Analysis of corporate governance disclosure: a study through BRICS countries

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Abstract

Purpose – *The study aims to analyze the level of the disclosure of corporate governance practices by the companies that belong to the BRICS (Brazil, Russia, India, China and South Africa) countries according to normative recommendations and coercive requirements considering the enforcement of laws and norms in the different legal systems and to explain it in the light of the institutional theory approach.*

Design/methodology/approach – *The practices disclosed by a sample of the 20 largest companies listed on the stock exchanges of each of the BRICS countries were analysed, and the 52 practices recommended by UNCTAD (2009) were used as a parameter. The corporate governance practices of the companies were confronted with the laws, rules and norms that require or recommend their adoption and disclosure.*

Findings – *China has 49 practices required by own national law in face of 52 recommended by UNCTAD/International Financial Reporting Standards (IFRS) followed by South Africa with 44, Russia with 33, Brazil with 28 and India with 24. Brazil has 47 practices recommended by own national governance code in face of 52 recommended by UNCTAD/Intergovernmental Working group of Experts on International Standards of Accounting and Reporting (ISAR), followed by Russia with 45, China with 44, South Africa with 41 and India with 22. It was found that Brazil has the higher median of number of companies disclosing corporate governance practices with 17, followed by India with 13, Russia with 11, South Africa and China with 7.*

Research limitations/implications – *This research shows that more studies are necessary using the institutional theory to investigate how the normative and coercive pressures influence the disclosure of corporate governance information considering the enforcement of laws and norms in the different legal systems.*

Practical implications – *The differences observed in this study about normative and coercive forces are presented as an opportunity in the legal sphere of some countries to implement mechanisms to increase their level of enforcement.*

Originality/value – *This research contributes to various audiences such as governmental institutions, professional associations, market institutions to better understand their role in the improvement of the adoption of corporate governance practices and disclosure of information related to it.*

Keywords *Institutional theory, Corporate governance, Disclosure, Enforcement, BRICS, Legal system*

Paper type *Research paper*

1 Introduction

The impact of rules and norms on corporate governance practices is the focus of many studies because of benefits on firm value, minority shareholders protection and efficiency of codes (Dharmapala and Khanna, 2013; Hua, 2007; Zattoni and Cuomo, 2008). The conclusions found in the research of La Porta *et al.* published in 1998 pointed out that the laws for investors protection, ownership structure configuration and social welfare building, among others, "may differ significantly across the countries, in part because of differences in legal origins" (La Porta *et al.*,1998). But, along with these results, many other questions came on how much the law enforcement modifies or influences the corporate governance

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model and disclosure in each country (Dharmapala and Khanna, 2013; Hua, 2007; Zattoni and Cuomo, 2008).

Cross-countries studies, such as some related to the BRICS (Brazil, Russia, India, China and South Africa) countries, were realized to find how the institutional setting as values, laws and recommendations of each country should influence the corporate governance practices (Majumder *et al.*, 2012; Oliveira *et al.*, 2014a; Salvioni *et al.*, 2013). Although some studies have an optimistic view, the relation between the laws compliance and enforcement and the firm performance of these countries are still cloudy for some investors, and this is why corporate governance practices and disclosures and the enforcement of laws and norms have an wide space for investigation in these emerging economies (Berglöf and Claessens, 2006; Chen *et al.*, 2006; Dharmapala and Khanna, 2013; Hua, 2007; Shehata, 2015).

In fact, the comparison between the different kinds of legal systems and the enforcement of the laws and norms of BRICS countries is not approached by many researchers (Estrin and Prevezer, 2010; Majumder *et al.*, 2012; Oliveira *et al.*, 2014a; Salvioni *et al.*, 2013).

According to Zattoni and Cuomo (2008), Jensen and Berg (2012) and Lattemann (2014), the characteristics of both national corporate governance system and corporate law explain the main differences among issues covered by the codes. Aguilera and Cuervo-Cazurra (2004), comparing the Corporate Governance Codes between common and code law countries, found that the Corporate Governance Codes development was accelerated by exposure to foreign investment.

The United Nations Conference on Trade and Development (UNCTAD) launched a guide, entitled "Guidance on Good Practices in Corporate Governance Disclosure", containing recommendations related to the adoption and disclosure of Corporate Governance practices (UNCTAD, 2006), and it has been used as parameter for a number of United Nations (UN) studies on corporate governance disclosure in emerging markets such as BRICS countries (Oliveira, 2013; UNCTAD, 2011).

In the academic context, corporate governance disclosure, in the light of UN recommendations, was investigated as well by Vicente *et al.* (2007) and Samaha *et al.* (2012). Some studies on corporate governance investigated practices recommended and required in BRICS or BRIC countries using other set of practices as a parameter (Braendle, 2014; Majumder *et al.*, 2012; Lattemann, 2014). However, the UNCTAD's corporate governance framework represents a useful guidance recommending a set of practices in general to be adopted and disclosed by countries around the world (UNCTAD, 2006, 2009).

Even if there is an increasing number of studies, as previously mentioned about corporate governance practices recommended, required, adopted and disclosed in emerging economies, it is relevant to develop studies on BRICS countries, using as parameter of good practices recommended by international institutions such as UN (Majumder *et al.*, 2012; Oliveira *et al.*, 2014a; Salvioni *et al.*, 2013). Estrin and Prevezer (2010) found that corporate governance in BRICS countries is complex, and various institutions could be decisive to the establishment of the legal and normative framework in each nation related to the adoption and disclosure of corporate governance practices.

