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Critical Perspectives of Organisational Behaviour towards Stakeholders through the Application of Corporate Governance Principles

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Abstract: Corporate governance is gaining interest not only from investors but companies that want to operate in international markets, prompting a more thorough analysis of the field to prioritise stakeholder interests alongside shareholder value. By adopting a holistic approach that considers stakeholders' diverse needs and expectations, companies can build resilience, foster trust, and create sustainable value for all stakeholders, ensuring long-term success and societal impact. This paper analyses corporate governance principles applied at the international, European, and national levels, emphasising the importance of the field for the stakeholders. The practical approach of the paper analyses the application and compliance of the corporate governance code of 18 companies in the field of financial intermediation and insurance, which are listed on the Bucharest Stock Exchange, underlining the crucial role of transparency of operations in instilling confidence and reassurance in stakeholders. The conclusions present proposals for measures to improve corporate governance practices at the level of companies.

Keywords: corporate governance code; stock exchange; financial institutions; organisational behaviour

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1. Introduction

The significance of this study lies in its exploration of whether financial intermediation and insurance companies within the Bucharest Stock Exchange (BSE) adhere to corporate governance principles, a fundamental requirement for their inclusion in the stock market. The paper's interest is piqued by the opportunity to uncover the corporate governance practices of these companies within the BSE and conduct a thorough analysis of the code's principles. This study holds the potential to provide valuable insights into the corporate governance landscape, sparking stakeholders' and specialists' interest and engagement and equipping them with the knowledge that can guide future investment decisions and contribute to a fair and just market.

This study's potential impact is significant, as it aims to verify the alignment between corporate governance principles and their practical application. For future investors or entrepreneurs, it underscores the responsibility to uphold the existing legislation and contribute to enhancing corporate governance practices. The stakeholders' role in this process is crucial, as understanding and applying these principles can significantly influence the corporate governance landscape, making them an integral part of the solution.

The analysed companies are economically representative and significantly impact corporate governance. Failure to comply with the principles of the BSE corporate governance code can negatively influence investors, reducing the company's credibility in the eyes of clients or investors. BSE has a vital role in monitoring the activities of the companies within it, implying compliance with the code imposed by this market.

The research methodology is designed to ensure the relevance and accuracy of the findings. The initial stage involves a comprehensive literature review, exploring critical theories, models, and concepts in corporate governance. This sets the theoretical foundation and contextualises the research objectives. The next step is clearly defining the research objectives and identifying the key variables, guiding the data collection and analysis. In this study, the qualitative method was chosen to collect data on the adherence to corporate governance principles by companies listed on the BSE. The population establishment and sampling consist of 18 financial intermediation and insurance companies listed on the BSE, and data were collected from their annual reports (published on their own or BSE websites), identifying the corporate governance statements, including compliance with the principles. Based on the analysis, the results seek to be interpreted and contextualised to answer the research questions and to validate the hypothesis. Also, the research offers valuable recommendations for the business environment and practitioners to improve corporate governance practices.

Regarding the theme's importance for the economic field and specialised literature, the 180 publications identified in the Web of Science (WOS) database from 2003 to 2023 may be highlighted. The keyword "corporate governance code" was used as the search mode. Figure 1 presents the evolution of the identified publications, noting their low start in the first two years, followed by an increase to a maximum of 28 publications in 2018.

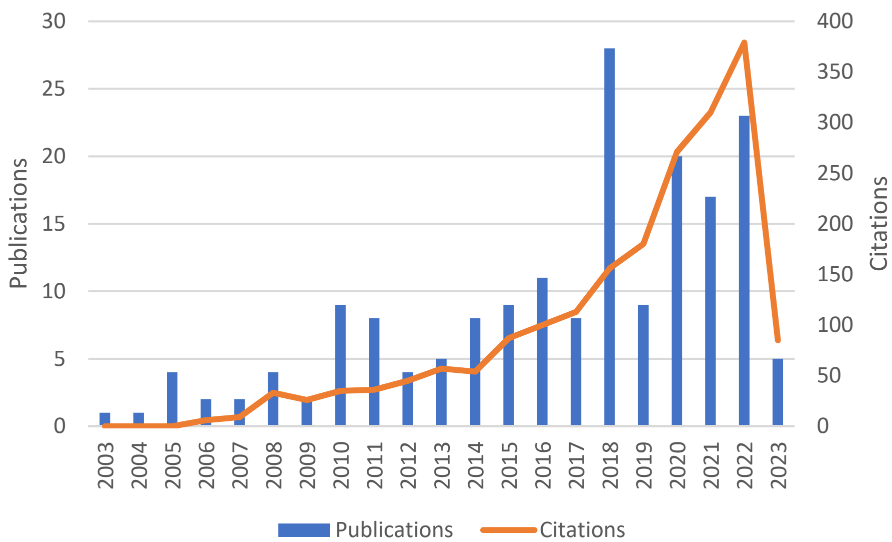

Figure 1. Publications in the field of corporate governance code (2003–2023).

Even if the interest in the field is at an early stage (the first publication appeared in 2003), the main fields of activity addressed in the identified publications are business finance—64 publications, business—63 publications, management—58 publications, economy—36 publications, law—19 publications, etc. The theoretical and practical analysis of the application of the corporate governance code involves an extensive series of implications at the level of companies, such as corporate governance, social responsibility, quality, reporting, emerging markets, etc. Figure 2 shows a map of the relationships between the key terms in the 180 analysed publications. The main concepts and studies in the field are analysed in the next section of the paper.

