

# 8<sup>th</sup> International OFEL Conference



## The compliance of the Romanian listed companies with the principles and provisions of the Corporate Governance Code

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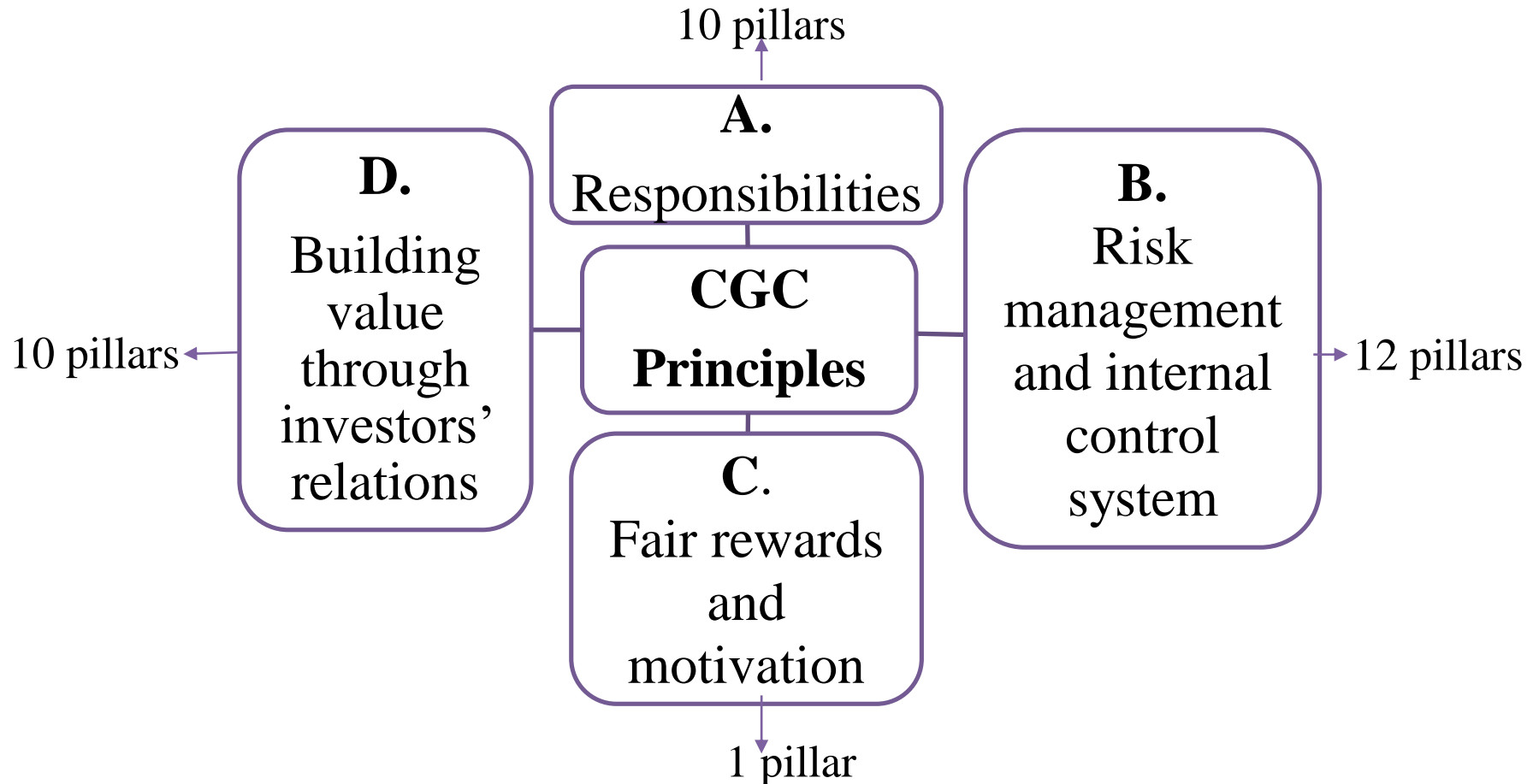
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## Research motivation

- Starting from the assumption that corporate governance is a set of “rules of the game” by which companies are managed and supervised in order to protect the interests of all stakeholders, to increase the level of transparency and competitiveness on the market, in this paper we aim to measure the degree to which the companies listed on the Bucharest Stock Exchange (BSE) comply with the principles and provisions of the Corporate Governance Code issued by BSE ;
- *H1: There is a high compliance of the companies listed on the Bucharest Stock Exchange with the provisions and principles of the Corporate Governance Code developed by the BSE.*

*The sections of the Corporate Governance Code issued by BSE*



For the entities included in our study we used a scoring system that reflects the extent to which they comply with the provisions and principles presented above, thus transforming the enunciative data into numerical, quantitative data.

