



CORPORATE GOVERNANCE IN ROMANIA

Meeting Hosted By
**The National Securities Commission and the Bucharest Stock
Exchange**

Summary Note: Corporate Governance in Romania

**Bucharest,
18 - 19 September 2001**

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Meeting held September 18-19, Bucharest Romania
Prepared by David Robinett, OECD

Introduction

On September 18-19 a high level meeting was held in Bucharest to disseminate and discuss the OECD's draft Assessment Report and Preliminary Recommendations on Corporate Governance in Romania, in preparation for the release of the final Assessment Report later this year. The meeting was co-hosted by the National Securities Commission of Romania and the Bucharest Stock Exchange, and was sponsored by USAID.

The dozens of presenters and other participants at the meeting included the head of a publicly listed Romanian company, SIF (official investment fund) president, chief executive of a major Romanian bank, a representative of the National Union Block, board member with a Romanian company, a very vocal former member of parliament, the head of a major Romanian business organization, presidents of both the Stock Exchange and the RASDAQ, minority shareholder activists, and practicing corporate lawyers in Romania, as well as our own staff and a number of distinguished experts from OECD countries. Overall the presentations were of high quality, and the discussions during the sessions quite lively. There is no question that many of the issues raised at the conference are taken quite seriously by the business community in Romania

Both the co-hosts, the Bucharest Stock Exchange, and the OECD's public affairs representative, Nicholas Bray, were quite successful in establishing contact with the local media and the wire services. The result was coverage on both television and the print media, most notably in Bursa, a major financial newspaper, where the conference was front page news for both days.

The meeting opened with comments from the president of the National Securities Commission, Gabriele Anghelache, who also read remarks in the name of the Prime Minister, Adrian Nastase. She was followed by Eric Burgeat, Director of the OECD Center for Cooperation with Non-Members, Sergiu Oprescu, the President of the Bucharest Stock Exchange, and Denny Robertson, head of mission for USAID in Romania. In his remarks, Mr. Robertson advocated a high level steering group as a means continuing the drive for corporate governance reform in Romania.

Sessions I and II: Overviews of Corporate Governance in OECD Countries and Romania

The two sessions that followed discussed general issues involving corporate governance in both the OECD countries and Romania. Mats Isaksson of the OECD gave a history of the OECD Principals of Corporate Governance and a very informative discussion on what exactly corporate governance is. Stilpon Nestor of the OECD discussed governance trends in OECD countries, reminding the participants that issues like privatization and loose control of management and majority owners, i.e. the case of the so called new economy, are issues even in the most developed economies.

Aurelian Dochia, the principal author of the draft assessment report, provided an overview of corporate governance in Romania. A key issue in this and the following sessions was the impact that the privatization process had on the current structure of Romanian industry. In fact one of the most important conclusions of the entire conference was that the privatization process had led to far too many publicly listed small and medium sized enterprises, often with very dispersed ownership. At the same time, ownership of Romania's

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potential 'blue chips' is concentrated in the hands of strategic investors, usually foreign, or is still held by the state. This ownership structure greatly amplifies many of the problems with corporate governance in Romania today.

Session III: The Rights and Equitable Treatment of Shareholders

The following six sessions followed the OECD principles of corporate governance. Session three, on The Rights and Equitable Treatment of Shareholders discussed, many of the issues that have been at the heart of the current debate on corporate governance in Romania. It was agreed that while certain institutional investors play an active role, smaller investors-the typical Romanian-do not. One reason for this is that shareholder's are very poorly informed, and don't know what they should be 'active' about. The small value of the shares held in a typical company also (rationally) deters shareholder activism. In this context the need for small and medium companies to consolidate and delists was reinforced. To facilitate this process while protecting the rights of minority shareholders, Mr. Nestor of the OECD recommended developing a fair and equitable tender and *evaluation* process for Romania's illiquid market.

The vast gap between Romania's seemingly strict laws and actual practice was also discussed. This gap highlights one of the other major issues emphasized during the meeting: the importance of improving the implementation and enforcement of Romania's existing laws, which everyone agrees is currently quite poor. The current recommendations offer a number of suggestions in this area. Improving enforcement and implementation will be a top priority for the final report.