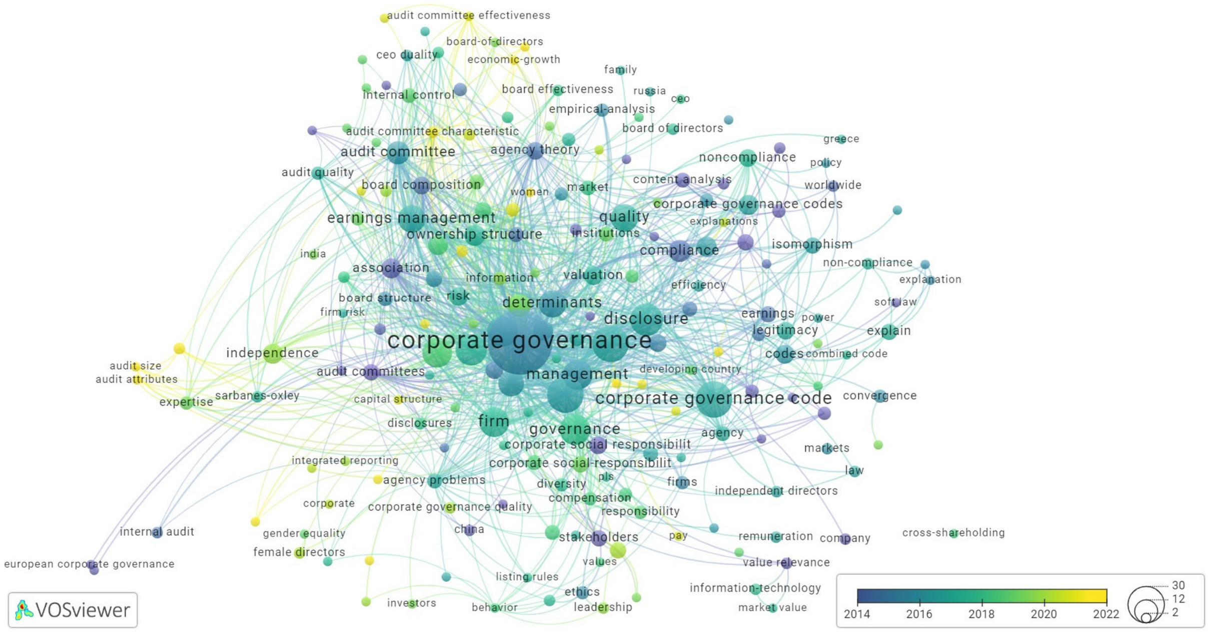

Figure 2. Map of relationships in the field of the corporate governance code.

Studies highlight the fundamental role of corporate governance in identifying fraud and violations of ethical principles at the company level. Specific internal and external corporate governance mechanisms, including the audit committee's function, are essential to reducing the risk of fraud and ensuring compliance with ethics and integrity principles (Anugerah 2014). A robust ethical culture and effective corporate governance are also emphasised to reduce fraud and ethical violations (Jelal and Mbohwa 2014).

Practical internal control principles and corporate governance mechanisms ensure transparency and accountability, which are crucial for combating fraud and ethical violations (Boghean et al. 2009). Corporate governance promotes ethical behaviour through principles such as integrity, honesty, and fairness, thus contributing to identifying and preventing fraud and ethical violations (Arjoon 2005).

Corporate governance has a significant role in preventing fraudulent financial reporting, and it has a negative and significant relationship with them, which underlines the importance of complying with corporate governance practices for maintaining ethical standards in companies (Rostami and Rezaei 2022). Likewise, corporate governance is crucial for ensuring an ethical organisational culture and an integrated work environment that promotes vigilance against fraud and violations, according to governance requirements and preconditions for developing an ethical occupational environment (Sabău et al. 2013).

Static data show that companies register many cases of fraud and violations of ethical principles, thus emphasising the need for corporate governance rules and principles in their identification. Certified Fraud Examiners estimate that organisations lose revenues to fraud by 5% each year; for example, in the study conducted by the Association of Certified Fraud Examiners (ACFE 2024) for 1921 fraud cases from 138 countries and territories, they recorded losses of over $3.1 billion.

OECD (2023) emphasises the importance of complying with corporate governance codes for a high level of trust with shareholders within companies, thus demonstrating their role in fraud. Examples are two recent fraud scandals: (1) cryptocurrency entrepreneur Sam Bankman-Fried was sentenced to 25 years in prison after being found guilty of stealing $8 billion from FTX customers (Vasile 2024); and (2) Markus Jooste, the former head of Steinhoff, was involved in corporate fraud in South Africa with a loss of $7.4 billion (Stan 2024).

This research evaluates how financial intermediaries and insurance companies listed on the Bucharest Stock Exchange apply and respect corporate governance principles. The study aims to analyse the impact of these governance practices on transparency and organisational behaviour towards stakeholders, highlighting the importance of compliance with the corporate governance code within the Romanian capital market. Through an analytical approach, the paper aims to contribute to a deeper understanding of the relationship between corporate governance and corporate social responsibility, providing critical insights into organisational behaviour.

The motivation for the selection of the 18 companies in the field of financial intermediation and insurance, listed on the Bucharest Stock Exchange (BVB), for research, is based on several key considerations, namely:

1. These companies were considered economically representative of Romania's financial intermediation and insurance sector. Their presence in the capital market indicates a certain level of maturity and stability, making them relevant for analysing the application and compliance with corporate governance principles. This selection suggests that the research findings will have broad applicability and can contribute to improving corporate governance practices within this sector.
2. As the only companies in this field listed on the BSE, their analysis provides a comprehensive picture of how the financial intermediation and insurance sector aligns its practices with the corporate governance code. Therefore, the study can highlight areas of strength and aspects that require improvement in corporate governance, thus contributing to strengthening investor confidence and increasing operational transparency.
3. According to the BVB's corporate governance code, these companies' presence on the capital market requires compliance with strict reporting and transparency standards. Their analysis provides the opportunity to assess how well companies' current practices align with these requirements, identifying good practices and potential gaps.
4. The research adds value to the speciality literature by specifically examining companies in financial intermediation and insurance listed on the BVB, a field less explored in the Romanian context. This aspect may encourage further studies and contribute to developing improved theoretical and practical frameworks in corporate governance.
5. Focusing on BSE-listed companies, the research underlines the importance of corporate governance in the Romanian capital market. The study's results can provide valuable insights for regulators, investors, and other stakeholders on the current state of corporate governance and how it can be improved to support sustainable capital market development.

Based on the initial analysis of the research theme, the following hypotheses of the work were formulated:

Hypothesis 1 (H1). *There is a significant positive correlation between the degree of compliance with the principles of corporate governance imposed by the Bucharest Stock Exchange and the level of transparency in the financial and operational reporting of brokerage and insurance companies listed on the BSE.*

Hypothesis 2 (H2). *Financial intermediation and insurance companies listed on the Bucharest Stock Exchange adopt and adhere to corporate governance principles, enhancing transparency and accountability towards stakeholders and improving stakeholder relations and organisational behaviour.*

Adopting sound corporate governance practices is assumed to help improve investor confidence, reduce risk, and increase operational efficiency, ultimately increasing long-term value for shareholders and the entire financial market.

