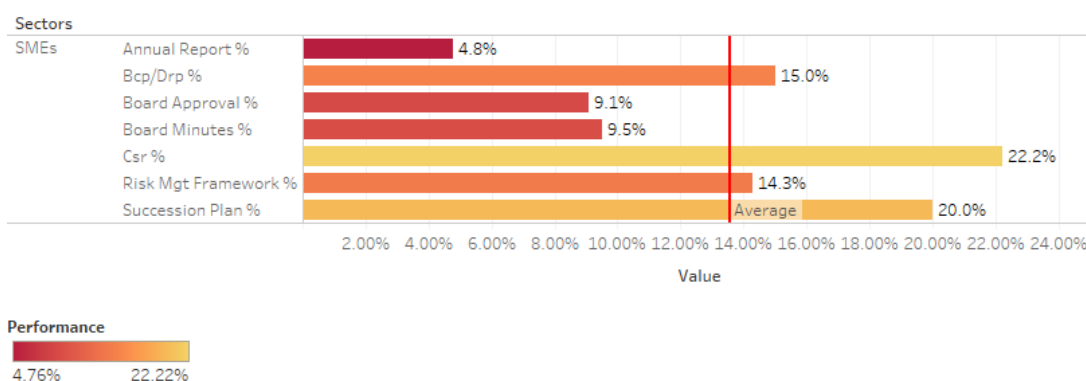


Fig 9

running on employer's intuition not Board approval. The ones that had strategies did not look like they were using them. Only a few of these had implemented their strategies efficiently.

While at least 88.98% of businesses had their risk management frameworks in place, SMEs contributed only 15.87%. Most of their frameworks were either not Board approved or had none.

However, with just 7.5% of the 65.22% of companies publishing annual reports, they recorded the worst turnover in this section. Only about 30% of SMEs publish annual reports. Stakeholders seem to remain in the bleak of their

companies' status quo.

Only 60% of the SMEs that were audited had quarterly Board meetings, which was 13.49% of the entire average. Three of them had bi-annual meetings while the rest had either annual or monthly meetings.

SMEs were well prepared for disaster and had business continuity plans in place. At least 62.5% of them had these papers in place, affecting 15.09% of the entire 73.33% presence.

All SMEs were compliant with CSR budgeting criteria contributing significantly and should be advised to continue the same trend.



Public Sector Enterprises

As the government strives to provide services to their citizens across the country while despite ability to pay, many public-sector enterprises have been set up to this effect. This analysis seeks to study the leading organizations in the public sector that are outstanding in Corporate Governance in the country. This cuts across Commissions, Agencies

and Parastatals.

Only 7.95% of public sectors contributed to the 86.9% number of organisations with a succession plan, evidence of terrible corporate governance in public institutions, something that continues to hinder public enterprises and parastatals, most government agencies have been

Evidence of terrible corporate governance in public institutions, something that continues to hinder public enterprises and parastatals, most government agencies have been managed by the same people for a long time. There is no clear way of succession in these entities.

