

COMPLIANCE WITH THE ROMANIAN CORPORATE GOVERNANCE CODE. EVIDENCES FROM THE COMPANIES LISTED ON BUCHAREST STOCK EXCHANGE

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Abstract: *The work aims to conduct a study on how corporate governance principles and recommendations are applied in Romania for companies listed on the Bucharest Stock Exchange. In the first part of the work, corporate governance principles and recommendations are presented as they appear in the statement of conformity "Comply or Explain" and Governance Code of BSE and it is subject to verification how companies listed on BSE meet these governance principles and recommendations and where no criteria is fulfilled it is given the explanation which is offered by the company's management. To verify compliance with corporate governance recommendations in Romania we selected a sample of 55 companies listed on the BSE, using public information provided by website BSE (annual reports of 2013, the Comply or Explain statement of 2013). Research methodology is based on an index of corporate governance (CG Index) on the implementation of the principles of corporate governance code by listed companies in Romania. Thus the main research tool is a corporate governance index, calculated based on the framework proposed by the authors, and the results of the study consist of scores for each item or principle CG by calculating corporate governance index (CG Index) for the 55 listed companies in Romania. The results show that the degree of compliance with the Code of Corporate Governance of BSE is achieved at a rate of 70.6%, the lowest score is based on a result of 21.1% and the highest is 92.3%*

Keywords *Corporate governance, Statement of conformity "Comply or explain", Board of Directors*

INTRODUCTION

In order to accentuate how Romanian companies comply with the corporate governance code of BSE, the declarations of conformity "Comply or Explain" of companies listed on the BSE were relatively analyzed. The principles of governance are structured in the following ten criteria of governance BSE code.

Corporate governance framework, The share and other financial instruments holders' rights, The role and duties of the Board, Composition of the Board, Appointment of Directors, Remuneration of Directors, Transparency, financial reporting, internal control and risk management, Conflicts of interests and related parties' transactions, Treatment of corporate information, Corporate social responsibility. All features identified from the analysis of statements "Comply or Explain" were statistically analyzed for 2013 in terms of compliance with the recommendations of corporate governance code of companies listed on the Bucharest Stock Exchange.

Some authors (Faure-Grimaud et. al., 2005 – UK, Scarabotti, 2009 – Italia, Lama et. al, 2009 – Spania, Kohla et al., 2011 – Germany, Hassaan, 2013 – Egipt, Vintilă & Gherghina,

2013 - Romania, Adewale, 2013, Horak & Bodioga-Vukobrat, 2011 – Member States, Wahab et al., 2007 - Malaezia, Obodo, 2014 - Nigeria, Heracleous, 1999 – Singapore, Rapp et al., 2011 - Germany, Asthana & Dutt, 2013 – India, Nerantzidis, 2013 - Greece, Bouchez, 2007 – OECD States) have also studied compliance with corporate governance codes of the states listed above.

Based on the statistical results we have composed a score function per company, which highlights the fulfillment of their principles. The function is determined by multiplying a qualifier offered to the recommendations of the "Comply or Explain" statement depending on whether or not they are effectuated (1 - Recommendation satisfied, 0 -opposite), with the level of importance for each recommendation of the Corporate Governance Code) for each company of the 55 selected in the sample.

RESEARCH METHODOLOGY

To verify compliance with corporate governance recommendations in Romania we have selected a sample of 55 companies listed on the Bucharest Stock Exchange in 2013, using public information provided by website BSE (annual reports 2013 statement Comply or Explain 2013). All recommendations identified in analyzing the statements "Comply or explain" were statistically analyzed for 2013 in terms of whether or not the code of governance of BSE is complied.

To provide a quantitative assessment of the level of compliance with corporate governance principles we used a scoring system based on a function determined on each company. This score function allowed the transformation of declarative and qualitative data from the "Comply or Explain" declaration in numerical, quantitative data. Thus we've resorted to the assign of a certain importance coefficient (c_i) for each criterion in the Corporate Governance Code of the 10 ones. Thus the Bucharest Stock Exchange Governance Code is divided into ten criteria, and each criterion has a coefficient of importance (but) equal to 10%. In this case the performance of all governance principles and recommendations contained in the ten criteria will lead to a score equal to 100%. Each entry is made up of 1, 2 or 3 principles which proportionally carried a weight coefficient (ci) which can have the following values: 10%, 5%, or 3.33%, depending on the number of principles which make up a criterion. The same mechanism is used to weight the 38 recommendations that summed them compose the corporate governance principles, as can be seen in the table below:

Table 1 Criteria for the composition of corporate governance index (CG Index)

No. Criteria	Name of Criteria	Coeff. Criteria Importance (C_i) (%)	Principle	Coeff. Importance of Principle (%)	Recommendations Included within the Principle
C1	Corporate governance framework	10	P1	10	1 2 3
			P2		5
			P3		5
C2	The share- & other financial instruments holders' rights	10			4 6 8 9
C3	The role and duties of the Board	10	P4	5	10

