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Considerations Regarding Correlated Analysis between Comply or Explain Declaration and Non-Financial Reports

Maria Alina CARATAŞ, Ph. D., correspondent author,
The Bucharest University of Economic Studies, Romania,
e-mail: maria.caratas@gmail.com

Univ. Prof. Victoria STANCIU, Ph. D.,
The Bucharest University of Economic Studies, Romania,
e-mail: victoria.stanciu@cig.ase.ro

Abstract

Corporate governance still remains a topic of great interest to both researchers and practitioners, as a result of the on-going challenges that companies face. The current economic and pandemic context and the need for a sustainable development bring new requirements to the governance, imposing a rethinking of strategy and business processes. The new challenges require consolidated implementations of corporate governance. The purpose of this study is to analyze how the companies' alignment to the governance requirements is reflected in "comply or explain" declarations as well as in the non-financial reports and emphasize some identified vulnerabilities, most of them being determined by the obvious limitation of transparency and the attempt of minimizing the importance of some nonconformities. The objective of the study is to identify the barriers occurred in a solid corporate governance implementation and sustainable development of companies, as these aspects are emphasized in the reports of companies from various industries listed on Bucharest Stock Exchange. The companies' governance consolidation process, on all its pillars, encompasses the social responsibility coordinate, and remains for the Romanian companies a process that must be accelerated and assumed entirely. The conclusions of this study offer important reflection points and might represent a solid basis for improvement of corporate governance and implicitly of stakeholders' benefits.

Key words: *comply or explain declaration; Bucharest Stock Exchange; non-financial reporting; Romania; corporate governance*

JEL Classification: *G34, M14, M41, Q56*

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Introduction

The necessity for mature corporate governance within all entities, regardless of their nature (public institutions, companies, financial institutions, governmental agencies, etc.) is widely recognized, but the existing implementations highlight inconsistencies and even worrying delays in implementing sound, fully assumed corporate governance.

Corporate governance is based on some well-known principles, but a successful implementation involves their application in resonance with cultural, regulatory, economic (including specific business practices) and even religious particularities (e.g., Islamic area). Therefore, a certain dynamic in terms of governance is required in the effort to adapt to existing economic, socio-cultural and politic particularities. With this outlook the sustainable approach to business becomes a stringent necessity raising new challenges in terms of governance as well as managerial processes. A sustainable development of companies would increase the interest and confidence of investors but would also bring multiple positive societal effects. Sustainability is essential to ensure the long-term success of business, contributing to a global sustainable development through a healthy environment and a stable society.

Our research has shown that in large Romanian companies with foreign private capital there is a better crystallized organizational culture and consolidated corporate governance. This can be explained through the leadership provided by experienced managers who have succeeded to integrate their managerial experience and governance requirements in Romanian companies. However, there are also situations in which large companies listed on Bucharest Stock Exchange (BSE), with private capital, show a lower inclination towards transparency and strict compliance with corporate governance requirements. Our opinion is that special attention deemed necessary for small and medium companies where the governance issue reveals a diverse landscape caused by fragile knowledge of the governance framework and implementations in this segment, aspect that was also emphasized by Gheorghiu et. al (2017). The governance quality problem and awareness to the need for sustainable development in this segment of companies is critical for an emerging economy. We cannot omit to point out that the segment of small and medium-sized companies is the engine of emerging economies. And for these reasons, the need to strengthen governance in these companies becomes urgent, and the awareness of a sustainable development is equally necessary.

This paper summarizes the results of our research on the quality of corporate governance and transparency in non-financial reporting in companies listed on BSE, in various fields such as: extractive industry, manufacturing, chemical, textile, agriculture, hospitality etc. We investigated issues related to the attitude towards transparency requirements (as reflected in *comply or explain statements*) and awareness of the need for sound corporate governance and non-financial reporting. We tried to understand what are the barriers impeding the implementation of strong corporate governance and sustainable business development. As this issue was less explored in-depth in Romania, we appreciate that the results of our research can provide important benchmarks, both in theory and practical implications.

Theoretical background

The Institute of Internal Auditors has defined corporate governance through all the processes and structures implemented by the board of directors / supervisory board to notify, manage and monitor the activities of the organization in order to meet the objectives. Corporate governance processes aim the procedures used by the representatives of the board of directors and the executive management to ensure a clear strategic direction, to achieve the set objectives, to supervise the risk management and control processes. Hardi and Buti (2012) argue that there is no recommended model of corporate governance that works in all companies and states, an opinion that aligns with OECD recommendations. Rushton (2008) defined governance as the way to manage “how shareholders ensure they can get a return on their investment”. Analyzing his point of view, we retained the correlation between shareholders, control and performance. Mallin (2010) and Solomon (2007) had a broader view of corporate governance, including different stakeholder groups in the company's objectives. They believe that an organization must answer to several different, stakeholder groups, having a long-term relationship with the entity and are able to influence its performance.