Taking into account the fact that in the Comply or Explain statement the companies have three options through a self-assessment that reflects the full compliance, partial compliance or non-compliance, the following table reflects the scoring system used according to the response published in 2018 by the studied companies:

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## Conformity degree with the principles and provisions of CGC

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**Conformity  
mark**

**Significance**

<b>3</b>	Full compliance with the principles and provisions
<b>1</b>	Partial compliance
<b>0</b>	Non-compliance

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Considering the 4 sections of the Code and the proposed scoring system, for section A a company can obtain a maximum of 30 points, for section B a maximum of 36 points, for section C, 3 points and for section D a maximum of 30 points. In total, a company can sum up 99 points, which reflects total compliance in all sections of the Corporate Governance Code. For the studied companies, the maximum score that can be reached is 6,039 points.

The analysis of the Comply or explain statement made for each of the 61 entities studied in accordance with the scoring system, highlights the following level of conformity with the Code's provisions and principles:

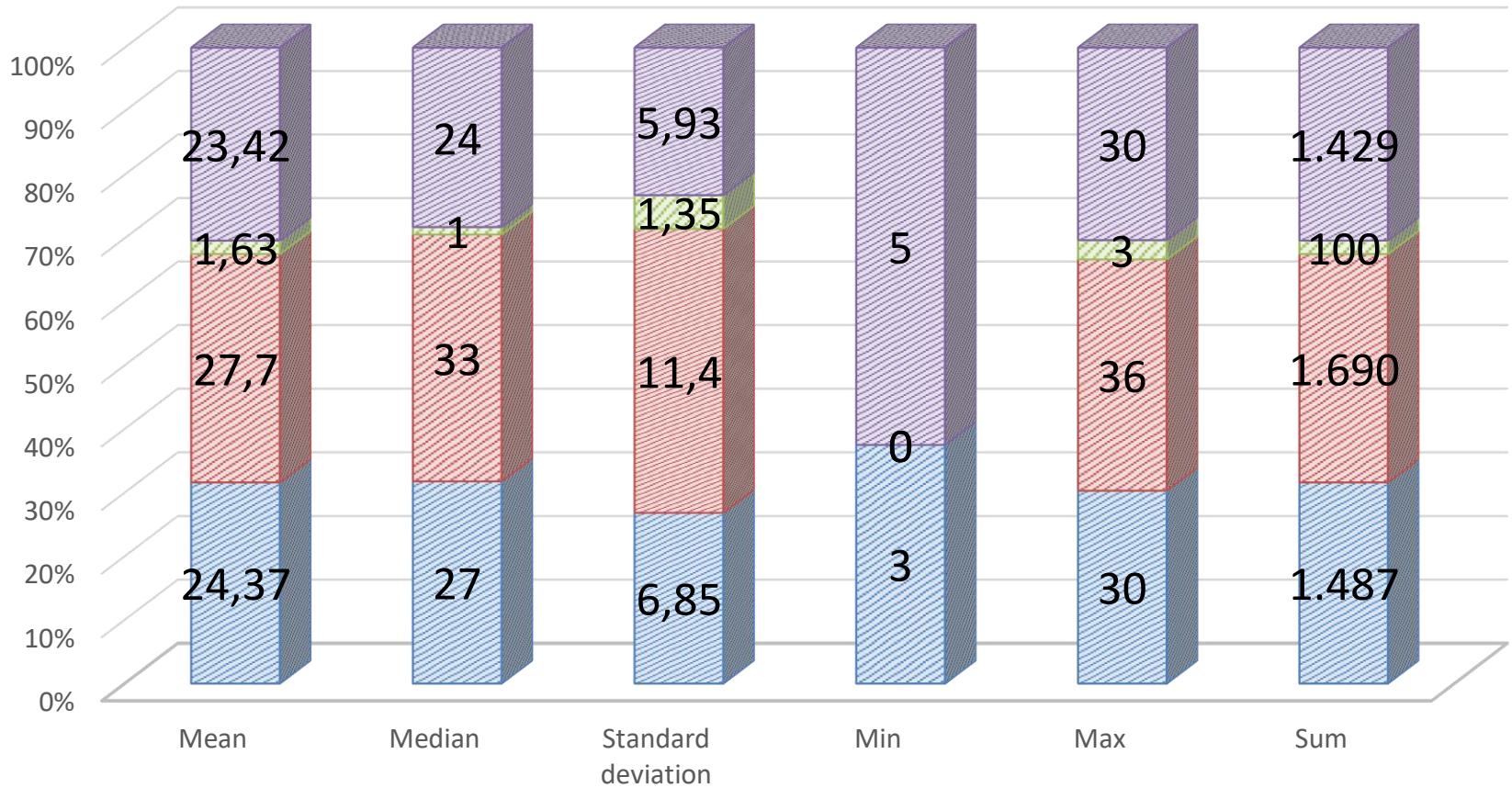
<b>Level of conformity with the Code's provisions and principles</b>			
<b>Category</b>	<b>Maximum score</b>	<b>Obtain results</b>	<b>Comply assessment (%*maximum score)</b>
<b>Total CGC</b>	<b>6,039</b>	<b>4,706</b>	<b>78%</b>
<b>Section A</b>	<b>1,830</b>	<b>1,487</b>	<b>81%</b>
<b>Section B</b>	<b>2,196</b>	<b>1,690</b>	<b>77%</b>
<b>Section C</b>	<b>183</b>	<b>100</b>	<b>55%</b>
<b>Section D</b>	<b>1,830</b>	<b>1,429</b>	<b>78%</b>