			P5	5	12
C4	Composition of the Board	10	P6	3.33	
			P7	3.33	
			P8	3.33	15 16 17
C5	Appointment of Directors	10	P9	5	18
			P10	5	19 20
C6	Remuneration of Directors	10	P11	10	21 22 24
C7	Transparency, financial reporting, internal control and risk management	10	P12	5	25
			P 13	5	26 27 28 29 30 32
C8	Conflicts of interests and related parties' transactions	10	P14	3	
			P15	3	33
			P16	3	34/35
C9	Treatment of corporate information	10	P17	10	36
C10	Corporate social responsibility	10	P18	10	37/38
	TOTAL	100		100	

Also, to each "Comply or Explain" response analyzed was associated a distinct mark of conformity (α_i). Marks were awarded depending on whether or not corporate governance recommendations are complied, as reported by the 55 companies, drawn out of "Comply or Explain" statements.

Table 2 Qualificatives given to companies for composition of the corporate governance index (Index CG)

RECOMMENDATION SCORE (α_i)	IMPLICATION
0	The company does not comply with the recommendation
1	The company complies with the recommendation

Taking into account the level of importance (c_i) for each recommendation of the Corporate Governance Code and qualifications (α_i) associated with the recommendations of the "Comply or Explain" declaration, the value of score function $F(x)$ was determined for each of the 55 companies. Note, that where a principle that has an associated maximum grade of 10% and consists of several recommendations which are met or not, we calculated the sum of the scores obtained on each recommendation to determine the score function on principle and to determinate the criterion score function we have added punctuation for principles and we've calculated the average in terms of number of principles included in the criterion. The value of the score function expresses the final score for each issuer as a quantitative expression of compliance with corporate governance recommendations.

Using all the information collected for each criterion of corporate governance described in *Table 1* and *Table 2*, we calculated the index, which is explained by the function $F(x)$:

$$F(x) = \sum c_i \times \alpha_i$$

where:

x = the company for which the index is calculated;

c_i = the degree of importance assigned to each recommendation (as shown in *Table 1*)

α_i = is the the rating associated with each recommendation i , based on the verification of degree of fulfillment of the sustainability recommendation of corporate governance - *Tabel 2*. Can take values from 0 to 1, 0 meaning the criteria form Apply or Explain statement is not fullfiled at all and 1 meaning the criteria is completely fullfiled - *Tabel 2*;

STATISTICAL ANALYSIS AND RESEARCH RESULTS

Corporate governance of companies listed on the Bucharest Stock Exchange is the set of principles underlying the governance framework by which companies are directed and controlled. Transposed into internal legal documents, these principles determine the efficiency and effectiveness of control mechanisms adopted to protect and harmonize the interests of all participants in the activity of companies - shareholders, directors, managers, managers of various structures of the company, employees and organizations which represent their interests, customers and business partners, local and central authorities.

In Romania, the principles of corporate governance apply only to large private or public companies, due to lack of information, transparency, poor training of some managers, legislative incoherence. Bucharest Stock Exchange has issued a revised version of the Code on Corporate Governance (originally released in 2007). The Code is voluntary except listed companies which must comply or explain application or the lack of application of principles, in a statement attached to the annual reports.

Corporate governance codes alone cannot be used in preventing financial scandals. In enhancing effective governance within organisations, a culture promoting this must exist in corporations (*Adewale, 2013*). Management must imbibe ethical financial cultures in preventing corruption and ensuring a system where internal control measures will be effective. Corporate governance and financial regulations can only function so effectively with a supportive corporate mechanism.

From the analysis followed by the principles of the companies listed on the Bucharest Stock Exchange, principles enounced in the statement Comply or Explain, the corporate governance model adopted by listed companies ensures the rights and equitable treatment of shareholders, by protecting and implementing their requirements.

Table 3 Statistics informations extracted from the statement "Comply or Explain"