This session also featured an interesting discussion on Romania's commercial law by Sorin David of PWC, Noel Hinton on the Takeover Panel-a model of corporate governance regulation-and Mr. Dochia discussing Romania's dismal history of state as shareholder. His recommendations: "First privatize, second privatize, third privatize after putting the proper regulations in place".

Session IV: The Role of Stakeholders

Session IV covered the role of stakeholders. Mr. Isaksson opened the session by explaining what exactly a stakeholder is. For the meeting the focus was on two critical stakeholders, creditors and labor. Creditors were represented at the meeting by the high ranking officers of two of Romania's biggest banks. Currently the relationship between banks and the corporate sector is very poor, banks lend primarily, and in some cases almost exclusively, to the government. Hence one implication of improved corporate governance is a return of the banking sector to their principal role in the economy: lending to business.

Labor was well represented at the session by Stella Enanche for the National Union Block, as well as John Evans, Secretary General, TUAC (Trade Union Advisory Committee to the OECD). Trade unions are very strong in Romania, especially in the National Companies. However better consultation with labor remains essential for both government, especially in regards to restructuring and privatization, and the private sector. It should be noted that such consultation not only protects the legal rights of labor, but in many cases can lead to more consistent government policy, and better long run returns for shareholders. An important example of this is 'whistle blower' protection that allows workers to reveal improper behaviour by management and board members. The current danger to workers who reveal improper behaviour is very high in Romania, and correcting this sort of corruption is essential for both the Romanian economy as well as Romanian Society.

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Session IV concluded with a lively discussion on defining the boundaries for both the corporation and its stakeholders. In the communist era companies seemed to be responsible to all people for all things. This raises a concern that contemporary Romanians will make undesirable demands on the corporate sector. However, it was pointed out that in Western Europe, the labor movement played a critical role in limiting the reach of the corporate sector, pushing for the government and civil society to expand their role, while allowing business to focus on business.

Session V and VI: The Role of the Board and Transparency and Disclosure

Session V covered the very important role of the Board in Romania. Mathilde Mesnard of the OECD discussed boards in Romania, their problems, and some recommendations. Board members in Romania tend to lack the proper qualifications, both in the sense of not knowing enough about the workings of the corporation in a free enterprise system, and in not having proper independence from management or, as is often the case, the state. To help solve the first part of the problem Ms. Mesnard recommended a Director's Institute to assist in the training of board members. In regards to the second part, the importance of independent board members emphasized, as well as holding board members liable to *all* shareholders. These reforms are particularly important given that most of Romania's large, publicly listed companies have single, majority owners.

Another issue discussed in Session V, as well as the following session on Transparency and Disclosure, was the role of the censors. Romania's censors (similar bodies exist in Japan and Italy) have vaguely defined powers that overlap with that of an internal auditor and an audit committee of board members. Given the ineffectiveness of the censors to date in Romania, and the problems with similar institutions in other countries, the Preliminary Recommendations suggested replacing them with an audit committee of the board, along with effective external and internal auditing. However other proposals have also been made for the censors, including strengthening them to make them an effective check on management and the board, or, as in Russia, allowing censors to be board members and serve as an effective audit committee.

In addition to discussing the censors, Session VI featured a very educational presentation by John Rieger, of the OECD, on what Romania needs to do to ensure effective transparency and disclosure. The poor quality of transparency and disclosure in Romania has been widely noted within the meeting and without, hence the importance of Mr. Rieger's remarks, and the related recommendations. Establishing an effective accounting system in Romania, as anywhere, will be an involved and difficult task that will require changes within companies, substantial development of the accounting profession itself, and a positive role for government as a licensing and regulating body. Completing the adoption of IAS is also critical.

Concluding Remarks and Future Plans for the Assessment Report

The meeting concluded with a final session chaired by Mr. Burgeat, with remarks by Mr. Dochia, Mr. Nestor, and Mr. Oprescu. Also present was a representative of the Ministry of Foreign Affairs, confirming the government's commitment to corporate governance reform based on the OECD principals in conjunction with the Stability Pact for South East Europe.

