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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 44th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 5 big sections that highlight different aspects of Russia’s economic development, which allow to monitor all angles of ongoing events over a prolonged period: the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

Reviewer:

Spartak A.N., Doctor of sciences (economics), Corresponding Member of RAS, Professor, Director of JSC VNIKI, honored scientist

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Corporate governance 2022: new regulation and practice¹

The COVID-19 pandemic boosted such areas of corporate governance development as the drive to sustainability and digitalization, however, no significant changes were expected at this point.² However, the events of 2022 resulted, and are likely to continue to result in notable changes in the management of Russian companies at both the regulatory and practical level. Interestingly, the management experience gained during the pandemic has largely prepared Russian companies to new adaptation challenges.

5.2.1. Major changes in the policy management of corporate governance

At present, six major changes can be distinguished in Russian corporate governance.³

1. Non-disclosure and limitation of information

As a general rule, to enable investors to make informed decisions, a public company must disclose information about the company and its activities as specified in the law (Article 92 of Federal Law dated December 26, 1995 No. 208-FZ “On Joint-Stock Companies” (hereinafter — JSC Law); Clause. 6.2 of the Corporate Governance Code (hereinafter — CGC).⁴

Back in 2018 the Government of the Russian Federation was granted the right to determine the cases when public companies are authorized to disclose limited information and the list of information that the company has the right not to disclose (Article 92.2 of the JSC Law; clause 6 of Article 30.1 of the Federal Law dated 22.04.1996 No. 39-FZ “On Securities Market” (hereinafter referred to as the SM Law).⁵

1 Authors: *E.A.Apevalova*, Senior researcher, Laboratory for institutions and financial markets analytics IAES RANEPА; *N.A.Polezhaeva*, Candidate of Legal Sciences, Senior researcher, Laboratory for institutions and financial markets analytics IAES RANEPА.

2 *E.A.Apevalova, N.A.Polezhaeva*. Corporate governance during coronavirus crisis: focus on the diversity of interests and slow implementation of principles // Russian economy in 2021. Tendencies and prospects. Edition 43. M.: Gaidar Institute Publishing house, 2022. p. 460–473.

3 *N.A.Polezhaeva*. Main changes in corporate governance of Russia caused by sanctions // *Hozyaistvo i pravo*. 2023. No. p. 46–53.

4 Ref.: Letter of the RF Bank dated 10.04.2014 No. 06-52/2463 “On corporate governance code” // Bank of Russia Vestnik. No. 40. 18.04.2014.

5 Federal law of 31.12.2017 No. 481-FZ “On amendments to certain legal acts of the Russian Federation.”

In 2022, in order to avoid the introduction of restrictive measures, Russian issuers were granted a temporary (until July 2023) right to disclose information to a limited extent or refuse to disclose it.¹ Thus, the issuer is not obliged to justify such a decision or to get permission for its implementation, therefore it is not always possible to determine whether sanctions really provided a pretext. All this negatively affects trading of securities, because it is blindfolded for investors.²

If prior to 2022 the decision on limited information disclosure was made by the Government of the Russian Federation, implying certain mechanisms of restraint with regard to strengthening the degree of secrecy, now this right belongs to companies. Thus, 15 major companies stopped publishing their financial results, including 4 banks (Sberbank, VTB, Bank Saint Petersburg and TCS Group) and six state-owned companies (Mosenergo, Aeroflot, Rostelecom, among others). Moreover, companies representing chemical, oil, fishing and construction sectors (NKNKh, Russian Aquaculture, Surgutneftegaz, PIK, etc.) have not published any information.³

2. Restrictions on access to information and rights of recourse for minority shareholders

The threshold of voting shares owned by shareholders for the right to access information specified by law was raised from 1 to 5% (e.g., the list of those entitled to participate in general meetings of shareholders, non-agreed interested-party transactions), as well as the right to sue the company management on such issues as, for example, compensation for damages caused to the company, invalidation of non-agreed interested-party transactions.⁴ Changes will be valid until 2024.

On the one hand, sanctions cannot justify unlawful actions by company management. Shareholders should not be deprived of a tool for protection from such activities. On the other hand, experts explain this measure as a struggle against the so-called shareholder activism, the excessive use (up to abuse) by owners of small blocks of shares of their right to sue for damages. Such behavior amid economic instability may have a more negative impact on the company's activity compared to the usual situation.⁵

3. Restrictions on the rights of foreign investors to dispose of Russian securities

¹ RF Government Decree of 12.03.2022 No. 351 "On specifics of disclosure and provision in 2022 of information to be disclosed and provided in accordance with the requirements of the Federal Law "On Joint-Stock Companies" and the Federal Law "On the Securities Market" and specifics of disclosure of insider information in accordance with the requirements of the Federal Law "On Counteraction of Illegal Use of Insider Information and Market Manipulation and on Amendments to Some Legislative Acts of the Russian Federation."

² P.Kokorev. Russian corporate governance at the crossroads: what tomorrow brings? // Joint Stock Company: corporate governance. 2022. No. 6 (217). URL: <https://ao-journal.ru/rossiyskoe-korporativnoe-upravlenie-na-perepute-chto-den-gryadushchiy-nam-gotovit>

³ Which companies stopped disclosing results. URL: <https://journal.tinkoff.ru/news/review-cancel-info/>

⁴ Article 3 of the Federal law of 14.03.2022 No. 55-FZ "On amendments to Articles 6 and 7 of the Federal law "On amendments to Federal law "On the Central Bank of the Russian Federation (Bank of Russia)" and specific legal acts of the Russian Federation in terms of the specifics of changing the terms of the borrow agreement, loan agreement" and Article 21 of the Federal law "On amendments to specific legal acts of the Russian Federation."

⁵ Anti-crisis corporate legislation – 2022. URL: <https://www.garant.ru/article/1570526/>

Sanctions resulted in significant differences in the position of residents and foreign shareholders in Russian companies.

In February 2022, in response to freezing of some Russian reserves and to maintain the stability of the financial system, a ban was imposed on the sale of securities of Russian issuers by foreign investors from unfriendly countries and on the transfer of their dividends.¹ Later, a temporary procedure was established for payment of dividends, when the issuer opens a ruble “C” account in a Russian credit institution to transfer funds, if the amount of his liability to foreigners is more than Rb10 mn per calendar month.² Trading in the stock section of the Moscow Stock Exchange suspended in the same month, have soon resumed for residents and gradually for non-residents from friendly countries, however, not for unfriendly individuals.

