Introduction

Corporate governance is of great importance for society, since corporations are the main employers and taxpayers, bear the social burden, and the well-being and stability of both the states themselves and the peoples inhabiting them depend on the sustainability and stability of corporations.

At the same time, a corporation is understood in a broad sense as a community of people united to achieve a common goal, which can include both a commercial corporation created to make a profit, and non-profit corporations — public, political, religious organizations that have a huge impact on the political and social situation in society.

There is also an inverse relationship — crisis phenomena in the corporate environment cause global crises in the economic, political, social sphere, examples of which are enough — from the Great Depression of the 20s and 30s of the XX century, the trigger for which was the collapse of corporate stock prices on the stock market, to the crisis of 2008, which was launched by the crisis of corporations in the financial and insurance sectors. We also observed the collapse of the Russian stock market in the spring of 2023 as a result of anti-Russian sanctions and the rapid recovery growth of 2023, the global banking crisis of early 2023, which was extinguished by additional emission of dollars and euros and mergers and acquisitions in relation to the world's largest banks.

We observed the same picture throughout the post-Soviet space in the 1990s, when the mass closure of manufacturing enterprises, including city-forming ones, the crisis of non-payments, delays in wages for months or even years caused acute political and social problems — a drop in the population’s income, an increase in crime, a drop in the birth rate, mass migration of residents from their countries.

And in 2022–2024, we are seeing similar crises in the energy and industry of the European Union as a result of the reverse effect of anti-Russian sanctions. These crises of European corporations cause a drop in the standard of living of the population of European countries and an increase in social tension. Thus, the importance of corporate governance issues continues to persist, and in light of the impending new wave of the global economic crisis and the revision of the "rules of the game" in corporate governance, the relevance is only increasing.

Chapter 1. Corporate Governance: Definition, Meaning and Principles

1.1. Approaches to Corporate Governance

There are several approaches to defining corporate governance:

– can be defined as an activity related to the functioning of a corporation;

– can be defined as a set of mechanisms used to maintain an adequate balance between the rights of shareholders and the needs of the board of directors and management in the process of managing a company.

The main task of corporate governance is to maintain a balance of responsibilities between interest groups.

The key definitions will be those adopted by the OECD and the Bank of Russia.

Corporate governance is defined as the relationship between the top management of a corporation, its board of directors, shareholders and other stakeholders.

It defines the framework within which the corporation's objectives are set, the means of achieving these objectives and monitoring their implementation.

Good corporate governance should create incentives for the board and administration to strive to achieve goals that meet the interests of the company and shareholders, and facilitate effective monitoring, thereby pushing firms to use resources more efficiently (OECD, "Principles of Corporate Governance", 1999).

In 2014, the Principles were updated and formed into the G20/OEC Principles of Corporate Governance[1].

The Bank of Russia also provides a definition of corporate governance[2].

"Corporate governance is a concept that covers the system of relationships between the executive bodies of a joint-stock

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[1] OECD (2016), Principles of corporate governance G20/ OECD, OECD Publishing, Paris.

[2] Letter of the Bank of Russia dated April 10, 2014 No. 06-52/2463 "On the Corporate Governance Code".

company, its board of directors, shareholders and other stakeholders. Corporate governance is a tool for defining the company's goals and the means to achieve these goals, as well as ensuring effective control over the company's activities by shareholders and other stakeholders." The goals of corporate governance include:

- ensuring the safety of shareholders' assets;
- efficient use of shareholders' assets;
- reducing investor risks;
- increasing the investment attractiveness of the company and the value of its shares.

The universality of corporate governance principles allows investors in different countries to understand the unity of corporate governance principles, understand the unity of the content of reports and the logic and procedures for decision-making by management bodies. The corporate governance system (corporate governance triangle) is presented in *Fig. 1*.

