

ELEMENTS OF CORPORATE GOVERNANCE IMPLEMENTATION IN ROMANIA, IN THE EUROPEAN CONTEXT

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ABSTRACT: *Within the European Union, the economic crisis has hastened the awareness that an economy can grow through a unitary and coordinated action, both in legislation and in terms of recommendations and voluntary taking, all these being integrated in the concept of European economic governance, built according to the model of global governance. In Romania, the distribution of the Code of Corporate Governance is carried out by the Bucharest Stock Exchange, which provides information on the companies that have accepted to implement the code and which also monitors their implementation of the code. Complying with some principles of good corporate governance is in the interest of the economic organizations, enabling them to better manage their business and risks and to achieve the desired goals.*

KEY WORDS: *corporate governance, stock exchange, board of directors, audit committees, accounting standards.*

JEL CLASSIFICATION: *M42, G30.*

1. INTRODUCTION

The economic crisis exposed a number of serious shortcomings in the corporate governance of organizations: the supervision and control of the management were inadequate; the process of risk management was weak; the existence of inappropriate remuneration structures led to excessive risk-taking and the performance of erroneous predictions in the short term; failure to exercise effective control by shareholders on the risk-taking companies/institutions that they own, etc (Dima & Man, 2013). These deficiencies have played an important role in the financial crisis in the recent years, initially a liquidity crisis which later turned into a solvency crisis.

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One of the realities revealed by the economic crisis is that the corporate governance, now mainly based on self-regulation, has not been as effective as it could have been. An efficient management and a better control of organizations are important not only to reduce the probability of a new crisis in the future, but also to be competitive. In the current economic climate, it is necessary, more than ever, to ensure that organizations are well managed, that they are reliable and sustainable (Morariu & Stoian, 2006). Excessive application of a long-term vision has had disastrous consequences.

Above all, companies need Boards of Directors which should be more efficient as well as shareholders who should fully take responsibility of their actions. The situation can be improved in several areas related to corporate governance, such as the diversity of the members of the Board of Directors, the shareholders' engagement and the quality of the declarations on corporate governance.

An effective corporate governance has an important role in protecting the shareholders' rights, thus helping to increase the value of the shares in time by developing a dynamic and profitable organization (Dănescu & Spătăceanu, 2008). The ultimate objective of a good governance is to align the interests of the shareholders, of the Board of Directors and of the managers, to protect the minority shareholders, to develop some transparent and competitive capital markets, as well as to clarify which exactly the level of accountability is within the organization. The manner in which the Boards of Directors carry out their duties, as well as their lack of action, are important. In this direction, shareholders have to be informed upon, the main solution is that of transparency (Man & Ciurea, 2016).

In order to perform effectively, shareholders have to have reasonable expectations regarding the tasks to be fulfilled by the Board of Directors elected to represent their interests. Governing bodies have to acknowledge the role of the Board of Directors and the value this can bring to the economic organization in time. Corporate governance supports achieving and sustaining a strong market capitalization. It is important that effective corporate governance should rely on powerful Boards of Directors.

2. THE ROLE OF THE EUROPEAN UNION IN IMPROVING THE CORPORATE GOVERNANCE OF THE MEMBER STATES

The European Union considers that a European economy can be achieved through coordinated, unitary actions, with cumulative meanings, norms, recommendations voluntarily assumed. This framework, generally, consists in the concept of *European Economic Governance*, based on *the Global Corporate Governance*. To a larger extent, by corporate governance we understand rules, processes and behavior which affect the way powers are exercised at European level with regards to, especially, openness, participation, responsibility and coherence.

In the European Union, the concept of governance began to take shape more clearly after 1997 when most countries adopted codes of corporate governance which, however, had an optional character. The impulse of adopting these codes were the financial scandals linked to the bankruptcy of some British companies quoted on the

stock market. On the other hand, the Asian economic crisis of 1978 and the investors' withdrawal from Asia and Russia put the international business community into trouble with issues related to the consequences of the investors' distrust in the management of the companies. The various scandals, that took place in connection with big companies, such as, WorldCom, Parmalat, Ahold, Adeco, led to the crisis of investors' confidence. These also had the effect of mobilizing the attention of the Governments, of the supervisory authorities, of the companies, of the investors and even of the general public over the fragility of the system of organizations' governance and the need to re-think this system.