This paper searches answer to the following research question:

RQ1. What is the level of the disclosure of information on corporate governance practices by the companies of the BRICS countries, according to the normative recommendations and coercive requirements considering the enforcement of laws and norms in the different legal systems?

Consequently, the objective of this study is to analyse the level of the disclosure of corporate governance practices by the companies that belong to the BRICS countries, according to normative recommendations and coercive requirements, considering the

enforcement of laws and norms in the different legal systems and to explain it in the light of the Institutional Theory approach.

To achieve this objective, the practices disclosed by a sample of the 20 largest companies listed on the stock exchanges of each of the BRICS countries were analysed, and the 52 practices recommended by UNCTAD (2009) were used as a parameter. The corporate governance practices of the companies were confronted with the laws, rules and norms that require or recommend their adoption and disclosure.

The study presents empirical and academic contributions. At academic side, this investigation highlights the level of disclosure of information related to corporate governance practices by companies of BRICS countries, comparing the results between them and to the institutional pressures of each country. Moreover, institutional theory helped to understand the influence of coercive and normative force on corporate governance disclosure. This study enriches the findings of other investigations about corporate governance in BRICS' block such as those of Lattemann (2014), Braendle (2014) and Majumder *et al.* (2012). At the empirical side, this paper is relevant to various audiences, such as governmental institutions, professional associations, market institutions, to better understanding of their role in the improvement of the adoption and disclosure of corporate governance practices.

2. Overview of corporate governance practices and disclosure in BRICS' countries

2.1 Overview of corporate governance practices and disclosure in Brazil

In Brazil, in the past 15 years, relevant changes have been made by mandatory mechanisms and disclosure regulations issued by governmental institutions requirements specified in federal laws and regulations issued by the Brazilian Securities and Exchange Commission (CVM), as well as by the BM&F Bovespa (The Brazilian Stock Exchange) for the listed companies, consolidating corporate governance in the country (Oliveira, 2013).

The most important legal developments were the issuance of two laws (#11.638/2007 and #11.941/2009) within the framework of Brazilian corporate law, introducing changes in accounting rules focused on the convergence from Brazilian accounting practices to internationally accepted accounting standards [International Accounting Standard (IAS)/ International Financial Reporting Standards (IFRS)].

Moreover, in Brazil, the Brazilian Institute of Corporate Governance (IBGC) issued in 1999 its first code of best practices, a voluntary code that had been updated three times and is currently in its fourth edition. In the 2004 edition, the principle of corporate responsibility was introduced, and, in the 2009 edition, the recommendations intended to improve governance systems and increase performance and longevity. The IBGC's code recommends the disclosure of practices of corporate governance adopted and the explanation for that not adopted. Nowadays, the fifth version is being prepared, and the code was a subject of public audience until August 2014, when the submissions of the comments and suggestions from experts were received.

According to Estrin and Prevezer (2010), Brazil has a range of formal institutions that are well prepared for market regulation, such as IBGC, Bovespa and CVM, although the enforcement of the rules and norms is undermined because some of them are voluntary or restrictive to some group of companies. According to Black *et al.* (2010) and Estrin and Prevezer (2010), the minority shareholders have a limited protection by Brazilian corporate law and judiciary system; however, the Bovespa offers optional governance rules beyond the legal minimum requirements.

According to Oliveira *et al.* (2014b), the disclosure of corporate governance information by Brazilian companies is greater influenced by coercive pressure as laws, rules and sanctions than by normative one. This result is somewhat expected because of the

Brazilian legal system that is code law-based and the IBGC code that is voluntary-based. As Aguilera and Cuervo-Cazurra (2004) affirmed, the issuance of corporate governance codes does not guarantee adherence to the recommended practices nor the effectiveness of them.

2.2 Overview of corporate governance practices and disclosure in Russia

According to McCarthy and Puffer (2002), the Russia's corporate governance improved after an economic crisis in the 1990s because of many economic and business problems, so the officials were concerned that it was needed big reforms in disclosure, transparency and at least a good infrastructure to support the investors. The poor corporate governance was influenced by seven decades of communism and central planning with little or no experience in dealing with issues of ownership and shareholder rights.

In Russia, since 1995, the Federal Law called "On Joint-Stock Companies" is the main law that regulates the activities and legal status of joint-stock enterprises. This was adopted to protect minority shareholder rights. Moreover, the Criminal Code was established to punish the managers for non-disclosure, power abuse and corrupt business practices (RID, 2011).

In 2001, the Russian Code was created and approved by the Russian Federal Securities Commission (RFSC) based on international practices focusing on independent directors (UNCTAD, 2011). In 2003, the RFSC recommended the companies to disclose information about their compliance or non-compliance with the Code in their annual reports. Nevertheless, many do not tend to disclose information in compliance with the code in an unsubstantial way (UNCTAD, 2011).

After the financial crises in 2008, the Federal Service for financial markets of the Russian Federation drafted a new Code version. In 2011-2012, the Federal Law "On the Central Depository" amends the Federal Laws "On Securities Market" and "On Joint Stock Companies" (European Bank for Reconstruction and Development, 2014).

In 2014, the most recent version of the Corporate Governance Code was approved by the Government of the Russian Federation. The new version of the code arises from joint efforts from market regulators, the Moscow Exchange, international organizations, investors and issuers, international and Russian Corporate Governance experts.