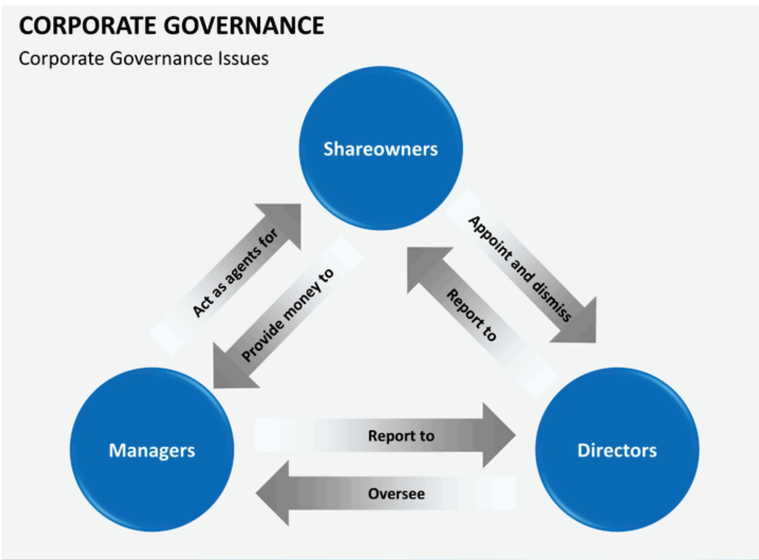

Fig. 1. Corporate governance triangle

The key elements of the corporate governance system are presented in *Table 1*.

Table 1

Elements of the corporate governance system
(developed by the author)

№	Stakeholder group	Individual goals
1	Managers	Maximization of wages, growth of company assets as an indicator of their professional qualifications, growth of staff, private benefits
2	Employees	Maximization of wages
3	Consumers	Maximization of consumer benefits from exchange
4	Commercial partners	Maximization of operating profit from the implementation of contracts with the corporation
5	Financial intermediaries and providers of financial resources	Maximization of operating profit
6	Bond holders	Maximization of wages

The corporate governance system and its basic elements also include a balance of rights and responsibilities of the elements. For example, the Board of Directors to shareholders, management to the Board of Directors, owners of large blocks of shares to minority shareholders, corporation to society.

1.2. The Importance of Corporate Governance

The creation of corporate governance as a system and the maintenance of its functioning incurs such costs as:

– expenses for specialists — to create a corporate governance system;

– payment of remuneration to periodically attracted external auditors and consultants;

– costs of public disclosure of information;

– time costs of members of the Board of Directors and top managers, especially at the initial stage.

The advantages of implementing corporate governance are presented in *Fig. 2*.

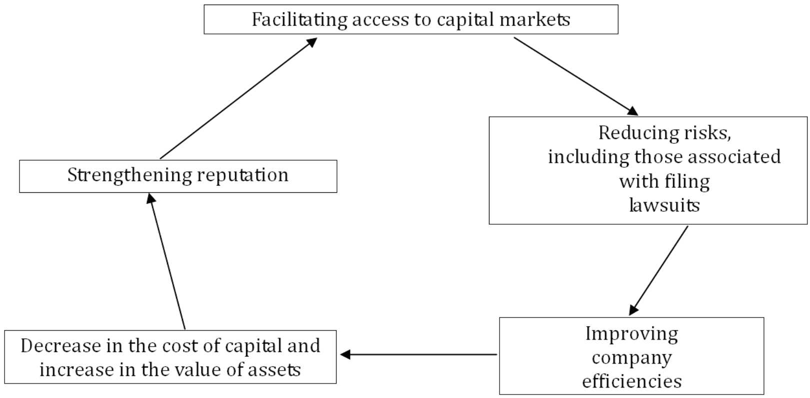

Fig. 2. Benefits of implementing corporate governance (developed by the author)

Easing access to the capital market allows attracting different sources of financing, and accordingly reducing the cost of attracted capital (*Table 2*).