2. Literature Review

Governance refers to the activities of executive bodies and institutions, such as courts, NGOs, Parliament, etc. To govern is to lead and control. Communication between governmental and non-governmental actors creates an environment favourable to joint development, thus resulting in the community's well-being.

Good governance refers to political, administrative, and economic reforms. Thus, according to Toma and Chirleșan (2011), national policies aimed at citizen involvement and supporting a democratic, transparent environment correlated with the adoption of coherent decisions.

How companies are managed and checked is called corporate governance, generating efficiency, transparency, and trust on their part. The removal of financial crises can be achieved through corporate monitoring and supervision; thus, the economic development capacity of a country will increase, increasing the emergence of new jobs (Bordeianu et al. 2021). Doyle (2001) explores brand strategies based on shareholder value, emphasising that firms with strong brands, such as Procter & Gamble and Unilever, must generate shareholder value through effective corporate governance and crisis management strategies tailored to the economy and the markets in which they operate. Heller and Darling (2011) discuss the importance of effective crisis management, using Toyota as a case study for 2007–2010, highlighting the opportunities Toyota had to minimise crisis through problem recognition and transparency in decision-making. Johnson et al. (2000) examine the impact of corporate governance on the Asian financial crisis of 1997–1998, demonstrating that corporate governance measures, particularly the effectiveness of minority shareholder protection, better explain the magnitude of currency depreciation and stock market declines than standard macroeconomic measures.

The IMF (International Monetary Fund) Group, along with the Organisation for Economic Co-operation and Development (OECD), the Financial Stability Board (FSB), and the Basel Committee, aims to develop corporate governance for emerging countries.

From a historical point of view, the World Bank mentions the foundations of its action to support developing countries. It played a vital role in promoting favourable living conditions for citizens, economic momentum, and the provision of effective and efficient public services after 1990.

With the help of the United Nations Organisation (UN) and the United Nations Development Program (UNDP), the creation of sound governance principles, grouped into five categories, are being considered: legitimacy, orientation, performance, accountability, and fairness.

The European Commission's White Paper reflects the term governance through a definition that leads to rules and ways of leading that present five ideas: transparency, participation, responsibility, efficiency, and the coherence of the European Community system (European Commission n.d.).

At the European level, the concept of multilevel governance, i.e., governance on several levels, which will have the role of its applicability between several actors involved, is born. Thus, the public sector contains four levels: global governance, national governance, organisational governance, and governance at the community level.

The five principles of corporate governance represent the foundation of democracy, where institutional actors participate with local and regional authorities and not just as intermediaries.

The Romanian dictionary contains the term governance, which means leadership (Dictionary of the Romanian Language n.d.). Corporate comes from the word body, resulting in the unit, organisation, and ensemble concepts.

The Anglo-Saxon system uses corporate governance, as found in the International Standards on Internal Auditing (Ghita et al. 2010).

The OECD defines corporate governance as how the company's management, board, shareholders, and securities holders communicate effectively to achieve the objectives and closely follow the performance indicators (Morariu et al. 2008).

The principles by which corporate governance operates are set out in Figure 3.

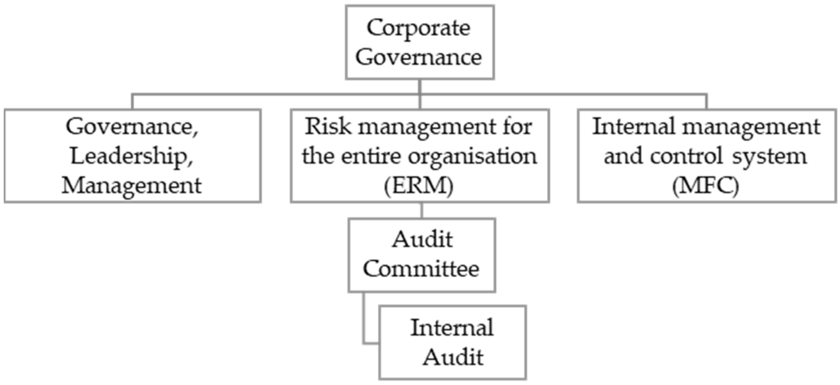

Figure 3. The principles by which corporate governance works.

Corporate governance is considered to be effective when it provides an enabling environment for the development of investment (La Porta et al. 2000; Defond and Hung 2004; Shahid and Abbas 2019) and when it is considered ineffective when it hinders the development of foreign investment, encourages corruption, and transmits mistrust to those who own capital. Corporate governance expresses:

- managers' attention to the correctness of the existing information in the financial reports (Măciucă et al. 2015);
- compliance with the limited deadlines in terms of financial reporting (Sorici et al. 2021);
- transparent display of all financial results (Coca et al. 2021);
- the actual transmission of the internal, external, and existing audit processes (Bostan and Grosu 2010; Boghean and Cibotariu 2018).

Corporate governance involves two sides, mainly (1) the behavioural side, which indicates the relationship between the company's managers, its employees, shareholders, customers, creditors and suppliers, and other involved parties, and (2) the normative side, involving the regulations that support all the relationships between the participating actors of society.

In terms of risk management aimed at introducing the control system, the level of performance supported by integrity, honesty, transparency, and responsibility is identified (Cosmulese et al. 2019; Voda et al. 2019). This process is instrumental in aligning corporate strategies with societal values and expectations. Table 1 provides a literature review of the importance of transparency and the engagement of the stakeholders in corporate governance.

The practice supports the fact that these previously listed notions benefit any society. For this, an element is needed to closely verify compliance with all provisions. That is why the notion of internal audit is introduced, which aims to monitor the implemented ideals. Internal auditing is the objective way to improve an organisation's operations.

The origins of corporate governance can be found in the functionality of corruption and the bankruptcy laws of all countries. In 1970, it appeared in common discussions in the United States of America, identifying the interest of American companies in what politics means through the contribution of funds to the various political parties (Buzatu 2004).

Along the way, the term corporate governance develops meanings, such as the following:

- complex supervision of the branch of a field, an institution, or a field;
- risk analysis;
- effective management through verification, evaluation, and control.