Within the European Union, the economic crisis has hastened the awareness of the fact that an European economy can be developed through a coordinated and unitary action, both in legislation and in terms of recommendations and voluntary responsibility taking, all these being integrated into *the Concept of European Economic Governance*, built on the model of *global governance*. The core element of this process is an enhanced surveillance of fiscal policies, of macroeconomic policies and of structural reforms, which should be supported by strict mechanisms of implementation in order to prevent and correct the excesses that could endanger the growth and financial stability. The European Union considers that the main objective of corporate governance is to ensure the survival and prosperity of economic organizations.

The Green Paper of Governance, which was issued in 2001, had as a goal the improvement of the corporate governance within the European Union, by *optimizing the legislative system*. The European Union supports the need to strengthen the role of corporate governance in the perspective of planning some measures to ensure sustainable growth and to build a more solid international financial system. The European Union considers that economic organizations should pursue a long-term added value, through some sustainable policies, which, in most cases, would require a continuation of changing the current corporate governance framework. The comprehensive and efficient privatization strategies should take into consideration a good corporate governance, both as a means and as an objective, starting with the preceding privatization restructuring.

Some of the *objectives of the European Union on the effective corporate governance functioning* in all member countries are the following:

- The components of the governing bodies should be designed in such a way that it should meet the need of a complex expertise, depending on the area of activity and the location of the company;
- Balancing the governing bodies in terms of authority, of sex distribution, of the number of executive and non-executive managers and of diversity of interests among members;
- The decisions of the governing bodies should be based on recent, accurate and relevant information, should lead the company for its own interest, taking into account the owners' and shareholders' interests, as well as the interests of the employees on the whole;
- The economic organizations should establish transparent remuneration policies that should correspond to the scale of the tasks, to the

responsibilities, to the objectives, as well as to their economic situation, requiring the approval of the stakeholders;

- Complying with the best practices of corporate governance included in the applicable national codes of corporate governance, which reflect the specific features of economic development and local legislation;
- Separating the role of the Chairman of the Board and of the General manager of the organization; increasing the capacity of regulators to improve implementation and enforcement of the regulatory framework;
- Increasing the engagement of the private sector in the domain of the reforms regarding corporate governance and facilitating the development of a culture on this; organizing training courses for all parties and professions that are important in drafting some good practices in the domain of corporate governance;
- Protecting the minority shareholders against the abuses committed by the persons from within or by the majority shareholders;
- Strengthened Boards of Directors in terms of authority, of resources and responsibilities so that they could better play their important role in setting the strategy of the organization, the control management, in monitoring the conflict of interests and, generally, in protecting the rights of the minority shareholders;
- Encouraging the participation of the shareholders in the General Meetings of Shareholders (GMS); maintaining progress towards adherence to the international standards and practices in terms of accountability, audit and disclosure of non-financial information;
- Accelerating and continuing the privatization process so as to contribute to the creation of competitive markets and to consider the improvement of the corporate governance, both in state capital companies and in the recent privatized ones, because this would facilitate investments and would ensure a better evaluation and a greater access to capital for these organizations.

Nowadays, the European Union intends to improve the functioning of the corporate governance system, whose deficiencies have emerged with the crisis. Firstly, the European Union wants a better monitoring over the senior management of the economic organizations by their Boards of Directors. This would involve limiting the number of the mandates the members of the Board may hold, improving the adequacy test so that the members of the Board of Directors should have more expertise in areas such as risk management or empowerment of the surveillance bodies, to interrogate Board members to check whether they are sufficiently independent to substantially oppose management decisions. The involvement of the shareholders in aspects related to corporate governance is equally important (for example: disclosure of policies and ways of voting of the institutional investors, as well as the involvement of auditors and of financial supervisors).

At the same time, the European Union strives to reach an agreement, at international level, on accountability standards, which should not destabilize viable companies by intensifying economic trends, while guaranteeing to obtain a clear image

on their finances. Thus, this will ensure that the accounting standards, whose main goal is to provide useful information to users in the decision making process, better reflect the fundamental values of the companies. This objective relates to other strategic objectives, including that of prudential regulation and financial stability.