Table 2

Sources of financing for the corporation (developed by the author)

Company's own funds	Borrowed funds	Raised funds	Indirect financing
1	2	3	4
Enterprise profit	Loans from commercial banks, credit institutions, institutional investors	Issue and placement of shares	Preferential loans through government guarantees
Authorized capital funds	Bonds	Direct investments of the state, domestic and foreign private sector in the form of direct investments, grants of various funds, investments of business angels, venture financing, etc.	Tax incentives for innovative projects in various forms (tax holidays, tax credits, accelerated depreciation)

End of Table 2

1	2	3	4
Depreciation fund funds	Mortgages	Crowdfunding	Rent incentives provided by technology parks, business incubators, etc.
Enterprise development fund funds	Forfaiting		
Insurance compensation	Leasing		
Funds from the sale of excess assets			
Targeted receipts			

Let's take a closer look at the sources of corporate financing that are most affected by the presence of an effective corporate governance system.

Corporate bonds are a debt instrument — companies practically receive a loan from bond buyers for the life of the bond. There are short-, medium- and long-term bonds. Bonds are widely used to finance the activities of companies. In order for a company to be able to place bonds on the open market, the company must comply with the requirements of the legislation on securities markets, for this it is necessary to disclose a large amount of information about the company's activities, prove the legality and transparency of its activities, approve the bond issue project and gain access to one or another trading system.

As a rule, successful companies with a good history of operations, transparency in the disclosure of information, which in the eyes of buyers reduces the risk of default on bonds, can actually place their bonds.

Leasing is the acquisition of production assets from a lessor (machinery, equipment, vehicles, computers, industrial buildings, etc.), as well as intellectual property rights (licenses, computer programs, know-how, etc.) with their subsequent purchase by the lessee. Leasing makes it possible to acquire production assets without having to make large one-time payments. Assets can also be acquired by renting or leasing equipment, but leasing is cheaper because the company must immediately enter into a contract for the use of the equipment for, as a rule, two or more years.

Leasing avoids the damage to cash flow that a purchase causes, and makes it possible to use capital for other, possibly more profitable operations.

At the same time, leasing companies require lessees to comply with corporate procedures, in particular the proper procedure for approving a leasing transaction if this transaction is large or requires additional approval (*Fig. 3*).

Fig. 3. Scheme of the leasing agreement

Issue and placement of shares. Financing through additional issue and placement of shares is available for enterprises organized in the form of a closed or open joint-stock company. It is carried out in the form of public placement and targeted placement among individuals and companies. The first form is available to companies that are already stable in the market with an established reputation. Targeted placement is more typical for very young firms and venture companies. In this case, the main buyers of their shares are private investment companies or funds.

The main advantage of the issue of shares, both primary (IPO-Initial public offering) and secondary (SPO-Secondary public offering) is the irrevocable nature of the funds raised and the absence of mandatory interest to be paid. Dividends are paid only if there is a profit and in the event of a decision by the general meeting of shareholders.

The issue of shares is subject to mandatory registration (*Fig. 4*).

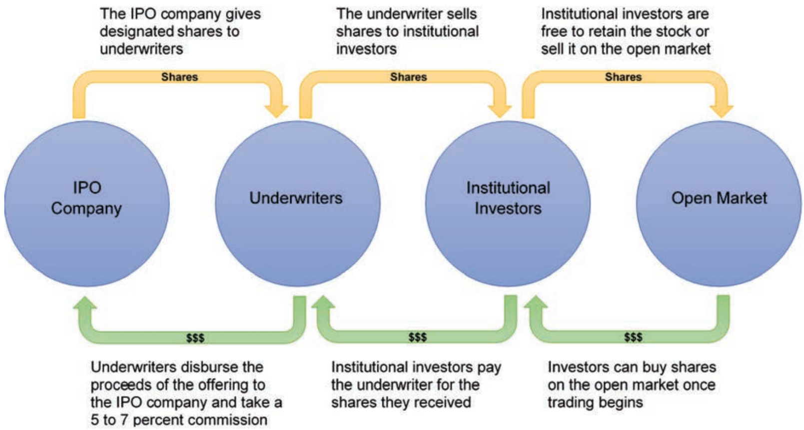

Fig. 4. Share issue registration scheme

Additional types of financing, the availability of which is determined by the quality of corporate governance, are presented in *Table 3*.