Khanna & Zyla (2017) underlined that the implementation of specific reforms in the field of corporate governance could attract foreign investment. Various studies (Balasubramanian et al., 2010; Dharmapala & Khanna, 2018) have shown that the governance reforms enacted in India have led to improved corporate governance in Indian firms and further led to better assessments of the markets of firms subject to reform. Moreover, studies conducted in other emerging markets, especially Russia and Korea (Black et al., 2005), found a substantial and statistically significant positive impact of the quality of corporate governance on the market valuation of some firms.

The principles of corporate governance have been updated by the *Organization for Economic Development and Cooperation* (OECD, 2015). An important principle is that of "providing the basis for an effective corporate governance, legal, regulatory and institutional framework" that promotes transparent markets and an efficient allocation of resources, which market participants can rely on. OECD principles implicitly imply that countries have an effective legal and regulatory framework, and that securities courts and regulators have the means and capacity to implement it. Young and Peng (2008) point out that "corporate governance structures in emerging economies often resemble those of developed economies in form, but not in substance, being the result of inadequate adaptation on local realities". Legislative "transplantation" has created only suboptimal governance structures compared to those specific to good practice, considers Hardi and Buti (2012). According to the World Bank's study (2003), evaluating corporate governance in various states, most of the developing and transition economies fail to apply their laws, rules and regulations consistently and uniformly, a conclusion that remains valid today.

The OECD warns on the need to ensure "rights and fair treatment for all shareholders", regardless of whether they are a majority or a minority. But shareholders' rights are different in different emerging countries, and there is a problem of protecting the rights of minority shareholders. Many shareholders do not know their rights. Another problem highlighted by the literature is the lack of transparency and publicly available information. There isn't a culture of compliance or regulation enforcement.

According to Rafiee and Sarabdeen (2012), the independence of the board is an important issue especially in emerging markets where, for the most part, the vast majority of corporate shareholders are represented by families or government representatives. Other studies (Riyadh et al., 2019; Welford, 2017) have shown that a large number of board members leads to better monitoring of managers' capabilities and performance and thus conducts to an increased governance quality.

The role of stakeholders in corporate governance is a sensitive issue. The governance framework should endorse the rights of stakeholders established by law or mutual agreement and support the collaboration between corporations and stakeholders for the wealth and job creation process, and sustainability of financially stable enterprises. Companies need to have broader responsibilities, pursuing more than profit maximization. The expectations of these companies, especially those listed on the stock exchange, are to emphasize corporate social responsibility, to adhere to environmental, social and governance (ESG) policies. The European Commission has adopted Directive 2014/95/EU which requires a non-financial statement covering aspects as environmental, social, non-discrimination, respect for human rights, the fight against corruption and bribery, the use of renewable and non-renewable energy, greenhouse gas emissions, water use and air pollution. Ernst & Young's analysis shows that the attention of institutional investors is progressively moving towards non-financial reporting. The study, in which more than 300 investors participated (and continuing surveys from previous years) shows that the percentage of respondents declaring that they do not review non-financial reports or give them minor importance decreased from 36% in 2013 to 22% in 2016 and 2% in 2020. Likewise, 98% of institutional investors are interested in non-financial reports of companies and investment decisions have been made in the last year based on non-financial performance in more than 90% of cases (Ernst & Young, 2020).

The Dyck et. al (2019) study reveals that institutional ownership influences companies in policy-making by including to a greater extent some aspects aimed at improving environmental performance after certain shocks (e.g., the 2010 Deepwater Horizon oil spill). Independent and foreign institutional investors in particular are more involved in the development of corporate governance and environmental, social and governance (ESG) policies. It is noted that companies mainly owned by mutual and pension funds, insurance companies, investment firms, private foundations, and other large institutions managing funds on behalf of others, are associated with higher ESG scores. Withal, companies with the same type of shareholding tend to be actively involved in corporate social responsibility (Walker at al., 2013; Oh et al., 2017).