Table 1. The importance of transparency and stakeholder engagement in corporate governance.

Corporative Governance Goal	Classification of the Goals	Characteristics	Limitations
Transparency in Corporate Governance	Financial and Governance Transparency	Financial transparency captures the timeliness and reliability of financial disclosures, while governance transparency concerns the disclosure of governance practices and mechanisms (Bushman et al. 2003)	Risk of information overload and misinterpretation (Bushman et al. 2003; Schnackenberg and Tomlinson 2016) Balancing transparency with the need for confidentiality (Schnackenberg and Tomlinson 2016)
	Dynamic Transparency	ICT facilitated it, making information exchange between corporations and stakeholders collaborative. This transparency goes beyond static disclosure, fostering greater openness and stakeholder engagement (Vaccaro and Madsen 2009).	Technological and accessibility barriers (Vaccaro and Madsen 2009) Balancing transparency with confidentiality (Elia 2009)
Stakeholder Engagement	Beyond Corporate Responsibility	It challenges the assumption that stakeholder engagement is intrinsically responsible. While traditionally seen as a manifestation of corporate responsibility, stakeholder engagement is a morally neutral practice that requires careful consideration of its ethical dimensions and impacts (Greenwood 2007).	Divergent stakeholder interests and expectations (Greenwood 2007) Resource and time constraints (Dawkins 2014) Measuring impact and effectiveness (Mease et al. 2018)
	Transparency and Stakeholder Participation	Transparency principles positively affect qualitative and quantitative corporate performance through stakeholder participation (Zehir et al. 2016).	Complexity in managing diverse stakeholder expectations (Greenwood 2007) Resource and capacity constraints (Dawkins 2014) Challenges in measuring the impact of engagement (Mease et al. 2018)

The syncretic approach between corporate governance and risk management throughout the organisation (ERM) is highlighted, as well as the relationship between corporate governance and the evolution of the financial management and internal control (MFC) system.

The lack of investor confidence due to numerous failures in the private sector is driving the development of corporate governance.

After 1980, the Cadbury Report, prepared by Sir Adrian Cadbury, appeared in Great Britain. It highlights the causes of private company failures that prevented their development due to the functioning of internal control (The Committee on the Financial Aspects of Corporate Governance 1992).

The year 1997 is notable for the OECD Council's request to implement corporate governance standards. Thus, this set of principles was accepted in 1999 and recognised by the Forum for Financial Stability, which supports its importance for an optimal financial system (it is one of the 12 basic standards).

Over time, round table discussions supported by the World Bank and the World Forum for Corporate Governance have been organised in various places, such as Latin America, Asia, Russia, South-Eastern Europe, and Eurasia, to improve corporate governance in those areas, as noted in the White Book.

From the point of view of financial instability, some radical changes can be identified in terms of the level of information correlated with directing funds to the best investments (Toma and Chirleșan 2011). This is how financial crises appear, with a specific frequency and slowing economic development. So that investors do not fully feel these crises, corporate governance focuses on efficient economic development.

In 1776, Adam Smith identified a problem in which managers who handle other people's money do not have the same level of care as the owner. In 1932, Berle and Means highlighted the separation between ownership and control of companies, its consequences, and the divergent interests of directors, managers, and investors. In 1976, Jensen and Meckling (1979) defined an agency relationship and explained how principals can align their interests with those of agents by setting appropriate incentives. Decision processes should separate management decisions (implementation and enforcement) from control decisions (ratification and monitoring) at all levels of the organisation to efficiently manage agency issues. This theory focuses on information asymmetry, adverse selection, pre-contractual opportunism, and moral or post-contractual hazard.

Exploring theoretical frameworks in corporate governance literature reveals a landscape of various theories explaining how corporations are governed and how governance structures influence organisational behaviour and performance. The discussion of corporate governance theories is rich and spans various paradigms, some shown in Table 2.

Table 2. Corporate governance theories.

Theories	Authors	Key Aspects of Corporate Governance Theories
Agency Theory	Eisenhardt (1989) Band (1992) Sternberg (1997) Lan and Heracleous (2010) Pande and Ansari (2014)	It is central to corporate governance literature, focusing on the relationship between principals (shareholders) and agents (managers). It suggests that governance structures are necessary to align managers' and shareholders' interests due to the potential for conflicting interests. The Anglo-Saxon model of corporate governance, heavily influenced by agency theory, emphasises the role of the board of directors in curbing executive power to protect shareholders' interests.
Stakeholder Theory	Donaldson and Preston (1995) Jones (1995) Gibson (2000) Freeman et al. (2004) Fontaine et al. (2006) Pande and Ansari (2014)	It expands the focus of corporate governance beyond shareholders to include other stakeholders, such as employees, customers, suppliers, and the community. This theory contends that corporations should consider the interests and welfare of all stakeholders in their decision-making processes. However, integrating stakeholder theory into governance frameworks can sometimes conflict with directors' legal obligations to prioritise shareholder interests.
Stewardship Theory	Donaldson and Davis (1991) Davis et al. (1997) Smallman (2004) Subramanian (2018) Chrisman (2019)	Offers a perspective that contrasts with the agency theory by proposing that managers are stewards whose interests align with those of the shareholders. Managers, as stewards, are motivated by a desire to achieve high performance and the organisation's success rather than by personal gain. This theory supports governance models that empower managers rather than strictly control them.
Beyond Traditional Theories	Shapira (2000) Daily et al. (2003) Sundaramurthy and Lewis (2003) Letza et al. (2008) Georgescu (2012) Yusoff et al. (2012)	According to the literature, fresh theoretical perspectives beyond conventional frameworks, such as agency, stakeholder, and stewardship theories, are required. There is an increasing demand for a comprehensive theory of governance, with some experts suggesting the concept of the organisation as an organism that emphasises long-term strategic value and growth.

Corporate governance literature encompasses a variety of theoretical frameworks, each providing unique insights into how corporations can be effectively governed. While agency theory has historically dominated the discourse, alternative perspectives, like stakeholder and stewardship theories, offer valuable considerations for the roles and responsibilities of corporate managers and boards. The ongoing debate and evolution of these theories highlight the complexity of corporate governance and the need for adaptable and inclusive approaches that consider the interests of all stakeholders for sustainable organisational success.

