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EMERGING CONCEPT OF CORPORATE GOVERNANCE: AN OVERVIEW FROM GLOBAL CONTEXT

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Abstract:

The Concept of Corporate Governance is dynamic, it is changing from past to present. The corporate governance is a way to control corporate affairs of the corporations and from that corporation's reviews their effectiveness of decision making. Corporate governance code is the guide to the corporations in directing and controlling their activities, while reaching their defined goals. There are so many changes expected in the corporate governance in the global context. In this paper an analysis is done on emerging changes in Corporate Governance and concentrated on some international and national level studies on corporate governance. The present paper is intended to explore the present trends and prospectus of corporate governance in the global scenario. Corporate governance in selected worldwide countries like india, Japan, US, and UK elaborated through the websites and reports available. So many studies are contributed to explore the corporate governance scenario of various countries. From this paper we found the emerging scenario of corporate governance concept in terms of trends and perspectives of the expert. This paper helps to take a snapshot of corporate governance concept from global context.

INTRODUCTION

The concept of corporate governance is a subject that is always evolving. Corporate governance is a means to manage the business operations of organizations and evaluate the efficacy in their decision-making. The corporate governance code serves as a guide for organizations about how to manage their business activities while pursuing the goals they have set. The term "corporate governance" has been modified to better reflect the current situation. Some international organizations are actively promoting corporate governance all around the world. In a global environment, a lot of changes to corporate governance are anticipated. Because they oversee the organization's operations, the Board of Directors' counsel is crucial to the structure of every organization. The World Corporate Governance Index (WCGI) has been updated for the year 2021 by the SAHA Rating. SAHA Rating has calculated the grades and categories of the nations included in the Index. According to the Index, 60 nations scored highly out of 100. 150 nations in all were taken into account for the ranking; they were divided into 5 primary categories, with Group 1 being the top scoring and Group 5 the bottom. To prevent their investors from migrating to those nations where sound corporate governance is the norm, governing boards must take into consideration such advances in corporate governance. Boards are accountable for maintaining the confidence of investors via sound corporate governance. Governance improvement is affected by shareholder's influence. Institutional investors are roused their expectations to public company boards by demanding the quality boards, effectiveness in board and accountability to the shareholders. The COVID-19 pandemic and social justice movements are impacted on business and society around the world. Volatility in corporate governance trends in the regions of the world and global corporations are experienced a crucial role in the society.

Review of Literature: -

Stuart L. Gillan (2006) author constructed a framework for corporate governance, give a general summary of current corporate governance research, and situate each Special Issue piece within this framework. The contributions in this issue further our knowledge of a variety of governance issues, such as: the function of antitakeover the board's structure, capital market governance, pay and incentives, debt and agency expenses, the labour markets for directors and officers, fraud, litigation, ownership structure, and regulation. In essence, nearly every facet of governance systems is covered in the articles. **S.S. Siva Ruchi Kulkarni and Balasundram Maniam (2014)** The paper is focused about corporate governance from India's point of view analyzed the barriers that an emerging economy like India has to face. Also explained, why it is important for any country to follow good corporate governance practices. how corporate governance became an inseparable part of Indian economy. and discussed involvement of ethics, internal governance, and choice of auditor and audit committee for India. paper concludes with a summary that states how corporate governance is influencing the present economic condition of India. **Dr. Abha Mittal and Ms. Ritika Agarwal (2015)** the authors founds that the approach towards corporate governance is remains the constant in private sector companies or public sector companies in India or in other countries of the world. The affairs of the company are ensuring the transparency, accountability and fairness in all its transactions and their ultimate focus is on enhancement of creating the long-term value for all its stakeholders without compromising on integrity, social obligations, environmental and regulatory compliances. **S.S. Siva Shree and M. Kannappan (2018)** India's corporate governance structure contains a scope of measures that advance responsibility of governance and straight forwardness of money related and other data. On the administrative structure of corporate governance, the Indian government has attempted an arrangement of changes to enhance revelation standards of money related data and to refresh bookkeeping rules. In the matter of corporate governance authorization of the Companies Act 2013 merits say. The new Act replaces the Companies Act, 1956 and expects to enhance corporate governance norms streamline directions and improve the interests of minority investors. The present paper goes for checking on the arrangement and different improvements in corporate governance in India under the Companies Act, 2013. **Premanand Narasimhan (2019)** elaborated that the corporate governance is the framework of rules and practices, in which a board of directors ensures accountability, fairness and transparency in a company's and it guide to maintain the relationship with its all stakeholders. **Ishwaree Rajiah-Bennett (2020)** elaborated that the good governance encompasses all actions related to its citizens, a good quality of life. With the rapid change in the business environment and emergence of new regulations by world bodies like EEC, WTO, OECD, World Bank etc. the concept of Corporate Governance (CG) is introduced and also been impetus.