Studies on Hong Kong's families' business show that greater board independence and CEO non-duality, the existence of multiple independent directors, and the appointment of an independent president are factors that can ensure the quality of reporting (Chau and Gray, 2010; Chen and Jaggi, 2000). Also, family-owned companies tend to personally associate themselves with the company's reputation and consequently choose to report more information to the public (Liu, Valenti & Chen, 2016).

According to Adnan et al. (2018) corporate social responsibility reporting is more prevalent in companies in countries with a culture defined by individualism and also in societies where there is a short distance from power. These two characteristics are part of the pattern developed by social psychologist Geert Hofstede, a pattern that contains six dimensions of cultural differences: distance from power, an indicator that measures the degree of inequality in society; avoiding uncertainty – facet that shows the level of reception by a culture of equivocal and dangerous events; measuring the degree of individualism versus collectivism of a society; masculinity vs. femininity as a cultural dimension of a society; long-term or short-term orientation – at the level of business and way of thinking at the level of society and; indulgence versus restraint as a societal dimension. His entire analysis demonstrates that nationality constrains reasoning and defines organizational rationality (Hofstede et al., 2010).

There are various studies that investigate the relationship between national culture and corporate governance. For companies in emerging countries, the quality of corporate governance is very important, as they need to attract foreign direct investment, which helps the development of national economies. The quality of corporate governance depends to a large extent on effective interaction and negotiation between stakeholders. Culture plays an important role in establishing a productive negotiation between people. Culture influences organizational policies through the values held and promoted.

To understand the reporting of corporate social responsibility (CSR) practices, it is necessary to examine not only how culture can influence both CSR practices and reporting, but also corporate governance practices in a particular country, and how these factors interact in determining CSR disclosure practices.

The speed with which companies respond to the pandemic, addressing risks and thinking strategically – is exactly the necessary manner to respond to climate, governance and social risks. Crisis management is vital for companies in how they prove their responsibilities through their behavior. The COVID-19 pandemic forced the insertion and fundamental focus on health care in all organizations and households around the world and maintaining focus on it can bring significant benefits globally. In their 2020 study, McKinsey & Company show that better health promotes economic growth by expanding the workforce and increasing productivity, while providing huge social benefits. However, in recent years, the political debate has been dominated by the emphasis on rising healthcare costs, especially in mature economies, while health as an investment for economic profitability has been largely absent from the discussion.

Research methodology

Comparative-descriptive analysis

Our study is based on a documentary research that aimed to identify the main lines of research highlighted by the literature as well as issues regarding compliance with the principles of corporate governance. In this way we were able to draw our own research directions. The analysis performed is descriptive, the information regarding the application of the principles of corporate governance and the declared causes of non-conformities were identified and analyzed. The research is at the same time explanatory, we aimed to search and find causal relationships between issues related to governance, shareholding and company sizes.

The objectives of the research were:

- analyzing the assumption of importance of corporate governance in companies (as evidenced by *comply or explain statements*)
- assessing the transparency in non-financial reporting and identifying the obstacles that arise in aligning with the recommendations in force.

The established objectives imposed a grounded theory strategy in the methodological plan. We consider this approach appropriate, being a study focused on exploring behaviors and attitudes.

In order to achieve the established research objectives, we identified the following ***research topics***:

1. Assuming the commitment of companies' management towards the real implementation of consolidated corporate governance. The most sensitive areas in providing information on governance requirements and sustainable development will be identified.
2. The extent to which the management of the Romanian companies listed on BSE understands the need and ensures the alignment to the reporting requirements on the topic of sustainability.

The achievement of the above-mentioned research objectives required the establishment of some research coordinates summarized in the form of the following questions that we tried to answer by analyzing the sample of selected companies:

1. Do the statements *comply or explain* highlight a real alignment with good governance practices?
2. Is there real transparency in reporting on corporate governance requirements and sustainable development, respectively?
3. What are the sensitive points in terms of transparency of reporting and how can they be interpreted?
4. Can we talk about a real commitment in relation to sustainable development?
5. Are there qualitative changes over time in terms of reporting on corporate governance issues?

Our analysis focused on companies listed on the Bucharest Stock Exchange, from which we selected a sample of 42 companies. The selection was based on several criteria: covering a diverse set of industries (including industries with environmental impact), the presence of different types of shareholders, the inclusion of companies of different sizes (selection criteria for turnover and number of employees). We have included in the sample companies with:

- Romanian capital
- foreign capital and the participation of the Romanian state
- majority foreign capital.

This selection was based on the idea that the nature of shareholders can have an impact on the quality of corporate governance.