During the session Mr. Dochia emphasized that many of the potential reforms suggested for Romania are potentially quite costly, resources are limited, and hence priorities must be set. Mr. Nestor followed up on this, outlining priorities for future reform, based on the draft report and the dialogue of the meeting. At the top of the list is facilitating the 'maturation of the capital market' i.e. the delisting and consolidation of many of the small and medium enterprises listed on the RASDAQ. Another priority, which could actually

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be revenue enhancing for the government, is greater effort to improve the corporate governance standards of the National Companies in preparation for privatization. Central to this effort is the transfer of control from the ministries to independent boards, and performance-enhancing compensation combined with high standards for management. Mr. Nestor also mentioned legal reform, however he made it clear that this should be secondary to enhancing the capacity of the judiciary and the National Security Commission to effectively enforce the laws that are already in place.

Mr. Nestor also announced the OECD's plans for finalizing report. Until October 5 the OECD would continue to receive outside comment. Based on those comments, as well as those from the meeting itself, the report will be amended, and translated into Romanian, in preparation for its final release in mid December. It was also suggested that the report would be presented in Bucharest in the presence of a high level team from the OECD, high level officials from the Romanian Government, the stock exchanges, and USAID.



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FINAL AGENDA

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ABOUT THE ROMANIAN CORPORATE GOVERNANCE INITIATIVE

Background

In order to promote good corporate governance in emerging markets and transition economies, the OECD has entered into a co-operative agreement with the World Bank Group, establishing a Global corporate governance Forum. Within this agreement, the OECD is taking the lead in establishing a set of Regional Corporate Governance Roundtables around the world. Presently, such Roundtables are operating in Asia, Latin America and Eurasia.

The Global Forum is also designed to assist in co-ordinating the design and implementation of concrete projects for improving governance in specific countries. Thus, a specific Roundtable has been launched for Russia. An activity aiming to assist Romania in improving its corporate governance framework and practices is also under way. This activity is sponsored by the United State Agency for International Development and its results will serve as a valuable input to the South East Europe Roundtable, to be launched in Bucharest on 20-21 September.

The Purpose of the Romanian corporate governance activity

The purpose of the Romanian corporate governance activity is to facilitate public and private sector policy dialogue and exchange of experiences between senior policy-makers, regulators and market participants. It also seeks to provide concrete recommendations for improvement, based on an in-depth assessment of the Romanian corporate governance landscape. Input to the assessment and dialogue will include national codes of best practices, legislative proposals and individual papers on specific issues.

This meeting

The meeting will discuss the OECD assessment of the Romanian corporate governance framework and practices. It will seek the comments of Romanian and OECD corporate governance experts from the public and private sector on the main issues of concern and further policy action, as identified by the assessment. It will constitute a forum for a frank exchange of opinion and will contribute to the definition of concrete recommendations for improving corporate governance in Romania.

The Agenda

The structure of the agenda corresponds to the main chapters of the OECD assessment paper. It also reflects the five different chapters of the OECD Principles of Corporate Governance, endorsed by the OECD Council in 1999. In order to encourage discussion, presentations will be relatively short and generally supported by written background. A set of issues for discussion in each session is provided in the notes below.

Next Steps

Drawing on the conclusions of this meeting, the OECD will prepare and distribute a final draft of its corporate governance assessment of Romania. The OECD will also explore possibilities for publishing the assessment in order for its conclusions and recommendations to reach a wider audience and assist in raising awareness of the main problems and ways of addressing them in order to improve the governance of Romanian corporations. This assessment and the Romanian experts involved in this high-level meeting will also be included in the policy discussions planned in the framework of the SouthEast Europe Roundtable.

