THE MOST ADVANCED PRACTICE OF CORPORATE GOVERNANCE IN THE BRICS STATES

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Abstract

This article reflects on the most advanced practice of corporate governance in the BRICS states. In particular, information is provided on the features of corporate governance in BRICS states, the legal and institutional framework of corporate governance, the structure of the council in states and the role of independent directors, the rights of shareholders and the regulatory bodies of corporate governance. The advantages of corporate governance in BRICS states are widely covered.

Keywords: BRICS states, corporate governance, legal framework of corporate governance, most advanced practice, shareholders, independent directors, boards and committees.

Introduction

In the world economy, corporate governance determines the socio-economic development of society, now corporate governance is changing and improving in the countries of the world. Corporate governance divides the system of interaction between the managing directors of the company, its supervisory board, shareholders as well as all interested persons. Also, corporate governance creates a system in which the goals of the company are set, and the means of achieving these goals and controlling the results of the company's activities are set.

The role of modern corporate governance in order to stimulate the interests of shareholders and increase the value of shares in the whole world is incomparable. Modern corporate governance is a key issue in creating an effective market economy based on the rule of law. Misuse or exaggeration of corporate power by managers, owners, and shareholders who own a control equity package will harm both domestic and foreign investors. Therefore, to improve the practice of corporate governance, it is required to introduce modern standards and principles that establish fair corporate relations, as well as foreign advanced experience and practice of corporate governance.

Analysis of thematic literature

Today, the study of mature and modern experience in the practice of corporate governance in the world, as well as the skills formed, is one of the pressing issues.

R.I.Triker, from foreign scientists, in his works says that, “”

Xorijiy olimlardan R.I.Triker o‘zining asarlarida – “Corporate governance is concerned with maintaining a balance between economic and social goals and individual and collective goals. The management system exists to promote the efficient use of resources and equally to demand responsibility for the management of these resources. The goal is to adapt the interests of individuals, corporations and society as much as possible”[1].

After, Sir Edrian Kedbery states that “corporate governance is a system in which companies are managed and controlled. Boards of directors are responsible for managing their companies. After describing the role of shareholders in management as appointing directors and auditors to the relevant management structure and satisfying themselves”[2], the phrase corporate governance became popular.

A.C.Fernando stated in his report that “corporate governance includes a system that manages and controls corporations. It argues that the system includes regulatory and legal mechanisms, as well as voluntary practices and processes that influence how a corporation operates and how it achieves its goals”[3].

Robert Monks and Nell Minow argue that “corporate governance is a system of principles, policies, procedures and clearly defined responsibility and accountability used by stakeholders to address conflicts of interest inherent in the corporate form”[4].

According to the definition of the organisation for Economic Co-operation and Development (OECD), “corporate governance includes a set of relationships between the company's management, its management, shareholders and other stakeholders. Corporate governance also provides the structure in which the objectives of the company are implemented and determines the control over the methods and implementation of achieving these objectives”[5].

According to the definition formulated by the International Finance Corporation (IFC), “corporate governance is a system that manages and supervises farm corporations. The structure of corporate governance determines the distribution of rights and obligations of various participants of the corporation, such as the board of Governors, managers, shareholders and other interested parties, and also determines the rules and procedures for making decisions on corporate issues”[6].

Also, local scientists Z. Ashurov, F. Jalilov, B. Urinov interpret the modern phrase corporate governance as: “this is a certain system of interaction between the management of an organization, its shareholders and the board of directors. Its main purpose is to exercise control over corporate activities. Modern corporate governance, based on international standards and aimed at implementing the company's goals and development strategies, allows the company to ensure financial strength and its ability to operate in the long term as a profitable organization, as well as promote the strengthening of the competitiveness of the whole country”[7].

These definitions focus on key elements of corporate governance, including stakeholder relations, the role of boards of directors, distribution of rights and obligations, responsibility, oversight, and protection of shareholder interests.

In addition, scholars and practitioners often discuss specific aspects and principles of corporate governance such as board independence, executive compensation, risk management, shareholder activism, and the role of institutional investors.

In general, corporate governance is a multifaceted concept that includes legal, regulatory, ethical and cultural elements. It provides a framework for ensuring effective control, responsible decision-making, and protection of stakeholders ' interests in the context of corporate operations and governance.

Research methodology

The basis of the research methodology is a systematic analysis by the author on the most advanced practice of corporate governance in the BRICS states, materials on the analysis of selective literature. Also, scientific research methods such as generalization, comparison, analysis were widely used in the research process.