<b>Descriptive statistics</b>	<b>Section A</b>	<b>Section B</b>	<b>Section C</b>	<b>Section D</b>
<b>Mean</b>	24.37	27.70	1.63	23.42
<b>Median</b>	27	33	1	24
<b>Standard deviation</b>	6.85	11.40	1.35	5.93
<b>Min</b>	3	0	0	5
<b>Max</b>	30	36	3	30
<b>Sum</b>	1,487	1,690	100	1,429
<b>Count</b>	61	61	61	61



# DESCRIPTIVE STATISTICS

■ Section A ■ Section B ■ Section C ■ Section D



## Research results

- The results of the research carried out reflect a high degree of compliance of the entities listed on the Bucharest Stock Exchange from Romania with the principles and provisions of the Corporate Governance Code.
- Our research results validates Hypothesis *H1: There is a high compliance of the companies listed on the Bucharest Stock Exchange with the provisions and principles of the Corporate Governance Code developed by the BSE.*

## Conclusions

- The Comply or Explain statement reflects the extent to which the corporate governance rules are observed by the listed entities through a self-assessment that reflects the full compliance, partial compliance or non-compliance with the provisions of the Code. The statement can be included in the Annual Report or can be presented separately;
- The implementation of the provisions and principles of the Governance Code ensures transparency, trust for both current and potential investors, as well as the fair treatment of shareholders in relation to the access to information because the statement describes the aspects regarding the administration and the control of the company;

## Conclusions

- We may notice the companies' favourable perception on the need to adopt the principles of corporate governance;
- As a consequence, we consider that the companies under study show a high degree of compliance with the principles of corporate governance developed by the BSE, thus understanding that good corporate governance can ensure the sustainable development of the company.

## Conclusions

- The aim of this paper was to study the compliance of the companies listed on the Bucharest Stock Exchange with the principles and provisions of the Corporate Governance Code issued by the main stock exchange in Romania (BSE).
- We believe that the ease of access to additional funds, the increase of transparency in reporting, the sustainable development in the context of globalisation and the increase of the market value of the company are the benefits of an efficient corporate governance system that can represent a competitive advantage to any economic entity. The study undertaken showed that the analysed companies comply in a very large extent with the provisions and principles of the Corporate Governance Code, which reflects the importance given to this concept.

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**Thank you !**