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17 SEPTEMBER

18:30 - 20:00 *Welcome cocktail-reception hosted by the Bucharest Stock Exchange*

DAY 1: 18 SEPTEMBER, 2001

8:30 – 9:00 *Registration*

9:00 – 9:30 *Welcoming address*

Mrs. Gabriela-Victoria Anghelache, *President, Romanian Securities Commission*

Mr. Sergiu Oprescu, *President, Bucharest Stock Exchange*

Keynote address

Mr. Adrian Nastase, *Prime Minister, Romania,*

Delivered for the Prime Minister by Mrs. Gabriela-Victoria Anghelache

Opening Remarks

Mr. Denny Robertson *Mission Director USAID Romania*

Mr. Eric Burgeat, *Director, OECD Centre for Co-operation with Non-Members (CCNM)*

The Importance of Corporate Governance in Transition Economies

9:30-9:45 *Coffee break*

SESSION I: CORPORATE GOVERNANCE IN OECD COUNTRIES

Chair: **Prof. Daniel Daianu**, *Romanian Centre for Economic Policies*

9:45 – 10:45 *Presentations:*

The OECD Corporate Governance Principles: Key Features and Relevance to Non-OECD countries, **Mr. Mats Isaksson**, *Principal Administrator, DAFPE, OECD*

Recent Developments in Governance in OECD countries

Mr. Stilson Nestor, *Head of Corporate Affairs Division, OECD*

General discussion

10:45-11:00 *Coffee break*

SESSION II: THE CORPORATE GOVERNANCE FRAMEWORK IN ROMANIA

Chair: **Mr. Paul-Gabriel Miclaus**, *Commissioner, Romania National Securities Commission*

11:00-12:30 *Presentation*

Today's Ownership and Control Structure of the Romanian Corporate Sector and its Determinants

Mr. Aurelian Dochia, *OECD Consultant, Managing Director, Romanian Bank for Development*

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Panel Discussion

- **Mr. Sergiu Oprescu**, *President, Bucharest Stock Exchange*
- **Mr. Vergil Popescu**, *President, National Association of Securities Dealers*

Commentator

- **Mr. Ziad Alahdad**, *Chief of Mission, WB, Romania*

General discussion

12:30 –14:30

Lunch hosted by SIF Muntenia

Press Conference

SESSION III: SHAREHOLDERS RIGHTS AND EQUITABLE TREATMENT

Chair:

Mr. Stilpon Nestor, *Head of Corporate Affairs Division, OECD*

14:30 - 16:15

Presentation

Main Issues of Shareholders Rights and Equitable Treatment in Romania

Mr. Stilpon Nestor, *Head of Corporate Affairs Division, OECD*

Panel discussion

The Legislative Framework and its Implementation:

- **Mr. Stere Farmache**, *General Manager, Bucharest Stock Exchange*
- **Mr. Sorin David**, *Head of Legal Group, PriceWaterhouseCoopers, Romania*
- **Mr. Gilbert Wood**, *Managing Director, Hall, Dickler (Romania) SRL*

General discussion

16:15-16:30

Coffee break

16:30 - 17:45

Panel discussion

Equitable Treatment and Corporate Control Issues

- **Mr. Teodor Horia Mihaescu**, *President, Muntenia Invest S.A.*
- **Ms. Angela Ionita**, *Member of the Supervisory Board, Terapia SA Cluj Napoca*

Commentator:

- **Mr. Noel Hinton**, *Deputy Director General, The Takeover Panel, UK*

17:45 - 18:30

Presentation

The State as a Shareholder

- **Mr. Aurelian Dochia**, *OECD Consultant, Managing Director, Romanian Bank for Development*

Commentator:

- **Mr. Charles Smedley**, *Executive Officer, The Growth Group, Bucharest*

General discussion

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DAY 2: 19 SEPTEMBER 2001

SESSION IV: THE ROLE OF STAKEHOLDERS

Chair: Mr. Misu Negritoiu, Deputy General Manager, ING Barings

9:15 - 10:45 Presentation

The Stakeholders in Romania: Overview of the Main Issues
Mr. Mats Isaksson, Principal Administrator, Corporate Affairs Division, OECD

Discussant:

- Mr. Patrick Gelin, Chief Executive Officer, Romanian Bank for Development
- Mr. Dan Bunea, Capital Market Director, BCR
- Ms. Steluta Enache, National Union Block (BNS)