Analysis and results

BRICS (Brazil, Russia, India, China, South Africa) is an inter-State Association, an alliance that unites the states of Brazil, Russia, India, China, South Africa, UAE, Saudi Arabia, Iran, Egypt and Ethiopia. The organization was founded in June 2006 (as BRIC) at the St. Petersburg Economic Forum by the ministers of economy of Brazil, Russia, India and China. In the following years, South Africa also joined the organisation. BRICS members ' economies are represented as fast-growing large countries. We can see that the economy of their country has developed, positive stability, strength and a lot of resources for the world economy.

Brazil is ranked 7th in the world in terms of gross domestic product parity in the world economy, rich in agricultural products. Russia is rich in mineral resources in the world economy at the same time ranked 5th-6th in gross domestic product, has the largest territory and is one of the two largest nuclear powers in the world.

India is ranked 3rd in the world in terms of GDP equality in the world economy, with more than one billion inhabitants. Rich and poor, whose inhabitants are divided into two different classes, with intellectual resources, have great power with their Atom.

China is at the 1st place with the development of gross domestic product and economy in the world economy at the same time has the world's first exports, the world's largest foreign exchange reserves, the world's largest population and nuclear electricity. South Africa has a 25-29 place in the world economy with equality of gross domestic product and economy, natural resources are the main force.

A $ 100 billion venture fund was established through the Central Bank of BRICS member states. The purpose of this fund is to protect BRICS states from changes found in foreign exchange markets. On January 1, 2024, Saudi Arabia, Egypt, Iran, UAE and Ethiopia became full members of the BRICS organization.

Features of corporate governance in Brazil:

In Brazil, corporate governance is regulated mainly by the Brazilian corporation law (Lei das Sociedades por Ações) and the rules of the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários or CVM). These laws define the basic principles and rules of corporate governance in the country.

Brazilian companies generally adopt a dual board structure consisting of a board of directors (Conselho de Administração) and an executive board (Diretoria Executiva). The board of Directors is responsible for making strategic decisions, supervising management activities, ensuring compliance with the requirements of legislation and regulatory documents. The boards of Brazilian corporations must have a minimum number of independent directors. Independent directors think impartially without any conflict of interest with the company or its management.

Shareholders in Brazil have several rights, including the right to attend general meetings and vote, the right to receive dividends and the right to receive information about the company's work. Shareholders also have the right to show and elect members of the board of directors.

Brazilian companies are required to undergo an external audit by independent auditors to ensure the correctness and transparency of their financial statements. CVM requires companies to disclose relevant information to the public and investors through periodic financial statements and other information.

The Instituto Brasileiro de Governança Corporativa (IBGC) has developed a code of best practices in corporate governance. While compliance with the code is voluntary, many Brazilian companies seek to adhere to its principles, covering various aspects of corporate governance, including management structure, shareholder rights, and disclosure practices. CVM is the regulatory body responsible for monitoring and applying corporate governance standards in Brazil. It has the power to investigate and punish companies and individuals for failing to comply with regulations.

Corporate governance in **Russia** has its own characteristics. Corporate governance in Russia is mainly regulated by the Russian Civil Code, federal law on Joint-Stock Companies and other relevant legislation. These laws provide the basic legal framework for the practice of corporate governance in the country.

A notable feature of corporate governance in Russia is the prevalence of concentrated property. Many Russian companies have a large share, which belongs to a small group of shareholders, often called “oligarchs”. This ownership structure can affect decision-making processes and management dynamics. State-owned enterprises (SOE) play an important role in the Russian economy. The state often has a control package of these companies, which can affect the practice of corporate governance. State enterprises have additional rules and control by state bodies.

Russian companies generally have a two-tier board consisting of an supervisory board (also known as a board of directors) and an executive board. The supervisory board is responsible for making strategic decisions, supervising management activities and ensuring compliance with legislative requirements. Independent directors are an important component of corporate governance in Russia. According to the law, there must be a certain number of independent directors in the management of open Joint-Stock Companies. In Russia, the rights of shareholders are protected by law. Shareholders have the right to attend general meetings and vote, receive dividends, receive information about the affairs of society. Shareholders may exercise their rights individually or as part of a Shareholder Association.

Russian companies are obliged to disclose certain information to the public and investors. This includes financial statements, annual reports and other related information. However, the degree of transparency and transparency practices can vary between companies. The Bank of Russia, the federal financial market Service and other regulatory bodies control the practice of corporate governance in Russia. They have the authority to monitor compliance with regulatory legal acts and check cases of non-compliance.

Corporate governance in **India** has several distinctive features.

The Securities and Exchange Board of India (SEBI) regulates corporate governance for listing companies through various guidelines and regulations.

Indian companies typically have a unitary board structure consisting of a board of directors. The council is responsible for making strategic decisions, supervising management, ensuring compliance with the requirements of legislation and regulatory documents. The Companies Act establishes certain requirements for the composition of the board of governors, including the existence of independent directors. Independent directors play a decisive role in corporate governance in India. The Companies Act requires that certain categories of companies, such as listed companies and open companies with a certain level of share capital or turnover, have a minimum number of independent directors on their boards. Independent directors are expected to bring impartiality, independence and various perspectives to the board's discussion.