Public Sector Performance

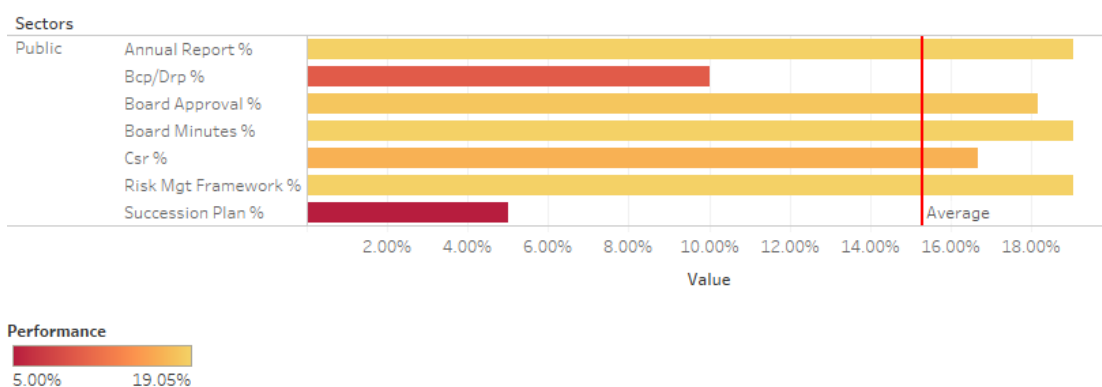


Fig 10

managed by the same people for a long time. There is no clear way of succession in these entities.

There were positives in Board-approved strategy where all surveyed government MDIs had one in place and it had been approved by the respective Boards. Most of their employees were well aware of it and the arrangement of the strategy documents was very tidy.

They also represented well in possession of a risk management framework attributed for a substantial 17.64% of the 88.9% companies with this documentation.

A good return on publishing annual reports sees the public sector attributed for 20.01% of the entire 65.22% share. However, being public enterprises, it would be best practice if all companies published annual reports for

transparency of the taxpayers' money.

80% of public enterprise Boards meet quarterly, while the remaining ones meet unevenly. This is 17.99% of the 73.91% of quarterly meetings which is deemed best practice.

While business continuity is essential in the private sector, public sector enterprises are not sleeping either. 60% of them have these plans in place to recover from disaster and guard against business decapitating risks. This apporitions 14.49% of the all-inclusive 73.3% of all the sectors in place.

Public sector enterprises are also patently involved in CSR, with 80% of their entities having CSR budgets in place.



NGOs

Over the recent years, the number of groups and institutions that are entirely or largely independent of government and characterized primarily by humanitarian or cooperative, rather than commercial objectives, have been set up. These Non-Governmental Organizations take on various activities in the country. This analysis seeks to diagnose the NGOs' Corporate Governance practices in the country,

both local and international.

All NGOs have succession planning in place, which is a very positive initiative. 100% of all their employees know the succession process and can adequately prepare themselves to fill in the footsteps of their predecessors.

On top of knowing the succession planning process adequately, their Board-approved strategy is passed along to all employees and executives.

NGOs are the worst prepared for disasters. Already without adequate risk management framework, their BCP and DRP documents are just 4.02% of the entire 73.3% of the incidence.

NGOs Performance

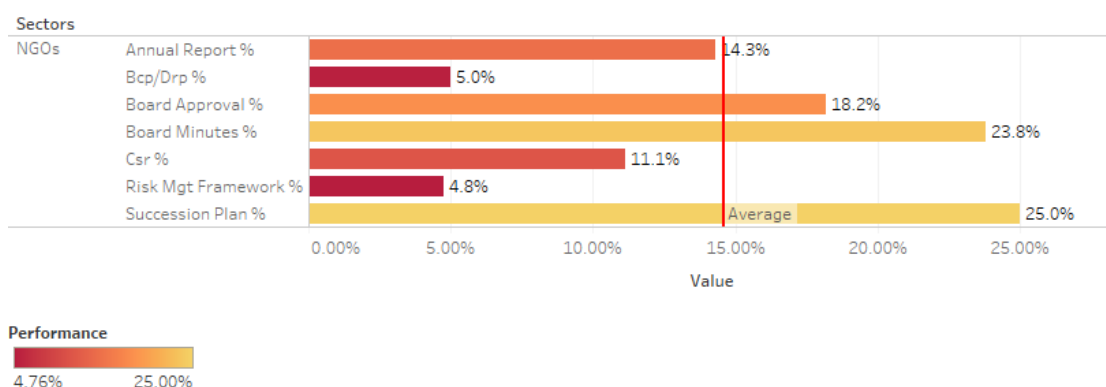


Fig 11

With 100% of them having these strategies, they are propelling corporate governance in the country.

However, they were the worst prepared for risk mitigation with a low turn up in risk management framework checks. They apportioned on 12.7% of the 88.98% companies with these policies and procedures with just 60% of the NGOs having this documentation.