No. Principle recommendation	Description recommendation	No. Of companies
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			which apply		
			No.	%	
P19		Is the issuer managed under a dualist system?	6	10.91	
P1	R1	Has the issuer drawn up the By-laws/Corporate Governance Regulations to describe the main aspects of the corporate governance?	30	54.55	
		The By-laws/Corporate Governance Regulations are posted on the company website, indicating the date of the last update?	28	50.91	
	R2	In The By-laws/Corporate Governance Regulations are there defined the corporate governance structures, positions, components and responsibilities of the Board of Directors (BD) and of the executive management?	29	52.73	
	R3	Does the issuer's Annual report provide for a chapter on corporate Governance?	33	60.00	
		Does the issuer circulate on the company website the information related to the following aspects of their corporate governance policy: a) a description of their corporate governance structures?	38	69.09	
		b) the updated articles of incorporation?	34	61.82	
		c) the operation bylaws/essential aspects for each specialty?	24	43.64	
		d) the "Comply or explain" Statement?	51	92.73	
		e) the list of the BD members mentioning which members are independent and/or nonexecutive, of the members of the executive management and those of the specialty commissions/committees?	43	78.18	
	f) a brief description of the CV for each BD member of the executive management?	36	65.45		
P2		Does the issuer abide by the rights of the financial instrument holders?	55	100.00	
P3	R4	Does the issuer publish in a separate part of the website the details of the General Meetings of Shareholders (GMS):	55	100.00	
		a) GMS summons?			
		b) materials/documents corresponding to the agenda as well as any information on the agenda?			
			c) special power of attorney forms?	55	100.00
	R6	Has the issuer drawn and proposed to GMS the procedures for the efficient and proper development of the GMS agenda?	46	83.64	
	R8	Does the issuer publish in a separate part of the website the details of the shareholders' rights as well as the regulations for the attendance at GMS?	51	92.73	
		Does the issuer provide the information in due time (immediately after the GMS) of all the shareholders through the separate section on their website: a) on the decisions made within GMS?	55	100.00	
		b) on the detailed result of the vote?	53	96.36	
		Do the issuers circulate through the special section of the website, that is easily identifiable and accessible:	55	100.00	
		a) current/communicated reports?			
	b) the financial schedule, the annual reports, the quarter and semester reports?	55	100.00		
	R9	Is there within the issuer's company a special department/person dedicated to the relation with the investors?	53	96.36	

P4, P5	R10	Does the BD meet at least once a trimester for the monitoring and the activity of the issuer?	53	96.36
	R12	Does the issuer have a set of rules referring to the reporting conduct and obligations of the transactions of the shares or other financial instruments issued by the company ("company assets") made on their name by the directors and other persons?	36	65.45
		If a BD member or a member of the executive management or any other person made on their interest a transaction with the company deeds, then, the transaction is circulated through the company website, according to the corresponding Regulations?	40	72.73
P6		Does the structure of the Board of Directors of the Issuer provide a balance between the executive and nonexecutive members?	43	78.18
P7		Does the structure of the Board of Directors provide a sufficient number of independent members?	38	69.09
P8	R15	During their activity, does BD have the support of consultative commissions/committees for the examination of specific topics, chosen by BD for their counseling on these themes?	30	54.55
		Do the consultative commissions/committees forward activity reports to the BD on their specific themes?	30	54.55
	R16	For the assessment of the independence of their nonexecutive members, does the Board of Directors use the assessment criteria listed in the Recommendation 16?	39	70.91
	R17	Do the BD members permanently improve their knowledge through training/formation in corporate governance?	51	92.73
P9		Does the selection of the BD members have a procedure based on transparency ?	51	92.73
P10		Is there an Appointment Committee within the company?	19	34.55
P11	R21	Does the Board of Directors analyze at least once a year the need to register a remuneration/remuneration policy committee?	34	61.82
		Has the remuneration policy been approved by the GMS?	46	83.64
	R22	Is there a Remuneration Committee made exclusively of nonexecutive directors?	20	36.36
	R24	Is the company remuneration policy of the company provided in the Bylaws/Corporate Governance Regulations?	22	40.00
P12, P13	R25	Does the issuer circulate, in the English language, the information representing the subject of the reporting requirements: a) periodic information (providing information periodically)?	26	47.27
		b) continuous information (providing information periodically)?	29	52.73
		Does the Issuer provide and circulate the financial report according to IFRS?	49	89.09
	R26	Does the issuer promote, at least once a year, meetings with the financial analysts, brokers, rating agents and other market specialists with the view to presenting the financial elements relevant to the investment decision?	24	43.64
	R27	Is there an Audit Committee within the company?	28	50.91
	R28	Does the BD of the Audit Committee, as the case may be, examine on regular basis, the efficiency of the financial report, the internal control and the control of the risk management system passed by the company?	51	92.73
	R29	Is the Audit Committee made of nonexecutive directors and is there a sufficient number of independent directors?	26	47.27
	R30	Does the Audit committee meet at least twice a year? ?	28	50.91
	R32	Does the Audit Committee recommend to BD the selection, appointment, re-appointment	30	54.55

		and replacement of the financial auditor, as well as the terms and conditions of their remuneration?		
P14		Has the BD passed a procedure with the view to identifying and settling adequately the conflicts of interests?	33	60.00
P15	R33	Do the directors inform BD on the conflicts of interests as they occur and do they refrain from the debates and the vote on those matters, according to the legal provisions?	53	96.36
P16	R34/ 35	Has the BD passed the specific procedures in order to provide their procedure accuracy for defining the transactions?	36	65.45
P17	R36	Has BD passed a procedure of the internal circuit and the disclosure to third parties of the documents and information referring to the issued, with emphasis on the information that can influence the price of the assets issued by them?	44	80.00
P18	R37/ 38	Does the issuer have activities regarding Social Responsibility and Company Environment?	54	98.18

Public enterprises, that function as commercial companies, may be administrated according to unitary or dualist management system, regulated by Law no. 31/1990. The vast majority of companies listed on the Bucharest Stock Exchange (82%) have adopted the unitary management system fully in line with the objectives of good corporate governance, transparency of relevant corporate information, of the protection of the interests of different groups of participants and the efficient operation of the capital market.