According to Braendle (2014) and Estrin and Prevezer (2010), the main problem in Russia and in BRICS countries, in terms of compliance with the corporate governance legal regulations, is not the weak legislation system for corporate relations but is the low law enforcement. Moreover, practically the whole history of the Russian legal base formation followed the German (Continental) model; however, recent corporate practice and corporatization have been actively developed in accordance with Anglo-Saxon tradition.

2.3 Overview of corporate governance practices and disclosure in India

Next to the Asian crisis of 1997, the Confederation of Indian Industry (CII) settled a committee to inspect corporate governance issues and recommend a voluntary code of best practices called "Desirable Corporate Governance: A Code" in April 1998 (Chakrabarti *et al.*, 2007). After that another major initiative was taken by Securities and Exchange Board of India (SEBI) in 1999, and it consisted of mandated recommendations that apply to listed companies and are to be enforced at the level of stock exchanges through listing agreements (Goswami, 2002). The "Desirable Corporate Governance: A Code" was updated in 2009 (Confederation of Indian Industry, 2009).

Still resulting from the corruption scandals and inspired by industry recommendations, by CII, the Ministry of Corporate Affairs has established a set of voluntary guidelines for corporate governance (Afsharipour, 2010). In more recent scenery, the Companies Act 2013 replaces the "National Advisory Committee on Accounting Standards" with "National Financial Reporting Authority". This will lay down accounting and auditing policies and also

monitor and enforce compliance with accounting and auditing standards. But, this is only one of many changes which the Act brings (Sharma and Rathi, 2014).

The new companies act 2013 and SEBI's proactive actions paint a positive future for corporate governance in India, however, even if the country has one of the best corporate governance laws their implementation is poor (Sharma and Rathi, 2014). The India corporate legislation gives little minority shareholders protection, and, even though there is the Right To Information Act (2005) and many other acts regarding transparency and disclosure, the organizations do not seem to be stimulated to invest in India's market (Chennupati *et al.*, 2013). In India, the rules do not have strong enforcement in the early years after their promulgation (Dharmapala and Khanna, 2013).

According to Dharmapala and Khanna (2013), India, in contrast with other BRICS's countries, is influenced by the Anglo-Saxon model of capitalism and detailed corpus of corporate and securities laws, following other countries such as the USA, Canada, New Zealand, Australia, among others. As Sharma and Rathi (2014) pointed out, the Indian Corporate Governance system has the basic corporate legal structure of Anglo-Saxon model, but the share ownership is more concentrated and financial institutions play an important role in financing companies.

2.4 Overview of corporate governance practices and disclosure in China

According to Jia *et al.* (2009), the China's legal framework and structure of governance is a mix of mandatory rules and indicative norms. The Securities Law issued in 1998 provided protection mechanisms to investors, as well as other 581 legal regulations issued between 1994-2007. Although the protection of the Chinese shareholders is strengthened by the Securities Law (1998) and the Corporate Governance by the China Securities Regulatory Commission (CSRC), the lack of transparency in the implementation of laws is a hard challenge for private owners and investors who want keep their benefits (Estrin and Prevezer, 2010).

The CSRC is the main regulator of securities markets, and, in 2001, it issued a "Code for Corporate Governance of Listed Companies" which is applicable to all listed companies within the boundary of the People's Republic of China and aims at the protection of investor's interests and rights, the basic behaviour rules and moral standards for directors, supervisors, managers and other senior management members of listed companies (Li *et al.*, 2008).

In January 2004, the CSRC issued a "Provisional Code of Corporate Governance for Security Companies" in China. The Security Code pays more attention to the operations of securities companies, ensuring that the legitimate interests of shareholders, clients and other interested parties of the securities companies are well protected (Li *et al.*, 2008). As OECD (2011) asserts, the legal framework of corporate governance for listed companies in China comprises four levels: basic laws, administrative regulations, regulatory provisions and self-disciplinary rules.

However, legal system in China resembles the civil law group; the judicial branch is not independent and is heavily influenced by administrative interventions. China's capital market is characterized by the Chinese banks' preferential treatment of state-owned enterprises, the difficulty in issuing corporate bonds and the lack of preferred shares (Kang *et al.*, 2008).

The Chinese legal system for corporate governance has developed fairly quickly and increasingly full-fledged (OECD, 2011); however, it has a weak legal system to protect minority interests (Oliver *et al.*, 2014). The corporate governance, however, can be enforced by competition, trust and reputation rather than law (Peters *et al.*, 2011).

Lattemann *et al.* (2009), comparing the practices of disclosure of Chinese and Indian multinationals companies (MNCs), investigate whether firms operating in a more

rule-based (or less relation-based) environment will show a higher disclosure intensity than firms in a more relation-based environment. They found that China (more relation-based environment) had the higher number of non-reporting firms compared to India (more rule-based environment), confirming their proposition.

2.5 Overview of corporate governance practices and disclosure in South Africa

Black *et al.* (2012) and Rossouw *et al.* (2002) pointed out that the main South African companies' shares belong to only four private companies, which they limit the convergence to IFRS, and they have weak corporate governance enforcement arising international concerns.