Research Gap:

Review of literature depicts that the studies related to the corporate governance framework. Authors expressed their views on framework of corporate governance. The views are expressed in terms of rules, regulation, and practices based on the code. In the modern world, the concept of corporate governance is gained its importance and some countries have own corporate governance code to improve their practices in the corporations. In this paper, study focused on providing an account of the emerging concept of corporate governance in the worldwide countries, Study is not elaborated about the framework, but concentrated mainly on findings of previously undertaken studies on corporate governance practices.

Objectives of the study: -

I. To Study the corporate governance practices trends in worldwide countries.

II. To study the corporate governance in the selected countries of the world.

III. The corporate governance practices trends in worldwide countries.

Source: - corpgov.law.harvard.edu

The World Corporate Governance Index (WCGI) has been updated by SAHA Rating for 2022. The grades and classifications of the nations included in this Index have been established as a consequence of this investigation. The Index includes nations that scored 60 points or higher out of a possible 100. 150 nations were examined, and afterward, they were classified into 5 major categories, with Group 1 being the nations with the best scores and Group 5 the ones with the lowest. SAHA will now identify the index group to which the company's nation belongs when grading the corporate governance of the firms.

Source:- saharating.com

90% of the examined countries effectively modified their company laws, securities laws, or both to reflect developments since 2015, according to the study for corporate governance practices. Two-thirds of countries have updated their national corporate governance laws in the last four years. The corporate governance system in some other jurisdictions has a formal rule and a "comply or explain" policy.

