

THE CORPORATE GOVERNANCE SYSTEM OF A JOINT-STOCK COMPANY IN TERMS OF LEGISLATIVE CHANGES AND PROSPECTS FOR THE INTRODUCTION OF CORPORATE SOCIAL RESPONSIBILITY

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Formulation of the problem. As a result of the processes of globalization and the European integration of national stock markets in economic science methodological approaches to the process of corporate governance are changing. They are gradually transforming in accordance with the new challenges of international laws, standards and trends. These processes affected the operation of primarily large public domestic joint-stock companies and international corporations wishing to raise capital in international stock markets.

Building effective corporate governance systems based on corporate social responsibility always contributes to the confidence of strategic and portfolio investors, stock markets and all interested parties. Therefore, research into the improvement of the corporate governance system in the context of globalization should be viewed as an important tool not only for the development of capital markets, but also for a sustainable institution of responsible corporate governance and business value growth in the long term.

Analysis of recent researches and publications. Foreign scholars P. Drucker, A. Meyer and others made a major contribution to the study of problems and features of corporate governance. Among the domestic researchers of corporate governance processes are the achievements of such authors as A. Borshch, A. Bondar-Pidpurska, V. Yevtushevskiy, D. Zadykhailo, A. Kozachenko, T. Mostetska, H. Nazarova, Ye. Palyha, S. Rumiantseva, etc. However, due to the diversity of research, the problem of forming an effective corporate governance system and its assessment in joint-stock companies remains insufficiently studied.

The aim of the research. The purpose of the article is to study the corporate governance system in joint-stock companies in the context of the implementation of international ISO standards and changes in the current legislation.

The main material. The analysis of modern approaches to the concept of "corporate governance" allows us to determine that at the present stage corporate governance is considered through the concept of "corporate governance system". This concept is understood as a set of measures on the part of the management of a joint-stock company, aimed at forming management bodies and implementing their decisions in the process of managing the shareholder property of this company, and the relations between its participants within the framework of the current legislation.

Therefore, the corporate governance system should be considered through the relationship between the company's bodies and its owners (shareholders) to manage the company's activities (Fig. 1).