All 55% of listed companies have developed a Statute / Regulation of Corporate Governance (*Principle I*) to describe the main aspects of governance and for 50% of companies Statute / Regulation of corporate governance is posted on the company's website.

All BSE companies respect the rights of shareholders providing fair treatment. Shareholders are entitled to vote, attend to the general meetings (*Principle II*). The greatest asset of any capital market is the investors (*Obodo, 2014*). Largely, where confidence in the financial market in Nigeria is lost by the investors, the ability to raise fund for economic development shall be flawed. Also the companies must respect the rights of shareholders: to receive dividends, to ask questions to the board members, to receive relevant information. For a better, effective and active communication with shareholders (*Principle III*), public companies in a dedicated section of their website present details of conducting the Company Shareholders' General Assembly (CSGA). Also in case of 96% companies there is a specialized department / person in relationships with investors.

The governance code in Singapore critical lack of recommendations for stakeholders, opposed to the shareholders, that could discipline more companies that do not meet the level of compliance with the corporate governance code (*Heracleous, 1999*).

Management of companies is entrusted to the Board (*Principle IV*), which is the interface between shareholders and executives. Board of Directors shall meet at least quarterly to monitor the conduct of business for all approximate companies. The Board will act in the interests of listed companies and will protect the general interests of shareholders (*Principle V*).

The analysis on listed companies shows that only 78% of them ensure a balance between executive and non-executive members (*Principle VI*), so that no person or group of persons can dominate the decision-making process of the Board. Inadequate recruitment practices of the Board' members contribute to the perpetuation of selection of members with similar profiles. According to the Combined Code of 2000 it is assumed that the optimum number of executive

and non-executive members is an equal one. On the other hand we can talk about the size of listed companies, about the complexity and nature of the company's business. They may have an impact on the members report within the Board. In 2013, the board of directors, associated with companies listed on BSE, had on average 5-6 members, of whom two are executive directors, three of whom are non-executive, independents.

The structure of the Board of listed companies provides a sufficient independent members number (*Principle VII*) for 69% of them. The presence of non-executive independent members is important because they can bring a fresh perspective to the company, they are concerned with the supervision of how the executives perform their tasks, they provide information outside the company which otherwise may get harder to the executive members, they may facilitate obtaining lucrative contracts with customers, the State or credit institutions. Also a non-executive independent member can be part of the audit committee or the remuneration committee and may act to protect the shareholders' rights. *Vintilă & Gherghina (2013)* made a sample comprised all the companies listed on the Bucharest Stock Exchange on all three tiers between 2007-2011 and found that the mean percentage of independent directors is only 13.77% percent, so the recommendation out of the Guide for implementing Corporate Governance Code (2010) which states that at least a quarter of the total number of directors shall be independent is not followed. Also (*Vintilă & Gherghina, 2013: 891*) found that the mean percentage of non-executive directors (54.43%) highlights that the balance between executive and non-executive members recommended by the Bucharest Stock Exchange Corporate Governance Code (2008) is accomplished.

Only for 92% of companies listed on BSE, the Board's members continuously improve their skills through training on corporate governance (*Principle VIII*). Another statistic shows that 55% of the Boards of Directors of BSE listed companies have the support of advisory committees / commissions that are required to submit progress reports on some specific topics. Companies explain the lack of advisory committees / commissions, saying they have the support of the companies' professionals or when necessary, of external consultants selected on professional excellence criteria or they are too small and too few members for the formation of these committees.

Election of Board members is based on a transparent procedure (objective criteria regarding professional qualifications) for 93% of companies (*Principle IX*). Although only for 35 % of listed companies there is a Nomination Committee (*Principle X*), it has the responsibility of candidates nomination for the position of director of the company, respecting the following criteria:

- Applicants must have a good reputation and experience appropriate to the nature, size and complexity of the company's business;
- Candidates must have adequate theoretical and practical knowledge about the activities to be carried out, as well as experience in a management position, acquired in a company comparable in size and activity.

Companies that do not have a Nomination Committee "explain" the process of appointment of Board members to be in charge of shareholders.

The Board reviews at least once a year the need of setting up a remuneration committee / remuneration policy for directors and executives management members for 62% of the companies, but only 35% of them have in 2013 a Remuneration Committee (*Principle XI*). The

Committee consists of non-executive directors, elected by the Board from among its members. For companies that do not have a Remuneration Committee, the General Assembly of Shareholders decides the remuneration of board members and of executive management. In the absence of a remuneration committee a procedure is explained to ensure maintenance of a balance between the desire to attract and maintain professional Board members and the interest of not excessive remunerate, respectively to correlate remuneration with the training and experience of directors, and trends in the field of industry. One study (*Bhardwaj & Rao, 2014*) on CNX Nifty governance practices of the 50% companies in India, focuses on two years from 2010 to 2011 and from 2011 to 2012 and shows that firms: independent directors - 88% non-executive directors - 98% Remuneration Committee - 42% , Audit Committee 100% .

