

«Comply or explain» approach in code of corporate governance's enforcement in UK

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The article investigates 'comply or explain' approach in code of corporate governance's enforcement in UK in terms of its possible use in Ukraine. As UK leads the corporate governance discourse throughout the last decades with first corporate governance code ever attached to 'comply or explain' approach, and then with stewardship code it is worthy to analyze its experience having in mind its potential use in Ukraine. We found that this approach has very high efficiency in UK - 90 per cent of FTSE 350 companies reporting that they were either complying with all, or all but one or two, of code's 54 provisions, full compliance among FTSE 350 companies in 2015 57%. We aver that one of the critical aspects of 'comply or explain' concept is that it is not the job of

any regulatory body to assess companies. The onus is on the markets generally and the company's shareholders specifically to police such compliance or explanation. The main drivers behind it are market pressure in case of non-compliance, active shareholders ready to push company to full compliance, and high quality explanation of non-compliance. Efforts of FRC to mobilize the shareholders through Stewardship code in light of stark changes in ownership of UK quoted shares have been discussed as well as its attempts to rally market participants to form common understanding of what constitutes explanation. Given that the foregoing prerequisites are absent in Ukraine, we infer that this approach cannot be used successfully in Ukraine in its pure form.