Shareholders in India have various rights and protections. These include the right to attend and vote at general meetings, the right to receive dividends, the right to inspect corporate records, and the right to appoint and elect directors. Shareholder activism and participation have played a significant role in the protection of shareholder rights in institutional investors and Proxy Consulting Firms in recent years.

The Securities and Exchange Board of India (SEBI) has issued several guidelines and regulations to improve corporate governance practices in listing companies. These include board composition, transparency and transparency requirements, agreements with related parties, and directives on the role of independent directors.

Indian companies must undergo regular audits by independent auditors to ensure the accuracy and transparency of their financial statements. The Companies Act requires that financial statements and Annual Reports be submitted to the listing companies Exchange, which are open to the public. The financial report emphasizes increased attention to information transparency and increased transparency.

Indian corporate governance typically has various council committees to address specific areas of governance. In particular, it consists of the audit Committee, the awards committee, the candidates and the steering committee, the risk management committees. These committees are responsible for ensuring compliance, controlling specific functions, and providing specialized expertise.

The Ministry of Corporate Affairs, SEBI and other regulatory bodies oversee corporate governance practices in India. They have the authority to ensure compliance with regulatory legal acts, check cases of non-compliance and apply penalties for offenses.

The corporate governance system for companies in India is mainly regulated by the Companies Act 2013 and the regulations issued here. The corporate governance laws and regulations of India cover the general issues of governance bodies, shareholders and other stakeholders, transparency and accountability and corporate social responsibility. Law - consists of 4 chapters and is regulated through these issues.

1) general rules;
2) shareholders;
3) other stakeholders;
4) transparency and accountability.

Corporate governance practices of listing companies in India come from a combination of mandatory requirements, voluntary guidelines and market forces. As an example, the five governance rules specific to India include board assessment, auditor rotation, Corporate Social Responsibility ("CSR") costs, one female director and one-third independent directors, and mandatory dividend disclosure requirements. Listing companies in India are regulated by the Securities and Exchange Board of India ("SEBI") and are subject to the rules,orders and guidelines issued by it.

The Companies Act requires the director to disclose the following information: (I) share of shares in any company or corporate body, firms or other union of individuals; and (II) the nature of interest; and if a company has a share of more than 2% of one or more directors, or is the manager or CEO of that body, the company offers to conclude a contract or agreement with the corporate body, refusing any discussion and vote.

Each company is required to hold at least four board meetings in a year, with no more than 120 days between the two meetings. In accordance with the Companies Act, the independent directors code requires identifiers to hold at least one meeting per year without the participation of other directors and board members.

Under Indian law, the environment and shareholders are equally positioned in terms of the director's trust responsibility. Section 166 of the Companies Act, which regulates the "obligations of Directors", states that "environmental protection" is the primary stakeholder in whose interests the directors must act.

In addition, all companies that meet the specified financial limit are required to establish a Corporate Social Responsibility (CSR) ommittee to oversee CSR policies and activities. In each financial year, CSR's activities are directly required to spend at least 2% of the average net profit of the respective companies over the previous three years. The council's report should include a report on CSR, details of the CSR committee in the annual report, a brief description of CSR policy, fixed CSR costs, spent and unfunded funds, executive agency details, etc. In addition, as mentioned above, SEBI has implemented BRSR / BRSR Core reporting requirements to ensure standardized disclosure under ESG parameters for the benefit of investors

Corporate governance in **China** has its own characteristics.

Corporate governance in China is influenced by the state's participation in the economy. The government plays an important role in setting policy, regulating networks, and maintaining control over state-owned enterprises. State-owned enterprises have a unique structure of management, with the state acting as a controlling shareholder and often having a dominant role in decision-making.

Chinese companies typically consist of a dual board structure consisting of a board of directors and a board of observers. The board of Directors is responsible for making strategic decisions, while the board of Supervisors oversees the behavior of the board of directors and the management team, ensuring compliance with laws and regulations.

State-owned enterprises are an important part of the Chinese economy. They are subject to special rules and management requirements. The government exercises control over these enterprises by appointing key leaders and board members, and they often serve broader national economic purposes.

Chinese companies, especially large state-owned enterprises, have party committees in their organizational structure. These committees are responsible for ensuring compliance with the policies and guidelines of the Communist Party of China. Party committees may influence decision-making and corporate governance practices.

Many Chinese companies have a concentrated shareholder structure, with significant property shares held by a small group of shareholders, including those associated with the state or state. This concentrated ownership affects decision-making processes and management dynamics. Independent directors play a role in corporate governance in China. However, the independence of Directors is sometimes influenced by the state or controlling shareholders.