Only 66.67% of NGOs publish annual reports, which allots for just 16.67% of the entire economy.

A massive 83.3% of NGOs hold their Board meetings quarterly, representing 18.7% of the wholesome. The other portion works annually due to

headquarters of most companies being overseas. It would be too costly for them to have quarterly meetings.

NGOs are the worst prepared for disasters. Already without adequate risk management framework, their BCP and DRP documents are just 4.02% of the entire 73.3% of the incidence.

With 66.67% having CSR budgets, the other portion attributes their business to be Corporate Social Investment, enough to cover the gap.



Insurance

In life, many unplanned events happen from day to day. To minimize the negative effects of these instances, Insurance companies have been set up to provide coverage, in the form of compensation resulting from loss, damages, injury, treatment or hardship in exchange for premium payments. This analysis seeks to identify Corporate Governance of companies providing insurance services to Ugandans. This includes both life and non-life insurance

companies.

At least 87.5% insurance companies have succession planning in place apportioning for 17.39% of the entire slice. It is good to have clear succession planning in place.

These companies follow a Board-approved strategy with 100% of them having this implemented which is promising for the highly demanding and growing sector.

Yet, being risk solution providers,

It seems insurance companies are the most cost efficient companies in meetings. Only 37.5% of them meet quarterly, 14.11% of the quarterly portion.

Insurance Performance

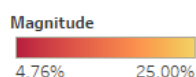
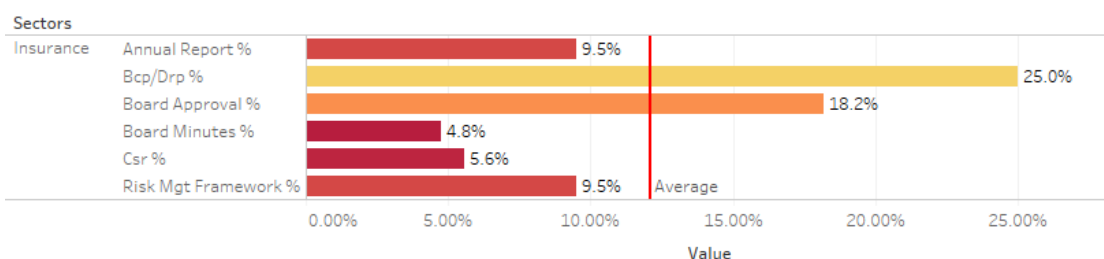


Fig 12

it's surprising that not all Insurance companies have risk management frameworks in place. They allocated only 14.11% to the entire 88.98% of companies with this documentation. I guess they only offer solutions but do not practice what they preach.

Only 16.67% of the entire 65.22% of annual reports publishing companies are for insurance. They literally hide most of their information from clientele and other stakeholders.

Based on eight insurance companies that participated in the corporate governance awards. It seems insurance

companies are the most cost efficient companies in meetings. Only 37.5% of them meet quarterly, 14.11% of the quarterly portion. This means they prefer to cut costs by meeting annually. Yet, these companies are highly competitive and need frequent Board checks.

Being risk solution providers, it is of no surprise that all insurance companies are covered by reinsurance policies and have BCPS and DRPs in place.

Regrettably, they are the sector with the least number of companies having a planned CSR budget contributing to a meagre 12.27% of the budgeted 87.23% of CSR economy wide.