Listed companies prepare and disseminate financial reporting under IFRS (*Principle XII*) at a rate of 89%. Listed companies promote 44% at least once a year, meetings with financial analysts, brokers, and other market specialists in order to ensure protection of minority shareholders against abusive actions and in the interests of significant shareholders acting either directly or indirectly. *Hassaan, 2013* provide evidence of the lack of influence of corporate governance best practices on the levels of compliance with mandatory IFRSs disclosure requirements as it is not yet part of the cultural values within the Egyptian context.

The Audit Committee is composed exclusively of non-executive directors and has a sufficient number of independent directors only for 47% of companies and only 51% of companies have an audit committee (*Principle XIII*). The lack of the audit committee is explained by the fact that Board members have the necessary training or a significant management experience that allows them to analyze the general financial situation of companies and risk management processes and corporate governance, thus ensuring accuracy of financial reporting and internal control. *Asthana & Dutt, 2013* argue that compliance in the Indian Banks is: Board Meetings (57.9%) and Audit Committee of Board (100%).

For 60% of companies, the Board has adopted a procedure to identify and settle any conflict of interests (*Principle XIV*). Board members will act only in the interests of companies and will take decisions without being influenced by any vested interests that may arise in activity (*Principle XV*). For 64% of companies, the Board adopted criteria for identifying significant transactions, transparency, and impartiality, non-compete (*Principle XVI*). For 80% of companies, the Board has adopted a procedure for the internal circuit and disclosure of documents and information concerning the company, giving special importance to information that can influence the market price (*Principle XVII*). If there is no such procedure, companies have sent information to the persons included in the list of people who have access to privileged information regarding their obligations stipulated by Law no. 297/2004. Among the listed companies, 98% (2013) develop Social Responsibility and Medium activities of companies (*Principle XVIII*). In a study on India (*Imeokparia, 2013*) we find that 8% respondents strongly disagree that generally banks still observe ethical issues of governance and financial reporting and 5.1% of the respondents strongly disagree that Ethical financial reporting in banks is essentially the responsibility of directors, which is carried out by accountants and verified by internal auditors.

That part of the code of governance in Malaysia requires auditors to institutional investors and expresses the opinion on implementation of recommendations of governance (*Wahab et al., 2007*).

According to the information in Table 4 in which there are summarized the main obtained results, we can conclude that on average for companies listed on BSE the score obtained for compliance with corporate governance recommendations equals 70.6% average of the scores obtained per company (calculated by multiplying the mark for recommendation depending on whether or not the recommendations of the "Comply or Explain" declaration (1 or 0) to the level of importance for each recommendation of the Corporate Governance Code) for each company in the 55 selected in the sample.

Table 3 Index CG for 55 companies listed on the Bucharest Stock Exchange (%)