In order to ensure qualitative corporate governance, *all codes of corporate governance*, concerned with the promotion of a responsible business conduct, should rely on the following *principles*:

- *Focus on the key roles of strategic surveillance, financial and performance monitoring and on the accountability towards the interested parties; the remuneration of the members of governing bodies should be according to the scale of the tasks, of the responsibilities, to the achievement of the economic organization goals, as well as to its economic situation and it should also be based on some transparent remuneration policies, accepted by the shareholders;*
- *Well defined policies and practices which provide ethical and responsible direction for the top management and for the personnel within the structure of the company;*
- *Accountability and audit, both via internal and external control; protect and facilitate the exercise of the shareholders' rights, such as the right to take part in the General Meeting of Shareholders, the right to transfer shares, the right to obtain relevant information on the activity and the financial objectives/performances of the economic organization;*
- *Companies are not forced to implement a management system set up on one or two levels of management.*

The European Commission launched two guides on corporate governance and investors' rights, developed within the action plan on the European legislation related to companies. The two guides highlight shortcomings at legislation level in recent years and come up with alternatives of improving corporate governance in companies, so that they should become more sustainable.

It is noted that improvements are necessary regarding: the growth of the transparency of votes and policies on investors' involvement, the adoption of remuneration policies of managers based on the direct relation between the remuneration value and performance. Since investments are increasingly trans-national level and the companies listed on stock exchange have more and more foreign shareholders, the European Commission emphasizes the need for a common legislation on corporate governance.

3. INVOLVEMENT OF BUCHAREST STOCK EXCHANGE (BSE) IN ENSURING GOOD CORPORATE GOVERNANCE AT THE LEVEL OF ECONOMIC ORGANIZATIONS

3.1. Bucharest Stock Exchange - the main market operator in Romania

Bucharest Stock Exchange (BSE) was set up on June, 21st, 1995 as a non-profit institution of public interest, under the Decision of National Securities Commission

(DNSM), No. 20/1995. In July, 2005, BSE became a joint stock company. BSE is the main market operator in Romania and manages multiple markets (figure 1).

Regulated market	they transact shares and rights issued by international or Romanian organizations; debt securities; corporate, municipal and state bonds issued by entities in Romania and also international corporate bonds; units in collective investment undertakings; fund units and shares; structured products; marketable UCITS (ETFs);
The AeRO Market for Shares	intended for start-ups and Small and Medium Enterprises (SME), which was launched on the 25 th of February, 2015; separate sections of ATS for the trading of foreign shares listed on another market;
The RASDAQ Market	where, until October 2015, shares and right issued by organizations in Romania were traded, the majority coming from the mass privatization program. According to the Law No. 151/2014 and of the regulations of the Financial Supervision Authority (ASF) issued for its application, the companies traded on the RASDAQ market had a 12-month term to between the transfer on a regulated market, the migration to an alternative trading system or the de-listing. The process came to an end on the 26 th of October 2015 when the RASDAQ market ended its activity.

Source: http://www.bvb.ro/info/Rapoarte/Anuale/BVB_Raport_consolidat_al_administratorilor_2015_RO.pdf

Figure 1. Categories of markets managed by the BSE

BSE is the parent company of the BSE Group which, at the end of 2015, included more subsidiaries (figure 2).

The Central Depository	is owned in proportion of 69.042% by the BSE, carries out compensation activities/ settlement transactions with securities on BSE and maintenance of the shareholders' records;
The Investors Compensation Fund	is owned in proportion of 62.448% by the BSE, ensures compensation when the members of the Fund fail to return the funds or the financial instruments owed or belonging to investors, held on their behalf when providing services of financial investments or when managing individual investment portfolios;
Bucharest Clearing House	is owned in proportion of 52.508% by the BSE, ensures the recording, guaranteeing, clearing and settlement of transactions with derived financial instruments carried out on BSE;
The Corporate Governance Institute	is 100% owned by the BSE, provides training to the companies listed and to the participants in the capital market in the domain of corporate governance and sustainable development.

Source: http://www.bvb.ro/info/Rapoarte/Anuale/BVB_Raport_consolidat_al_administratorilor_2015_RO.pdf

Figure 2. Subsidiaries of the BSE Group

The Bucharest Stock Exchange (BSE) shall endeavour to attain the highest possible level of transparency with the internal and external interested parties, a level considered as part of its mission to promote the objectives of the European Union. The transparency policy of the Bucharest Stock Exchange is guided by openness, on the assumption that, whenever possible, the information on operational and institutional activities will be made available to third parties, in the absence of a compelling reason for confidentiality, in accordance with the legislation of the European Union.