In 1994, because of domestic and international pressure alongside a historic turbulence inside politics within its first democratic elections, a committee commissioned by the Institute of Directors in Southern Africa issued the King Report on corporate governance, and, a second, more comprehensive King Committee Report (King II) was issued in 2002 (Rossouw *et al.*, 2002; Vaughn and Ryan, 2006). The King II focus was the inclusion of stakeholder interests, a factor that sets South Africa apart from the dominant Anglo-American model (Armstrong *et al.*, 2005). According to Ntim *et al.* (2012), the King Report has only a normative enforcement that could prejudice the minority shareholders and has opted only to explain the governance framework, with the vision to grow disclosure, shareholder's protection and the environment of firms in South Africa.

In 1995, the Johannesburg Stock Exchange (JSE) mandates the listed companies to disclose the extent of their compliance with the King Report (Malherbe and Segal, 2001). In 2003, the JSE required listed companies to comply with the recommendations contained in King II or to explain their lack of compliance (Baue, 2004).

The King Report, according to Richard Wilkinson, chief executive officer of the Institute for Directors in South Africa, was the first report on corporate governance that embraced the concepts of stakeholder engagement, ethics and environmental management and actively encouraged an inclusive approach to these issues (Rossouw *et al.*, 2002). The King III adopts an approach for disclosure based on "comply or explain" like other 56 countries in the Commonwealth. The South African companies are regarded by institutional investors as the best governed among the emerging economies (IDSA, 2009).

In addition, in 2010 a draft code for institutional investors was issued by the Committee on responsible investing by Institutional Investors in South Africa as a complement to King III. Waweru (2014) mentions that the South Africa's corporate governance model has historically been predominantly Anglo-American (shareholding) in orientation, with firms expected to serve the interests of their shareholders, but, nowadays, its model use a modified (hybrid) Anglo-Saxon approach.

Oliveira *et al.* (2014a), about the codes of BRICS countries, found that Brazil, Russia and South Africa codes are more focused on demands of international investors, and, for this reason, their codes have bigger convergence to practices internationally recognized as the UN recommended as a clear example of normative influence.

3. Hypothesis related to corporate governance practices and disclosure under different law system

The corporate governance guidelines and codes of best practices differ among national frameworks of law, regulation and stock exchange listing rules and differing societal rules. Therefore, to understand one nation's corporate governance disclosure in relation to others, one must understand not only the "best practice" documents but also the underlying legal and enforcement framework (Gregory, 2001).

The Brazilian companies disclose beyond the legal minimums, according to rule imposed by Bovespa (Black *et al.*, 2010). The voluntary disclosure by companies increases, as well

as rating agencies recommend financial reporting; this raises the corporate governance disclosure level (Mendes-da-Silva *et al.*, 2009; Sérgio and Santos, 2013).

In Russia, for example, the business environment is characterized by weak legal frameworks influencing a transparency disclosure (Li *et al.*, 2012). The corporate governance disclosure is highly scarce in Russia, even when collected by the Federal Commission on Security Market Disclosure project showing unclear ownership structure, and this was typically secret during the country's market economy transition (Dyck *et al.*, 2008; McCarthy and Puffer, 2002).

As pointed out by Abraham *et al.* (2015), the Indian companies are highly obedient with corporate governance disclosure requirements of Clause 49, and government-controlled companies disclose significantly less than privately owned firms. Dossani (2012) pointed out that Indian companies have a greater difference with their US counterparts about contingent liabilities and deferred taxation. The extent of non-mandatory compliance in public sector is lower than in private sector related to audit committee, board meeting, risk management, means of communication (Asthana and Dutt, 2013).

Lattemann *et al.* (2009), comparing the practices of disclosure of Chinese and Indian MNCs, investigate whether firms operating in a more rule-based (or less relation-based) environment will show a higher disclosure intensity than firms in a more relation-based environment. They found that China (more relation-based environment) had the higher number of non-reporting firms compared to India (more rule-based environment), confirming their proposition.

According to Liu (2006) the corporate governance disclosure in Chinese-listed companies follow a control-based model, where the state controls the firms; as a consequence, there is a lack of timely disclosure of information, and the overall transparency is low. The state-owned and oversea-listed companies tend to disclose and become transparent than non-oversea-listed Chinese companies (Cheung *et al.*, 2008). Further, the corporate governance disclosure improved from 2004 to 2006 progressing in adopting internationally accepted as OECD's principles (Cheung *et al.*, 2010).

According to Ntim *et al.* (2012), the disclosure of corporate governance practices in South Africa impacts positively on firm value than stakeholders, according to agency theory. Waweru (2014) argued that audit quality may have led to higher levels of voluntary disclosure which also support better quality governance practices.

Based on Hopper *et al.*'s (2012) study, the disclosure of information of corporate governance is influenced by legal framework. According to authors in the countries, where civil law system is predominant, the firms have a closer relationship with stakeholders; thus, the information are rapidly feasible.

Jaggi and Low (2000) argued that firms from common law countries are associated with higher financial disclosures compared to firms from code law countries. La Porta *et al.* (2000) pointed out that a common law system better protects the investors' interests than a civil law framework turning the corporate governance more efficient, and, thus, the companies disclose better information. Vander Bauwhede and Willekens (2008) signalled that the level of disclosure of corporate governance information is significantly lower in non-common-law countries than in common-law countries.

The literature review from these sections suggests that coercive and normative force and legal systems play a relevant role on corporate governance practices, and disclosure and the compliance with them by the firms belong to BRICS. Therefore, the study infers the bellow hypothesis based on legal system difference within the BRICS' countries:

H1. The disclosure of corporate governance practices information by companies from country of common law system is higher than from country of code law system.

H2. The disclosure of corporate governance practices information by companies from country of code law system is higher than from country of common law system.

