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# Positive Aspects of Corporate Governance Bodies in Developed Countries

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**Annotation:** This article explores the positive aspects of corporate governance bodies in developed countries, specifically focusing on the United States and Germany. It examines how these governance structures enhance accountability, transparency, and ethical decision-making within corporations. The study highlights the differences and similarities between the two countries' approaches to corporate governance, including regulatory frameworks, board composition, and stakeholder engagement. By analyzing case studies and empirical data, the article illustrates the impact of effective corporate governance on corporate performance and investor confidence. Ultimately, it advocates for best practices that can be adopted globally to strengthen corporate governance mechanisms.

**Key words:** corporate governance, accountability, transparency, board composition, stakeholder engagement, regulatory frameworks.

The practice of foreign countries in the sphere of corporate governance is characterized by somewhat more complete regulation. In particular, the practice of the USA and Germany occupies a special place in the world practice of corporate governance. Although the corporate governance of both countries belongs to different models, there is a possibility of introducing their positive aspects into national legislation. The specificity of the American corporate governance system in the corporate governance of the USA is directly related to the peculiarities of shareholder ownership in the USA, in particular, the absence of large investors in American corporations occupying a dominant position in relation to other shareholders [1]. That is, in American corporations, the shareholders are not large, but rather small. In essence, American companies are owned by shareholders. However, under U.S. law, the shareholders' right to participate in the company's affairs is to elect the company's directors, who then manage the company on behalf of the shareholders, who are considered the owners [2].

Structures that are not recognized as legal entities in the continental legal system, i.e. are not considered corporations, are included in the common law system as corporations. It follows that if in the continental legal system corporations are considered primarily as subjects of private law, then in the common law system (England, USA) they are recognized not only as private, but also as subjects of public law.

In particular, in the USA all corporations are divided into four groups:

1. public;

2. quasi-public;

3. commercial (entrepreneurial);

4. non-commercial [3].

Within the framework of public corporations, it is necessary to consider state bodies. Since all state bodies carry out their activities collegially and form structures similar to corporations. Semi-public corporations include corporations that satisfy the needs of the population, but are in state ownership. In

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our opinion, this form also exists in our national system, and we can cite structures that are under state monopoly and organized as subjects of corporate law: companies providing gas supply, electricity supply, rail transport and air transport. Non-profit corporations are structures and institutions aimed at satisfying the social, cultural and spiritual needs of the population. Commercial (entrepreneurial) corporations include all corporations created for the purpose of making a profit. It follows that the structure regulating corporate relations in the Anglo-Saxon legal system affects all collegial relations. In American corporations, corporate governance is carried out by two bodies: the general meeting of shareholders and the board of directors. The general meeting does not have the opportunity to constantly monitor the activities of the corporation. The main reason for this is the absence of a large shareholder among the shareholders. The main goal of these shareholders is to consider the share not as a document that allows for management, but as a security that provides property rights and the opportunity to obtain economic benefits. When implementing corporate governance in the United States, shareholders actually form the board of directors. Analyzing the rights of general meetings of shareholders of the company, the following rights provided for by US law can be identified:

- ✓ issues of amending the charter;
- ✓ issues of changing the composition of directors;
- ✓ issues of approving or rejecting significant changes that may lead to the disappearance of the company [4].

This is why in American corporations the change of shareholders occurs very quickly, and the deterioration of the economic indicators of the corporation quickly leads to the change of the majority of its shareholders. In the USA, the protection of shareholders' rights is aimed at their maximum expansion, therefore the protection of the rights of minority shareholders is of particular importance. This aspect is explained by the fact that it is aimed at preventing their fluctuations in investment, ensuring economic growth and stability. In the USA, the body implementing corporate governance, combining control and executive functions, is the Board of Directors. Usually the Board of Directors consists of 12 people. This body performs the functions of the supervisory board and the executive body, and its composition consists of directors and the CEO (president). In US law, the concepts of the chairman of the supervisory board and the CEO are mutually compatible. In fact, the head of the executive body of the corporation and the chairman of the board of directors are different concepts. In the United States, corporate governance is divided into outsiders and insiders. An outsider is a person who transfers property to a trustee - the owner. Insiders are persons who have taken over the management of a corporation and received it for management. Insiders have a legal status similar to affiliates in our national legal system. They are distinguished by the fact that they possess commercial secrets, information about the price of shares, and are responsible for the content of their actions related to the activities of the corporation.