At present, sale of securities by a foreign person from an unfriendly state to a Russian resident can take place only with the permission of the Government Commission for Control of Foreign Investment in the Russian Federation.³ Until 2024, without a special resolution of the President of the Russian Federation, the above-mentioned individuals can’t sell or make other transactions with securities of strategic companies involved in the fuel and energy sector and credit Russian companies.⁴ Until 2025, the court can suspend the rights (voting, receiving dividends, etc.) of foreign investors who dispose in aggregate of more than 25% of a Russian notable company and commit unfriendly acts in relation to this company.⁵ However, the list of such actions is interpreted broadly.

If a foreign company registered in a hostile country which has a controlling person who is recognized as a tax resident of the Russian Federation commits acts violating the rights of the Russian company in which it is a shareholder or the rights of that controlling person, the controlling person may apply to the Russian FTS until 2024 to exercise shareholder rights in relation to that Russian company instead of its controlled foreign company. Thus, the controlling person is not entitled to vote for decisions on the reorganization of the Russian company, early termination of the powers of its board of directors, etc. It is prohibited to alienate shares.⁶

Also, in April 2022, a ban was introduced on the circulation of shares of Russian issuers outside the Russian Federation in the form of depositary receipts⁷

1 The Bank of Russia Instruction of 28.02.2022 No. 018-34-3/1202 “On securities” (became invalid).

2 Executive Order of the RF President of 05.03.2022 No. 95 “On interim obligations to some foreign creditors.”

3 Executive Order of the RF President of 01.03.2022 No. 81 “On additional temporary economic measures aimed at financial stability of the Russian Federation.”

4 Executive Order of the RF President of 05.08.2022 No. 520 “On use of special economic measures in financial and fuel-energy sectors due to unfriendly acts of some foreign states and international organizations.”

5 Item 8 Article 18 of the Federal law of 14.07.2022 No. 320-FZ “ON amendments to Federal law “On privatization of state and municipal property”, specific legal acts of the Russian Federation and on identification of specifics for regulating property relations.”

6 Article 3 Federal law of 14.07.2022 No. 323-FZ “On amendments to Part 2 of the RF Tax Code.”

7 Depositary receipts are securities that certify ownership of other securities (shares) traded abroad; they are issued so that an investor, investing on his country’s stock exchange, could invest in shares traded on another country’s stock exchange.

due to their collapse at Western stock exchanges.¹ Thus, the company can get a permission from the Government of the Russian Federation to keep its depositary receipts at the foreign stock exchange. Depositary receipts are automatically converted into local shares, creating challenges for foreign investors (from both unfriendly and friendly countries) who are not allowed by law or bylaws to invest in local shares in other jurisdictions.

It should be noted that due to the abundance of often fragmentary and overlapping documents of the regulatory bodies on the relevant subject, it is difficult to identify a holistic picture, as well as the nuances of the current situation related to foreign investors.

4. General meeting of shareholders through absentee voting

As a matter of principle, the General Meeting of Shareholders (GMS) cannot be held through absentee voting, if the agenda includes the election of the Board of Directors and the Audit Commission, approval of the auditor, annual report and financial statements (Article 50 of the JSC Law).

Due to the current epidemiological situation, the legislator suspended this provision in 2020 and 2021. Despite the return to normalcy, the possibility of conducting GMS through absentee voting was extended until 2024, this time as an anti-sanctions measure.² Although absentee voting has its advantages (the procedure is relatively simple and cheap), this form can provoke corporate conflicts, negatively impact on the interests of some shareholders. The Corporate Governance Code recommends holding GMS on any issues in person (clause 1.1.3), and the jurisdictions that are popular with investors have not resorted to absentee voting even in the midst of the pandemic, preferring an in-person (remote) format. In this regard, the justification for such a prolongation by sanctions is not always sufficiently reasoned.

Although absentee voting was a right and not an obligation for GMS in 2020 and 2021, most companies particularly preferred absentee voting.

Opponents of absentee voting consider this form as an infringement of minority shareholders' rights, because such voting does not in fact present a meeting, and shareholders cannot ask questions to management and board members or communicate with each other. The basic principle of corporate governance is the shareholder's right to participate in the activities of the company through participation in the GMS.³

Supporters of absentee voting refer to the fact that joint attendance is not the only form of shareholder communication (online venues, webinars, investor days, etc.). In practice, in-person GMS only give the impression of informational transparency and the readiness of company management to answer any shareholder

1 Article 6 Federal law of 16.04.2022 No. 114-FZ "On amendments to Federal law "On Joint Stock Companies" and some legal acts of the Russian Federation."

2 Article 2 Federal law of 25.02.2022 No. 25-FZ "On amendments to Federal law "On Joint Stock Companies" and on suspending some provisions of legal acts of the Russian Federation."

3 Absentee voting infringes this principle, which may have an impact on the companies' positions in the international ESG-ranking in standard situations as well. Ref.: You won't be cute in absentia – minorities' rights were lost between reality and virtuality. URL: <https://www.interfax.ru/business/812380>

questions and, indeed, they are archaic. Moreover, the binding effect of the meetings in person is not compatible with availability of controlling shareholders in most large Russian companies (the issue of high concentration of capital), who make the final decision regardless of the votes of minority shareholders.¹

Remote meetings using electronic or other technical means could be a successful alternative, and the Civil Code of the Russian Federation (Art. 181.2) stipulates this possibility. However, this procedure is insufficiently regulated and the relevant provisions have not yet been introduced into the JSC Law.

5. Down-sized board of directors and its absence

With the start of the sanctions policy, many foreign board members had to leave Russian companies ahead of time. To ensure the quality of decisions made by the board, it was necessary to quickly redistribute authority among the remaining members and search for experienced candidates.

Boards of directors of non-sanctioned companies have been allowed to work in truncated form until 2024, allowing the board to retain its powers if more than half of its members have left. The sanctioned companies may not elect a board of directors until 2024 if the shareholders so decide. In this case, its functions will be performed by the collegial or the sole executive body. At the same time, decisions on the priority areas of the company's activity, increasing its charter capital and approving its financial statements shall be made by the general meeting of shareholders.² It is important that this measure should not be abused to reduce the independence of the board of directors.