No. Firm	Criteria (C)																								Score Function
	C1	C2				C3			C4				C5			C6	C7			C8				C9	
	Principles (P)																								F(x)
	P1	P2	P3		P4	P5		P6	P7	P8		P9	P10		P11	P12	P13		P14	P15	P16		P17	P18	
F1	7.9	5.0	5.0	10.0	5.0	2.5	7.5	3.3	3.3	2.2	8.9	5.0	0.5	5.5	0.5	0.0	1.7	1.7	3.3	3.3	3.3	10.0	10.0	10.0	71.9
F2	1.0	5.0	3.8	8.8	5.0	2.5	7.5	0.0	3.3	1.1	4.4	5.0	6.3	11.3	0.0	5.0	0.8	5.8	3.3	3.3	3.3	10.0	10.0	10.0	68.8
F3	10.0	5.0	5.0	10.0	5.0	0.0	5.0	3.3	3.3	3.3	10.0	5.0	3.8	8.8	0.0	0.0	0.8	0.8	3.3	3.3	0.0	6.7	10.0	10.0	71.3
F4	10.0	5.0	3.8	8.8	5.0	5.0	10.0	3.3	3.3	2.2	8.9	5.0	0.5	5.5	0.5	5.0	1.7	6.7	0.0	3.3	3.3	6.7	10.0	10.0	76.9
F5	1.9	5.0	5.0	10.0	5.0	5.0	10.0	3.3	0.0	1.1	4.4	5.0	0.0	5.0	0.0	5.0	1.7	6.7	3.3	3.3	3.3	10.0	10.0	10.0	68.0
F6	0.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	1.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	10.0	10.0	82.3
F7	1.4	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	3.8	8.8	0.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	10.0	10.0	80.2
F8	10.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	1.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	10.0	10.0	92.3
F9	9.5	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	2.8	9.4	5.0	3.8	8.8	0.5	1.7	4.2	5.8	3.3	3.3	3.3	10.0	10.0	10.0	84.1
F10	9.5	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	2.2	8.9	5.0	3.8	8.8	0.5	5.0	3.3	8.3	3.3	3.3	3.3	10.0	10.0	10.0	86.0
F11	6.2	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	1.0	1.7	2.5	4.2	3.3	3.3	3.3	10.0	10.0	10.0	82.6
F12	1.9	5.0	3.5	8.5	5.0	5.0	10.0	0.0	0.0	1.1	1.1	5.0	3.8	8.8	0.0	1.7	0.8	2.5	3.3	3.3	3.3	10.0	10.0	10.0	62.8
F13	0.5	5.0	3.8	8.8	5.0	0.0	5.0	3.3	0.0	1.1	4.4	5.0	0.5	5.5	0.0	1.7	0.0	1.7	0.0	3.3	0.0	3.3	0.0	10.0	39.1
F14	1.9	5.0	3.3	8.3	5.0	0.0	5.0	0.0	0.0	1.1	1.1	5.0	0.0	5.0	0.0	1.7	0.8	2.5	0.0	3.3	0.0	3.3	0.0	10.0	37.1
F15	1.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	2.2	8.9	5.0	0.5	5.5	0.0	5.0	0.8	5.8	0.0	3.3	3.3	6.7	10.0	10.0	67.8
F16	10.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	1.0	5.0	4.2	9.2	3.3	3.3	3.3	10.0	10.0	10.0	91.4
F17	8.1	5.0	5.0	10.0	5.0	2.5	7.5	0.0	0.0	2.2	2.2	5.0	3.8	8.8	0.0	0.0	4.2	4.2	3.3	3.3	3.3	10.0	10.0	10.0	70.8
F18	8.1	5.0	5.0	10.0	5.0	2.5	7.5	0.0	0.0	2.2	2.2	5.0	3.8	8.8	0.0	0.0	4.2	4.2	3.3	3.3	3.3	10.0	10.0	10.0	70.8
F19	10.0	5.0	5.0	10.0	5.0	2.5	7.5	0.0	0.0	1.7	1.7	5.0	0.0	5.0	0.5	1.7	3.3	5.0	3.3	3.3	0.0	6.7	0.0	10.0	56.3
F20	6.4	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	2.2	8.9	0.0	3.8	3.8	0.5	5.0	0.8	5.8	3.3	3.3	3.3	10.0	10.0	10.0	75.4
F21	9.5	5.0	5.0	10.0	5.0	2.5	7.5	0.0	3.3	3.3	6.7	5.0	3.8	8.8	0.5	1.7	4.2	5.8	3.3	3.3	3.3	10.0	10.0	10.0	78.8
F22	1.0	5.0	3.5	8.5	5.0	2.5	7.5	3.3	3.3	1.1	7.8	5.0	0.5	5.5	0.0	1.7	3.3	5.0	3.3	3.3	3.3	10.0	10.0	10.0	65.2
F23	10.0	5.0	5.0	10.0	5.0	0.0	5.0	3.3	0.0	2.2	5.6	5.0	0.5	5.5	0.0	1.7	0.8	2.5	0.0	3.3	0.0	3.3	0.0	10.0	51.9
F24	6.4	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	2.2	8.9	0.0	3.8	3.8	0.5	5.0	0.8	5.8	3.3	3.3	3.3	10.0	10.0	10.0	75.4
F25	1.4	5.0	5.0	10.0	5.0	0.0	5.0	3.3	3.3	3.3	10.0	5.0	3.8	8.8	0.0	1.7	5.0	6.7	0.0	3.3	0.0	3.3	10.0	10.0	65.2
F26	10.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	3.8	8.8	0.0	5.0	1.7	6.7	3.3	3.3	3.3	10.0	10.0	10.0	85.5
F27	3.3	5.0	3.8	8.8	5.0	2.5	7.5	3.3	0.0	2.2	5.6	5.0	6.3	11.3	0.5	5.0	4.2	9.2	0.0	3.3	0.0	3.3	0.0	10.0	59.4
F28	9.5	5.0	5.0	10.0	5.0	2.5	7.5	3.3	3.3	3.3	10.0	5.0	3.8	8.8	1.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	10.0	10.0	86.8