The board of directors includes two types of directors: executive directors and independent directors. An executive director is a person who directly manages the company's activities as a manager, while independent directors are external managers who are neither owners nor interested parties and are invited to manage. Independent directors usually make up three quarters of the executive body. However, their responsibility for managing the corporation is carried out in the general manner. In our national system, the issue of attracting independent directors to the supervisory board also appeared as a new institution. According to the content of the "Corporate Governance Code", which is advisory in nature, the supervisory board must include at least one independent member (but not less than 15% of the number of members of the supervisory board stipulated by the charter). Analyzing the composition of the executive director and independent directors, M.M. Vohidov highlights the role of independent directors in the following aspects:

- ✓ conducting an independent assessment of the activities of managers

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- ✓ responsibility for the powers delegated to the management [5].

The breadth of the powers of the Board of Directors further explains its legal status. The Board of Directors decides on all issues that are not within the competence of the General Meeting. According to this law, the Board of Directors has the absolute right to decide on the entire strategy and economic future of the corporation, except in cases of liquidation of the corporation [6].

This wide range of powers is also related to the responsibility of the CEO. Since all responsibility of the executive body lies with the board of directors, and its activities are assessed within the framework of its powers.

In Germany, corporate governance refers to a two-tier (step) Romano-Germanic system. According to it, unlike the United States, the board of directors and the supervisory board are governing bodies, and there is no harmony between them. According to German law, the supervisory board is the supervisory representative of the shareholders, and the board of directors is the executive body - the management board.

In Germany, the general meeting of shareholders is formed as the main owner, founder, determining the legal status of the general governing body and other governing bodies. This governing body is obliged to hold meetings at least once a year, and its powers differ from the US governance system in the breadth of their powers. Their scope includes:

- ✓ appointment (election) of the supervisory board and auditors;
- ✓ distribution of profits; - dismissal of members of the supervisory board and the executive body;
- ✓ issues related to the increase and decrease of the authorized capital;
- ✓ liquidation of the company [7].

The company holds general meetings of shareholders to implement its decisions. The meetings are chaired by a chairman, who is usually determined by the charter, and if not determined by the charter [8], is elected by the general meeting of shareholders. The condition is that candidates for the position of chairman of the general meeting cannot be members of the executive body, there are no other restrictions, that is, the legislation does not establish any requirements for a candidate for the position of chairman of the general meeting, such as the number of shares owned or personal characteristics of the person.

The division of corporate governance in Germany into a supervisory board and a board of directors is explained by the complete separation of ownership and control. In Germany, the supervisory board, although not significantly different from the supervisory board operating in our national legislation, is distinguished by the breadth of its powers. It is worth noting that the supervisory board corresponds to the content of external managers in the United States, while the board of directors, as an executive body, consists of internal directors whose responsibilities differ. It is established that directors, regardless of their level, are liable for the following issues:

- ✓ failure to fulfill obligations to the company established by law or contract;
- ✓ violations committed intentionally or due to negligence;
- ✓ when these actions cause damage to the company [9].

It is worth noting that the above situations are not so common in German national practice. The reason for this is a strong company culture and a clear definition of practical goals that do not contradict the general management system and serve to ensure the sustainability of the economic development of the organization in a team spirit. It is the corporate culture that unites all employees and helps to effectively solve the tasks set within the framework of their business strategy [10].

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In our opinion, this aspect is also important in the implementation of corporate governance, since a professional approach takes fiduciary relations out of a "dangerous situation".

In Germany, in contrast to our national legislation, the composition of the supervisory board does not depend on the number of shareholders, but on the size of the share capital, and, as mentioned earlier, the supervisory board includes representatives of the trade union, who can influence the decisions of the supervisory board. All members of the supervisory board are elected (or appointed) by the general meeting of shareholders, with the exception of the employee representative.

Usually, the number of members of the supervisory board can be from 3 to 21, if the number of employees of the corporation is from 500 to 2000, the employee representatives can make up one third of the supervisory board, in cases where the number of employees exceeds 2000, half of the members of the supervisory board, as well as the chairman of the supervisory board, can be employee representatives, but in practice, the chairman of the supervisory board is the representative of the shareholders. [11].

The issue of implementing the above-mentioned experience and practice in our national legislation is being implemented in stages, in particular, it has been determined that the appointment of independent directors to positions will be carried out on the basis of selection in the field of corporate management and assessment of the professional activities of managers. It should be recognized that these aspects can be traced in the practice of the countries we analyzed above.

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