H3. The disclosure of corporate governance practices information by companies from country of a mixed of code and common law system is higher than from country of code law system.

4. Methodology

The study uses the qualitative technique of content analysis to get information on corporate governance disclosure from documents issued by 20 largest companies of each BRICS' country (according to the ranking Forbes 2000 Largest Listed Companies in the World) – documents published by 100 companies listed by the stock exchange of each country. This research uses the independent-samples median test to precede quantitative analysis to verify the relation between the numbers of companies disclosing corporate governance practices between BRICS countries.

The corporate governance practices in the guide of the UN were used as analytical categories, as well as an essential content of corporate governance practices to be adopted and disclosed. The UN guide is composed of five groups of corporate governance practices and 52 practices distributed among them, which reflect the recommendations of the UN as shown in Table I (UNCTAD, 2009).

Two data collection instruments were used; the first instrument was used to identify whether the companies disclose information related to the 52 practices, and the second one was used to record the coercive and normative pressures founded in BRICS countries and that emerged from legal or social documents that request or recommend the adoption and disclosure of information of these 52 corporate governance practices (data collected in these two instruments are summarized in Table II).

In the first data collection instrument, the collected data on the effective disclosure of corporate governance practices by companies from Annual Reports, Financial Statements, Management Reports, Notes, Sustainability Reports, Social Report, Codes of Ethics, Codes of Conduct, Statutes, Rules, Meeting Minutes, Meeting Notices and Reference Form were recorded. All these data were found in companies' websites or other media as the websites of the Stock Exchange.

The collected data were submitted to content analysis, and the names of the five categories and 52 practices (presented in list above) were used as key words. Following the example of Zattoni and Cuomo (2008) and Vicente *et al.* (2007) as well, a dummy variable was created for each practice; the variable was scored 0 if the practice was not disclosed and 1 if it was. For example, in Petrobras company, the practice 30 "A Code of Ethics for all company employees" was disclosed on page 178 in the 2014 Form-20F annual report. The item 16B Code of Ethics says: "Our business and our relations with third parties are guided by ethical principles. In 1998, our board of executive officers approved the Petrobras Code of Ethics, which was extended to all Petrobras subsidiaries, and which in 2002 was renamed to Petrobras System Code of Ethics [. . .]". So, it was scored 1 for this practice for this company in the first data collection instrument because it discloses information on this corporate governance practice adopted. The third column of each country in Table II summarizes these collected data.

In the second data collection instrument, the coercive and normative pressures existing in BRICS countries were checked. Therefore, for each practice recommended by UNCTAD, it was filled with 1 if the laws, norms or rules existing in that country mentioned that practice, otherwise it was filled with 0. In South Africa, for example, the companies are pressured to disclose normatively the item 52 "Performance evaluation process" by the King III, item 2.22, when it affirms: "The evaluation of the board, its committees and the individual directors should be performed every year". So, it was scored 1 for coercive pressure existing (according to Regulative Pillar of the Institutional Theory) for this practice in this

Table I Best practices of corporate governance recommended by UN

Ownership structure and exercise of control rights

1. Ownership structure
2. Process for holding annual meetings
3. Changes in shareholdings
4. Control structure
5. Control and corresponding equity stake
6. Availability and accessibility of meeting agenda
7. Control rights
8. Rules and procedures governing the acquisition of corporate control
9. Anti-takeover measures

Financial transparency and information disclosure

10. Financial and operating results
11. Critical accounting estimates
12. Nature, type and elements of related-party transactions
13. Company objectives
14. Impact of alternative accounting decisions
15. The decision making process for approving transactions with related parties
16. Rules and procedure governing extraordinary transactions
17. Board's responsibilities regarding financial communications

Auditing

18. Process for interaction with internal auditors
19. Process for interaction with external auditors
20. Process for appointment of external auditors
21. Process for appointment of internal auditors/scope of work and responsibilities
22. Board confidence in external auditors
23. Internal control systems
24. Duration of current auditors
25. Rotation of audit partners
26. Auditors' involvement in non-audit work and the fees paid to the auditors

Corporate responsibility and compliance

27. Policy and performance in connection with social and environmental responsibility
28. Impact of social and environmental responsibility policies on the firm's sustainability
29. A code of ethics for the board and waivers to the ethics code
30. A code of ethics for all company employees
31. Policy on "whistle blower" protection for all employees
32. Mechanisms protecting the rights of other stakeholders in business
33. The role of employees in corporate governance

Board and management structure and process

34. Governance structures
35. "Checks and balances" mechanisms
36. Composition of board of directors
37. Composition and function of governance committees
38. Role and functions of the board
39. Risk management objectives, system and activities
40. Qualifications and biographical information on board members
41. Types and duties of outside board and management positions
42. Material interests of members of the board and management
43. Plan of succession
44. Duration of director's contracts
45. Compensation policy for executives departing the firm because of a merger or acquisition
46. Determination and composition of directors' remuneration
47. Independence of the board of directors
48. Number of outside board and management position directorships held by the directors
49. Conflicts of interest mechanisms
50. Professional development and training activities
51. Availability and use of advisorship facility during reporting period
52. Performance evaluation process

Source: Adapted from UNCTAD (2009)

Table II Total number of companies that disclose each practice and existence of coercive or normative pressure in each country