In 2023, it will be possible to elect the board of directors for a longer term (3 years). Shareholders will be able to elect board members for up to the third annual general meeting of shareholders from the date of election.³ Prior to that decision, board members were elected for the period until the next such meeting (Item 1, Article 66 of the JSC Law). The period for shareholders to nominate candidates for election to the board of directors was legally extended.⁴

There are also some changes related to the tasks faced by corporate directors:
a) increasing the efficiency of problem solving and rapid adaptation of practices to new conditions to ensure economic and legal security of business (active study of a large number of new and adopted regulations, negotiation of new contracts with new counterparties resulted from supply and sales disruption, etc.)

1 *O.V. Osipenko*. Corporate conflict management: monograph. M.: Statut, 2022.

2 Item 1.1.4 Article 7 Federal law of 14.07.2022 No. 292-FZ "On amendments to some legislative acts of the Russian Federation, recognizing as invalid the sixth paragraph of the first part of Article 7 of the Law of the Russian Federation "On State Secrets," suspension of certain provisions of legislative acts of the Russian Federation and establishment of special regulation of corporate relations in 2022 and 2023."

3 Article 27 Federal law of 19.12.2022 No. 519-FZ "On amendments to some legislative acts of the Russian Federation and suspension of some provisions of the legislative acts of the Russian Federation."

4 Article 17 Federal law of 08.03.2022 No. 46-FZ "On amendments to some legislative acts of the Russian Federation." This law also allows not to reduce the authorized capital to the level not exceeding the value of assets and not to liquidate the company, if at the end of 2022 and 2023 the value of net assets of the company will be below the authorized capital.

5 Sanctions and corporate governance // Shareholding company: issues of corporate governance. 2022. No. 5 (216). URL: <https://ao-journal.ru/sanktsii-i-korporativnoe-upravlenie>

b) search for an acceptable volume of disclosed information;
c) additional attention to interaction with stakeholders (consultations, explanations), including the company's management and shareholders facing restrictions in transactions with securities, reduction of the volume of disclosed information, etc.

6. Companies refusing to pay dividends

In the context of sanctions, a number of decisions have been made not to pay dividends. Although shareholders should be given an opportunity to participate in the profits of the company by receiving dividends, the non-payment of dividends does not violate their corporate rights if it is economically justified (Article 43 of the JSC Law; Clause 1.2.2 of the CGC). However, the legality of such a decision does not mean that it will be a reason for dissatisfaction among investors and will not result in a decrease in the value of the company's shares.

The Government of the Russian Federation made a decision, when preparing draft directives for representatives of the state interests to participate in Supervisory Board meetings and when forming attitude of the state shareholder in Sberbank to prevent paying dividends for 2021. This decision was based on the need to ensure sustainable lending to corporate clients and financial organizations.¹ The Bank of Russia recommended to other credit and non-credit financial institutions to refuse paying dividends.² The respective decision was taken by the general meeting of Sberbank shareholders. The total of dividends could reach Rb623 bn at the 2021 yearend.³ Despite difficult economic situation leading to this decision, the investors' reaction resulted in a collapse of Sberbank shares at the Moscow stock exchange by 7%.⁴

Gazprom's shares also fell by 32.32% after the general meeting decided not to pay dividends, despite the opposite recommendations of the board of directors. This decision was explained by the inexpediency of payments and the forthcoming payment of higher taxes by the company. Some experts attributed these actions to the intention of the state, which is the controlling shareholder, to receive a share of the company's profits in taxes.⁵

In other government edicts on non-payment of dividends in companies with state participation, justifications vary or are absent, which makes their dividend policies insufficiently predictable.⁶

1 RF Government Edict of 20.05.2022 No. 1252-r "On preparing draft directives for representatives of the interests of the Russian Federation to participate in the meeting of the Supervisory Board of Sberbank of Russia Public Joint-Stock Company."

2 Information message of the Bank of Russia of 15.04.2022 "The Bank of Russia implements additional measures to support financial sector and lending to the economy" // Bank of Russia Vestnik. No. 23. 20.04.2022.

3 "Sber" shareholders decided to refuse paying dividends for 2021. URL: <https://quote.rbc.ru/news/article/62bd6dde9a7947787a4de72a>

4 "Sber" shares fell by 7% after decision not to pay dividends. URL: <https://www.forbes.ru/investicii/470231-akcii-sbera-upali-na-7-posle-resenie-ne-vyplacivat-dividendy>

5 It's a "rip-off" of the state, the middle class is the hardest hit: why Gazprom shattered investors' dreams? URL: <https://www.business-gazeta.ru/article/555446>

6 A.Y.Pavlov, I.A.Danilov. On dividend policy of companies with state participation // Financial law. 2022. No. 9. p. 33–37.

Other companies also refused to pay dividends (for example, X5 Group, GK “Mother and Child”, “Globaltrans”, LSR, Raspadskaya, Rusagro, Cherkizovo).¹

It should be noted that some experts believe that growing sanctions pressure will strengthen such a trend in the Russian economy as the expansion of the public sector, which will affect the quality of corporate governance due to the specific position of the government shareholder (access to financial and other corporate documents, “golden shares,” legislative provisions protecting the government share from reduction, etc.)² In 2000–2021, the public sector growth has indeed been recorded in Russia from 31.2 to 56.2%³, however, there are currently no accurate data and estimates about the impact of sanctions on the expansion of the Russian public sector.

To a large extent, the retreat from certain corporate governance principles in terms of shareholder rights and information disclosure (equal conditions for all shareholders, the possibility of free and unencumbered alienation of their shares, transparency of the company and its operations, etc.) was a forced response. Although the toughest restrictions apply to foreign investors, non-disclosure of information and non-payment of dividends are unpopular decisions among domestic shareholders as well, which, in addition to Western sanctions, affects the value of Russian companies’ shares.