This openness will help increase the efficiency and sustainability of the operations at Bucharest Stock Exchange and will also help improve the relationships of the personnel with interested parties, domestic and foreign ones. In order to support the principle of transparency, Bucharest Stock Exchange aims at providing accurate and timely information on its operational activities, subscribes ideas to strengthen its accountability to shareholders and to ensure high standards of corporate governance. Bucharest Stock Exchange is committed to provide the interested parties with access to the information which will allow them to understand the governing, the strategy, the policies, the activities, the practices, the performances, the impact and the results so that the interested parties could take measures and make informed decisions.

3.2. Bucharest Stock Exchange interest in ensuring a good corporate governance at micro-economic level, from a historical perspective

In 2001, Bucharest Stock Exchange adopted a *Code of Corporate Governance* which included the following chapters: rights of shareholders; the role and duties of the Board of Directors; the structure of the Board of Directors; appointment of Board members; remuneration of Board members; transparency, financial reporting, internal control and risk management; conflict of interests and transactions with persons involved; corporate information regime; corporate social responsibility; corporate governance structures; the dual and unitary system of management and control.

In 2003, Bucharest Stock Exchange founded the *Institute of Corporate Governance*, on the recommendation of the Organization for Economic Cooperation and Development (OECD) regarding the establishment of an institute for training managers in the spirit of compliance with the transparency code, in order to change the management culture in accordance with the international norms on corporate governance by increasing the professional standards of the managers.

This institution is an education center for the listed economic organizations and whose objective is to bring the management culture in Romania to the EU standards and also to encourage the companies to comply with the principles of corporate governance. Both the Bucharest Stock Exchange and the Institute of Corporate Governance are engaged in the implementation of the project and the promotion of the corporate governance rules to the listed entities in our countries.

Bucharest Stock Exchange adopted, in 2008, a new *Code of Corporate Governance*, based on the OECD *Principles of Corporate Governance*, by requiring the companies traded on the regulated market operated by BSE to adopt, on a voluntary basis, either totally or in part, the new recommendations of transparency, at the time of

their annual obligations of reporting towards BSE and investors. This code replaced the old code of corporate governance from 2001 and came into force in 2009.

Known as “*The Declaration of Conformity or Non-Conformity with the Provisions of the Code of Corporate Governance*”, since 2009, the companies traded on the regulated market operated by BSE have to specify which of the recommendations of the new Code of Corporate Governance are effectively implemented, as well as how they have been implemented.

The new regulations of this code are similar to those adopted by the other member states of the European Union and by a significant part of the non-member states, from the Balkan area, and they contain new recommendations of compliance for managers and for the Board of Directors. This code consists of a set of recommendations to be implemented according to the mechanism “Apply or Explain”.

The companies listed in Category I are required to adhere to a minimum of 14 recommendations, and they have to publish an “*Annual Declaration of Corporate Governance*”, by means of which to show to which of the provisions they have complied with and to come with explanations in case of those they have not complied with. In *the Governance Code of Bucharest Stock Exchange* it is shown that the structures of corporate governance have to ensure the completion of periodic and continuous reports on all important events, concerning the issuer, including the financial statement, the performance, the property and its management.

For the financial year 2011, the Romanian listed companies reported for the first time the degree of compliance with the Code of Corporate Governance. The novelty element brought about some improvements, but the transparency offered by most of the companies was still insufficient. At the same time, the Board has to adopt strict rules, meant to protect the interests of the organization, in the areas of financial reporting, of internal control and risk management.

The issuers will prepare and disseminate relevant periodic and continuous information in accordance with the highest standards of financial reporting. The information will be disseminated both in Romanian and in English, as the international language of financial literacy. Issuers will also promote, at least once a year, meetings with financial analysts, brokers, rating employers and other market specialists, in order to present financial elements, relevant to the investment decision.

In support of transparency of the financial and accounting information, Bucharest Stock Exchange was interested in setting up an *Audit Committee*, consisting of its members, to assist in fulfilling its responsibilities in the area of financial reporting, of internal control and of risk management. Until the establishment of an Audit Committee, the Board of Directors meets these duties and responsibilities, in close connection with the financial and internal auditors.