To attract investments and maintain them for a long time, Morariu et al. (2008) highlighted several advantages of corporate governance:

- Transparently carrying out company operations, audit and accounting, and other external relations to reduce corruption that can affect the organisation's resources, competition, and investors' trust.
- The company's management is improved by establishing strategies by the directors and the board of directors, leading to an increase in the company's performance.
- In anticipation of circular banking crises, the relationship between society and creditors or investors is not felt as much to prevent business bankruptcy.
- The emergence of financial markets in some countries whose objective is to protect the interests of minorities has led to remarkable financial results.

Effective corporate governance within a company leads to the development of financial markets, the enhancement of the marketing of goods and services, the achievement of an optimal management style, and the promotion of transparency and social responsibility.

The absence of rules in an organisation marks chaos, and investments are unstable. Corporate management stands out by granting freedom based on legal limits and identifying the possibility of comparing possible investments.

The creation of international standards favours the improvement in corporate management. The central pillar supporting this fact is the WTO (2013). Corporate governance development is found within the international banks, the development banks, and the national development authorities.

The board of directors plays a vital role within the company because it represents its success. It creates a close connection between the company's shareholders, stakeholders, and management and, respectively, the relationship between the company and the outside.

The main objective of the board of directors in a company is to ensure its prosperity, its purpose being to draw up objectives closely supervised by the management. Among the responsibilities of the board of directors is the monitoring of possible risks for the company and shareholders, as well as the responsibility towards the problems of the interested parties. The board of directors has the following tasks:

- approval of accounting policies and the internal control system that favours correct financial reporting;
- verifying the existence of optimal internal controls that maintain risk assessment;
- the establishment of directors, as well as their revocation according to national legislation and the scoring of their remuneration;
- the responsibility of establishing the executive chairman, the chairman of the council, as well as the appointment of the other members;
- participation in the meetings aimed at achieving the attributions.

Analysing the American and German models (as summarised in Table 3), their characteristics in management in Romania can be observed. In countries such as Germany and the Netherlands, the differentiation between the board of directors (creditors, employees, investors) and the executive board (the day-to-day operational activity of management) is identified. England and Canada have a single board of directors that does not become involved in the business's day-to-day activities and does not hold executive duties.

Corporate governance systems differ significantly between countries, particularly regarding firm ownership and control. The degree of ownership concentration and the identity of shareholder control are the key factors that distinguish various corporate governance systems. While some systems have widely dispersed ownership (external systems), others are characterised by concentrated ownership (internal systems), where the controlling shareholder can be an individual, a family holding, a block alliance, a financial institution, or other corporations acting through a holding company or cross-holdings (Maher and Andersson 2000).

Table 3. Corporate governance systems models.

Model	Main Characteristics
The American model	- individual shareholders who have business relationships, and numerous shareholders are interested in the most profitable earnings and sustainable investments - shareholders aim to invest capital inefficient activities - the model presents profitability at the expense of development strategies
The German model	- it is highlighted by the connection of common interests between the majority shareholders and the corporation; they participate in the control and management action - the primary objective of the shareholders is long-term stability - making decisions in connection with the liquidation or application for some inefficient branches of the business makes the majority shareholders show inflexibility
The Japanese model	- marks the existence of holding companies, the state has a vital role in supporting the strategic planning of enterprises - cooperation, long-term relationships, and the common interest of the companies within the keiretsu characterise it - shareholders do not have a central role in the decision-making process of companies - executive managers and boards of directors often make crucial decisions to support the long-term interests of the company and stakeholders in general

3. Findings and Discussion

The OECD defines corporate governance as representing the relationships between the board of directors, shareholders, and company management, establishing company objectives and observing performance, and the incentives offered to management and the Board of Directors that support the effective use of society's resources.

The year 2017 highlights a significant number of investments within the EU; thus, the rate of total investments represented 22.5% of GDP, and in 2018, it was 21.0% of GDP.

At the beginning of the 2000s, corporate governance stood out in Romania at a conceptual level, a delay determined by legal, social, political, and economic reforms. Corporate governance appears necessary to monitor performance, decide on objectives, and achieve them. Along with adopting corporate governance principles, the economic business climate is regulated.

Premium Category companies adopted the first Corporate Governance Code after 2001.

Moments of crisis and financial instability support the need to implement corporate governance to promote prosperity. In the long term, good corporate governance can lead to economic development and the attraction of investments. Transparency in transactions leads to good relationships between companies and investors, respectively, companies and creditors.

The principles of corporate governance carefully monitor managers' attitudes. The best practices of corporate governance have emerged in developed countries. Thus, emerging countries adopt these practices, experiencing the transition between relationship-based and rule-based environments.

The first transactions appeared on the Bucharest Stock Exchange (BSE) in 1995. The BSE developed the first corporate governance code, the first Corporate Governance Institute, and the White Paper, with provisions specific to Southeast European countries (Bucharest Stock Exchange n.d.). In Romanian companies, Corporate Governance stands out in the recommendations for directors and boards of directors.

The companies analysed in this paper apply corporate governance principles, and comparing them allows for observing their efficiency. The companies traded on the Bucharest Stock BSE are responsible for having the Corporate Governance Code (BSE n.d.) and for respecting and applying Law no. 31/1990, Law no. 82/1991, and Law 297/2004, which are the legal framework supporting the mandatory provisions.

The BSE Corporate Governance Code (BSE n.d.) contains 19 principles, listed in Table 4.

Table 4. Principles of BSE Corporate Governance Code.