Banks and Micro Deposit Institutions (MDIs)

Banking Performance

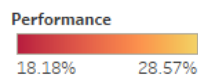
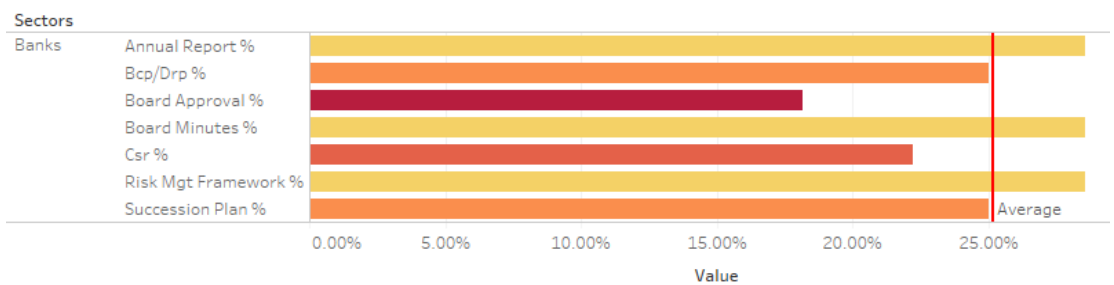


Fig 13

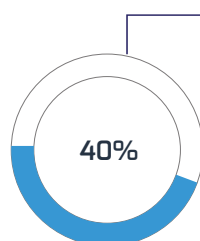
Even if banks and MDIs outperformed the rest of the industries in many of the areas, only 40% of these were open to corporate governance assessment. This is a worrying statistic in an industry that faces the biggest threats in governance.

The need for financial services in the country has been growing proportionately with the economy. As people try to find the best financial institutions, this analysis seeks to picture the banks and MDIs in terms of Corporate Governance.

All banking institutions that were assessed complied with King IV considering their regulation is very tight. It is promising to see that our banking institutions are doing well in corporate governance considering one of the top banks previously closed due to bottlenecks in the system. We advise

those that withdrew to pick a leaf from the other institutions.

Even if banks and MDIs outperformed the rest of the industries in many of the areas, only 40% of these were open to corporate governance assessment. This is a worrying statistic in an industry that faces the biggest threats in governance. Big banks have fallen in the past due to poor governance. However, with only two fifth of the entire industry was open for assessment.



of these were open to corporate governance assessment. This is a worrying statistic in an industry that faces the biggest threats in governance.



Banking Continues to thrive whilst Insurance sector struggles implementing the right policies and procedures

The insurance sector was the worst performing sector in corporate governance, only scoring 16 from the weighted index. Indeed, there are many areas to improve.

We scored the industries against each other where banking emerged as the leading practitioner of corporate governance with a score of 34, closely followed by large private sector who scored 25. Public Sector Enterprises (20), NGOs (19), and SMEs (18) followed respectively; Insurance remains the worst at complying with corporate governance in Uganda with just 16.

Only MDIs and large private sector scored above average. However, the performance that stunned analysts was the turnover from the insurance sector, a highly regulated segment, doing very badly in corporate governance. The insurance sector was the worst performing sector in corporate governance, only scoring 16 from the weighted index. Indeed, there are many areas to improve.

Publishing and sharing annual reports remains the worst performed area with most companies in Uganda ignoring this crucial metric. While most of the companies blamed it on not exposing themselves to competition, this does not conform to corporate governance best practices.

Although MDIs dominated the proceedings, their filing and organisation was also lacking in many

areas. In fact, one of the SMEs had the best filing procedures, a promising metric for the growing sector and this undermined the much-anticipated banking sect.

While a significant portion of Boards meets quarterly, this doesn't guarantee Board approved documents as we noticed in most of the companies.

Most of the risk management frameworks lacked important sections like the risk logs, register. There was an impressive number though that had their risks listed which is a positive move from the businesses. However, there was a small number of companies that implemented risk management software to ensure

Another worrying area was the possession of Business Continuity and/or Disaster Recovery Plans. Though most companies clearly expressed their business continuity verbally, their documents didn't say much. Very little cover was given to most of their delicate and yet important areas like data security. Only a handful of firms had implemented data security measures. When all's said and done, we are not there yet but are getting there.





