



INTERNATIONAL PRINCIPLES OF CORPORATE GOVERNANCE

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ABSTRACT

The international principles of corporate governance and implementation to the national management system should be enormously considering nation among scholars. Specifically, in Uzbekistan, it can be seen as forthcoming tendency, as the economy turning into global position, corporate governance and managing principles need to be applied as law. This paper includes some the main examples of global corporate governance guidelines and try to link some sources pertaining to the national management system of Uzbekistan.

KEYWORDS: corporate governance, corporate governance principles, corporate governance system, global principles of corporate governance, global guidelines of corporate governance, Uzbekistan.

The global principles of corporate governance are mainly referred to as the G20/OECD Principles of Corporate Governance. The G20/OECD Principles of Corporate Governance help policy makers evaluate and improve the legal, regulatory and institutional framework for corporate governance, with a view to supporting economic efficiency, sustainable growth and financial stability (OECD, 2015). The Principles were first adopted and published in 1999 as one of the Key Standards for Sound Financial Systems. Later, the first review of the Principles was conducted in 2004 to maintain and strengthen the core values such as high level of transparency, accountability, board oversight, respect for the rights of shareholders and role of key stakeholders. The second review was conducted under the responsibility of OECD Corporate Governance Committee, and discussed not only by OECD countries, but by G20 countries, as a result of which the Principles were adopted and endorsed as the G20/OECD Principles of Corporate Governance in November 2015 (OECD, 2015). Nowadays, the G20/OECD Principles of Corporate Governance cover six key areas of corporate governance: I) Ensuring the basis for an effective corporate governance framework; II) The rights and equitable treatment of shareholders and key ownership





functions; III) Institutional investors, stock markets, and other intermediaries; IV) The role of stakeholders in corporate governance; V) Disclosure and transparency; VI) The responsibilities of the board.

EUROSHAREHOLDERS CORPORATE GOVERNANCE GUIDELINES 2000

The Euroshareholders Group, shortly “Euroshareholder”, is the confederation of European shareholders associations. It was founded in 1990 and presently, eight national shareholder associations involved as a members of Euroshareholders. The overall task of the organisation is to represent the interests of individual shareholders in European Union.

The primer objectives of Euroshareholders consists of: to support harmonisation on issues at the EU level such as minority group of shareholders protection, transparency provision of the capital market and cross-contry proxy voting, enhancing shareholder value in companies, to support corporate governance issues at the Union level.

The organisation did all research on guidelines of corporate governance regarding the EU principles with multinational participants decisions. Then, provides with sustainable recommendations on variable angles of corporate governance. They are:

Firstly, company should aim primarily at maximising shareholder value in the long term. Companies should clearly state (in writing) their financial objectives and strategy in thier annual reports.

- Major changes or processes in the scale of the comany should be discussed, decisions be subject to shareholder’s approval or should be handled by AGM solution.

Anti-takeover defences or other measures should be avoided if it creates restriction in the zone of shareholder influence. The process of mergers and takeovers should be regulated and related compliance should be authorised.

- If a shareholder’s stake in the company passes a certain threshold, that shareholder should be obliged to make an offer for the remaining shares under reasonable conditions, i.e. at least the price that was paid for the control of the company.
- Companies should immediately reveal information which might have impact on the share price, as well as information about those shareholders who pass (upwards or downwards) 5% thresholds. There should be lead to penalties in case of non-compliance.





- Auditors have to be independent and should be elected by the general meeting.
- Shareholders should be able to place items on the agenda of the AGM.
- In addition to the regular channels, electronic means should be used by a company to provide shareholders with price-sensitive information.
- Shareholders shall have the right to elect members of at least one board and shall also be able to file a resolution for dismissal. Prior to the election, shareholders should be able to suggest candidate members to the board.
- The membership of non-executives on the board, whether in a one-tier or a two-tier system (member of the supervisory board), should be limited to a maximum period of twelve years.
- No more than one non-executive board member should have served as an executive board member of the company.

Global governance principles of The California Public Employees' Retirement System

In US, the most influential fund and mentioned as one of the biggest and the most active institutional investor (CalPERS) has tremendous effect on field of applying corporate governance principles in management. It was founded in nearly mid-80's and progressively improving activity in stock market within investing foreign companies.

The CalPERS global principles was released in 1996 and they will be some lines about them:

1. **Sustainability:** Companies and external managers in which CalPERS invests are expected to optimize operating performance, profitability and investment returns in a risk-aware manner while conducting themselves with propriety and with a view toward responsible conduct.
2. **Director Accountability:** Directors should be accountable to shareowners, and management accountable to directors. To ensure this accountability, directors must be accessible to shareowner inquiry concerning their key decisions affecting the company's strategic direction.
3. **Transparency:** Operating, financial, and governance information about companies must be readily transparent to permit accurate market comparisons; this includes disclosure and transparency of objective globally accepted minimum accounting standards, such as the International Financial Reporting Standards ("IFRS").
4. **One-share/One-vote:** All investors must be treated equitably and upon the principle of one-share/one-vote.





5. Code of Best Practices: Each capital market in which shares are issued and traded should adopt its own Code of Best Practices to promote transparency of information, prevention of harmful labor practices, investor protection, and corporate social responsibility. Where such a code is adopted, companies should disclose to their shareowners whether they are in compliance.

IMPLEMENTATION OF THE PRINCIPLES IN THE NATIONAL CORPORATE GOVERNANCE SYSTEM

In Uzbekistan there created a sufficient legal, regulatory and institutional framework for corporate governance which comprises elements of legislation, regulation, self-regulatory arrangements, voluntary commitments and business practice. The primary sources of law relating to corporate governance in Uzbekistan include mainly Civil Code of the Republic of Uzbekistan (1995); Law on Joint-Stock Companies and Protection of Shareholders' Rights (2014); Law on Limited and Additional Liability Companies (2001); Law on Business Partnerships (2001); Law on Bankruptcy (2003); Law on Securities Market (2015); Law on Accounting (2016); Law on Auditing Activity (2000); Law on Competition (2012). These laws set formal procedures for establishing corporations, determine the mechanism of governing and functioning of business corporations (companies) and the mechanism of interaction between governing bodies and stakeholders, specify the main rights of shareholders, determine securities market players and provide mechanisms for protecting the rights of market participants and investors, and thus constitute the legal framework for corporate governance in Uzbekistan (Ashurov 2015a). In addition, under present conditions, national legislation has a significant influence on the formation of corporate governance. It defines the legal status of a corporation, procedure for the formation of its management bodies, rights and responsibilities of corporate governance participants (Valijonov, 2015).

CONCLUSION

Uzbekistan has to take some several steps towards innovative management setup. It mainly goes to general attitude of citizens to education, management, law and government enforcement. That demand creates the atmosphere of health competition in the field of candidates and markets. Law is considered as the main tool for making progress of investment, global principles implementation, corporate governance applying for companies. Some main sources should be studied both globally and locally, some estimates should be collected and education materials need to be provided with real cases and new model practice guidelines by scholars.





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