The Audit Committee supports the Board of Directors in monitoring the credibility and integrity of the financial information provided by the organization, in particular by revising the relevance and consistency of the accounting standards applied by it (including the consolidation criteria). The purpose of the new structures of corporate governance is *to ensure the completion of a periodic, adequate and continuous reporting on all the important events concerning the issuer, including its financial situation, performance, ownership and management.*

In practice, the following question arises: *Within BSE, can one notice the connection between the quality of corporate governance and the performance of economic organizations?* The answer is “Yes”. The companies that apply the recommendations of the Code of Corporate Governance to a lower degree tend to achieve weaker performances, being less profitable and more volatile than those that comply with the recommendations of this code. The influence of the structure of the Board of Directors and of the patterns used in managing companies on the evolution of the traded price of the shares can be significant. Extrapolating this situation, this can lead to the failure of an economic organization to increase their capital through the stock exchange.

There is a strong connection between the level of implementation of the recommendations of the Corporate Governance Code by the economic and the ways in which the risk is perceived by these companies. The companies with a higher level of implementation of the corporate governance recommendations show more transparency and, consequently, there is less likely that radical changes occur on the price of the shares, caused by the uncertainty of the information. The risk of not recovering the investment when it comes to the entities with a low level of implementation of the recommendations of the Corporate Governance Code of the Bucharest Stock Exchange. Considering the high level of risk that has prevailed throughout the financial year, the investors tend to sanction the entities less transparent and which have not closely followed the recommendations of the Corporate Governance Code.

Bucharest Stock Exchange launched a joint *project* with the European Bank for Reconstruction and Development in 2012, entitled “*Review and Implementation of the Code of Corporate Governance in Romania*” on the development of practices of corporate governance and reporting among the economic entities listed in Romania, by improving the recommendations from the Corporate Governance Code of the Bucharest Stock Exchange and strengthening their implementation and monitoring. Also, this project involved the development of a methodology to evaluate the corporate governance practices, to monitor the reporting practices and review the quality of the declarations of conformity and to process the information provided by the economic organizations listed at the Bucharest Stock Exchange.

Another part of this project is that of reviewing the corporate governance in our country so that there should be no conflicting principles and this project will also make further proposals for Romania’s alignment to the standards of international corporate governance. They also seek to create both a BSE index of Corporate Governance and a methodology to include the companies to this index. This index is meant to highlight the companies that use the highest standards of corporate governance.

It should also be noted that, in the Annual Report, the economic organizations will provide a chapter associated with the corporate governance where they will present all relevant events, related to corporate governance, events published in the preceding business year. If the organization does not implement totally or partially one or more of the recommendations included in the code of Bucharest Stock Exchange, it

will have to explain their decision in the Chapter of Corporate Governance of their Annual Report, as well as in the declaration “apply or explain”.

In 2014 Bucharest Stock Exchange started consultations with the listed companies and the relevant organizations of investors on *the New Code of Corporate Governance*, this being the result of the joint BSE - the European Bank for Reconstruction and Development (EBRD) project to improve the local climate of corporate governance. BSE, with the support of EBRD and their team of consultants, has rewritten *the Corporate Governance Code of the Stock Exchange*, in force in its current form since 2008. BSE considers that the objectives of this project are the consolidation of the corporate governance practices and of the degree of reporting among the listed companies, by improving the recommendations of the Corporate Governance Code, as well as the consolidation of monitoring and its implementation.

Since January 2015, for the companies included in the BSE index, the eligibility criteria, such as *transparency and services oriented towards the relationship with investors*, have come into force. The criteria cover the reporting requirements in English, reporting according to IFRS, information through the BSE website and/or other platform indicated by the BSE, conference calls/meetings with analysts and investors when quarterly results are published. In a restricted form, since February 2015, a Code of Corporate Governance for the companies listed on AeRO has come into force, with the launch of this market.

This is a support for the issuers on AeRO with regards to the post-listing transparency and the reporting requirements, but it is mainly an excellent way to increase the investment process. The AeRO market launch marked a milestone in creating a modern and reliable environment for financing start-ups and SMEs in search of activity funding. AeRO has also absorbed hundreds of companies previously traded on RASDAQ market, which ceased its activity.

The new *Code of Corporate Governance*, incident to the companies listed on the main market, was launched by BSE in September 2015. The new code is a set of rules and practices which will lead to an increase of investment attractiveness and of evaluation of the Romanian companies, in the investors' benefit. The new code is more targeted and precise with regards to the requirements for the listed companies. For example, it provides a clear list of the functions expected from the Audit Committee, thus completing the legislation in force. It is a step forward towards the transformation of the capital market in Romania into an attractive destination for investments. In the center of the code there lies the access of investors to information and the protection of the investors' rights.