Summary Statistics

Fig 14

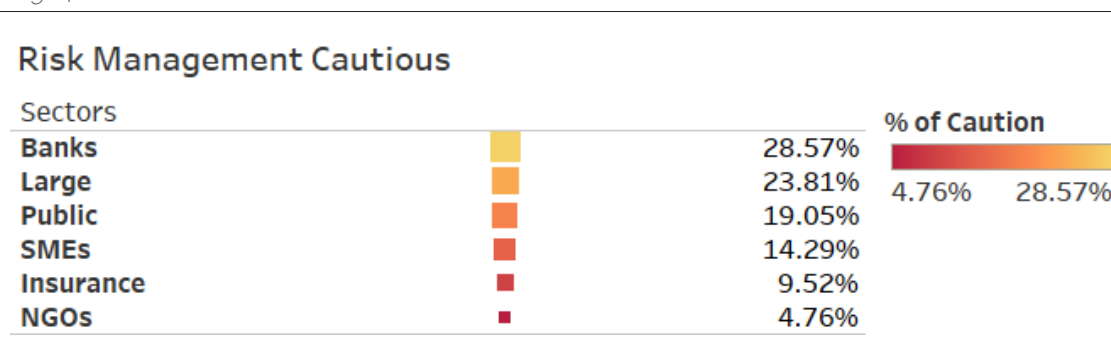


Fig 15

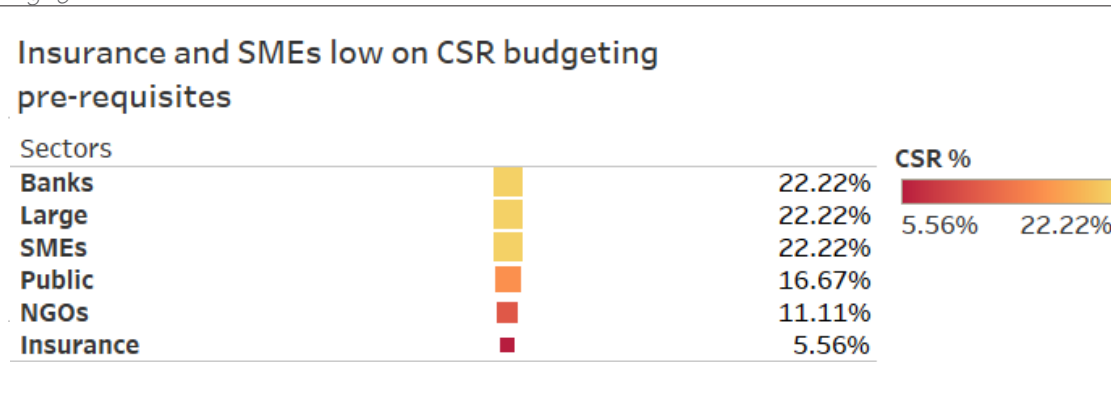


Fig 16

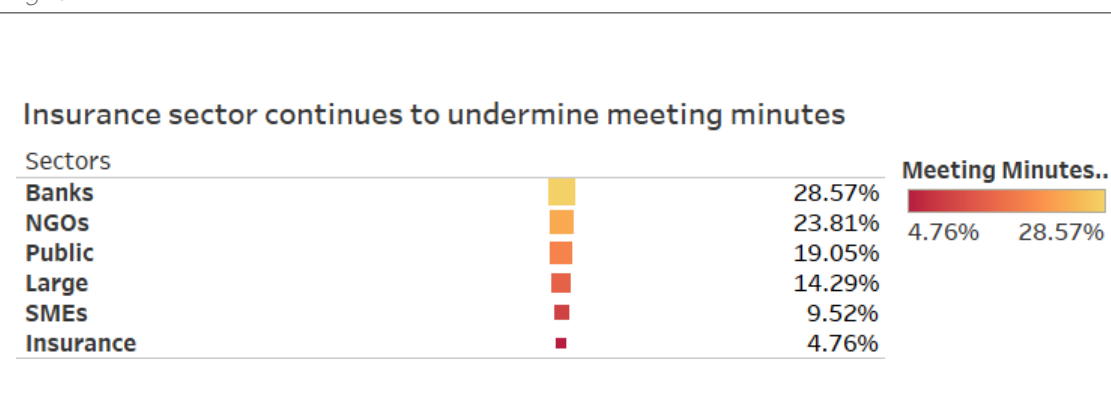


Fig 17











Fig 18

Insurance and SMEs low on CSR budgeting prerequisites

Sectors

Banks		22.22%
NGOs		11.11%
Public		16.67%
Large		22.22%
SMEs		22.22%
Insurance		5.56%