Principle No.	Principle Explanation
Principle 1	Respecting the rights of shareholders in commercial companies traded on the BSE.
Principle 2	Communication between commercial companies and their shareholders; fair treatment of all shareholders holding the same shares; the promptness of the participation of company shareholders in the AGM meetings; free expression of shareholders' opinion during the AGM; the participation of shareholders in the works of the AGM and the communication between them and the Board of Directors; making information available to shareholders; creating the steps necessary for the relationship between commercial companies traded on the BSE and investors.
Principle 3	The Board of Directors of commercial companies traded on the BSE market makes effective decisions and meets regularly.
Principle 4	The Board of Directors acts in the company's interest and develops the company.
Principle 5	The Board of Directors ensures a balance between all executive and non-executive members.
Principle 6	The existence of independent members of the Board of Directors for objective opinions.
Principle 7	The efficiency of the supervisory activity is determined by the balanced number of members of the Board of Directors, who make decisions based on their powers.
Principle 8	A transparent, official, precise procedure will be used to appoint the members of the Board of Directors, considering their personal and professional qualifications.
Principle 9	Establishing a Nomination Committee comprising the Board of Directors members to evaluate the members' competencies is being considered.
Principle 10	Ensuring a remuneration policy suited to the company's long-term interests, with the remuneration committee comprising non-executive directors.
Principle 11	A company's corporate governance, which is traded on the BSE, produces periodic reports on its financial situation, management, performance, and ownership.
Principle 12	The strict rules imposed by the Board of Directors will protect the company's interests.
Principle 13	When an administrator presents a material interest of his own or in the interest of third parties, the Board of Directors is responsible for making optimal decisions regarding the resolution of the situation.
Principle 14	The Board of Directors is responsible for adopting decisions aimed at the company's interest.
Principle 15	The Board of Directors will decide on the approval procedures and implementation procedures for the transactions carried out by the issuer.
Principle 16	The company's directors and administrators keep data confidential during their terms of office.
Principle 17	The corporate governance of the trading company traded on the BSE will be responsible for communication between the company and stakeholders.
Principle 18	The existence of the Corporate Governance Regulation/Statute is where the Board of Directors functions are found.
Principle 19	Adoption of the unitary or dual leadership system.

The Corporate Governance Code is a set of principles and recommendations for companies trading shares in a regulated market. The Bucharest Stock Exchange wants to establish a national capital market based on best practices, transparency, and trust. The code aims to build strong relationships with shareholders and stakeholders, communicate transparently, and welcome all potential investors. The BSE follows a mechanism based on the "apply or explain" principle, ensuring the market receives factual information about listed companies' compliance. Companies should comply with all provisions of the Code, and the BSE Regulation reports non-compliance.

A simplified version of the Governance Code applies to companies listed on the AeRO market, the stock market within the alternative trading system of the Bucharest Stock Exchange, starting in 2016. The principles of the Code will add new values to this system, building a market as attractive as possible for investors and increasing the level of transparency and trust of listed companies. They will also encourage companies to create a closer link with shareholders and an openness to all potential investors.

Adequate reporting of corporate governance practices provides investors with the information needed to gain and increase their confidence (Prelipcean et al. 2014). The Bucharest Stock Exchange believes that the company's shareholders are entitled to access this information. In addition, investors confident in a company's management, control, and governance practices are more likely to remain or become shareholders.

For listed companies, there are three different mediums for reporting corporate governance information that form the basis for monitoring and enforcing the Code, namely, they are as follows:

1. A corporate governance statement in the annual report. As a rule, the corporate governance statement includes the following elements:
    - Statement of compliance with the Code—This statement presents how the company complies with the Code's provisions and adequately explains its deviations from the Code.
    - Board Composition—This includes the names and experiences of board members and executive directors, the date of first appointment, the term of office, and the status (executive/non-executive, independent).
    - Responsibilities and activities of the Council and its Committees—Descriptive reports from the President of the Council and the chairpersons of the committees regarding their activities during the year under review and how the responsibilities established in the internal regulations were fulfilled.
    - Report on remuneration—This report presents the implementation of the company's policy on the remuneration of its executive directors and members of the Board.
    - Risk and internal control—This Section describes the main characteristics of the risk management and internal control systems, including the internal audit function, and evaluates their effectiveness.
    - Shareholders—Organisation and primary duties of the general meeting of shareholders; identification of significant shareholders; description of shareholder rights and information on any restrictions on voting rights.
2. The investor relations sections of the website. These include up-to-date critical governance information and provide access to documents governing the company's governance (e.g., articles of association, terms of reference of the Board, and board committees).
3. Current reports to the BSE informing market participants of changes in compliance with the Code since the publication of the last corporate governance statement and market-relevant corporate governance information (e.g., change in the Chairman of the Board).

Governance information is reported periodically through the corporate governance statement in the annual report and is continuously updated through current reports and the website.

Following the consultation of the 2016 annual reports of the financial intermediation and insurance companies on the BSE market, information on corporate governance is identified. Table 5 presents the types of financial intermediation and insurance companies from Romania.

Table 5. Types of financial intermediation and insurance companies from Romania.

Type of Company	Specific Characteristics
Leasing companies	They offer financial leasing services, through which customers can rent goods for a certain period, with the possibility of purchasing them at the end of the contract.
Factoring companies	They provide working capital financing services by purchasing trade receivables from other companies.
Financial investment companies	They manage investment or pension funds, offering asset management services and investing sums in various financial instruments.
Insurance companies	They offer insurance services for various risks and fields, such as life insurance, health insurance, car insurance, and home insurance.
Brokerage firms	They trade financial instruments, such as stocks, bonds, currencies, or commodities.

These companies are regulated by the Financial Supervisory Authority (ASF), which supervises and regulates Romania's financial and insurance market to protect clients' interests and ensure the financial system's stability.

During the analysis of the annual reports of the 18 financial intermediation and insurance companies on the BSE market, the exact compliance with the principles of the Corporate Governance Code was identified. Thus, these companies are listed in Table 6.

Table 6. Application of corporate governance principles of financial intermediation and insurance companies in the BSE market.