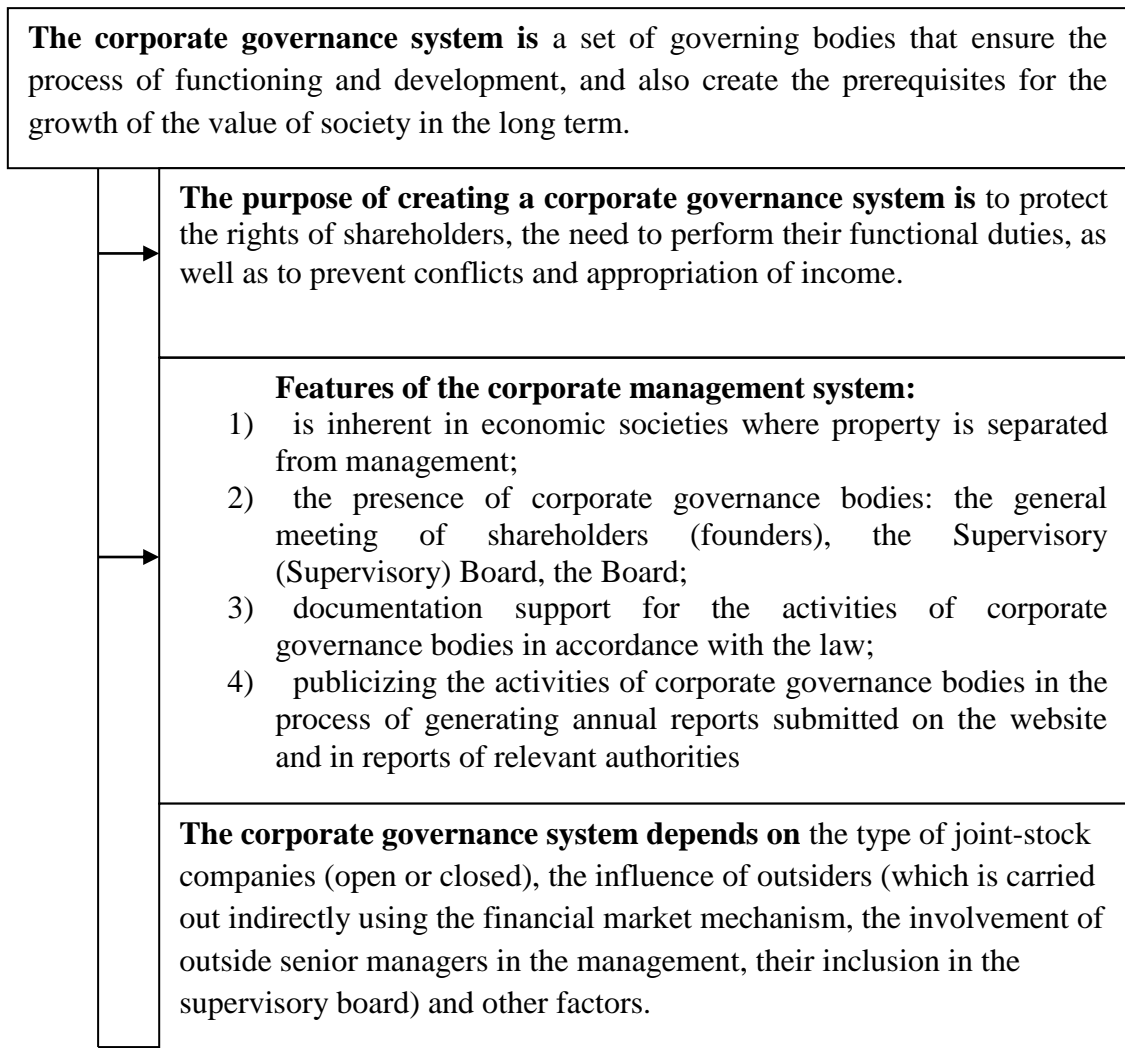


Fig. 1. The essence of the concept of "corporate governance system" [summarized on the basis of references 5,6,7,7,8,9]

In addition, the current stage of development of corporate governance has a number of features:

- 1) the stock market is recovering;
- 2) the role of professional managers is enhanced;
- 3) capitalization of domestic companies is increasing;
- 4) the need to improve the level of efficiency of the corporate sector in the national economy, which can act as a driving force in improving its competitiveness, is being actualized.

The adopted Law of Ukraine in 2008 "On Joint Stock Companies" [1] led to structural changes in the corporate governance system. According to the law, all open and closed joint stock companies must undergo reorganization until 2015. In 2015 there should be public and private joint-stock companies. This affected the dynamics of corporate entities (Table 1).

According to official data of the State Statistical Service of Ukraine, official statistics on the number of public and private joint-stock companies was not maintained. Since that time it has been in the process of reorganization.

Table 1

**The dynamics of the number of business entities of the corporate sector of Ukraine
for 2013–2018**

	Investigated period, years						Deviation from				
	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017
Total legal entities	1341781	1372177	1331230	1121347	1185071	1235024	(106757)	(137153)	(96206)	113677	49953
Joint-stock companies, among them:											
Public Company	*	*	*	4149	3122	2186	*	*	*	(1963)	(936)
Private joint stock company	*	*	*	3486	4348	5076	*	*	*	1590	728
Limited liability company	488781	515371	519607	488205	532401	576554	87773	61183	56947	88349	44153
Subsidiary company	1539	1583	1589	1336	1392	1453	(86)	(130)	(136)	117	61
Full partnership	2074	2062	1941	1361	1378	1344	(730)	(718)	(597)	(17)	(34)
Limited partnership	638	629	595	387	384	377	(261)	(252)	(218)	(10)	(7)

The total number of joint stock companies tends to decrease. In 2018, as compared with 2013, by 10,821 units, by 2014 – by 10,103 units, by 2015 – by 8,400 units, by 2016 – 861 units, by 2017 – by 494 units. From 2015 to 2018 in the structure of joint-stock companies the number of public joint-stock companies decreases. In 2018, as compared with 2016, by 1963 units, by 2017, by 936 units. One of the reasons for such a negative situation is new changes in legislation.

In April 2015, the parliament tightened the requirements for public joint-stock companies: all public companies must go through the procedure of entering their shares in the stock register of any stock exchange, form a supervisory board of at least five people, two of whom are independent directors. But at the same time, companies were given an alternative – the possibility of re-registration in private joint-stock companies, even if there are more than 100 shareholders. The deadline for these changes will also be January 1, 2018 [12]. As a result, the number of private joint-stock companies is increasing. In 2018, compared to 2015, by 1590 units, in 2016 – by 728 units.