CSR budgeting

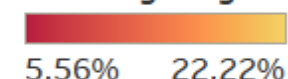


Fig 19

Insurance and SMEs low on CSR budgeting prerequisites

Sectors



CSR Budget

Sectors

-  Banks
-  NGOs
-  Public
-  Large
-  SMEs
-  Insurance





Team biographies



Mustapha B. Mugisa is one of those rare people who provide value-based consulting to professionals and corporate entities who demand the very best. He is a prolific speaker, a strategy, risk and anti-fraud expert.



Francis Xavier Mukembo is an experienced data analytics professional who provides consulting services in different analytics solutions for decision-making, business intelligence, data visualisation, performance and risk management. He has worked on projects with various MDAs, banks, insurance, telecoms, and more, in areas of Forensics, Risk, Business Intelligence and Security.



About the Institute of Corporate Governance of Uganda (ICGU)

The Institute of Corporate Governance of Uganda (ICGU) was incorporated in December 1998 as a company limited by guarantee. It is a not-for-profit organization. The Institute derives its mandate from the Memorandum and Articles of Association and it is governed by an 11-member Council and a Secretariat headed by a Chief Executive Officer.

Focus

ICGU's strategic focus embodies five key objectives, namely:

- Building national capacity in corporate governance;
- Broad communication and awareness;
- Advocacy for targeted laws and policies to enhance corporate governance;
- Membership development and;
- Sustainability of ICGU as an organization.

ACTIVITIES UNDERTAKEN TO PROMOTE CORPORATE GOVERNANCE IN UGANDA

The development of Corporate Governance in Uganda is being undertaken through the propagation of best practice and highest standards of ethical conduct mainly through the following activities:

Membership Development

ICGU is a membership-based organization that draws its membership from diverse professions, businesses and institutional sectors now at 94 corporate members and 700 individuals. Training in Corporate Governance ICGU conducts customized workshops and general trainings in Corporate Governance for Boards and Executive Managers of Public and Private Enterprises, SMEs and Non-Governmental Organizations.

Course modules are diverse with a range of themes:

- Principles and practices of Corporate Governance
- The role and functions of the Board
- Corporate Governance and appreciating financial statements
- Business strategy
- Risk Management
- Corporate Governance and the Law
- Corporate Governance and Human Resource
- Company Law
- Corporate Ethics and Social Responsibility
- Policy formulation and stakeholder management
- Corporate Governance and business operating environment.
- ICT and Corporate Governance
- Conducting effective Board meetings
- Board dynamics and the concept of groupthink
- Meeting the Board of Directors' expectations.

In addition, we offer customized packages to meet specific needs as per customer needs.

Technical Assistance

ICGU conducts specific technical assignments for big and small entities. Such assignments include developing handbooks on corporate governance, codes of conduct and best practice, evaluation of board performance and developing board manuals, among others.

These assignments enhance performance of corporate boards and provide vital benchmarks for strengthening compliance.

Public Sensitization

ICGU conducts Public awareness lectures for directors and senior executives of

enterprises, business leaders and the general public on several themes in the area of Corporate Governance. The Key goals in this area are to promote corporate governance principles and practice, to attain broader endorsement and to improve ICGU's image and visibility as the "flag-bearer" of corporate governance in Uganda.