Corporate governance practice no.	*Brazil*			*Russia*			*India*			*China*			*South Africa*		
	R	*N*	*Disclosure*	*R*	*N*	*Disclosure*	*R*	*N*	*Disclosure*	*R*	*N*	*Disclosure*	*R*	*N*	*Disclosure*
1	1	1	20	1	1	14	1	0	12	1	1	15	1	1	12
2	1	1	19	1	1	17	1	1	16	1	1	14	1	1	8
3	1	1	13	1	1	5	0	0	5	1	1	11	1	1	1
4	1	1	20	1	1	15	1	0	14	1	1	15	1	0	3
5	1	1	17	1	1	15	0	0	14	1	1	5	1	1	0
6	1	1	20	1	1	14	1	0	16	1	1	8	1	1	8
7	1	1	19	1	1	15	1	0	5	1	1	11	1	0	2
8	1	1	14	1	1	7	0	0	2	1	1	2	1	0	0
9	1	1	12	1	1	8	0	0	7	1	1	0	1	1	0
Total by cat/median	9	9	19	9	9	14	5	1	12	9	9	11	9	6	2
10	1	1	20	1	1	19	1	0	19	1	1	13	1	1	17
11	1	1	19	0	1	17	0	0	19	1	1	13	1	0	12
12	0	1	20	1	1	18	1	0	14	1	1	13	1	0	5
13	1	1	20	1	1	20	0	0	13	1	1	14	0	1	14
14	0	1	18	0	0	5	0	0	19	1	1	9	1	0	0
15	1	1	16	1	1	8	0	0	7	1	1	7	1	0	0
16	0	0	18	1	1	11	0	0	8	1	1	7	1	1	0
17	1	1	17	1	1	13	1	1	15	1	1	13	1	1	7
Total by cat/median	5	7	18	6	7	15	3	1	14	9	9	13	7	4	8
18	1	1	17	1	1	11	1	0	19	1	1	11	1	1	14
19	1	1	14	1	1	9	1	1	14	1	1	12	1	1	9
20	0	0	14	1	1	7	1	1	13	1	1	7	1	1	6
21	1	1	7	1	1	8	0	1	20	1	1	11	0	1	2
22	0	1	8	1	1	3	0	1	12	1	1	6	1	1	7
23	1	1	15	1	1	13	0	1	20	1	1	12	1	1	12
24	0	0	16	1	0	2	1	0	5	1	0	2	0	0	1
25	1	1	15	1	0	1	1	1	3	1	0	1	1	1	1
26	1	1	18	1	1	6	0	0	12	1	0	4	1	1	1
Total by cat/median	6	7	15	9	7	7	5	6	13	9	6	7	7	8	6
27	0	1	19	0	1	19	1	0	18	1	0	12	1	1	11
28	1	1	19	0	1	20	0	0	16	1	1	12	1	1	10
29	0	0	4	0	1	5	0	0	10	1	1	3	1	1	2
30	0	1	20	0	1	12	0	1	14	0	1	2	0	1	16
31	0	1	15	0	0	7	0	1	16	1	1	2	1	0	18
32	0	1	17	1	1	10	0	1	9	1	1	4	1	1	16
33	0	0	6	0	0	1	0	0	8	1	1	5	1	0	0
Total by cat/median	1	5	17	1	5	10	1	3	14	6	6	4	6	5	10
34	0	1	19	0	1	18	1	1	18	1	1	14	1	1	14
35	1	1	13	1	1	13	1	1	14	1	1	8	1	1	14
36	1	1	20	0	1	18	1	1	20	1	1	17	1	1	20
37	1	1	18	1	1	18	1	1	18	1	1	12	1	1	19
38	1	1	19	1	1	19	1	1	18	1	1	14	1	1	17
39	0	1	19	1	1	17	1	1	15	1	1	13	1	1	20
40	0	1	19	0	1	18	0	0	16	1	1	15	1	1	18
41	0	1	10	0	1	4	0	0	2	1	1	9	0	1	1
42	0	1	1	0	1	4	0	0	3	1	1	3	1	1	8
43	0	1	16	0	0	2	0	0	6	1	0	1	1	1	8
44	1	1	19	1	1	7	1	1	0	1	0	5	1	1	0
45	0	1	4	0	1	0	0	0	0	0	1	1	0	0	0
46	1	1	20	1	1	17	1	1	15	1	1	6	1	1	18
47	0	1	17	1	1	12	1	1	11	1	1	11	1	1	19
48	0	1	13	1	0	13	0	0	11	0	0	7	0	1	0
49	1	1	15	0	1	3	0	0	3	1	1	5	1	1	8
50	0	1	3	0	1	3	1	1	8	1	1	5	0	1	13
51	0	1	7	0	1	3	0	0	1	1	1	2	1	1	7
52	0	1	15	0	1	4	0	1	3	1	0	4	1	1	20
Total by cat/median	7	19	16	8	17	7	10	11	11	17	15	6	15	18	14
Total/median	28	47	17	33	45	11	24	22	13	49	44	7	44	41	7

Notes: Legend: R = coercive pressure; N = normative pressure; 0 = there is no pressure; 1 = there is pressure; cat = categories
Source: Authors

country in the second data collection instrument. The first and second columns of each country in Table II summarize these collected data.

5. Findings

The Table III synthesizes the results of collected data as explained: the first row presents the median of the number of companies disclosing the practices recommended by UNCTAD/Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting; maximum of 20 by country); the other two rows present the number of the practices required by national laws and recommended by social norms on corporate governance of each of 52 practices.