On the one hand, incorporation of relevant changes in particular laws, acts of the President, the Government of the Russian Federation and the Bank of Russia and non-inclusion in the basic laws allows reacting promptly to the rapidly changing situation and hoping for the temporary nature of these changes. On the other hand, the transfer of such regulation to the level of government acts may result in the instability of corporate relations. Such documents are easier to change than laws, which provide a certain guarantee of stability of legal relations for shareholders.⁴ It should be noted that the Moscow Stock Exchange also did not adjust its listing and disclosure rules, having issued additional recommendations.⁵

5.2.2. IPO and delisting in Russian corporate practices. Heading East

The IPO market in Russia is not large, 2–5 offerings per year, whereas, for example, in the U.S. several hundreds of companies participate in the stock exchange every year. In 2020–2021, 11 new issuers appeared on the Moscow Stock Exchange, which is comparable with the total of the previous five years. The

1 9 Russian companies refused to pay dividends. URL: <https://journal.open-broker.ru/radar/otkaz-ot-vyplaty-dividendov/>

2 *Nurgozhayeva R.* Why do sanctions against Russia miss the target? A corporate governance perspective. URL: <https://ecgi.global/blog/why-do-sanctions-against-russia-miss-target-corporate-governance-perspective>

3 Index of public property IAES RANEPa 2020–2021. URL: <https://ipei.ranepa.ru/ru/kgu/indeksy> Certificate of state database registration No. 2022623208 Russian Federation. Index of the size of public sector 2022: No. 2022623200: applied 28.11.2022: published 02.12.2022 / *A.D.Radygin, A.E.Abramov, M.I.Chernova*; applicant: “Federal State Budgetary Educational Institution of Higher Education Russian Presidential Academy of National Economy and Public Administration.”

4 Corporate governance, or what is left of it. Report. URL: <https://www.interfax.ru/business/849830>

5 Recommendations on disclosure of information. URL: <https://www.moex.com/a8200>

2022 sanctions slowed down initial public offerings, but as the situation on the Russian stock market became less tense at the end of the year, several companies announced their intention to hold IPO on the Moscow Stock Exchange in the near future (for example, Whoosh and GK “Astra” from the IT sector). It should be noted that over the past 20 months, about 38 Russian non-public companies reported preparations for an IPO (“Delimobil”, Ivi, MTS Bank, “Samokat”, etc.).¹

Russian companies (through holding companies established in foreign jurisdictions) resort to initial public offerings abroad even less frequently.² For example, the recruitment service HeadHunter placed its shares on the American stock exchange NASDAQ in 2019. HeadHunter abandoned its IPO on the Moscow Stock Exchange in favor of NASDAQ in order to raise more funds from American investors, as well as to expand into other countries.³ NASDAQ has suspended trading in HeadHunter stock as from February 28, 2022.

Thus, in 2022 the pace of IPO has slightly slowed compared with the previous year, but Russian companies are still demonstrating interest in going public, planning or preparing to go public, which also means that they will be subject to the rules of corporate governance for public companies.

As for delisting, the sanctions policy did not result in a significant exclusion of Russian companies’ securities from the quotation lists of Russian stock exchanges. The planned delisting of the largest Russian retailer of children’s goods, Detsky Mir, is rather an exception and is connected with the large share of foreign funds in the company (60%). Since funds from unfriendly countries are not allowed to conduct transactions on the Moscow Stock Exchange under new rules, the removal of Detsky Mir shares from the quotation list will allow its foreign shareholders to vote, receive dividends and sell their baskets of shares.⁴

The example of SC “Mother and Child”, which was paying dividends again despite its Cypriot domicile, by contrast, indicates that companies involving foreign participation will sooner or later be able to cope with the obstacles that they encountered.

Four other Russian issuers may leave the Moscow Stock Exchange, but only in two cases the departure is associated with sanctions (Unipro and Polymetal). For example, the main owner of Unipro is the German concern Uniper, which owns 83.73% of the company. In 2022, Uniper announced its intention to leave Russia. However, talks about selling a stake in the majority-owned company stopped after Western investors in the fuel and energy sector were forbidden to exit Russian assets.⁵

In contrast to Russia, the delisting of Russian companies abroad in 2022 was on a larger scale. In late February — early March 2022 there was a collapse of

1 Which Russian companies can conduct IPO. URL: <https://journal.tinkoff.ru/news/review-rus-ipo/>

2 At the London stock exchange: Mail.ru in 2010, “Megafon” in 2012, TCS Group in 2013, En+ in 2017. Ha NASDAQ: “Yandex” in 2011, Qiwi in 2013.

3 HeadHunter and other 5 Russian companies, which conducted IPO abroad. URL: <https://quote.rbc.ru/news/article/5cd93d409a794702b4a9e432>

4 Should we expect new delisting on the Moscow Exchange? URL: <https://fomag.ru/news/stoit-li-ozhidat-novykh-delistigov-na-mosbirzhe/>

5 What companies can leave Moscow Stock Exchange. URL: <https://journal.tinkoff.ru/news/review-leaving-moex/>

Russian depositary receipts on the London Stock Exchange (securities of Sberbank, Gazprom, Lukoil, etc.). The London Stock Exchange suspended trading in these securities (27 companies affiliated with Russia).

American Stock Exchanges NYSE and NASDAQ interrupted trading (including securities of HeadHunter, Ozon, Qiwi, “Yandex”).¹ In response, Russia banned Russian companies from placing receipts for their shares on foreign platforms since April 27, 2022 and ordered to delist the receipts which are already traded.² This decision was made to protect investors from the depreciation of their assets and reduce the risk of redistribution of corporate control due to the possibility of buying receipts abroad at prices that fell to near zero.³

The new law applies to companies that are registered in Russia and have placed their depositary receipts abroad (Sberbank, Gazprom, Nor Nickel, etc.).⁴ Twenty seven Russian companies with an average of 15% of their authorized capital represented by receipts fell under the law. About half of the Russian companies having depositary receipts on foreign stock exchanges received permission from the Russian Government to keep them temporarily or indefinitely (for example, if more than 50% of the company is owned by a Russian resident): applications were received from 19 companies (Mechel, NLMK, Novatek, PhosAgro, Polyus, Severstal, Surgutneftegaz, Tatneft, AFK Sistema, Norilsk Nickel, Lenta and others).), and only four of them were rejected (including Gazprom, MMK and Magnit).

As re-listing may well be possible after the recovery from crisis, Russian companies that have left foreign exchanges should maintain their corporate governance at the appropriate level to quickly return to the relevant platforms. Thus, following corporate governance standards exceeding domestic exchange requirements may make a company more attractive for investors.

Amid the interruption of trading of Russian securities on Western stock exchanges, Russian companies are considering alternative platforms and the possibility of changing the issuer to continue operating abroad (using a foreign holding company as an issuer to enter the relevant foreign exchange).

Choice for a particular exchange is based primarily on its liquidity rather than state of technology or quality of investor protection regulation.⁵ Nevertheless, in case of listing on a foreign exchange, the company must comply with the listing rules of the relevant jurisdiction.