Table 3

Additional types of financing (developed by the author)

Notes	Financial instrument	Key Features
1	2	3
Debt Repayment Commitment	Bank loan	Used as one of the most common tools for accessing finance. Collateral or guarantees are required to obtain a loan

End of Table 3

1	2	3
Startup and Early Stage Financing	Business angels	A source of funding at an early, risky stage; business angels finance, advise, and help manage a business. Often invest in groups and networks, such as Tech Coast Angels and Common ANGELS in the US, Seraphim Fund in the UK

When issuing a loan, banks conduct a review of the borrower's corporate governance, assessing its risks, and conduct a review of corporate procedures.

Business angels implement a corporate governance system in the company under their care.

The purpose of corporate governance is to promote an environment of trust, transparency and accountability, which is necessary to stimulate long-term capital investment, financial stability and honesty in business activities.

1.3. Principles of Corporate Governance

The most fundamental principles in the field of corporate governance have been developed by the G20/OECD. They clearly define the key elements of the corporate governance framework and offer practical guidance for their application at the national level.

Cooperation with the G20 ensures the global scope of the Principles, and also highlights that they reflect the experiences and ambitions of a wide range of countries at different stages of development and with different legal systems. To ensure that the Principles remain relevant, corporate governance rules and regulations need to be adapted to the real-world contexts in which they are applied.

This is why the update of the Principles was accompanied by extensive empirical analysis and analytical work on current developments in the corporate and financial sectors. This includes the corporate governance lessons learned from the global financial crisis, the growth of cross-border ownership, changes affecting the functioning of the stock market, and the implications of a longer and more complex investment chain from household savings to corporate investment.

The findings of this fact-based research were reflected in the recommendations. The principles also address the rights of the many stakeholders whose careers and retirement savings depend on the performance and integrity of the corporate sector. The key principles of Corporate Governance are presented in *Fig. 5*.

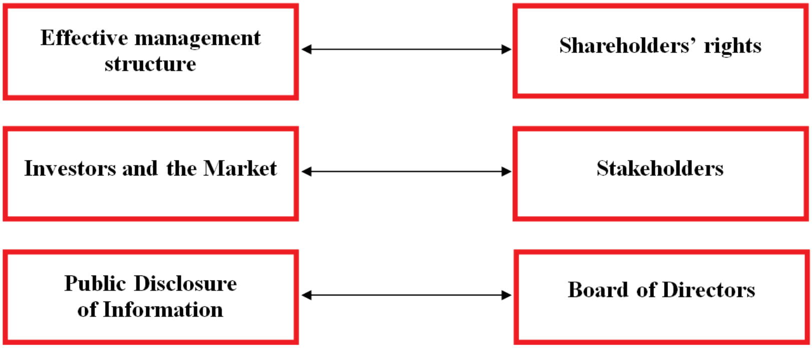

Fig. 5. Principles of corporate governance
(developed by the author based on the OECD/G20 Principles)

I. Providing a Framework for an Effective Corporate Governance Framework.

The corporate governance framework should promote transparent and fair markets and the efficient allocation of resources. It should be consistent with the rule of law and support effective oversight and enforcement. Effective corporate governance requires a sound legal, regulatory and institutional framework on which market participants can rely in establishing their private contractual relationships. This corporate governance framework typically consists of legal and regulatory elements, self-regulatory arrangements, voluntary commitments and business practices that reflect country-specific conditions, history and traditions. The desired mix of legislation, regulation, self-regulation, voluntary standards etc. in this area will therefore vary from country to country. The legal and regulatory elements of the corporate governance framework can usefully be complemented by soft law elements based on the comply-or-explain principle, such as corporate governance codes, which provide flexibility and reflect the specific characteristics of individual companies. What works well in one company for one investor or individual stakeholder may not necessarily be applicable generally to corporations, investors and stakeholders operating in different contexts and circumstances. As new experiences are gained and business circumstances change, the various provisions of the corporate governance framework should be reviewed and, where necessary, adjusted.

