

Consultative Document

Principles for enhancing corporate governance

Issued for comment by 15 June 2010

Some comments

=====

Disclosure & Transparency

- Companies are required to publish their memorandum of association and any amendments and to disclose composition of ownership and the board, and capital.
- Public companies are required to submit annual audit reports. Other forms of companies are required to submit annual audit reports.
- The annual audit report and the accounts of a company as required by the law is the principal way in which directors make themselves accountable to the shareholders.
- Further disclosure of non-financial nature should be required, especially any material adverse conduct or foreseeable risk factor.

External auditors

- Annual reports and accounts must be prepared by external auditors who must be independent. External auditors are appointed by the shareholders.
- The law specifies provisions on the qualifications as well the duties and responsibilities of the auditors.
- The auditors are required to report to MOIC any violations they discover.
- The draft Commercial Companies Law provides for establishing an audit committee to supervise the audit and help ensure independence and objectivity of the internal and external auditors.

Shareholders & BOD

- Shareholders have the right to nominate, elect, and remove board members by ordinary resolution (conducted by secret ballot).
- The law specifies the requirements of board members and their powers but there is no formal legislation or guidance on the professional qualifications, skills, expertise or standard required from board members; or the duties, roles and responsibilities of board members. The draft Commercial Companies Law and the Corporate Governance Code contain greater detail on this.
- Directors must disclose to the board and to the shareholders any conflict of interests. The law is unclear on which dealings are excluded from this prohibition and the draft Commercial Companies Law and the Corporate Governance Code give a more clear definition of conflict of interests.
- To further address the lack of independence of directors in the prevalence of controlling shareholders and to ensure fairness for minority shareholders, the draft Commercial Company Law and the Corporate Governance Code introduce the requirement to form audit, nominating, and remuneration committees and provide rules for their composition, function and authority.

Tarek Youssef
External Auditor
Corporate Governance Expert
CG Instructor / Trainer
Banks & Financial Institutions
Cairo – Egypt

=====

Tyoussef@link.net

Tyoussef@gtegypt.org