The differences in listing rules set by stock exchanges are largely due to country and cultural nature. While the requirements for auditing financial statements are almost the same everywhere, the financial criteria for going public differ, for example: \$910,000 of expected capitalization for premium venues on the London Stock Exchange and \$6.5 mn of profit over three years and \$65 mn

1 Russian companies will have to delist the receipts from foreign exchanges. URL: <https://journal.tinkoff.ru/news/ru-dr-delist/>

2 Federal law of 16.04.2022 No. 114-FZ “On amendments to Federal law “On Joint Stock Companies” and some legislative acts of the Russian Federation.”

3 Receipts programs follow at the depot. Review. URL: <https://www.interfax.ru/business/844186>

4 The requirement does not apply to foreign, but essentially Russian companies that are registered in other countries whose shares are traded abroad (for instance, “Yandex”, HeadHunter and Ozon).

5 What is a stock listing. URL: <https://www.tinkoff.ru/invest/research/education/listing/>

of market capitalization at the time of listing on the Hong Kong Stock Exchange.¹ The listing in London and Hong Kong requires a sponsor (an investment bank coordinating the management of the IPO project), while in New York it is not required. Unlike London, in Hong Kong there is a requirement for a minimum number of shareholders.

Exchange requirements in terms of corporate governance are also marked by unique features. For example, compared to the Tokyo, New York, Frankfurt, Brazil and London stock exchanges, the Toronto Stock Exchange has the lowest corporate governance standards. The most detailed governance standards have been developed by the London Stock Exchange, but many are non-prescriptive (based on a “comply or explain” approach, when compliance with a rule and a proper explanation of the reason for non-compliance are forms of abidance by the rule).

The most prescriptive rules are those of the Brazilian exchange, but they do not embrace many universally recognized standards.² The Hong Kong Stock Exchange has some of the most stringent corporate governance requirements for listed companies.

The main options for Russian companies are the Hong Kong and Abu Dhabi stock exchanges, as well as special administrative regions (SARs), the so-called Russian offshore: Russky Island in the Primorsky Krai and Oktyabrsky Island in the Kaliningrad Region. A simplified registration procedure in these areas is envisaged until 2024.³

The most popular alternative is Hong Kong. Rusal’s shares are already listed on the Hong Kong Stock Exchange. By the volume of stock capitalization, the Hong Kong Stock Exchange overtakes the London Stock Exchange. Several times it became the first by volume of IPO and raising investment funds. Trading floors in mainland China, one of the most regulated and closed to foreign capital, are complex options (Shanghai, one of the three largest exchanges in the world, Shenzhen and Beijing Stock Exchanges). The Abu Dhabi Stock Exchange is mainly focused on issuers from the Persian Gulf countries. The Astana International Exchange is also considered as an option.

Despite labor-intensive, the switch is possible. However, it does not eliminate risks. Major investors refrain from investing in Russian business because of the current and possible future sanctions restrictions. In turn, Russian issuers are not interested in receiving new investments at a “discount”. If the need for money arises, companies consider debt instruments, private placement, receiving investments from local investors with ruble liquidity. The most likely options for Russian companies in the current situation seem to be stock exchanges in Russia, where the issuer avoids the risk of asset freezing, and it is easier for investors to buy securities.

1 Russian business began to look closely at the Eastern stock exchanges because of the sanctions. URL: <https://www.rbc.ru/finances/15/04/2022/625852369a7947d04adb84c8>

2 *Ching H., Tardelli R.* Corporate Governance Rules in Six Stock Exchanges: A Comparative Study // *Advances in Social Sciences Research Journal*. 2015. No. 2(2). P. 197–209.

3 Item 4 Article 18 Federal law of 03.08.2018 No. 291-FZ “On special administrative areas in the territories of the Kaliningrad region and Primorsky Krai.”

Thus, the sanctions policy made a contribution to the corporate governance in Russia. In order to support the Russian stock market, a number of unpopular decisions had to be made among investors: limiting information disclosure and access to information, curtailing the rights of foreign investors, providing for a truncated board of directors, abandoning in-person GMS and dividend payments.

It should be noted that it is difficult to determine the extent to which sanctions affect the quality of corporate governance in Russian public companies in isolation from other factors. Thus, for instance, in recent years, the pace of development of corporate governance, not only in Russia, but throughout the world is influenced by the ESG agenda¹, among other things, spurred by the pandemic COVID-19, when its first two components, the environmental and the social received attention. Development of corporate governance according to some experts² has practically stopped. This conclusion is also confirmed by the minor dynamics of the average level of implementation of principles of the Russian CGC by listed companies in 2018–2021: from 76 to 78%.³

5.2.3. Trends abroad: environmental and social aspects are replacing management issues

Despite sanctions policy, the desire to be sustainable remains the main focus of corporate governance development for developed and many developing countries. Sustainable management, or corporate governance in the context of ESG, is aimed not only at achieving the financial sustainability of the company, but also at sustainability in all areas of the triple score (economy, ecology and society) and aims to provide value not only for shareholders, but for all stakeholders.⁴

Corporate governance in the ESG subject plays a dual role. Corporate governance is, on the one hand, an element of the ESG agenda, on the other hand, it is the driver of this agenda, helping all ESG factors, including “G”, i.e. governance, to integrate into the company.⁵

One may talk today about the prevalence of corporate governance systems including some elements of ESG, but more and more jurisdictions and companies

1 ESG (Environmental, Social, Governance) – a set of standards and criteria for investors and other stakeholders for assessment of environmental (E), social (S) and governance (G) results of the company activity. It is used to reflect more specifically how effectively the business is moving toward sustainability goals. The ESG goals are much more ambitious than those of corporate social responsibility. In turn, sustainable development is a philosophy, an economic growth that meets the needs of the present generation without depriving economic growth and meeting the needs of future generations. This concept is based on the idea of a balanced development of ecology, society and economy. Ref.: ESG-strategy: a fashion trend or a working tool? URL: <https://journal.ecostandardgroup.ru/esg/test/esg-strategiya-modnyy-trend-ili-rabotayushchiy-instrument-mneniya-ekspertov-i-uchastnikov-rynka/>

2 Fancy letters: why the ESG concept did not help to improve corporate governance in Russia. URL: <https://www.forbes.ru/biznes/420455-modnye-bukvy-pochemu-koncepciya-esg-ne-pomogla-uluchshit-korporativnoe-upravlenie-v>

3 Review of corporate governance practices in Russian public companies at the end of 2021. URL: https://cbr.ru/Collection/Collection/File/43510/Review_corp_0112022.pdf

4 Corporate governance in the context of ESG: new understanding of sustainability. URL: <http://corptransparency.ru/documents/corporate-governance-in-the-context-of-esg.pdf>

5 Guidelines for the eminent. How to comply with sustainability best practices. URL: https://fs.moex.com/f/15022/esg.pdf?fbclid=IwAR31CL8U9URcpLVPAUe5_NEtUbZN4hIRkDy8JmbrxNOmoM2Rj23xTHaeH3Q

strive to comply with the maximum number of ESG principles and even exceed that number.