It should be noted in the structure of business entities a tendency to increase the number of limited liability companies. In 2018, compared with 2013, it was by 87773 units, by 2014 – by 61183, by 2015 – by 56947, by 2016 – by 88 349, by 2017 – by 44 153 units.

New difficulties have arisen at the present stage (after signing on January 3, 2018 by the President of the Law of Ukraine of November 16, 2017, No. 2210-VIII "On Amendments to Certain Legislative Acts of Ukraine Concerning Simplification of Doing Business and Attracting Investments by Issuers of Securities" [3]).

According to this law, from January 1, 2018 any public joint-stock company, whose shares will be included in the exchange register, and which did not make a public offer of shares, will automatically switch to the legal regime of private joint-stock company activities. It is possible to make changes in status within two years or earlier. For example, when changing the authorized capital or when obtaining new licenses to government agencies. Requirements for public joint-stock companies are becoming tougher.

There will be several key differences between public and private joint stock companies. First, only a public joint-stock company will be able to hold IPOs, while the shares of both groups of companies will be able to trade on the exchange. But if the shares of a private joint stock company are only on the stock exchange list, then a public joint stock company, either in the register or in the list. Second, if a private joint-stock company has up to 100 shareholders, it will be able to prescribe in the charter the preemptive right of shareholders to purchase shares that are sold. But if the minority shareholders are more than a hundred, they will be able to trade stocks freely. Thirdly, public joint stock companies will be required to create a

supervisory board of at least five people, three of whom must be independent directors. They will head the three committees at the supervisory board: for audit, remuneration and appointments.

Fourthly, issues relating to the competence of the supervisory board will not be resolved by the general meeting of shareholders. And this body should be created in private joint-stock companies. It provided that more than ten unskilled investors are present in the equity capital.

And lastly, it is disclosure. Disclosure of annual and quarterly reports, as well as special information on significant events in the company will be mandatory for a public joint stock company. Private joint stock companies will only submit an annual report and special information. Thus, the role and importance of public information is increased only for public joint stock companies. However, this is not all changes. In 2018, the President signed another law of Ukraine "On Limited and Additional Liability Companies" [2]. It entered into force on 17.06.2018. This law allows regulating certain aspects of a society with additional responsibility. Their number in Ukraine is constantly growing. A feature of this Law is that it has lifted the restrictions on the number of participants in this type of partnership. To that, if there was a reorganization of joint-stock companies before, it was mainly into additional liability companies (hereinafter referred to as ALC).

This was due to the fact that when the joint-stock company was transformed into another organizational-legal form, the number of shareholders was in the structure of the joint-stock company (except for selling its shares to the company at redemption) should be the same for the successor company.

In the period until June 17, 2018, the laws of Ukraine provided that the maximum number of participants in a limited liability company could not exceed 100 (one hundred) people. The legislation of Ukraine did not contain any restrictions on the number of ODL participants. Therefore, in the process of reorganization of the advantage granted to the limited liability companies.

Since June 17, 2018 such restrictions of limited liability companies have not been established. Therefore, it is most expedient to reorganize a joint stock company in a limited liability company, especially in the face of growing demands for transparency of information in public joint-stock companies.

Thus, the corporate governance system in Ukraine is currently undergoing significant changes, where the role and importance of information plays a key role. This is confirmed by international quality system standards ISO. They are integrated into the corporate governance system. At the same time, public joint-stock companies that identify themselves as public or want to hold an IPO will be required to meet higher standards of corporate governance.

This can be achieved through the implementation of ISO 26000: 2010 "Guide to social responsibility". This is a voluntary guide on social responsibility, not a document that provides for certification. The objective of the international standard ISO 26000: 2010 "Guide to Social Responsibility" (published October 28, 2010) [11] is to assist organizations in the preparation of their activities in the field of social responsibility. This installation provides a comprehensive vision of social responsibility and detailed instructions for all organizations (Fig. 2).

It is important to note that the ISO 26000 standard was developed not only for business structures, but also for trade unions, public organizations and government bodies.