The structure by fields of activity of the analyzed companies is: oil and gas extractive and processing industry (9%), pharmaceutical (7%), manufacturing industry (35%), chemical industry (5%), textile industry (7%), agriculture (4%), hospitality (26%), others (9%).

The sample selected is small in relation to the number of listed companies, and this can be considered a minus for research, but through its structure, we consider that we have largely covered the analyzed population and we can state some conclusions that may have generalization power.

Our research used as a source of information the annual reports of the administrators, the statements *comply or explain* (when they were provided as separate documents), non-financial reports, policies (such as those on remuneration, forecasts, sustainability etc.), procedures on general meetings, constitutive documents of the companies as well as other public information – especially regarding the social responsibility, of some listed companies from Romania, from various industries, such as tourism, extractive and processing industry, agriculture, chemical or textile. One limitation of the research might be conducting it based on public documents only, and we admit that important information from within companies would have been useful on reflecting the gap between the image provided by the board through public documents and the real situation, the true image of governance mechanisms as carried in the current activity. Even so, from the perspective of public documents, the information is useful and correct (but perhaps not complete), indicating inclusively the way in which companies want to be perceived by the readers of those documents.

Our analysis focused mainly on the period 2018-2019, noting that for a group of 17 companies, belonging to industries with an impact on the environment mainly, the time segment was wider, namely 2017-2019. In total, we analyzed over 100 annual reports and, where appropriate, non-financial reports, statements published on the BSE website or directly on the websites of the analyzed companies. We tried to follow the improvements in reporting on governance issues, by covering a longer range, at least on one segment of the sample.

Awareness of the need and commitment to corporate governance

After analyzing all the documents, we identified the aspects of non-compliance related to corporate governance and we found that the answers to the first two questions (I1 and I2) are negative for many of the companies analyzed. Below we formulate the explanations regarding the sensitive points encountered in the reported information, as well as their interpretation.

The implementations in terms of corporate governance, as they are reflected in the public documents of the analyzed companies, lead us to a very diverse picture indicating different levels in terms of assuming good practices. This conclusion is based on a set of relevant elements from our point of view: rigor in presentation, involvement vs. formal approach to reporting, transparency, social involvement, sustainable development, strategies and policies proving long-term thinking.

Analyzing the documents published by companies in successive years we could see an improvement in reporting. It is significant to point out that, in 2017 compared to the period 2018-2019, we encountered more frequently in the *comply or explain* statements a rhetorical language when the explanations had to be offered in case of non-implementation of some requirements. Such rhetorical language is also signaled by the foreign research literature (Laufer, 2006), thus highlighting the shortcomings of reporting. In the case of the analyzed Romanian companies, this rhetorical language is manifested by the formal, evasive explanations regarding the causes of non-implementation of some requirements and the fact that precise terms and responsibilities are not offered for solving the respective non-conformities. Phrases such as "the board will review this requirement" or "the non-compliance is going to be resolved" are not meant to convince the reader that the board members are convinced of the need to resolve the non-compliance as soon as possible.

What is worrying, from our point of view, is the fact that after so many years in which companies have made these declarations of compliance, and therefore these reports have become accustomed to internal assessments, we still encounter cases, albeit fewer in number, in which this rhetorical approach continues to be present. From our point of view, such an approach can lead to an unfavorable image of the company from the perspective of the quality of management and the maturity of the organizational culture.

If for smaller companies a possible justification could be the insufficient training on corporate governance, in the case of large companies it is more difficult to accept such justification. This rhetorical language and lightness in providing explanations in case of non-compliance proves the lack of understanding of the need for transparency especially since we are talking about listed companies but we could even say disrespect to investors, to the general public, and regulators. Let's not overlook the fact that, in successive years, for some companies, this approach becomes a constant in the declarations of conformity. As such rhetoric is promoted, the readers of these statements cannot understand the causes of the non-compliance and perceive only this non-compliant attitude of the administrators.

If we were to analyze the issues in the *comply or explain* statements, where these non-conformities are present, certain conclusions are crystallizing easily. Non-compliances are registered in "more sensitive" areas, involving the evaluation processes of the boards of directors, the lack of policies regarding remuneration, dividends and forecasts or regarding the transactions with the affiliated parties etc. In one of the *comply or explain* statements, the explanation for the non-establishment of the remuneration committee was as it follows: "the company has and applies some principles regarding the remuneration of board members and the board of directors", without further details and with a clear and conscious lack of transparency. Even if the number of companies in this situation is small, the mere fact that they consciously apply this lack of transparency and that there is no reaction from supervising entities is sufficiently revealing. With few exceptions, the above-mentioned policies are not published on the website of the listed companies, or if they are published, they are summarized in a few lines (35.7% of the companies analyzed do not publish dividend and forecast policies).