In Chinese corporate governance, there has been an increased focus on information disclosure and increased transparency. The China Securities Regulatory Commission (CSRC) is credited with introducing rules and guidelines aimed at improving information disclosure, financial statements, and corporate governance practices, specifically for listing companies. Regulatory bodies such as the CSRC and the Ministry of Finance oversee corporate governance practices in China. They issue rules, guidelines and policies to promote good governance and ensure compliance.

Corporate governance in **South Africa** has a number of important features.

South Africa has a well-established corporate governance system known as the Royal Governance Code for South Africa. The Royal Code provides principles and guidelines for effective corporate governance practices in the country.

South Africa's corporate governance emphasizes stakeholder inclusion. The royal code advances the idea that companies must take into account the interests of various stakeholders, including shareholders, employees, customers, suppliers, communities and the environment. This approach is aimed at developing sustainable and responsible business practices.

South African companies typically have a unitary board structure consisting of a board of directors. The council is responsible for making strategic decisions, monitoring management activities, ensuring compliance with the requirements of legislation and regulatory documents. The board is expected to be diverse and independent, with executive and non-executive directors intervening. Independent directors play a decisive role in corporate governance in South Africa. The royal code recommends that councils have a majority of independent directors who are free from conflict of interest and who think independently when making decisions. Independent directors act in the interests of the company and its stakeholders.

South Africa has a particular focus on promoting economic change and inclusion through its comprehensive Black Economic Empowerment (B-BBEE) policy. B-BBEE aims to address historical imbalances by increasing black participation in the economy. Companies are encouraged to adopt B-BBEE strategies and report on their success in their annual reports.

Much attention is paid to sustainability and integrated reporting in the corporate governance of the country. Companies report on environmental, social and management (ESG) activities as well as their financial performance in a holistic and integrated manner. Integrated Reporting provides a comprehensive view of the company's value creation and impact.

The Companies Act, 2008, provides the legal framework for corporate governance in South Africa. The companies and intellectual property Commission (CIPC) and the Johannesburg Stock Exchange (JSE) oversee compliance with corporate governance regulations. JSE requires listing companies to comply with various listing requirements and disclosure obligations.

Shareholder activism has become increasingly popular in South Africa. Institutional investors such as pension funds and asset managers are increasingly concerned with companies on corporate governance issues and are in favor of improving management practices. Shareholders have the right to vote, attend general meetings and express their opinion on community issues.

Advantages of corporate governance in BRICS states

№	Significant achievements in corporate governance in BRICS countries	Advanced practice in corporate governance
1	BRICS countries have introduced or strengthened their own corporate governance codes and regulations, such as the Indian Companies Act 2013 and China's revision of the corporate governance code for listed companies.	These reforms are aimed at improving the structures of the council, increasing the requirements for disclosure of information and strengthening the protection of shareholder rights.
2	BRICS countries have stressed the importance of independent, non-executive directors on corporate boards to ensure objective control and increase accountability.	India and China ordered the inclusion of independent directors in the boards of listing companies.
3	BRICS countries are trying to strengthen the transparency and disclosure of financial and non-financial information by listing companies.	This includes requirements for detailed reporting on corporate governance practices, interrelated agreements, and sustainability-related information.
4	Shareholder activism to hold corporations accountable and promote good governance practices is growing step by step, particularly by institutional investors.	For example, in Brazil's Novo Mercado listing segment, there are strict corporate governance requirements that have attracted more involved shareholders.
5	BRICS countries are adapting and adopting various international corporate governance systems and standards, such as OECD corporate governance principles and International Corporate Governance Network (ICGN) guidelines.	This helped adapt their management practices to global norms.
6	In BRICS countries, there is increasing emphasis on adding environmental, social and management (ESG) considerations to corporate decision-making and reporting.	This reflects a broader shift towards more sustainable and socially responsible business practices.

Conclusion

Currently, the improvement of the corporate governance system and the elimination of factors affecting it are important issues, and a number of Main documents are being adopted in the BRICS states. Also, using international standards in improving corporate governance, an effective system of compliance with the principles of corporate governance of the OECD is being created. A number of works are being carried out in order to protect and alleviate the realization of the rights and interests of shareholders and to ensure equal relations with all, including minor and foreign shareholders.

On the regulation of corporate governance, BRICS has the right to establish rules that the position of states corresponds to public order, public interest, fairness, respect for the rights of owners and other interested parties. At the same time, both legislative and advisory norms are actively developing in the BRICS states. In fact, over the past years, completely new principles of adopting new codes of corporate governance and compliance with the rules of recommendation have been introduced.

In summary, corporate governance practices in the BRICS countries (Brazil, Russia, India, China and South Africa) have similarities and differences based on the relevant legislative framework, cultural contexts and economic systems.

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