Although the main trends in corporate governance are aimed at implementing all three components of ESG at the global level, a certain preponderance is observed in the environmental and social governance; governance is receding into the background.

1. *Shareholders become more demanding.* If the company or individual directors fail to perform the expected actions, including disclosure obligations, shareholders will vote more vigorously against their proposals at the annual general meetings. Typically, this will involve environmental and social factors.¹

2. *Efficiency of the board of directors is improving.* The increasing number of new issues requiring the board's attention necessitates better execution of the directors' fiduciary duties and their role as a sounding board for the company's management. Competent board composition, renewal and performance evaluation will improve corporate effectiveness and reduce exposure to risks.

3. *Standards for companies and their climate change disclosures are improving.* It should be noted that in terms of information disclosure, among the trends of corporate governance are also increasing requirements for the disclosure of information related to where and how the company pays taxes.²

4. *Equity, diversification (diversity), and inclusiveness on boards and in companies in general are improving.* Stakeholders demand constant progress on these indicators because corporations possessing these qualities are believed to outperform other companies.

5. *Digitalization* is also outlined as a separate trend of corporate governance. Corporate governance has long been familiar with such elements of new technologies as blockchain, electronic registries, electronic document management and e-voting. Companies are trying to include experts experienced and competent in innovation and digital technology on their boards, and to consider cyber risks as part of their risk management system.³ Experiments using artificial intelligence in management are of particular interest.⁴ Digitalization creates platform companies whose operations are based on new technologies (Apple, Alibaba, Sber, Yandex, etc.). Traditional pro-shareholder corporate governance conflicts with the needs of platform companies that promote collaboration between multiple stakeholders, seek to increase stakeholder engagement.⁵ Managing a digital platform business

1 2022 Global and Regional Trends in Corporate Governance. URL: <https://www.russellreynolds.com/en/insights/reports-surveys/2022-global-and-regional-trends-in-corporate-governance>; Six Key Corporate Governance Trends For 2021. URL: <https://www.maalot.co.il/Publications/ESGA20210413113135.PDF>; Emerging Trends In Corporate Governance In 2022. <https://blog.corporateservices.euronext.com/en/governance/emerging-trends-corporate-governance/>

2 Six Key Corporate Governance Trends For 2021. URL: <https://www.maalot.co.il/Publications/ESGA20210413113135.PDF>

3 Corporate governance in the Covid era: cybersecurity and high-tech considerations. URL: <https://gaap.ru/articles/Corporativnoe-upravlenie-v-epohu-covida/>

4 E.A.Apevalova, N.A.Polezhaeva, A.D.Radygin. Corporate governance standards and practices: some current trends. Russian Economy in 2019 Trends and Prospects. Edition 41. M.: Gaidar Institute Publishing House, 2020. p. 486–498.

5 N.A.Polezhaeva. Platform Companies: Features of Business Model and Corporate Governance. Russian Economy in 2020. Trends and Prospects. Edition 42. M.: Gaidar Institute Publishing House,

is largely associated with expanding corporate goals toward stakeholders. Let us consider a few examples of the promotion of environmental and social agendas in management in different countries.

The U.S. and Canada

1. *Environmental control and company reporting.* Over the past few years, investors pay increasing attention to the environmental controls and reporting of portfolio companies. Voting rules are becoming stricter. For example, in 2022, proxy-voting guidelines at one of the world's largest investment firms, Vanguard, included the ability to vote against directors who made significant errors in risk management, including climate.¹ The annual letter from the CEO of asset management of the State Street Global Advisors ("SSGA") states that companies in major indexes in the U.S. and several other markets must align their disclosures with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and that SSGA will vote against directors who do not meet such disclosure requirements.²

In December 2021, the Prime Minister of Canada sent out letters to members of the Cabinet proposing a whole-of-government approach to combating climate change.³ The letters to the Secretary of the Environment and the Secretary of the Treasury required mandatory disclosure of climate-related financial information.

It is to be expected that many key stakeholders, including major shareholders, will demand additional disclosure from companies beyond what is mandatory.

2. *Diversification and inclusion.* Diversity of a company's board, board of directors, and employees continues to be promoted as an important factor in a company's efficiency and higher value.

Diversity requirements are increasingly being included in regulations and other acts, such as California's gender and racial diversity requirements for boards of directors. Board diversity disclosure is required by the NASDAQ stock exchange. The U.S. proxy voting guidelines of the world's largest investment company, BlackRock, indicate the need for a 30% diversity of board members.⁴

The COVID-19 pandemic has raised additional attention to relations with employees. The latter became more demanding, which contributes to a more competitive environment, encouraging companies to create conditions to attract the best employees.

3. *Demanding shareholders (forward-thinking companies will expand their shareholder engagement programs).* Shareholders more often insist at their general meetings on the need to change the tack of the company. The most striking example

2021. p. 533–556.

1 Proxy voting policy for U.S. portfolio companies. URL: https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/US_Proxy_Voting.pdf

2 CEO's Letter on Our 2022 Proxy Voting Agenda. URL: <https://www.ssga.com/us/en/institutional/ic/insights/ceo-letter-2022-proxy-voting-agenda>

3 Full-court press on climate in mandate letters, but environmentalists will wait and see. URL: <https://www.thestar.com/news/canada/2021/12/22/full-court-press-on-climate-in-mandate-letters-but-environmentalists-will-wait-and-see.html>

4 BlackRock Investment Stewardship: Proxy voting guidelines for U.S. securities. URL: <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf>

of 2021 is the oil giant ExxonMobil set a goal of achieving carbon neutrality by 2050 under pressure from hedge fund Engine No. 1, which has a small stake in the company, and other shareholders. ExxonMobil's board of directors included three directors from Engine No. 1.¹

4. Effectiveness of the board of directors, assessment of its performance and renewal of its composition. Boards will be under pressure from stakeholders demanding to self-evaluate and renew their composition to meet ever-changing needs, to bring in new prospects and diversity. Some major investors and representatives (proxy advisors) call for robust board evaluation programs.