In the 2017 reports, half of the listed companies that we analyzed were showing non-compliances regarding the evaluation of the board members' performance and the non-drafting of the policy regarding this aspect. Even if for the period 2018-2019 many companies from the analyzed sample solved these non-conformities, there continued to be companies where those problems persisted. It is obvious that the evaluation of the board members' performance is a very sensitive point but, at the same time, critical for the company's activity. This assessment of the performance of the board cannot be compensated by the assessment of the performance indicators in the management contracts, given the extensive responsibilities of the boards of directors and their composition – executive and non-executive members, including the independent ones. As the performance indicators in the management contracts are mainly economic and financial, the coordinate of the sustainable development of the company is not present; however, this aspect has become vital in the current context. Perhaps it is not unimportant that there are few companies that opt for the dualist approach, the supervisory board and the board of directors. A supervisory board could better assess the work of executive management.

The existence of non-conformities in the 2019 reports should raise awareness knowing that the list of these non-conformities is longer. The lack of nomination committees (which is necessary for Premium companies), non-compliances related to internal audit function (even lack of audit committee) and ensuring its independent management, the lack of statements on other professional commitments of the executive and non-executive board of directors' members etc. We consider it necessary to emphasize the importance of the committees subordinated to the board of directors. These committees, bringing together professionals in different fields, many of them independent, can provide monitoring and in-depth analysis of company activities/processes and provide fundamental information for decision-making process at the board level. In Western companies with solid governance structures, are not missing the committees, such as: nomination, remuneration, audit, CSR (corporate social responsibility), transactions committee, corporate committee.

It is not without significance that the presentation of board members is often limited to a few lines, not being embossed the professional experience related to the industry the company operates in. The recommendation, as a source of additional information, of the CVs published on the company website cannot be accepted as an explanation of the non-compliance. In the case of some companies, this situation should be corroborated with the fact that there are no statements of the board members regarding other professional commitments or the lack of a policy on reporting situations where board members have relationships with persons holding more than 5% of shares.

In many cases, non-compliance on the conflict-of-interest segment, also a sensitive topic, is formally made explicit. In this case, but also in others "sensitive" ones, through the explanations offered, one is trying to minimize the importance of that irregularity, and the lack of deadlines for correcting the non-compliance and responsibilities on this line shows the real lack of commitment to the solution.

Many of the non-conformities regarding the internal audit function highlighted in 2017 have been resolved. However, still remain problems to be solved on ensuring the independent management and duties of the audit committee. These improvements in the internal audit function may be the consequence of understanding the need and its importance for the company, but it is not insignificant the fact that during the analyzed period regulations have been issued that enforced, in this way, the resolution of nonconformities in this area.

Understanding the need and aligning with reporting requirements on sustainability

If the *comply or explain* statements have entered the maturity stage, taking into account the long period of time in which the listed companies proceeded to prepare them, in the case of non-financial reporting there is a shorter period of time since regulation, so some reporting problems can be justified by the "novelty" element.

A first important finding to be highlighted is that, in the case of the listed companies analyzed, which submitted *comply or explain* statements reflecting full alignment with corporate governance requirements we identified the concern in implementing the sustainable approach.

Furthermore, companies operating in areas such as the pharmaceutical industry, oil processing etc. were the ones that rigorously provided non-financial reports. These are industries with an impact on the environment and where there are specific regulatory requirements;

so, in case of non-compliance those companies are facing significant impact on their activity. This indicates that alignment with non-financial reporting requirements has been largely driven by real needs to adapt to the conditions and requirements in the field of business, competition, risk and resource management, social involvement etc. Operating in industries with an impact on the environment, those responsible with governance understood the need for a sustainable approach in terms of the company's strategy and current management, aligning with specific compliance requirements being part of these processes.

In most cases, the listed companies opted to include non-financial reporting elements in the management report. Those who opted for separate reporting are those with business processes with an impact on the environment and proceeded to structure the reports in accordance with GRI indicators. It is important to note that in the case of these companies the strategic sustainable approach and ensuring organizational structures for implementing specific processes and monitoring indicators in this segment confirms the involvement of those responsible for governance and managerial approach adapted to this goal of sustainable development.