The current *Code of Corporate Governance* is structured into four sections: *Responsibilities* (Table 1), *The system of risk management and internal control* (Table 2), *Just reward and motivation* (Table 3), as well as *Adding value through investors' relations* (Table 4). Each section contains *general principles*, followed by *the provisions to be observed*. For each category, the economic organization has to make clarifications on the *compliance situation*, *apiece the reason for non-compliance*.

Table 1. Section A – Responsibilities

Previsions to be observed	Compliance situation	Reason for non-compliance
1. All companies must have an internal regulation of the Council which should include reference terms/responsibilities of the Council and the key management functions, and which should apply, inter alia, the General Principles of Section A.	X	...
2. The provisions for managing the conflict of interests should be included in the Council's Regulation.	X	...
3. The Board of Directors has to be made up of at least 5 (five) members.	X	...
4. The majority of the Board members must not have an executive function. For Premium companies, at least two of the non-executive members have to be independent.	X	...
5. Other commitments and professional obligations relatively permanent of a member of the Council, including executive and non-executive positions in the Council of some companies and non-profit institutions, have to be revealed to the shareholders and potential investors before the nomination and during his/her mandate.	X	...
6. Any member of the Council has to provide the Council with information regarding any relation with a shareholder who owns, directly or indirectly, shares representing over 5% of their voting rights.	X	...
7. The company has to appoint a secretary of the Council, responsible for the support of the Council's activity.	X	...
8. The statement on corporate governance will inform whether there has been an evaluation of the Council under the rule of the President or of the appointment committee and, if the answer is yes, then it will summarize the key measures and the changes resulted. The company has to have a policy/guide on the assessment of the Council consisting of the goal, the criteria and the frequency of the evaluation process.	X	...
9. The Corporate Governance Statement has to contain information on the number of meetings of the Council and of the committees over the year, the participation of managers (in person or in absence) and a report of the Council and of the committees on their activities.	X	...
10. The Corporate Governance Statement has to contain information on the exact number of the independent members of the Board of Directors.	X	...
11. The Company Council of Premium category has to set up an appointment committee made up of non-executive members, that will lead the nomination procedure for the new members of the Council and will also make recommendations to the Council. The majority of the members of the nomination committee has to be independent.	X	...

Table 2. Section B – The system of risk management and internal control

Previsions to be observed	The compliance situation	The reason for non-compliance
1. The Board has to set up an audit committee where at least one member has to be an independent non-executive administrator. For the companies in Premium category, the audit committee has to be made up of at least three members and the majority of the audit committee members has to be independent.	X	...
2. The Chairman of the audit committee has to be an independent non-executive member.	X	...
3. As part of their responsibilities, the audit committee has to conduct an annual evaluation of the internal control system.	X	...
4. The evaluation has to consider the effectiveness and the scope of the internal audit function, the degree of adequacy of the internal control and risk management reports presented to the audit committee of the Board, the promptitude and effectiveness of the executive management to resolve the deficiencies and weaknesses identified as a result of the internal control and the presentation of relevant reports to the Board.	X	...
5. The Audit Committee has to assess the conflicts of interest in connection with the transactions of the company and of its subsidiaries with related parties.	X	...
6. The Audit Committee has to evaluate the performance of the internal control system and that of the risk management system.	X	...
7. The Audit Committee has to monitor the application of legal standards and of the generally accepted internal audit standards.	X	...
8. Whenever the Code mentions reports or analyses initiated by the Audit Committee, these have to be followed by periodic reports (annually, at least) or ad hoc ones, which later have to be submitted to the Board.	X	...
9. No shareholder may be offered preferential treatment over other shareholders in connection with transactions and agreements concluded by the company with the shareholders and their affiliates.	X	...
10. The Board has to adopt a policy to ensure that any transaction of the company with any of the companies it has strong relations with, and whose value is equal or greater than 5% of the net assets of the company (according to the latest financial report), policy which is approved by the Board as a result of a compulsory opinion of the Audit Committee.	X	...
11. The internal audits have to be conducted by a division separated structurally (internal audit department) of the company or by hiring an independent third entity.	X	...
12. In order to ensure the fulfilment of the main functions of the internal audit department, this has to report, from a functional point of view, to the Board via the audit department. For administrative purposes and within the obligations of the	X	...

management to monitor and reduce risks, this has to report directly to the General Manager.		
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Table 3. Section C – Just reward and motivation

Previsions to be observed	The compliance situation	The reason for non-compliance
1. The company has to publish on their website the remuneration policy and has to include in their annual report a statement on the implementation of the remuneration policy during the annual period under analysis. Any essential change occurred in the remuneration policy has to be published in due time on the website of the company.	x	...