The question, constituting the essence of social responsibility, reflect the desire of society at a particular point in time and, therefore, constantly changing with the problems of society and its expectations. Consider the structure of the recommended international standard ISO 26000: 2010 "Guide to social responsibility" in the table 2.

At the same time, the main objectives of the proposed measures of corporate social responsibility of joint-stock companies are the following: ensuring business conduct in accordance with the goals of sustainable development, first of all, about the use of natural resources and prevention of environmental damage; conducting business activities of joint-stock companies in accordance with the principles of "fair play" ("fair trade"); implementation of the principles of social partnership in relations with key groups of stakeholders of the joint-stock company - personnel, consumers, society; accumulation of human and social capital of society.

Table 2

The structure of the proposed international standard ISO 26000: 2010 "Manual on Social Responsibility" for JSC

Chapter	Essence
Introduction	Information about the content of the standard and the rationale for the need to develop it.
Scope of application	Definition of the object of the standard - leadership, scope and boundaries of application.
Normative references	The list of documents that must be used in conjunction with this standard.
Terms and Definitions	Identification of terms used in the standard for which definitions are necessary, and preparation of such definitions.
Social responsibility context	History and current state of social responsibility. Questions arising from the content of the concept of social responsibility. Relevant questions regarding stakeholders.
CB principles	Defining a set of JI principles based on an analysis of various sources and providing guidance on these principles. Relevant questions regarding stakeholders.
Guide to key issue objects	Providing separate guidance on a number of key issue objects and linking them to organizations. Relevant questions regarding stakeholders.
CR Practical Implementation Guide	A practical guide to applying and integrating JI into an organization's activities, including issues such as policies, practices, approaches, identification of issues, evaluation of activities, reports and interaction. Relevant questions regarding stakeholders.

ISO 26000:2010 Social Liability Guidance

Scope of application

assistance to organizations in the preparation of activities in the field of social responsibility; providing an understanding of social responsibility and detailed instructions for all organizations

The main themes and problems of social responsibility

<i>Organizational management (social responsibility principles):</i> accountability; transparency; ethical behavior; respect for the interests of stakeholders; respect for the rule of law; respect for human rights	<i>Fair business practices:</i> anti-corruption; fair competition; respect for property rights; responsible engagement in politics; promotion of social responsibility within the sphere of influence	<i>Consumer problems:</i> fair marketing, information, contracting practices; protecting the health and safety of consumers; consumer support and dispute resolution; data protection and consumer privacy
<i>Environment:</i> pollution prevention; economical use of resources; reducing the impact on climate change and adaptation to it; environmental protection and restoration	<i>Labor practices:</i> rent and employment relationships; working conditions and social protection; social dialogue; occupational health and safety at work;	<i>Participation in the life of communities and their development:</i> participation in community life; education and culture; employment creation and skills development; technology development; creating wealth and income; healthy lifestyle; social investment

Advantages of standard implementation:

positive impact on the organization's employment opportunities;
improvement of staff motivation and retention;
improving the implementation of labor protection obligations;
positive impact on the reputation of the organization;
cost reduction;
increased productivity;
support staff morale;
influencing the opinions of investors, donors, sponsors and the financial community;
impact on relationships with the government, the media, suppliers, similar organizations, consumers and the society in which the organization operates;
developing mutual trust with stakeholders.

Fig. 2. General scheme of social responsibility structure for JSC according to ISO 26000: 2010

Conclusions and suggestions. Thus, corporate social responsibility allows Ukrainian joint-stock companies to increase their investment attractiveness and reduce the number of corporate conflicts. Also streamline the information component of the corporate governance system of Ukrainian joint stock companies. And as world experience shows, the role and importance of information will constantly grow. Therefore, further research on corporate social responsibility in the context of legislative changes is relevant to the formation of a national model of corporate governance.

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Шинкаренко Раїса Василівна, кандидат економічних наук, доцент. Полтавський національний технічний університет імені Юрія Кондратюка. **Система корпоративного управління акціонерним товариством в умовах законодавчих змін та перспектив упровадження корпоративної соціальної відповідальності.** У результаті процесів глобалізації та євроінтеграції національних ринків акцій в економічній науці змінюються методологічні підходи до процесу корпоративного управління. Вони поступово трансформуються відповідно до нових викликів міжнародних закономірностей, стандартів та тенденцій. Зазначені процеси торкнулися функціонування в першу чергу великих публічних вітчизняних акціонерних товариств і міжнародних корпорацій, які бажають залучити капітал на міжнародних фондових ринках.