The non-financial reports reflect the awareness on the need to reduce waste of resources, including water, electricity, gas, and recycling. These are requirements specific to an activity built on the principles of sustainability but also ensure cost reductions and improvements in efficiency indicators. Policies take effect, with the indicators presented in the reports highlighting this. It should be noted that in few cases independent audits on renewable energy, gas emissions, water use or air pollution are reported.

Occupational safety and health policies are also reported by the analyzed companies. Indicators in this segment are reported, given that these issues are also covered by other regulations and, consequently, transparency is ensured.

If in 2017 providing detailed information on the structure of gender, age etc. of staff was not always complete, in the period 2018-2019, the transparency in this segment is evident, diversity policies producing the desired effects. However, there are few companies in the sample analyzed that do not report on the drafting of the diversity policy. One aspect that stands out from the analysis of the documents is the limitation of the information on the members of the boards of directors. Few details are provided on the professional profile as well as analyses related to the principles of diversity policies. We do not consider being a recommended practice. We do not endorse practice of referring to CVs uploaded to the company's site, which in many cases are synthetic.

An important area in non-financial reporting is anti-corruption. This chapter is briefly presented and no identified cases of corruption are reported. As we did not find these policies on the websites of the analyzed companies, which would have proved full transparency and the involvement of all the management factors from this perspective, the analysis could not be deepened. It would have been interesting to analyze whether and how much time the internal audit allocates to the analysis on the effectiveness of fraud prevention and control procedures and the quality of management monitoring in this area. As the statements *comply or explain* indicate, in many cases analyzed, non-conformities related to the audit committee (establishment and activity) we can have a more accurate picture of reality, even if in the declarative perspective things are presented in a different way. It should be noted that the corruption phenomenon is highlighted in many public documents issued by entities with responsibilities in their investigation. The sensitive nature of this area is recognized and greater transparency in non-financial reporting would be required, even if regulations are vague about the information that should be provided.

We appreciate that more attention should be paid to reporting on the risks related to the operations specific to the business processes and the industry in which the company operates. Risk exposure assessment and reporting is not clearly presented, although the European Directive requires this information to be reported according to the estimated impact of the risks. The risk management process is extremely complex, implementations exist due to regulatory requirements, especially in certain industries, but the maturity of implementing this process in Romanian companies remains an open topic. The consequences of limited information on this segment explain many aspects of companies' decisions and results.

If we refer to the questions that formed the basis of our analysis (I2 and I4) on the coordinate of non-financial reporting we can conclude that a main tendency in these reports is the limited transparency. The textual approach focused on presenting the vision, the strategic elements and the ideas extracted from different policies on the coordination of sustainability, and less focusing on specific relevant indicators (so called *hard disclosure*) proves a limited commitment in aligning with the requirements of sustainable development.

Conclusions

Corporate governance remains a challenge for any company and plays an important role in creating a strong relationship between managers, shareholders, the board of directors and other stakeholders.

Romania is currently facing enormous potential, moving to emerging market status in 2020 and the changes produced will have sustained effects over time, being the ideal time for companies to give more importance to non-financial reporting. In this context, strengthening corporate governance could increase investor interest, ensuring the capital needed for development. Consequently, as Ansel et al. (2020) argue, we believe that sound governance is based on adaptation and can change policy instruments, regulatory processes, and administrative institutions, to meet new and emerging conditions.

Corporate governance is a top issue in an economic context where reputation is difficult to build but so fragile at the same time. The new demands on sustainability require changing business strategies and models, changing processes and rethinking products and services in order to meet new consumer requirements and environmental protection. The commitment and application of transparency in the area of non-financial reporting is strongly linked to the maturity of implementation in terms of corporate governance. The responsibilities of companies are expanding, their objective being not only to maximize profit but also to form a responsible corporate thinking. Mature corporate governance adjusts negative cultural components, ensures transparency, expands and deepens the process of risk management, including environmental coordination and social impact.

Romanian companies continue the processes of consolidating corporate governance at different rates. It is important to be able to understand the need for sound corporate governance and its real commitment. The present study aimed to signal the weaknesses in the *comply or explain* statements as well as in the non-financial reporting, many of which were determined by the obvious limitation of transparency, trying to minimize the importance of non-conformities, some of them even targeting conflicts of interest. The study highlighted the inclination of many companies to offer, which in the literature is called „soft disclosure", textual presentation focused on presenting the vision and strategic elements on the coordination of non-financial reporting, and less focusing on indicators (hard disclosure), few companies that have built reporting on GRI indicators.

Future research directions aim to expand the study, using data from companies in several states, analyzing the relationship between national culture, corporate governance and the phenomenon of corruption.

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