F29	10.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	1.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	10.0	10.0	92.3
F30	2.9	5.0	3.8	8.8	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	1.0	5.0	4.2	9.2	3.3	3.3	3.3	10.0	10.0	10.0	83.0
F31	5.7	5.0	5.0	10.0	0.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.3	0.0	3.3	0.0	0.0	0.0	0.0	0.0	10.0	34.0
F32	0.5	5.0	5.0	10.0	5.0	2.5	7.5	3.3	3.3	3.3	10.0	5.0	0.0	5.0	0.0	3.3	0.8	4.2	0.0	3.3	0.0	3.3	10.0	10.0	60.5
F33	2.9	5.0	3.8	8.8	5.0	2.5	7.5	0.0	0.0	2.2	2.2	5.0	0.5	5.5	0.0	0.0	0.8	0.8	0.0	3.3	0.0	3.3	10.0	10.0	51.0
F34	10.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	1.0	1.7	5.0	6.7	3.3	3.3	3.3	10.0	10.0	10.0	88.9
F35	0.5	5.0	5.0	10.0	5.0	5.0	10.0	3.3	0.0	2.2	5.6	5.0	0.5	5.5	0.0	5.0	0.8	5.8	0.0	3.3	3.3	6.7	10.0	10.0	64.0
F36	10.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	0.5	5.0	5.0	10.0	0.0	3.3	0.0	3.3	0.0	10.0	75.1
F37	10.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	0.5	5.5	0.5	1.7	5.0	6.7	3.3	3.3	3.3	10.0	10.0	10.0	82.6
F38	10.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	1.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	10.0	10.0	92.3
F39	0.5	5.0	5.0	10.0	5.0	5.0	10.0	3.3	0.0	2.2	5.6	5.0	0.5	5.5	0.0	5.0	0.8	5.8	0.0	3.3	3.3	6.7	10.0	10.0	64.0
F40	8.1	5.0	5.0	10.0	5.0	2.5	7.5	3.3	3.3	2.2	8.9	5.0	0.5	5.5	0.5	1.7	1.7	3.3	0.0	3.3	0.0	3.3	10.0	10.0	67.1
F41	9.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	2.2	8.9	5.0	3.8	8.8	0.5	3.3	1.7	5.0	3.3	3.3	3.3	10.0	10.0	10.0	82.2
F42	1.4	5.0	5.0	10.0	5.0	5.0	10.0	3.3	0.0	3.3	6.7	5.0	6.3	11.3	1.0	1.7	4.2	5.8	0.0	3.3	0.0	3.3	10.0	10.0	69.5
F43	10.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	0.0	5.0	0.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	10.0	10.0	85.0
F44	1.4	5.0	5.0	10.0	5.0	2.5	7.5	0.0	0.0	2.2	2.2	5.0	0.0	5.0	0.0	1.7	0.8	2.5	0.0	3.3	0.0	3.3	10.0	10.0	52.0
F45	2.4	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	1.0	5.0	5.0	10.0	0.0	3.3	3.3	6.7	10.0	10.0	81.3
F46	2.4	5.0	3.8	8.8	5.0	2.5	7.5	0.0	0.0	1.1	1.1	5.0	3.8	8.8	0.0	1.7	0.8	2.5	0.0	3.3	3.3	6.7	10.0	10.0	57.7
F47	0.5	5.0	5.0	10.0	5.0	0.0	5.0	3.3	3.3	0.0	6.7	5.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	3.3	0.0	3.3	0.0	0.0	30.5
F48	6.2	5.0	5.0	10.0	5.0	2.5	7.5	3.3	3.3	3.3	10.0	5.0	6.3	11.3	0.5	1.7	5.0	6.7	3.3	3.3	3.3	10.0	10.0	10.0	82.1
F49	9.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	0.5	5.0	5.0	10.0	0.0	3.3	0.0	3.3	10.0	10.0	84.2
F50	10.0	5.0	5.0	10.0	5.0	2.5	7.5	3.3	3.3	3.3	10.0	5.0	6.3	11.3	1.0	5.0	5.0	10.0	0.0	3.3	0.0	3.3	10.0	10.0	83.1
F51	10.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	3.3	10.0	5.0	6.3	11.3	1.0	5.0	3.3	8.3	3.3	3.3	3.3	10.0	10.0	10.0	90.6
F52	1.9	5.0	4.8	9.8	5.0	0.0	5.0	3.3	3.3	1.1	7.8	5.0	6.3	11.3	0.0	1.7	1.7	3.3	3.3	3.3	3.3	10.0	0.0	10.0	59.1
F53	1.0	5.0	3.5	8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0	1.7	0.0	0.0	0.0	0.0	0.0	10.0	21.1
F54	2.4	5.0	5.0	10.0	5.0	0.0	5.0	3.3	3.3	2.2	8.9	5.0	6.3	11.3	0.5	1.7	4.2	5.8	3.3	3.3	0.0	6.7	0.0	10.0	60.6
F55	10.0	5.0	5.0	10.0	5.0	5.0	10.0	3.3	3.3	2.2	8.9	5.0	0.5	5.5	0.0	5.0	4.2	9.2	3.3	3.3	3.3	10.0	10.0	10.0	83.5
Mean	5.7	5.0	4.7	9.7	4.8	3.5	8.3	2.6	2.3	2.4	7.3	4.6	3.3	8.0	0.4	3.2	2.8	6.0	2.0	3.2	2.2	7.4	8.0	9.8	70.6

There is no company that complies 100% ($F(x) = 100\%$) Governance recommendations and only 5 (9%) companies exceeding a score of 90%, in terms of compliance with the recommendations of the Code of Governance. Most companies 17 (31%) have a score between 80% and 90% and 12 companies have a score between 60% -70%. Analyzing the results we may affirm that 9 (16% of companies) have an average close to the average $F(x)$, between 70% and 80%. Only 5 companies have a score below 50. The highest score (92.3%) have obtained companies C8, C29 and C38, and the lowest (21.1%) is obtained only by the company C7. Companies make the best score for *Principle 18* on the accomplishment of social responsibility activities and least respected principle is *Principle 11* (Criterion 6) regarding the remuneration of the Board members (*Recommendation 22* on the existence of a Remuneration Committee consists exclusively of non-executive members met only 36% of companies and *Recommendation 24* on presentation of the remuneration policy of the company in the Statute / Corporate Governance Regulation, condition which is satisfied only by 40% of the companies).