Побудова ефективних систем корпоративного управління на засадах корпоративної соціальної відповідальності завжди сприяє впевненості стратегічних та портфельних інвесторів, фондових ринків і всіх зацікавлених осіб. Тому дослідження проблематики вдосконалення системи корпоративного управління в умовах глобалізації слід розглядати як важливий інструмент не лише розвитку ринків капіталу, але й сталого інституту відповідального корпоративного управління та зростання вартості бізнесу в довгостроковій перспективі.

Вагомий внесок у дослідження проблем і особливостей корпоративного управління зробили

зарубіжні вчені П.Друкер, А.Маєр та інші. Серед вітчизняних дослідників процесів корпоративного управління відомі напрацювання авторів А.Борщ, О.Бондар-Підгурської, В.Євтушевського, Д.Задихайла, А.Козаченко, Т.Мостецької, Г.Назарової, Є.Палиги, С.Румянцева й інших. Однак за різноплановості досліджень залишається недостатньо вивченою проблема формування ефективної системи корпоративного управління та її оцінювання в акціонерних товариствах.

Метою статті є дослідження системи корпоративного управління в акціонерних товариствах в умовах упровадження міжнародних стандартів якості ISO та зміни чинного законодавства.

Ключові слова: корпоративне управління, акціонерне товариство, корпорація, соціальна відповідальність, безпека.

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Chernysh Iryna, Doctor of Sciences (Economics), Associate Professor. **Нієбова Алла**, PhD (Economic Sciences), Associate Professor. **Shynkarenko Raysa**, PhD (Economic Sciences), Associate Professor. Poltava National Technical Yuri Kondratyuk University **The corporate governance system of a joint-stock company in terms of legislative changes and prospects for the introduction of corporate social responsibility.** As a result of processes of globalization and European integration of national equity markets methodological approaches to the process of corporate governance are changing in economic science. They are gradually being transformed in accordance with the new challenges of international laws, standards and trends. The mentioned processes affected the functioning primarily of large public domestic joint-stock companies and international corporations, who want to raise capital on international stock exchanges. Creating effective corporate governance systems based on corporate social responsibility always contributes to the confidence of strategic and portfolio investors, stock markets and all interested parties. Therefore, the study of the problem of improving corporate governance in a globalizing environment should be considered as an important tool not only for capital markets, but also for a sustainable institution of responsible corporate governance and the growth of business value in the long run.

The purpose of the article is to study the corporate governance system in joint-stock companies in the context of the implementation of international ISO standards and changes in the current legislation.

Key words: corporate governance, joint-stock company, corporation, social responsibility, safety.

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Черныш Ирина Владимировна, доктор экономических наук, доцент. **Глебова Алла Александровна**, кандидат экономических наук, доцент. **Шинкаренко Раиса Васильевна**, кандидат экономических наук, доцент. Полтавский национальный технический университет имени Юрия Кондратюка. **Система корпоративного управления акционерным обществом в условиях законодательных изменений и перспектив внедрения корпоративной социальной ответственности.** В результате процессов глобализации и евроинтеграции национальных рынков акций, в экономической науке меняются методологические подходы к процессу корпоративного управления. Они постепенно трансформируются в соответствии с новыми вызовами международных закономерностей, стандартов и тенденций. Указанные процессы коснулись функционирования в первую очередь крупных публичных отечественных акционерных обществ и международных корпораций, желающих привлечь капитал на международных фондовых рынках. Построение эффективных систем корпоративного управления на основе корпоративной социальной ответственности всегда способствует уверенности стратегических и портфельных инвесторов, фондовых рынков и всех заинтересованных лиц. Поэтому исследования проблематики совершенствования системы корпоративного управления в условиях глобализации следует рассматривать как важный инструмент не только развития рынков капитала, но и устойчивого института ответственного корпоративного управления и роста стоимости бизнеса в долгосрочной перспективе.

Целью статьи является исследование системы корпоративного управления в акционерных обществах в условиях внедрения международных стандартов качества ISO и изменения действующего законодательства.

Ключевые слова: корпоративное управление, акционерное общество, корпорация, социальная ответственность, безопасность.