A. The corporate governance framework should be designed taking into account its impact on overall economic performance, the integrity of markets, the promotion of transparent and efficient markets, and the incentives it creates for market participants.

B. Legal and regulatory requirements affecting corporate governance practices should be consistent with the rule of law, transparent and enforceable.

C. There should be a clear division of responsibilities between the various authorities in the country to serve the public interest.

D. Stock market regulation should support effective corporate governance.

E. Supervisory, regulatory and enforcement authorities should have integrity, the authority and resources necessary to carry out their responsibilities professionally and objectively. Moreover, their decisions should be timely, transparent and fully explained.

II. Shareholders' Rights, Equal Treatment of All Shareholders, and Key Ownership Functions.

A. Key shareholders' rights include the following group of rights:

1) the right to register property;

2) the right to dispose of shares;

3) the right to necessary, timely, and regular information about the corporation;

4) the right to participate in general meetings of shareholders;

5) the right to; elect management bodies;

6) the right to participate in the distribution of the corporation's net profit.

B. Shareholders have the right to decide on key changes in the corporation:

1) amendments to the charter, other key documents of the corporation;

2) issue of additional shares;

3) major transactions and related-party transactions.

C. Shareholders must have the right to vote and participate in general meetings

D. Shareholders must have the right to consult with each other on issues related to their basic shareholder rights.

E. Shareholders must have equal rights — holders of shares of the same class.

F. Transactions should resolve conflicts of interest and protect the interests of the company and its shareholders.

G. Minority shareholders should have the right to protection from abuse.

H. Markets for corporate control should be ensured to function effectively and transparently.

III. Institutional Investors, Securities Markets and Other Intermediaries.

The corporate governance framework should provide sound incentives throughout the investment chain and require securities markets to operate in a manner that promotes good corporate governance.

A. Investors, including institutional investors, acting in a fiduciary capacity are required to publicly disclose information about the corporate governance of their companies.

B. Voting may be carried out by custodians or nominees in accordance with the instructions of the beneficial owner of the shares.

C. Investors, including institutional investors, acting in a fiduciary capacity are required to disclose information about the resolution of conflicts of interest affecting the exercise of the rights of the trustees of their companies.

D. The corporate governance framework should require trustees, brokers, financial advisers, analysts, rating agencies and other advisers to disclose information and minimize conflicts of interest that could undermine the integrity of their analysis or advice.

E. Insider trading and market manipulation should be prohibited and applicable rules should be enforced.

F. For companies listed in a country other than the country in which the company was formed, the applicable corporate governance laws and regulations should be clearly disclosed. In the case of cross-listing, the criteria and procedures for recognizing the original listing requirements should be transparent and documented.

G. Securities markets should ensure fair and efficient price discovery of financial instruments through open trading on the exchange, which will facilitate effective governance.

IV. The Role of Stakeholders in Corporate Governance.

Corporate governance should ensure the rights of stakeholders and promote cooperation between corporations and stakeholders. An important factor in corporate governance is ensuring the flow of external capital into companies in the form of equity and debt. Corporate governance also involves finding ways to encourage various stakeholders in the company to make cost-effective investments in its human and physical capital. The success of a corporation is the result of interactions in which various providers of many resources, including investors, employees, financial institutions, customers, suppliers, and other stakeholders, contribute. Corporations must recognize that stakeholder input is a valuable resource for creating competitive and profitable companies. Therefore, it is in the long-term interest of the corporation to strengthen cooperation among stakeholders to create wealth. The governance structure should be based on the interests of stakeholders and their contribution to the long-term success of the corporation.