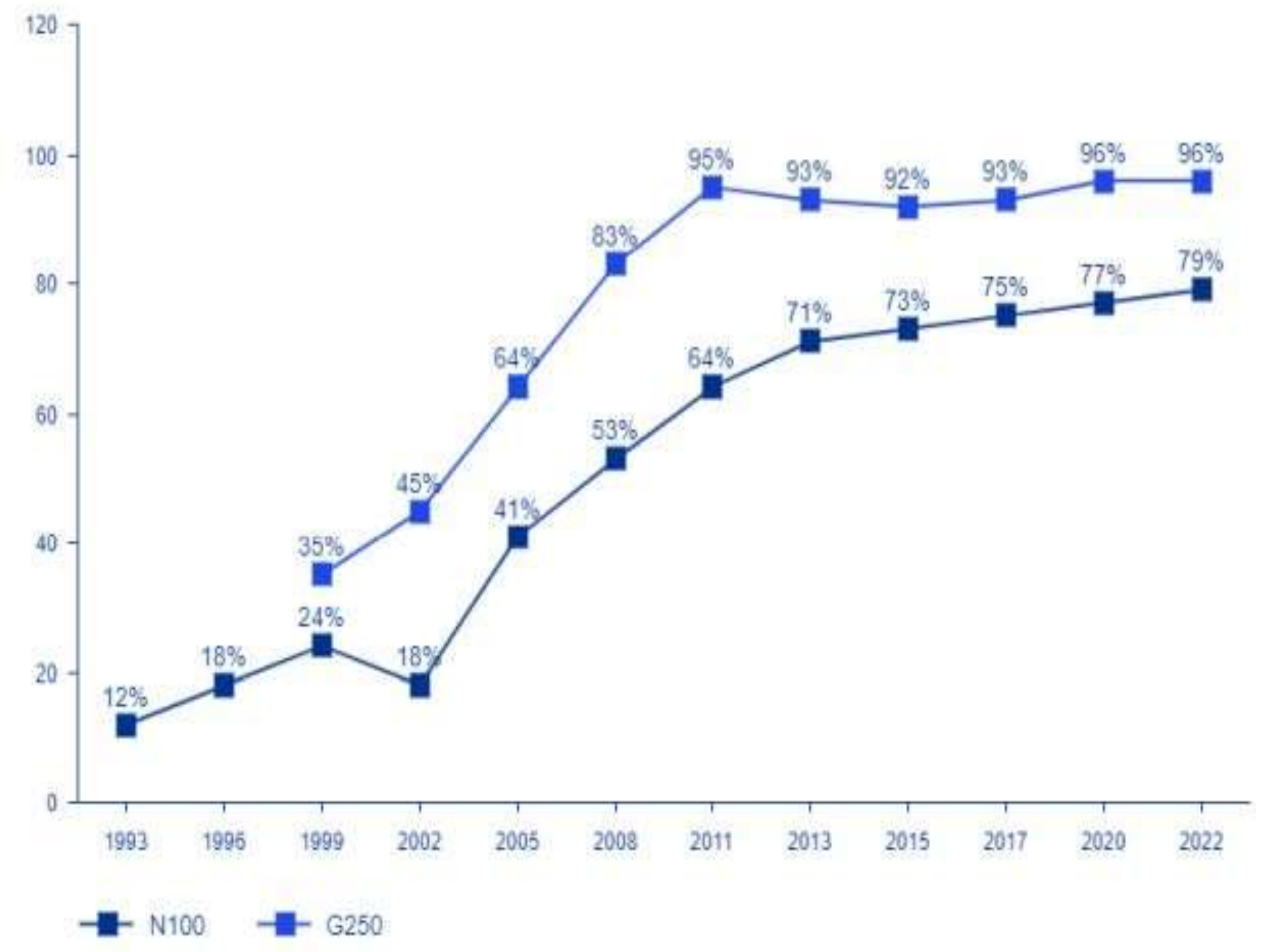
Table 1.1: Corporate Governance Practices Nature in selected Countries

Jurisdiction	Key national corporate governance codes and principles	Implementation mechanism			
		Basis for framework	Approach	Disclosure in annual company report	Surveillance
China	The Code of Corporate Governance for Listed Companies in China 2018	Law or regulation, Listing rule	Binding	Required	Securities regulator and Stock Exchange
Japan	Corporate Governance Code	Listing rule	Comply or explain	Required	Stock exchange
India	SEBI (listing obligations and Disclosure Requirement) Regulations, 2015	Law or regulation	Binding	Required	Securities regulator and Stock Exchange
United Kingdom	UK Corporate Governance Code	Listing rule	Comply or explain	Required	Securities regulator
United States	NASDAQ Rulebook	Law or regulation, Listing rule	Binding	Required	Securities regulator and Stock Exchange
	NYSE Listed Company Manual		Binding	Required	
Saudi Arabia	Corporate Governance Regulations	Law or regulation	Binding and comply	Required	Securities Regulator
Singapore	Code of Corporate Governance	Listing rule	Comply or explain	Required	Stock exchange
Germany	Corporate Governance Code	Law or regulation	Comply or explain	Required	Different stakeholders appointed by Government (not including the securities regulator and the stock exchange)