The median was used instead of the average because the former is less influenced by small value. For example, in India, Russia and China, the corporate governance practice under coercive and normative pressures has a value very different from other countries (Table III).

According the Table III, China has 49 practices required by own national law in face of 52 recommended by UNCTAD/Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), followed by South Africa with 44, Russia with 33, Brazil with 28 and India with 24. On the other hand, Brazil has 47 practices recommended by own national governance code in face of 52 recommended by UNCTAD/ISAR, followed by Russia with 45, China with 44, South Africa with 41 and India with 22.

According to the Table III, it was found that Brazil has the higher median of number of companies disclosing corporate governance practices with 17, followed by India with 13, Russia with 11, South Africa and China with 7.

The number of companies disclosing by country was non-normally distributed, according to Kolmogorov–Smirnov and Shapiro–Wilk because in each country, the disclosure did not follow a normal distribution of data – it is Brazil (Significance = 0.000, $p = 0.05$), Russia (Significance = 0.050, $p = 0.05$), India (Significance = 0.10, $p = 0.05$), China (Significance = 0.002, $p = 0.05$) and South Africa (Significance = 0.001, $p = 0.05$); therefore, a non-parametric independent-samples median test was used to understand if there is a statistical significant difference of median of companies disclosing between countries (Field, 2013).

Based on a first analysis, it was found that there is a significance difference of disclosure of corporate governance information between BRICS countries because it was rejected the null proposition, it is "The medians of firms disclosing Corporate Governance information is the same between BRICS countries" (Significance = 0.000, $p = 0.05$); thus, it was searched to understand in what countries this difference was significative. Based on this, a pairwise comparison was observed as shown in Table IV.

It was noted in Table IV that there is a significant difference between China and Brazil (Adjusted significance = 0.000, $p = 0.05$), South Africa and Brazil (Adjusted significance = 0.000, $p = 0.05$), Russia and Brazil, (Adjusted significance = 0.008, $p = 0.05$), India and Brazil (Adjusted significance = 0.031, $p = 0.05$) about the disclosure of

Table III The median of companies that disclose and total of practices required and recommended in each country

Median/quantity	*Brazil*	*Russia*	*India*	*China*	*South Africa*
Disclosed	17	11	13	7	8
Required	28	33	24	49	44
Recommended	47	45	22	44	41

Source: Authors

Table IV Pairwise comparison between BRICS country

Sample 1-Sample 2	*Test statistic*	*Significance*	*Adjusted significance*
China–South Africa	0.155	0.694	1.000
China–Russia	0.962	0.327	1.000
China–India	5.571	0.018	0.183
China–Brazil	37.306	0.000	*0.000*
South Africa–Russia	1.385	0.239	1.000
South Africa–India	3.852	0.50	0.497
South Africa–Brazil	22.286	0.000	*0.000*
Russia–India	0.616	0.432	1.000
Russia–Brazil	11.321	0.001	*0.008*
India–Brazil	8.735	0.003	*0.031*

Note: The significance level is 0.05

corporate governance practices information. Therefore, the hypotheses were investigated having Brazil as parameter.

6. Discussion

Based on Tables III and IV, the study shows the hypothesis, the results and the statements, which are listed in Table V.

6.1 Hypothesis 1

The study states that *H1* is false because in Brazil (that is code law system), companies disclose more than their India and South Africa (which are common law system) counterparts (Table V, Column 5).

Vander Bauwhede and Willekens (2008) pointed out that mandatory requirement could be inefficient to influence the firm to disclose in non-common law legal system; however, at what extent it is true was unexplored. In Brazil, for example, the mandatory requirement is quasi lower than other countries (Table V, Column 3). On the one hand, the results demonstrate, under institutional lens, that the number of indicators required does not influence the disclosure, but the level of law enforcement present in each country, on the other one, is relevant.

Table V Hypothesis versus statement

Hypothesis	*Countries*	*Results Required*	*Recommended*	*Disclosed*	*Statement*
H1. The disclosure of corporate governance practices information by companies from country of common law system is higher than from country of code law system	India	24	22	13	*False*
	South Africa	44	41	7	*False*
H2. The disclosure of corporate governance practices information by companies from country of code law system is higher than from country of common law system	Brazil	28	47	17	*True*
H3. The disclosure of corporate governance practices information by companies from country of a mixed of code and common law system is higher than from country of code law system	Russia	33	45	11	*False*
	China	49	44	7	*False*

Source: Authors

Jaggi and Low (2000) argued that a higher level of investor's right protection, because of broaden base of corporate ownership and the level of debt financing, as pointed out by La Porta *et al.* (1998) too, is present in a common law system influencing a higher disclosure. However, a higher level of law enforcement influences the investments and contractual protections (Lerner and Schoar, 2005) and, consequently, the level of disclosure because it was observed in Brazil.

The Brazilian law enforcement is higher than Indian, although the number of indicators required is quasi equal (Table V, Column 3), asserting what La Porta *et al.* (2000) said. Brazil has a higher level of normative pressure than India, according to the number of recommended indicator in these countries (Table V, Column 4), and it should be justified by continue updating of Brazilian Corporate Governance Code against its Indian counterpart. The Brazilian Corporate Governance Code was updated four times, and the last revision was made in 2015, according to IBGC (2015), and the Indian Corporate Governance Code was two times updated with the last revision in 2009 according to Afsharipour (2010); thus, because of this delay, the Indian Corporate Governance Code should do not fully received the ISAR/UNCTAD recommendations about corporate governance practices information disclosure in 2009 (UNCTAD, 2009).