A. The rights of stakeholders provided by law or multilateral agreements should be respected.

B. The interests of stakeholders should be protected and they have the right to effective redress for violations of their rights.

C. The development of mechanisms for employee participation should be permitted.

D. Stakeholders should have access to necessary, sufficient and reliable information on a timely and regular basis.

E. Stakeholders, including individual employees and their representative bodies, should be able to freely raise concerns about illegal or unethical practices with the board of directors and the competent government authorities, and their rights should not be impaired as a result.

F. The corporate governance infrastructure should be complemented by an effective and efficient insolvency infrastructure and the effective enforcement of creditors' rights.

V. Disclosure and Transparency.

Corporate governance should publicly disclose information on all significant matters of corporate governance.

A. Disclosure includes:

1. Financial performance indicators of the company.
2. Objectives of the company, non-financial reporting.
3. Shareholding structure.
4. Remuneration of the board of directors and top managers.
5. Basic information on the composition of the management bodies, qualifications of directors and managers.
7. Anticipated risk factors
8. Information on key employees and other stakeholders.
9. Contents of any corporate governance codes or corporate governance policies

B. Information should be prepared, audited and disclosed in accordance with high standards of accounting quality and financial and non-financial disclosure.

C. Regular external audit and disclosure of its results.

D. External auditors are accountable to shareholders with due professional care.

E. Equitable access of shareholders, investors and other users to necessary information.

VI. Duties of the Board of Directors.

The board of directors must act in the best interests of shareholders and be accountable to the company and its shareholders. The board of directors must also take into account the interests of other stakeholders and ensure that the corporation complies with environmental and social standards.

A. The board of directors must act in good faith, prudently, with due care and diligence, in the best interests of the company and shareholders, while taking into account, in addition to execution, the interests of shareholders, employees and the public good.

B. The board of directors must treat all shareholders fairly, regardless of what group they belong to.

C. The board of directors must ensure that the corporation maintains high ethical standards.

D. The main functions of the board of directors include:

1. Developing and adjusting corporate strategy, key plans and policies, risk management, target performance results.

2. Monitoring the implementation of plans and activities of the corporation, capital expenditures, purchases and sales.

3. Select key executives and plan their compensation and remuneration.

4. Manage conflicts of interest among top management.

5. Prevent misuse of corporate assets and abuses in related party transactions.

6. Disclosure of information.

E. Board members must exercise independent judgment on corporate matters and evaluate and self-evaluate their performance.

F. The Board of Directors must have access to reliable, complete corporate information.

G. When representing employees on the Board of Directors, such employee representatives must have access to information and training.

Chapter 2. The History of Corporate Management Development

2.1. The Ancient World

In the ancient world, corporations were just beginning to form and participate in economic life. The origins of corporations are trade guilds that emerged to organize joint trips to individual countries for trade purposes. In Ancient Greece, maritime shipping was very well developed, and the Greeks in their colonial policy probably already turned to this form of collective cooperation.

Due to the fact that foreign maritime trade played a very important role in the economic life of most Greek states, and the uninterrupted supply of the population with vital goods and products often depended on its development, the state often interfered in this trade and regulated it.

During the heyday of the Athenian Maritime Union, all ships of Athens and its allies had to carry grain only to Piraeus; its sale to other ports was prohibited. To increase its income, the state sometimes declared a monopoly on the export of a particular product or leased this monopoly (*Fig. 6*).

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Corporations were further developed in Ancient Rome.

The term corporation comes from the Latin word Corpus — body. And for quite a long time, the term "corporation" has served as a synonym for the term "legal entity".

This was largely determined by the fact that in civil law up until the 19th century, before the works of Savigny, a German lawyer, the head of the historical school of law, the concept of an institution was unknown; all formations, even those filled with institutional content, were considered as universitas or corporations.

Fig. 6. Map of Greece. Public domain