Source: OECD Corporate Governance Factbook 2021

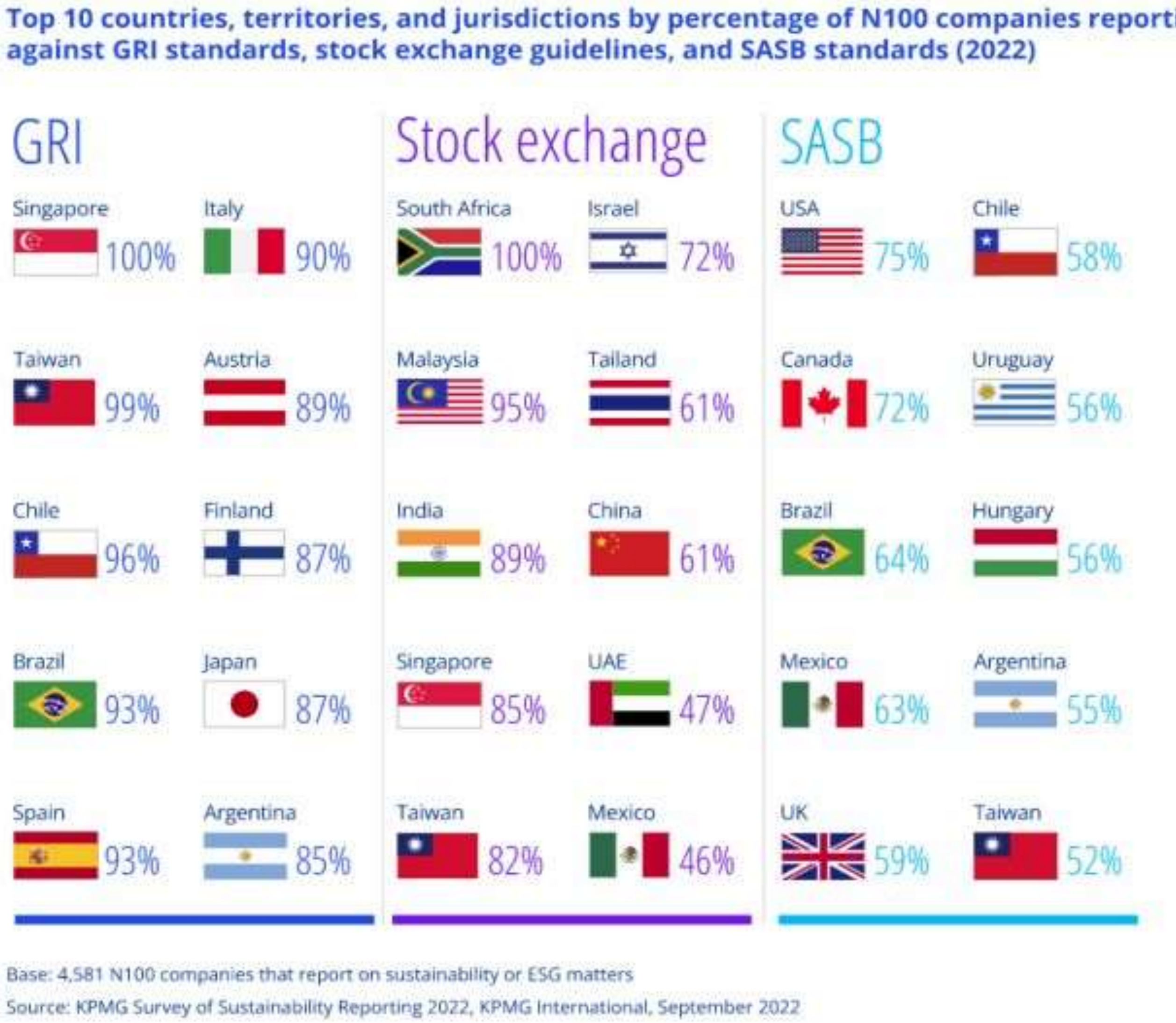
Companies that are listed fall under countries where gender diversity is more prevalent. In 2019, there will be an average of 27.4% more women on boards than there were in 2018. This was made possible by enacting required quotas for women on the board.

Global sustainability reporting rates (1993–2022)



Base: 5,800 N100 companies and 250 G250 companies
Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Asia Pacific region retained its strength in presenting sustainability data in annual reports with 60 percent of companies reporting as of 2022, Since 2017, the proportion of N100 companies also include sustainability data in their annual financial reports has stabilized. However, survey observe a drop of 8 percentage points to 68 percent among the G250 after 2020. With six of the top ten nations, territories, and jurisdictions of the N100, the Asia Pacific area is exceptionally well represented. Middle East and Asia Pacific are key regions for integrated reporting 55 percent of N100 companies in the Middle East and 30 percent of N100 companies in Asia Pacific now use integrated reporting, which is a report that integrates both financial and non-financial data in a single annual report. Widespread application of reporting guidelines, the KPMG survey examined through the three main reporting standards such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and national stock market rules. With adoption rates of 68 percent for the N100 and 78 percent for the G250, with the Americas showing the highest uptake, the GRI continues to be the most widely utilized standard worldwide. Both the N100 and G250 use close to 25% of the rules or criteria of their home stock market. The Middle East, Africa, and Asia Pacific areas all have very high adoption rates, with China reporting at a rate of 64%. Due mostly to businesses in the US and Canada, more than half of enterprises in the Americas report against SASB standards. That is