Partnership with Development Partners

ICGU is in partnership with the Global Corporate Governance Forum of the World Bank (GCGF), Commonwealth Secretariat, International Corporate Governance Network (ICGN) and African Development Bank, African Corporate Governance Network (ACGN), Institute of Directors, South Africa, Centre for Corporate Governance, Kenya, Institute of Directors, Nigeria, IoD Mauritius, IoD Ghana, IoD Tanzania, IoD Zimbabwe, IoD Egypt, IoD Tunisia, IoD Malawi, IoD Morocco, IoD Mozambique, IoD Kenya, Institute of Directors Ethiopia, among others.

This collaboration has made it possible for ICGU to access the latest information on the subject of Corporate Governance.

The increase in individual and corporate membership and visibility of ICGU has helped to enhance Corporate Governance in Uganda.

Numbers do matter and thus the partnerships and member development which is our key outlook.

For more information;

Website: www.icgu.org

Email: icgu@icgu.org

Facebook: Institute of Corporate Governance of Uganda

Tel: 041-4-250239/7



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About the Sponsors of the ICGU Corporate Governance Award

Grant Thornton



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Anil Patel, Managing partner

Grant Thornton is a leading business adviser that helps dynamic organizations to unlock their potential for growth. Our brand is respected globally, as one of the major global accounting organizations recognized by capital markets, regulators and international standards setting bodies.

Over the last three years we are the fastest growing large accounting organization and we are constantly evolving and developing alongside our clients’.

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Privately owned, publicly listed and public sector clients come to us for our technical skills and industry capabilities but also for our different way of working. Our partners and teams invest the time to truly understand our client’s business, giving real insight and a fresh perspective to keep them moving.

Whether a business has domestic or international aspirations, Grant Thornton can help our client’s to unlock their potential for growth.

Grant Thornton Uganda

Grant Thornton Uganda emerged from an audit firm that was established in 1939 as A.M.Shah & Sons based in Jinja. With a team of over 100 people, we are the one of large professional services firm in Uganda offering a wide range of business advisory services in addition to audit, tax and outsourcing services.

The young and vibrant team is focused on providing quality services our clients can rely on and ensuring high levels of client satisfaction.

We provide various Audit, Tax and Advisory services to almost all sectors of Economy and have proven track record of providing Value added and dynamic services to all our satisfied clients

We work closely with Grant Thornton member firms in Africa and around the world. This means we can offer our clients access to services from around the network to establish and grow their business in the region.

Experience of the firm

We have over 50 years experience of working in African conditions and a reputation for diligence, knowledge and independence.

Mission

Our mission, as an organization of professionals, is to service our clients by understanding them and helping them identify their needs. We are committed to providing the most efficient and expeditious services, while always maintaining the highest ethical standards.

Our Values:

- Collaboration – we work well together
- Leadership – we challenge each other to be the best
- Excellence – we never get complacent
- Agility – we thrive in change
- Responsibility – we own our actions
- Respect – we create honest relationships

We use the following approaches on our social responsibility



- **Commit:** Make a commitment to take action in the future



- **Share:** Take the time to share our success stories and commitments on social media



- **Act:** Take action by volunteering our time or making a financial contribution toward a socially responsible cause



About Summit Consulting

Summit Consulting Ltd is a professional services firm offering proactive and Practical Toolkits and Educative Workshops that help our clients to improve by selling more, cutting costs, raising employee morale and transforming the business. We are the trusted advisor and counselor to many of the most influential businesses and institutions in the region.

We improve the client's condition in our three specialty service offerings:

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2. summitADVISORY: Grow your revenue and make stakeholders happy. Get practical tools to grow your profits and transform your business. Craft a winning strategy. automate your risk management processes. Motivate your staff. Our experts will work with you to improve your condition.

3. summitSECURITY: We offer a 360 degrees cyber security solution. From external security reviews to overall IT governance and vulnerability assessments including helping you align your overall cyber security resilience framework to your IT strategy and enterprise strategy. This helps you save money, time and worries.



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