Symbol	Issue Name	The Type of Government System	Comply	Does not Comply/Partially Comply	% Comply	% Does Not Comply
PBK	Patria Bank S.A.	unitary	38	4	90.5	9.5
ONE	One United Properties	unitary	37	5	88.1	11.9
EVER	Evergent Investments S.A.	unitary	42	0	100	0
SIF1	SIF Banat Crisana S.A.	unitary	42	0	100	0
HAI	Holde Agri Invest S.A.	-	42	0	100	0
TBK	Transilvania Broker De Asigurare	unitary	42	0	100	0
TRANSI	Transilvania Investments Alliance S.A.	dualist	42	0	100	0
BRD	Groupe Societe Generale S.A	unitary	42	0	100	0
BRK	Ssif BRK Financial Group S.A.	dualist	36	6	85.7	14.3
BVB	Bursa De Valori Bucuresti S.A.	unitary—dualist	42	0	100	0
EBS	Erste Group Bank A.G.	dualist	42	0	100	0
FP	Fondul Proprietatea	unitary	42	0	100	0
GSH	Grup Serban Holding	unitary	38	4	90.5	9.5
ROC1	Holdingrock1	-	42	0	100	0
SIF4	Sif Muntenia S.A.	unitary	38	4	90.5	9.5
SIF5	Sif Oltenia S.A.	unitary	40	2	95.2	4.8
TLV	Banca Transilvania S.A.	unitary	42	0	100	0
TSLA	Transilvania Leasing și Credit IFN S.A. Brasov	unitary—dualist	42	0	100	0

Based on the analysis of the annual reports of the companies listed on the BSE market, more precisely, the declaration on corporate governance, companies that strictly comply with the principles of corporate governance and companies that do not comply with all these principles have been identified. The level of application of corporate governance principles (%) is reflected in the image following the analysis. The highest level of credibility offered to clients and investors is represented by companies that comply 100% with the principles of the corporate governance code developed by the BSE.

According to Figure 4, SSIF BRK Financial Group S.A. (Cluj-Napoca, Romania, 85.7%, applies partially corporate governance principles, followed by One United Properties (Bucharest, Romania), 88.1%, and Grup Serban Holding (Filpesti, Romania), 90.5%.

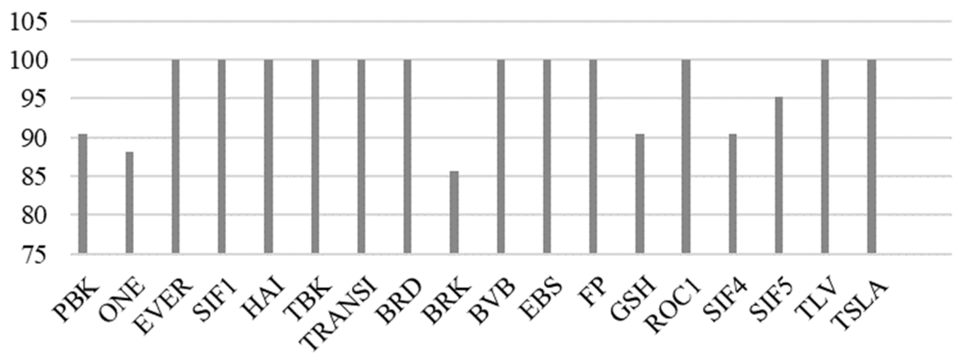

Figure 4. The level of application of corporate governance principles of financial intermediation and insurance companies in the BSE market (%).

The companies that comply 100% with the principles of corporate governance stated by the BSE are the following: Evergent Investments S.A. (Bacau, Romania), SIF Banat Crisana S.A. (Oradea, Romania), Holde Agri Invest S.A. (Bucharest, Romania), Transilvania Insurance Broker SA (Cluj-Napoca, Romania), Transilvania Investments Alliance S.A. (Brasov, Romania), Groupe Societe Generale S.A. (Bucharest, Romania), Bursa De Valori Bucuresti S.A. (Buharest, Romania), Erste Group Bank A.G. (Buharest, Romania), Fondul Proprietatea (Bucharest, Romania), Banca Transilvania S.A. (Cluj-Napoca, Romania), and Transilvania Leasing Si Credit IFN S.A. (Brasov, Romania).

Corporate governance is a system of rules, principles, and practices by which a company is effectively and responsibly run. This is important in ensuring sustainable performance and the confidence of investors and other stakeholders in a company (Morosan-Danila et al. 2022). The detailed analysis of the principles of corporate governance that are not respected or are partially respected by the analysed companies reveals the following main findings:

1. The members of the Board of Directors will not hold executive positions in the company: This principle is not respected or partially respected 18 times, being the most frequently not respected. It points to a significant challenge for companies in separating executive from supervisory roles.
2. The Board's establishment of an audit committee: It has not met or partially met four times, suggesting that some companies are still working on strengthening their internal audit functions.
3. At the shareholders' meeting, at the Board's invitation, members of the audit committee and the external auditor will also participate: This principle has been not respected or partially respected three times, which shows that the commitment between shareholders and key governance parties needs improvement.
4. The company will have a policy on the remuneration of board members and executive directors in its composition. Also, this principle has not been respected or partially respected three times, highlighting the challenges related to transparency and equity in remuneration policies.
5. The existence of internal regulations of the board of directors: They were not respected or were partially respected two times, indicating that most companies respect this fundamental principle of governance.

These results highlight the areas in which companies listed on the Bucharest Stock Exchange in the financial intermediation and insurance sector can improve compliance with corporate governance principles. Separating supervisory from executive functions, strengthening audit functions and improving shareholder engagement and transparency in remuneration policies are vital issues that require attention.

Using the Pearson correlation coefficient, the research assessed the direction and strength of the linear association between continuous variables. The calculated correlation between the number of principles fully respected and the number of principles not respected or partially respected by each company is −1.0, with a *p*-value of 0.0. This result indicates a perfect negative correlation, which means that as the number of principles fully observed increases, the number of principles not observed or partially observed decreases proportionally, and vice versa. A *p*-value close to zero indicates that this correlation is statistically significant. The result is anticipated, as these two variables are naturally inversely proportional in this context—companies may have a fixed number of assessed principles, so any increase in full compliance with the principles implies a decrease in non-compliance or partial compliance.

This correlation underscores the importance of companies focusing on improving compliance with all corporate governance principles, as improvements in one area are directly related to reducing problems in other areas.

The research points to a positive correlation between applying corporate governance principles and improving transparency and accountability towards stakeholders within financial intermediation and insurance companies listed on the BSE. These findings emphasise the importance of corporate governance for the companies' credibility and long-term success in a competitive market environment. The study recommends intensifying efforts to monitor and implement higher standards of corporate governance to strengthen investor confidence and optimise organisational performance.