I. The corporate governance in selected countries of the world: -

India

The Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA) make up the administrative structure for corporate governance activities in India. Through Clause 49, SEBI oversees and controls corporate governance for listed firms in India. This clause is included in the listing agreement between stock exchanges and firms, and listed companies are required to abide by its terms. Through its several appointed committees and forums, including the National Foundation for Corporate Governance (NFCG), a not-for-profit trust, MCA promotes communication between business executives, decision-makers in government and law enforcement, and non-governmental organizations. NSE and IiAS collaborated on a project called Board Evaluation Disclosures and Practices in India. In this study, they evaluated the disclosures made by the companies that make up the NIFTY 50 and NIFTY Midcap 50 indices between 2017 and 2020. When the rules regarding board evaluation became effective in August 2016, the first research was launched. Even while it has been getting better, board evaluation disclosure has remained minimal. This evaluation, which covers the three-year period between 2017 and 2020, demonstrates that the exercise has evolved beyond a simple check-the-box exercise. For starters, there are indications that the results of board evaluations are beginning to be taken into account when appointing new directors. A positive consequence would be if this gained popularity. In order to help firms, adopt the idea of responsible conduct, leadership role practices, and disclosures, the MCA of India created the National Guidelines on Responsible Business Conduct (NGRBC) in 2019. The Business Responsibility and Sustainability Report (BRSR), which is implemented by corporations, allows the NGRBC to report on the social and environmental impacts of businesses in addition to the financial compliance with regulatory obligations.

Japan

In 2021, the biggest institutional investors and certain activists from around the world will focus on the climate crisis. Due to their higher-than-average rates of TCFD disclosure, Japanese corporations are in front of the curve in this regard. Japan has established net-zero carbon emissions goals for the ensuing decades, joining its neighbors China and South Korea. Cross-holdings in Japan could soon go out of style. The practice has long been under intense investigation since it is frequently accused of shielding underperforming businesses. To compel directors at leading corporations participating in these networks to sell down, the Tokyo Stock Exchange (TSE) has purposefully changed its organizational structure. Proxy advisors are now strictly enforcing new voting rules against them. Cross-holdings will eventually be totally eliminated, but TSE, ISS, and Glass Lewis are speeding up their efforts to eradicate them. Investors have been contacting Japanese firms to advocate the adoption of compensation schemes tied to performance (instead of fixed cash), as the Corporate Governance Code prescribes, in the lack of say-on-pay proposals in Japan. ESG Shareholder Activism: Shareholder proposals and support for E&S-specific ideas will both increase in Japan. The updated Stewardship Code, which was launched in 2020, continues the comply-or-explain strategy but places more emphasis on ESG issues, including better transparency.

United States of America: -

The United States Corporate Governance Code (USCGC) is a framework and set of guidelines that control the organization and management of publicly listed firms. The National Association of Corporate Directors initially suggested the code in 2003, and it has subsequently undergone multiple updates. The USCGC's goal is to combat fraud, corruption, and other criminal activities while advancing shareholder value and ethics. The main objectives of the code are to guarantee good corporate governance and to safeguard investors, employees, and the general public against dishonest behavior by directors and management. The code has 79 rules that address a wide variety of issues, such as executive remuneration, board size and composition, financial reporting, transparency issues, social responsibility, litigation and whistleblower rights, among many other things. All American public corporations with 13 or more shareholders are required to join the USCGC. Companies must annually submit a self-study report to the SEC in order to be in compliance with the code. Failure to comply might lead to civil fines or even criminal charges. When we look at the American Corporate Governance Index 2020, the report has a sample that may be representative of all U.S. publicly traded companies. The survey group was compared to all publicly traded companies on the dimensions of company size (revenue), industry, and publicly observable corporate governance features. The study's findings revealed that companies that are traded on major U.S. stock exchanges tend to have larger revenues. In the sample firms, the CEO-Chairman duality is seen together with a higher level of board independence and, on average, more board meetings. The study found that while the ACGI ratings vary depending on a number of parameters, on average the bigger organization in the sample had better corporate governance scores due to access to more resources and larger governance structures. According to the study, taking into account the company's age or level of maturity does not result in a discernible change in ACGI results. According to the study, there is a considerable difference between the outcomes for regulated and unregulated businesses in terms of their rankings. Particularly, when compared, the ACGI grade for the transportation, utilities, and financial services industries has increased.