European Union

1. Environmental responsible activity. The Sustainable Financial Development Strategy adopted by the European Commission in July 2021 supporting the "European Green Deal,² includes a number of measures to overcome environmental challenges and increase investment in the sustainable development of the economy. One of the measures, the Sustainability Taxonomy (or "Green Taxonomy"), a system for classifying sustainable economic environmental performance, has already entered into force.³ Financial companies can now report based on technical criteria used to determine whether the activity of the company is environmentally sustainable.

Since January 2022, companies and investors subject to the Corporate Sustainability Reporting Directive (CSRD) are required to disclose information on climate change mitigation and adaptation.

The information to be disclosed will be minimal, and it is expected that some stakeholders, especially large investors, will demand more information to be disclosed.

2. Linking executive compensation to ESG indicators. Investor demands for compliance with ESG principles, especially environmental, are growing. In this regard, the possibility is being considered to establish a correlation between the remuneration of company executives and the degree of compliance with such principles. However, it has not yet been possible to identify common key indicators that could be used as a benchmark. For example, the Norwegian CGC attributes ESG (sustainability) issues to competence of the board of directors and recommends that size of remuneration should be transparent and strictly limited when linked to performance. Germany and Spain also recommend ESG criteria for remuneration.

3. Diversification of the board of directors and director's "overboarding." In some European countries, companies set mandatory targets for the number of women

1 The Little Engine That Won an Environmental Victory Over Exxon. URL: <https://www.bloomberg.com/news/articles/2021-06-09/engine-no-1-proxy-campaign-against-xxon-xom-marks-win-for-esg-activists>

2 In 2021, the European Commission has released a package of proposals to reduce harmful emissions into the atmosphere, called the European Green Deal.

3 The European Union's sustainability taxonomy aims to attract private capital for long-term environmental projects. URL: <https://investinfra.ru/frontend/images/articles/2020-04-08/NAKDI-Ponomareva-jekspertnaja-statja-1-07.04.2020.pdf>

on their boards. In Denmark, corporate governance principles recommend diversity in terms of gender, age, education, and business experience. Ethnic diversity is somewhat more difficult, as it is not legal in Europe to collect data on ethnicity.

The “overboarding” of one director serving on several boards at the same time presents a particular concern to investors. The number of European companies having boards where these directors are members seems excessive. Limiting the number of boards to one director is not considered the only solution, and alternatives are still being sought.

4. Strengthening the position of shareholders: likely revision of the Shareholder Rights Directive II. Shareholder Rights Directive II is focused on:

- a) improving the quality of interaction between shareholders and managers with their companies;
- b) strengthening shareholder rights, including control over remuneration and related-party transactions;
- c) expanding information about investing.

Implementation of the Directive was scheduled for 2019—2020, but it has slowed due to the COVID-19 pandemic. Investors are particularly concerned about the insufficiently rapid tightening of disclosure requirements for executive compensation. As a result, a review of the Directive’s provisions is pending.

The United Kingdom and Australia

In the UK, investors pay special attention to climate change, and new environmental disclosure standards have been issued. Attention to the social element also continues. Investor demands grow for diversity (gender, ethnicity, sexual orientation, socio-economic background) on boards and leadership teams, and the role of boards in ensuring diversity and inclusiveness. These demands often exceed established standards.

In terms of governance in the ESG context, the first step toward restoring trust in corporate governance, as well as in auditing, is a series of proposals from the UK government, including the planned establishment of an Audit, Reporting and Governance Authority (ARGA) in 2023. The next step should be wide-ranging reforms, including a review of the roles of individual directors and the board as a whole.

In Australia, climate change remains the focus of many investors with many campaigns held by activist shareholders focused on the environment. At the national level, the climate issue is being addressed at a more conservative pace. Special attention is paid to diversification of the board of directors. Thus, in November 2021, all boards included at least 30% women.

Brazil

Despite the shortcomings of corporate governance in Brazil, the country is striving to develop all components of ESG. Some Brazilian companies started moving from greenwashing¹ to real climate initiatives. The dependence of a

¹ Greenwashing (or green camouflage) is a form of environmental marketing used by unscrupulous companies to give the appearance of an environmentally oriented organization.

company's management remuneration on its environmental performance is expected to grow, and this will require greater disclosure. The Brazilian Securities and Exchange Commission is expected to support increased transparency regarding ESG. There is also an increased demand for a more ESG-aware board of directors.

Shareholders demand more actively that boards provide effective health and social control for the well-being of employees (education, pay equity, etc.), customers, and other stakeholders. The COVID-19 pandemic has reinforced this trend.

However, the emphasis should be primarily on improving governance as a necessary driver for the development of the ESG agenda.

Brazilian public companies lack robust governance structures. Listing requirements, including corporate governance, are not sufficiently stringent, and there is little enforcement action against violators. With the introduction of super-voting shares and a respective departure from the "one share, one vote" approach, global investors are pessimistic about investing in Brazil.

The requirements of Novo Mercado, the listing segment of the São Paulo Stock Exchange, for an annual board evaluation are intended to stimulate the implementation of management functions. Advanced boards will use the evaluation as an opportunity to influence the efficiency of individual directors and the overall board culture. Nevertheless, there are concerns that such evaluations will be conducted just formally.

Shareholder control over the professionalism, independence of directors, and the process of their appointment is gradually increasing. However, in recent years much attention has been paid to the gender diversity of the board, largely due to pressure from global investors.

In Western countries, the understanding that companies should have other stakeholders in addition to shareholders as well as other goals in addition to maximizing shareholder value has mainly occurred in the last decade as a result of new challenges (climate change, the threat of key resource shortages, economic stratification of society, the economic crisis caused by the COVID-19 pandemic, etc.). At the same time, some jurisdictions already had a variety of corporate goals at the time the Western world realized their importance, and as the experience of some of Asia's largest economies shows, having such goals does not always ensure the quality of management and efficiency of the company.

Japan

Japan's postwar economic miracle was made possible in the context of corporate governance taking into account the interests of various stakeholders. Shareholder votes were not the only determinants of company policy. The Japanese model of governance was called the "company community," in which the boards of directors consisted mainly of lifetime employees. The difference in wages between top management and frontline employees was relatively small. Shares were owned by members of informal corporate keiretsu groups and their main banks (so-called cross-shareholding) as an unofficial symbol of commitment to keiretsu and for

protection against hostile takeovers, but not for profit by maximizing share value. It was the main bank, not the shareholders, who resolved problematic situations in the company.

