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**LEGAL ACTS OF CORPORATE GOVERNANCE OF STATE  
COMPANIES IN RUSSIA**

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**Abstract**

This article explores the system of legal acts regulating corporate governance issues in companies with the participation of the Russian Federation and Russian regions. The author shows the structure of external (codes, federal and regional laws, decrees and orders of the President of Russia, orders of the Government of the Russian Federation, orders of state executive bodies, etc.) and internal acts (organization charter, regulations, etc.). The paper provides the analysis of differences in legal support of corporate governance in state companies in comparison with private ones. The author raises the following research questions: to describe literature on the topic of the research; to indicate issues covered by legal acts in the field of corporate governance of state companies; to classify corporate governance legal acts; to analyze the existing legal acts in the field of corporate governance; to examine differences in the legal framework for corporate governance in state companies compared with private ones. Research questions made it possible for the author to achieve the research goal.

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## 1. Introduction

Modern legislation is highly dynamic. This statement is also true for Russia. Quite often significant changes are made to various laws and regulations in the country. This is especially prevalent in areas where the state is represented. An example is the sphere of corporate governance of companies with state participation. Some areas are highly regulated. An example is procurement of state companies (Smotritskaya & Shuvalov, 2017).

## 2. Problem Statement

Nowadays in Russia there is a small number of research (Yakovlev, 2020) devoted to companies with state participation (Yakovlev, 2019).

There are foreign scientific papers about corporate governance in Australia (Mees & Smith, 2019), Central and Eastern European (Godlewska & Pilewicz, 2018) and other countries (Yoshikawa, Zhu & Wang, 2014).

It is easier to find following research themes: company strategies (Butkovskaya & Sumarokova, 2019), management development (Kudryavtseva et al., 2019), holding companies (Borovikov & Smolyakov, 2019), budgetary institutions and autonomous institutions (Kokhanovskaya & Nazarenko, 2018), economic development (Lenchuk, 2016), procurement (Osipov & Smotritskaya, 2016).

It is also possible to discover judicial articles on issues like legal status (Makarova, 2017), litigation (Grebnev, 2016) and problems of public legal liability (Glazunova, 2019) of companies in Russia.

Some information is available on internet resources (CML, 2020).

The lack of scientific works on the mentioned theme will be reduced by this article.

## 3. Research Questions

The main research questions of the article are:

- to describe literature on the research topic;
- to indicate issues covered by legal acts in the field of corporate governance of state companies;
- to classify corporate governance legal acts;
- to analyze the existing legal acts in the field of corporate governance;
- to examine differences in the legal framework for corporate governance in state companies compared with private ones;
- to formulate research conclusion.

## 4. Purpose of the Study

The purpose of the study is to analyze existing legal acts of corporate governing Russian companies with federal and regional participation.

To achieve the goal of the mentioned research gap the author has to study internal and external acts of corporate governing.

## 5. Research Methods

To achieve the research goal and research questions the author has chosen the methodology based on general scientific methods. Among them: analysis, synthesis, comparison.

## 6. Findings

Let us consider issues regulated by legal acts in the field of corporate governance. The main ones are:

- 1) rights of shareholders (in particular, features depending on the categories of shares if there is such a division);
- 2) set of issues dedicated to the governing and control bodies of the company:
  - list of issues;
  - order of their formation;
  - their competence;
  - rights and obligations of members of governing and control bodies;
  - quantitative composition;
  - organization of their work (convening meetings, providing materials, voting, determining a quorum, formalizing decisions, etc.);
  - order of their interaction;
  - remunerations and compensations;
  - responsibility of bodies members;
- 3) building an optimal organizational structure;
- 4) formation of corporate culture;
- 5) creation of comfortable working conditions and motivation of employees;
- 6) activity planning (adoption of strategies, development programs, budgets and other documents);
- 7) formation of a positive image (especially important for public joint-stock companies);
- 8) organization of an effective control system (includes both internal bodies represented by the audit commission, internal audit and control units and the involvement of an external independent auditor);
- 9) risk management;
- 10) profit distribution and dividend policy.

As you can see the list of issues is quite wide. It requires a scrupulous approach and constant attention from the governing bodies of the company.

Consider what the system of regulatory legal acts governing corporate governance in state companies consists of.

All acts can be divided into general (devoted to or affect corporate governance issues in companies, regardless of ownership structure) and special (apply only to individual companies, in our case with state participation).

If we talk about general (universal) acts, the main ones are the Civil Code of the Russian Federation and Federal Law “On Joint-Stock Companies”.

If we list acts by reducing their legal force we will get the following picture:

- codes;
- federal laws;
- decrees and orders of the President of Russia;
- orders of the Government of the Russian Federation;
- acts of federal executive bodies;
- regional laws;
- acts of the head of the region;
- acts of the regional government;
- acts of authorities of Russian regions;
- instructions on privatization conditions;
- directives;
- internal company acts.

It is important to note that not only companies with state participation naturally have internal acts. However, both the Russian Federation and Russian regions more often regulate the activity of state companies than the private owners. In legal field in Russia there is a significant number of legal acts of various strengths dedicated specifically to state companies. For example: Federal law “On procurement of goods, work, services by certain types of legal entities”, decree of the Government of the Russian Federation “On governing federally owned shares ...”, the Law of the Moscow region “On governing of shares owned by the Moscow Region ...”, decree of the government of Moscow “On the procedure for interaction between executive authorities of the city of Moscow in realisation of shareholder rights ...”, etc.

Besides dividing acts into general and special, in the field of corporate governance they can be divided into mandatory and optional.

Mandatory acts include codes, laws and regulations. Optional documents are those that are not legally binding and their implementation is preferable.

Optional documents include:

- Corporate governance code;
- requirements of exchanges (for joint-stock companies whose shares are planned to be withdrawn or are already listed on the exchange);
- methodological recommendations of authorities (for state companies).

The most striking example of an optional act is the Corporate governance code recommended by the Bank of Russia. The requirements are not binding although the document is moving quite actively in the country.

If sanctions are not provided for non-compliance with the norms of the Corporate governance code but ignoring the requirements of the exchange (they differ depending on the exchange) may lead to the termination of the sale of shares on the corresponding exchange. The consequence of ignoring the methodological recommendations may affect members of the governing and control bodies and their subsequent in such bodies in the future.

## 7. Conclusion

Summing up, we can state that there are much more legal acts regulating corporate governance in companies with state participation than in private ones. It represents one of the features of state companies.

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