One study on Malaysia (*McGee, 2005*) focuses on corporate governance in Malaysia and find for Rights of Shareholders a score equal to 22, Role of Stakeholders in Corporate Governance - 16, Disclosure and Transparency – 17, The Responsibility of the Board – 22, where points were then assigned to each category based on the extent of compliance with the OECD’s Principles of Corporate Governance, as follows: Observed = 5 points, Largely Observed = 4 points, Partially Observed = 3 points, Materially Not Observed = 2 points, Not Observed = 1 point. For UK (*Faure-Grimaud et al., 2005*) some authors analysed 245 UK non- financial companies, belonging to the FTSE 350 index between 31st December 1998 to 30th June 2004 the period the Combined Code was in operation. The maximum number of degree of compliance in the sample is 10288 and the authors actually find 8712 cases of compliance (resulting in an overall average of compliance of 84.7%).

To make a comparison between the results of research on the implementation of the principles of corporate governance in listed companies in Romania, we have calculated the average of the CG Index for each economic sector:

Table 4 Average score function per economic sector

Activity sector	No. of companies	Mean of $F(x)$
Marketing	3	74.7
Construction	6	75.2
Pharmaceuticals	4	83.9
Manufacturing industry	16	69
Plastics	3	88.5
Machinery and equipment	6	53.1
Metalurgie	2	71.4
Food supply	2	82
Chemicals	3	47
Basic resources	4	67.3
Transportation and storage	2	67.5

Tourism	2	81.4
Utilities	2	83.6
Total	55	70.6

The results show that companies analyzed of the Plastics sector have managed to the highest average of the GG index which is 88.5%, and those of the Chemical Industries sector have a minimum average for the GG Index of 47%.

In context of harmonisation with the European requirements (Directive 2006/46/EC) some Member States did not have to take any action, given a previously existing requirement to refer to a national code and to apply the comply-or-explain principle pursuant to listing rules (Denmark, Ireland and Romania) and some Member States have decided to introduce the whole system, which includes referral to the application of the code and its application pursuant to the comply-or-explain principle prescribed by law or a by-law (the Czech Republic, France, Germany, Hungary, the Netherlands, Portugal and Spain) (Horak & Bodiroga-Vukobrat, 2011).

CONCLUSION

In our article "Compliance with the Romanian Corporate Governance Code. Evidences from the companies listed on Bucharest Stock Exchange" we have checked whether or not the recommendations and principles of the Code of Corporate Governance are respected in Romania on a sample of 55 companies listed on the Bucharest Stock Exchange in 2013, by verifying compliance statements "Comply or Explain". The code is divided into articles, principles and recommendations covering a representative range of corporate governance issues: board of directors and their composition, role and responsibility, rights of shareholders, internal and external audit, transparency, conflict of interest, information regime corporate social responsibility. Minimum requirements indicate that each listed company must have a Corporate Governance Statement to describe the main aspects of governance, respect the rights of shareholders, non-executive members and independent members of the Board of Directors, three advisory committees (Nomination Committee, Remuneration Committee and Audit Committee). Not all companies follow the principles of corporate governance, considering the business operates "as it is." We noticed some major deficiencies in the implementation and appliance of modern regulations regarding corporate governance in our country. It is true that an impressive package of financial legislation was approved in 2006 as part of the impulse to bring Romania in line with EU directives, to harmonize national regulations with international ones, but companies were not aligned to the European trend. So they not complicate with the application of this recommendation, because there are and will always be the investors.

There is a tendency for companies listed on the BSE, the large ones tend to respect in range of 100% the governance principles, but the smallest ones (as size) motivate that in the future they will line with the trend, although as an observation this motivation exists in the statement of conformity on the last 3 years without major improvements. Maybe companies do not want transparent procedures through which to

ensure the correct treatment of minority shareholders and at the same time they have a weak institutional framework, which is one of the significant impediments in establishing a solid investment climate. Sometimes it is thought that as long as there are shareholders who do not rebel against the created abuse, it is not necessary to operate major changes, so things can stay as they are, because it goes their way.

After this study, we believe that the most important recommendation is that a respected legal framework of corporate governance regulation is necessary in Romania. Now corporate governance principles included only in a guide and companies select only some to comply with them. We believe that corporate governance principles should be implemented through the development of legally binding framework. It is true that even the best laws, codes, principles can suffer from poor implementation. This decreases the foreign investors' confidence in the legal system, thus diminishing confidence in companies of countries which do not respect the laws. And more importantly, is that these existing laws should be effective by strengthening legal systems, addressing corruption and adopting measures appropriate to the problem.

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