However, this system, which functioned well during the period of rapid growth, led the country into a financial crisis in the early 1990s. The ensuing series of reforms aimed to extend to Japanese companies a pro-shareholder model of management along the American example (boards of directors consisting of independent directors, a Delaware-style regulatory framework for hostile takeovers), did not quite succeed. Until the 2010s, there were no independent directors in the most public companies. Although cross-shareholdings declined, while the number of foreign shareholders grew, Japan has long been the only major developed economy with no examples of successful hostile takeovers.

Since the early 2010s, Japan's governance system has been reoriented towards the interests of shareholders with the adoption of the 2012 Good Governance Code for Investors and the 2015 Corporate Governance Code. Meanwhile, other corporate goals remain in place, and the revised 2021 Corporate Governance Code defines compliance with ESG principles as one of the pillars of good corporate performance.¹

The Tokyo Stock Exchange (TSE) was reorganized in 2022 with the aim to introduce stricter listing standards and attract foreign investment. Its four sections were transformed into three tiers marked by respective standards of trading liquidity and corporate governance, Prime, Standard and Growth. As part of the reform, the Companies Act and the Corporate Governance Code were revised. It should be noted that many analysts are pessimistic about the effectiveness of this reorganization.²

The revised Company Law specifies the need for outside directors for certain types of Japanese companies. In the Code for listed Prime level companies, the recommended minimum number of independent directors has been increased from two to one-third of the board. In the near future, companies may face a shortage of qualified independent directors due to the increased demand as a result of new requirements.

Japan is second only to the U.S. in shareholder activism, and such activism continues to grow. In 2015, shareholder-activist campaigns against Japanese corporations accounted for 6% of all such campaigns worldwide, excluding the US. At the beginning of 2022, this share was 26%.³

Still, despite the reforms, corporate performance in Japan remains low. Experts continue to call Japan's corporate governance problematic, pointing to the importance not only of legal and institutional changes, but also to the need for changes in mindset and behavior, which will be a long process.

1 Mielcarz P., Osiichuk D., Pulawska K. Increasing shareholder focus: the repercussions of the 2015 corporate governance reform in Japan // *Journal of Management and Governance*. 2021.

2 The Tokyo Stock Exchange has been reformed hoping to attract foreign investors. URL: <https://rossaprimavera.ru/news/212efea5>

3 H1 2021 Review of Shareholder Activism. URL: <https://www.lazard.com/media/451807/lazards-h1-2021-review-of-shareholder-activism-vf.pdf>

China and India

Since 1994, China's Company Law calls for corporations to act ethically, to strengthen Chinese socialist society, and to be accountable to the public. The law recognizes company employees as important stakeholders. The draft amendments to the 2021 Company Law also point out the need to consider environmental and social interests and for the company to take on social responsibility.

In 2002, China adopted a European-style CGC. However, instead of proclaiming shareholder value maximization as the main goal of management, the code already called on listed companies to take care of welfare, protect the environment and public interests and focus on the company's social responsibility. The 2018 code went even further, calling, for example, for aid to poor regions and villages.

Thus, China has long had a variety of corporate goals. Nevertheless, much depends on the policies of the Chinese Communist Party, which can set company goals both for the public good and to increase its influence¹, to achieve these seemingly good corporate goals, regardless of the company's form of ownership.

According to the Chinese Company Law, a party organization may be established in any company to conduct activities of the Communist Party (Art. 19), which in practice is one of the main participants in management, while the limits of this participant's influence remain unclear.

Moreover, despite the improvement in the quality of corporate governance in China in recent years, a large number of companies with concentrated ownership and controlling shareholders whose boards of directors are not transparent, is affecting investor activity. Questions remain about transparency of ownership structures and corporate governance. As a rule, independent directors in Chinese companies lack business experience, and they are not perceived as advocates of minority rights.²

India's corporate governance rules also take into account the interests of a wide range of stakeholders. For example, after independence in 1947, the Indian Companies Act was amended to require companies to act not only in the interests of their shareholders but also in the public interest. Updated in 2013, the Companies Act, requires directors to act in the best interests of the company, shareholders, employees, society, and the environment.

Nevertheless, although the principles of corporate governance adopted in India are of sufficient quality (the Asian Corporate Governance Association estimates the quality of governance rules in India at 69%, while a good indicator is more than 70%³), and the causes are noble, the country faces problems regarding their

1 Puchniak D.W. No Need for Asia to be Woke: Contextualizing Anglo-America's 'Discovery' of Corporate Purpose. European Corporate Governance Institute – Law Working Paper No. 646/2022. URL: <https://ssrn.com/abstract=4122483>

2 Corporate governance in China: key takeaways for investors. URL: <https://www.unpri.org/pri-blog/corporate-governance-in-china-key-takeaways-for-investors/7398.article>

3 CG Watch 2020. Future promise: Aligning governance and ESG in Asia. URL: <https://www.acga-asia.org/files.php?aid=425&id=1343>

implementation at all levels (companies, regulators, society).¹ Existing social and environmental goals are no exception.

* * *

The ESG agenda, which complicates the understanding of corporate governance, is being actively promoted in developed and many developing countries. Intensive work on environmental and social governance is underway. The governance is receding into the background. This is often explained by the high level of traditional pro-equity corporate governance in developed countries, which nevertheless does not mean that there are no weaknesses requiring improvement (e.g. strengthening the position of investors in the EU, reviewing the role of the board of directors in the UK). Without quality corporate governance, which is the driver of the ESG agenda, greenwashing and other imitations will be taking place.

Separately, such a positive trend as growth of shareholders' activity in the management of the company should be noted. At present, this activity is mainly related to environmental matters. Nevertheless, in the future we see the shareholders' attention spreading to other spheres as well.

Meanwhile, there are countries demonstrating that transition to sustainable management is premature due to weak corporate governance unable to provide proper level of the ESG aspects, or irrelevant, as extended range of corporate goals is not something new for them, as, for example, for Asian countries.

Corporate governance, like its shortcomings, is individual, but the governance rules established in these countries cannot be called substandard. A common problem for most of them is the lack of compliance with the rules, creating the appearance of compliance.

¹