Table 4. Section D – Adding value to the relations with investors

Previsions to be observed	The compliance situation	The reason for non-compliance
1. The company has to organize a service of Investor Relations, indicating to the public the person/persons responsible or the organizational unit. In addition to the information required by the law, the company have to include on their website a section dedicated to the Investor Relations, in Romanian and in English, with all relevant information of interest to investors.	x	...
2. The company will have a policy on the annual distribution of dividends or other benefits to the shareholders. The principles of the annual distribution policy to shareholders will be published on the website of the company.	x	...
3. The company will adopt a policy regarding previsions, whether they are made public or not. The policy on previsions will be published on the website of the company.	x	...
4. The AGA rules must not limit the participation of shareholders to the general meetings and the exercise of their rights. The modifications in the rules will come into force, at the earliest, starting with the next shareholders' meeting.	x	...
5. The external auditors shall be present at the general meeting of shareholders when their reports are discussed during these meetings.	x	...
6. The Board will present to the Annual General Assembly of the shareholders a brief appraisal on the significant systems of internal control and risk management, as well as opinions on some issues subject to the decision of the General Assembly.	x	...

7. Any specialist, consultant, expert or financial analyst may attend the shareholders' assembly based on a prior invitation from the Board. Accredited journalists may also attend the General Assembly of Shareholders, except for the case when the Chairman decides the contrary.	x	...
8. The quarterly and biannual financial reports will include information, both in Romanian and in English, on the key-factors influencing the changes of the sales level, of the operational profit, of the net profit and of other relevant financial indicators, both from one trimester to another and from one year to another.	x	...
9. The company will organize at least two meetings/conference calls with analysts and investors yearly. The information discussed will be published in the section Investors Relations of the website at the date of the meetings/teleconferences.	x	...
10. If the company supports various forms of artistic and cultural expression, sports, educational and scientific activities and therefore considers that their impact on the innovative nature and the competitiveness of the company is part of the company's mission and development strategy, then the company shall publish their policy on their activity in this domain.	x	...

4. CONCLUSIONS

In Romania, the concept of *corporate governance* has long been confusing and unacceptable for the business environment. Gradually, the economic organizations have understood that the main means for the modernization of commercial companies consists in *the improvement of corporate governance* and there have to be specific action plans in this respect.

Taken into consideration that corporate management is governed by the legal framework and it is promoted via volunteering, Romania has to act in two directions: *improving the relevant legislation and taking some actions to raise awareness on the necessity of applying the best practices of corporate governance*.

In our country, the distribution of the Corporate Governance Code is carried out by the Bucharest Stock Exchange, which provides comprehensive information on corporate governance on the website of the institution and also information about the companies that have agreed to implement the code, and it also monitors their implementation of the Corporate Governance Code. At the level of each organization, particular importance in observing the transparency of information provided falls on the internal *audit - audit committee- external audit* trinomial.

Nowadays, *corporate governance* has to be understood in a much broader sense, a more complex one. Thus, corporate governance is perceived as a system to ensure the optimal use of resources for the benefit of shareholders and, at the same time, to meet the expectations of the company. Corporate governance also has to be the key element in the long-term functioning of an economic organization, in its economic

and social development. The confidence in a company is given by the officers themselves, responsible for the company's corporate governance.

The lesson taught by the financial crisis shows that the general principles of corporate governance have been generally taken over, but the problems of effectively complying with the respective requirements have remained, to a large extent, unsolved, for example:

- poor implementation of the good practices on the independence of directors, the qualification of the members of the Board of Directors, of the directorate members, etc;
- ignoring the risks in the governance of companies (lack of mechanisms for the identification of management and reporting risks;
- deficiencies in organization and in the internal control;
- policies, procedures and inadequate practices);
- poor alignment of the remuneration of corporate governance officers with the long-term risks of the economic entities and their interests.

If we ask ourselves *Where are we now?*, some of the possible answers could be: corporate governance requirements of the economic organizations are less visible to the politics factors; the appointments of the corporate governance officers are made on other criteria than the professional ones; independent directors are either absent in the Board of Directors or they are appointed by non transparent criteria; the law for commercial companies maintains regulations that do not correspond to the concept of corporate governance and to its principles.

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