Here are some reasons why compliance with the corporate governance code is essential:

4. Protection of investors' interests: A well-defined and enforced corporate governance code helps protect the interests of investors by providing them with a transparent and fair environment in which to invest their capital. This can increase investor confidence in the company and generate access to additional financial resources for development.
5. Promotion of responsibility and ethics: The corporate governance code encourages compliance with ethical principles and moral values at all levels of the organisation. This can prevent conflicts of interest, abuses, and improper practices and promote social responsibility and respect for the environment and communities.
6. Increasing transparency and information disclosure: A corporate governance code will establish precise requirements for fair and full disclosure of financial, operational, and corporate governance information. This will enable investors and other stakeholders to obtain relevant information and make decisions based on accurate data.
7. Improved management and decision-making: A well-designed corporate governance system will ensure effective management and rational and responsible decision-making. This can help to increase the company's performance and avoid unnecessary risks.
8. Promoting economic stability and development: Sound corporate governance can contribute to a country's economic stability and development. It attracts investments, supports the development of the private sector, and increases companies' market competitiveness.

In conclusion, compliance with the corporate governance code is essential for companies' healthy and efficient operation. It serves as a framework of guidance and control, ensuring the protection of investors' interests, promoting ethics and accountability, increasing transparency, and making well-informed decisions while contributing to the stability and development of the economy as a whole.

As a result of the analysis issue the following recommendations for companies listed on the stock exchange to improve their corporate governance practices (especially for those companies that do not fully or partially comply with the principles of corporate governance imposed by the Bucharest Stock Exchange, as well as companies to want to ensure a high level of quality in the relationship with stakeholders):

1. Rigorous Internal Assessment and Audit: Implementing a regular internal assessment and audit process to identify non-conformities and areas for improvement in corporate governance. This may include reviewing the organisational structure, internal policies, and decision-making processes.
2. Training and Continuing Education: Organisation of training sessions and educational workshops for board members and executive directors to improve their understanding and application of corporate governance principles.
3. Improving Transparency and Communication: Ensuring full transparency in financial reporting and communications with investors and other stakeholders by regularly publishing sustainability and corporate governance reports.
4. Renovation of the Board of Directors Structure: Diversification of the board of directors by including independent members with extensive experience and varied perspectives to ensure effective control and supervision.
5. Implementation of Fair Remuneration Policies: Creating and implementing fair and transparent remuneration policies for board members and executive directors based on company performance and individual achievements.
6. Strengthening Corporate Social Responsibility (CSR): Integrating CSR practices into the company's overall strategy demonstrates its commitment to sustainable development and the communities in which it operates.

7. Improving Internal Control Mechanisms and Risk Management: Develop and strengthen internal control systems and risk management practices to prevent fraud and errors and ensure compliance with applicable laws and regulations.
8. Promoting Business Ethics and Integrity: Implementing a solid code of ethics and promoting an organisational culture that values integrity, business ethics, and mutual respect.

For the effective implementation of these measures, companies must engage expert corporate governance consultants and work closely with all stakeholders, including regulators, to ensure that improvements are sustainable in the long term and aligned with international best practice standards.

4. Conclusions and Recommendations

Enforcing the corporate governance code is essential for building trust and transparency between companies and their stakeholders, including investors, shareholders, employees, suppliers, and customers. This contributes to creating a stable and predictable business environment, providing opportunities for growth and development, and protecting the rights and interests of each party. Ultimately, corporate governance improves companies' reputation and long-term sustainability, benefiting the entire economic and social ecosystem. In this context, it ensures the safety of how businesses are managed and the excellent management of the risks that may arise, involving participation in important decisions, lower volatility of investments, and increased loyalty and strengthening of the reputation in the market.

Failure to comply with the corporate governance principles set out in the Corporate Governance Codes by listed companies can have various and significant consequences. For example, the quality of explanations for non-compliance can vary considerably, and there is a call to improve them to be helpful to users, highlighting the importance of specificity, localisation, and complexity of explanations (Shrives and Brennan 2015).

The rhetorical strategies used in explanations for non-compliance have become more geared towards misleading explanations than compelling rationales, which can lead to a loss of market confidence and affect the comply-or-explain system itself (Shrives and Brennan 2017).

Compliance with Corporate Governance Codes is associated with better firm performance, suggesting that investors value compliance and are willing to pay a premium for companies that comply with governance norms (Shaukat and Padgett 2005).

Specific compliance with the board of directors' recommendations reduces the likelihood of financial distress, highlighting the importance of board structure and functioning in preventing financial crises (Bravo-Urquiza and Moreno-Ureba 2021).

These studies emphasise the importance of compliance with corporate governance principles and the potentially harmful effects of non-compliance, both from the perspective of company performance, trust, and market perception. Listed companies must pay close attention to corporate governance principles to ensure long-term sustainability and positive relations with investors and other stakeholders.

To improve the corporate governance practices of Romanian companies in all fields of activity, and not only, the following measures could be considered:

9. The introduction of clear rules and standards regarding corporate governance through specific legislation. These rules should include requirements regarding the independence of board directors, transparency and disclosure of relevant information, corporate social responsibility, and shareholder involvement in decision-making processes.
10. Encouraging the formation of independent and professional boards of directors. This could be achieved by promoting diversity and experience in the board's composition and by introducing mechanisms for evaluating and continuously training board members.
11. Developing a culture of respect for shareholders' rights. This could be achieved by ensuring effective and transparent communication with shareholders, consulting them

in making important decisions, and recognising their rights to vote and participate in general meetings.

12. Improving the level of transparency and disclosure of financial and operational information. Companies should provide quality and relevant information to shareholders and stakeholders so that they can make informed decisions.
13. Creating an adequate framework for supervision and internal control in companies. This could be ensured by developing clear policies and procedures, periodically reviewing and auditing operational activities and risks, and implementing an internal reporting system.
14. Promoting companies' social responsibility. Companies should be aware of their impact on the environment, employees, and communities and develop social responsibility and sustainability practices and policies.

These measures could improve corporate governance in Romanian companies and increase the confidence of shareholders and investors in the economic sectors. Furthermore, solid and transparent corporate governance can bring multiple long-term benefits to companies, employees, shareholders, and the economy as a whole.

The research results highlight how implementing corporate governance principles at companies listed on the Bucharest Stock Exchange positively influences transparency and accountability towards stakeholders. These results could underline a correlation between adherence to these principles and improving relations with stakeholders, demonstrating that sound corporate governance practices are essential for companies' long-term success. Thus, the research contributes to the specialised literature by providing an in-depth perspective on the importance of corporate governance in today's business environment.

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