United Kingdom

The United Kingdom Corporate Governance Code, formerly known as the Combined Code, established requirements for listed firms with regard to board composition and development, compensation, shareholder relations, accountability, and audit. The Financial Reporting Council (FRC) is responsible for publishing the code. British corporate governance timeline: -

Table 2.1: Events of Corporate Governance Code

Year	Description of Events
2014	In September 2014 UK Corporate Governance Code is Revised and published, applied at beginning accounting periods on or after 1 October 2014.
2015	In September 2015 the FRC is gone with consultation incorporating the feedback on auditing and ethical standards. The consultation was proposed changes to the UK corporate governance framework; that closed on 11 December 2015. In April 2016, feedback statement was issued.
2016	The UK Corporate Governance Code was published a draft on 27 April 2016 by the FRC. The new Code applies to accounting periods beginning on or after 17 June 2016. The Code was formally issued on 17 June 2016.
2017	The FRC is intimated, in February 2017, about reviewing its Corporate Governance Code and proposals are made through consultation, the Government’s response to its Green Paper that is based on the outcome of the review.
2018	FRC announced the publication of a revised UK Corporate Governance Code and accompanying Guidance on board effectiveness in 16 July 2018. The Revised code applies to accounting periods beginning on or after 1 January 2019.

Source: -icaew.com

The Financial Reporting Council (FRC) has urged UK firms to report using both the TCFD and SASB measures as a stopgap measure because there are currently no international standards for non-financial reporting. The deadlines for companies to voluntarily comply with the TCFD's climate risk disclosure recommendations are 2022 and 2025, respectively. It will be required of businesses to identify climate change as a significant long-term risk in their financial statements and accounting records. Investors still prefer to engage in climate change discussions, but if this doesn't produce results in 2021, anticipate things to escalate to voting in 2022. The current initiatives calling for investors to cast a "say on climate" vote could be more successful. In the UK context, the "S" of ESG is now the most crucial emphasis. Companies are dealing with increased demands surrounding social responsibility, especially companies that got assistance through the government's furlough programmes. Investors are interested in learning how businesses handled their staff, vendors, and clients throughout the COVID-19 problem. Additionally, boards must show that they have taken employee interests into account while making decisions. The new norm will be the disclosure of information on employee engagement, pay ratios, employee churn, and workforce makeup over time. There is also a big need for data on racial and ethnic diversity, but as there isn't anything like to the US EEO-1 data in the UK, employers will have to come up with ways for workers to self-report.

Conclusion: -

The world's listed companies were significantly inducted the changes to the ownership structure due to the changes in the global equity market landscape and the functioning of capital markets. The recent developments have enforced organizations for designed and implemented the corporate governance regulations premises for best practice. The increase in institutional ownership is the most important development; institutional ownership was analyzed and addressed during the review of the G20 or OECD Principles of Corporate Governance in the year 2015. Since, the use of indexed investment vehicles and exchange-traded funds has further nurtured the discussion, from that question was taken place that how the different business models and/or political dependence of large institutional investors influence their ability and incentives to exercise their ownership function. Another less recognized development is the increase in ownership concentration at the company level. In the last decade, global corporate map has the frequencies of corporate frauds and governance failures; there are various efforts are made to improve the corporate governance practices. India has made alignment of its corporate governance norms with the developed countries and liberalized the regulatory fabric of the country. India is having goal of achieving good governance and ensuring results of such governance practices in future also.

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