The normative pressure in Brazil and South Africa is quasi equal (Table V, Column 4); however, the coercive pressure is quite different (Table V, Column 3). Although the indicators required by South African legislation about corporate governance practices information are higher than its Brazilian counterpart, the law enforcement is lower than its equal. This difference should be because the South African companies are mainly governed by only four private firms creating a dominant position in the country (Black *et al.*, 2012; IDSA, 2009). Because of it, the South African companies' minority shareholders are bad protect by law according to Ntim *et al.* (2012), influencing the corporate governance practices information disclosure and investments (Chennupati *et al.*, 2013).

6.2 Hypothesis 2

The research states that *H2* is true because in Brazil, companies disclose more than their Indian and South Africa and China and Russia (which are mixed common and code law system) counterparts (Table V, Column 5).

The level of law enforcement encourages managers to follow prescribed accounting rules, as well as to reduce analysts' uncertainty about future earnings (Hope, 2003). In Brazil, the accounting rules are prescribed at a normative level, but, even so, the number of indicators recommended disclosed by the companies studied is high because of the higher level of Brazilian law enforcement compared to their counterparts, according to the higher level of disclosure (Table V, Column 5). The India and South Africa have a high level of indicators recommended, and the last one has a high number of indicators required and, thus, could be hoped a higher level of disclosure by companies, according to Hope (2003), but the findings shows diversely. These countries disclose lower than Brazil because of a lower level of enforcement as this study shows.

Although Brazil has a lower level of indicators required (exception of India) and a quasi-equal level of normative force against its counterpart (exception of India), the level of enforcement is stronger than them. In Brazil, there are some traces of some enforcement of corporate governance issues since 1976 through the corporate federal law No. 6404. In China, this corporate governance enforcement is dated 1994, according to Estrin and Prevezer (2010). In India, the Corporate Governance Code is dated 1998, according to Chakrabarti *et al.* (2007). In South Africa, Corporate Governance Code was established in 1994, according to Rossouw *et al.* (2002), and in Russia, the Corporate Governance Code was issued in 1995, according to Russian Institute of Directors (RID) (2011). Therefore, this low enforcement by these countries is because of the delay to regulate the corporate governance issues compared to Brazil and the predominant informal institutions as argued

by Estrin and Prevezer (2010), Dharmapala and Khanna (2013), Oliver *et al.* (2014), Black *et al.* (2012) and Braendle (2014).

6.3 Hypothesis 3

The study states that *H3* is false because in Brazil companies disclose more than their Russia and China counterparts (Table V, Column 5).

This result was quasi hoped because Russia and China are two countries with a strong governmental central power, and the relationship with stakeholder could turn it limited, as well as the level of disclosure (Hopper *et al.*, 2012). In China, for example, the required and recommended indicators are high, and, thus, according to Hope (2003), the manager should follow them to attract new foreign investments.

These three countries have a quasi-equal indicators recommended by their Corporate Governance Code (Table V, Column 4), but Brazil has a lower number of indicators required by national law (Table V, Column 3) compared to its counterparts. According to Braendle (2014), Russia has low law enforcement in terms of compliance with corporate governance legal regulation, according to Estrin and Prevezer (2010) because of seven decades of communism and central planning without experience in dealing with shareholder rights (McCarthy and Puffer, 2002). In China, the abuse of power by state-owner companies and fraudulent activity influencing law transparency is common (Estrin and Prevezer, 2010). This is because the legal system is not independent and it is heavily influenced by administrative interventions. On the counterpart, in Brazil, the Bovespa offers optional governance rule beyond the legal minimum requirements (Black *et al.*, 2010), and the CVM establishes continue improvements in corporate governance disclosure quality though its instructions (Oliveira, 2013).

7. Conclusion

For Berglöf and Claessens (2006), it is really hard to trace strong conclusions in the comparison of law enforcement in corporate governance among emergent countries because there is a big cultural difference in each BRICS country, which leads to major changes in each legal framework.

In Brazil, the codified legal system, over a long time, produced relevant laws related to corporate governance if compared to the others countries from BRICS; however, even if the number of indicators required is lower in India, but very near to the quantity of required indicators in Brazil, its companies disclose in median close to the Brazilian ones. In the code law legal system, normative forces exerted by professional associations and market institutions are decisive to pressure the disclosure of corporate governance practice information jointly with coercive ones.

Compared to Brazil, the level of enforcement in South Africa is lower, and, therefore, the government should revise its mechanisms of corporate governance control and disclosure. It can be concluded that in India, institutions such as professional associations and market institutions, representing normative pressures, and the legal framework, representing coercive ones, have an important role in the effectiveness of disclosure of corporate governance information. Therefore, although the indicators required and recommended are lower than in Brazil, the mechanisms of control should be revised to be more effective or to increase the number of indicators disclosed.

Related to countries which the legal system base is a mix of common law and code law, it was concluded that in China the level of enforcement is lower than in Russia. However, even if they have a high number of indicators that the disclosure is recommended and required, neither the normative nor the coercive pressure are mechanisms that contribute effectively to the disclosure in these countries. Comparing to Brazil, the level of enforcement in China is lower. So, it can be concluded that in case of countries of common law system, a hug number of indicators recommended were not sufficient to assure the

disclosure. The findings highlight the essential role of the enforcement of the law to contribute to the improvement of the mentioned disclosure.

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