Commentators:

- Mr. John Evans, General Secretary, TUAC (Trade Union Advisory Committee to the OECD)

General discussion

10:45-11:00 Coffee Break

SESSION V: RESPONSIBILITY AND ACCOUNTABILITY OF THE BOARD

Chair: Dr. John Sullivan, Executive Director, Center for International Private Enterprise (CIPE)

11:00 - 12:45 Presentation

The Role of the Board in Ensuring Effective Monitoring of Management in Romanian Companies and its Accountability to the Company and Shareholders
Ms. Mathilde Mesnard, Consultant, Corporate Affairs Division, OECD

Discussant

- Mr. Radu Nicosevici, President, PECT; Strategic Alliance of Business Associations

Commentator

- Mr. Leo Goldschmidt, Chairman, Corporate Governance Association of Securities Dealers, Belgium

General discussion

12:45-14:30 Lunch hosted by PriceWaterhouseCoopers

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SESSION VI: THE IMPORTANCE OF TRANSPARENCY AND DISCLOSURE

Chair: Mr. Sergiu Oprescu, *President, Bucharest Stock Exchange*

14:30-16:00 *Presentation*

Building Effective Disclosure Systems in Romania

Mr. John Rieger, *Principal Administrator, Corporate Affairs Division, OECD*

Panel discussion

- **Mrs. Gratiela Iordache** *Romanian Shareholders Association.*
- **Mr. Obie Moore**, *Vice-President, Board of Administrators, American-chamber of Commerce. Partner, Moore, Vartires & Associates SCPA; Altheimer & Gray Law Offices*

Commentators:

- **Mr. Paulo Câmara**, *Head of Issuers Department, Securities Commission (CMVM), Portugal*

General discussion

16:00-16:15 *Coffee break*

CONCLUDING ROUNDTABLE

Chair: Mr. Eric Burgeat, *Director, CCNM, OECD*

16:15-17:00

Mr. Cristian Coltanau, *State Secretary, Romanian Ministry of Foreign Affairs*

Mr. Aurelian Dochia, *OECD Consultant, Managing Director, Romanian Bank for Development: Summary of discussions and main policy implications*

Comments on main policy implications:

- **Mr. Stilpon Nestor**, *Head of Corporate Affairs Division, OECD*
- **Mr. Sergiu Oprescu**, *President, Bucharest Stock Exchange*

General discussion

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NOTES TO THE AGENDA

Main presentations will take approximately 15-20 minutes and discussants are invited to limit their comments to 10 minutes. These time limits are required in order to have ample time for general discussion. During the concluding session, chairpersons are invited to make a summary, limited to 5 minutes each, of the conclusions and recommendations emerging from their respective sessions.

1. **Session I** will discuss the OECD Principles of Corporate Governance and their relevance to non-OECD countries. It will also provide an overview of corporate governance mechanisms in OECD countries together with their legal and regulatory underpinnings and highlight recent developments in the international corporate governance debate and practice.

The OECD Principles are intended to assist Member and non-Member governments in their efforts to evaluate and improve the legal, institutional and regulatory framework for corporate governance in their countries, and to provide guidance and suggestions for stock exchanges, investors, corporations, and other parties that have a role in the process of developing good corporate governance. The Principles focus on publicly traded companies. However, to the extent they are deemed applicable, they might also be a useful tool to improve corporate governance in non-traded companies, for example, privately held and state-owned enterprises.

The Principles represent a common basis that OECD Member countries consider essential for the development of good governance practice. They are intended to be concise, understandable and accessible to the international community. They are not intended to substitute for private sector initiatives to develop more detailed "best practice" in governance.

Building good corporate governance has been an integral part of developing a sound private sector basis for economic growth in OECD economies. Public and private sector decision-makers have paid considerable attention to issues, such as property protection, and the rights and responsibilities of different participants in the governance of the corporation. This interest stems from a broader concern for the efficient allocation of resources and the development of capital markets.

Countries and corporations within the OECD are also experiencing a convergence in governance practices. Driving this convergence is the institutionalisation and internationalisation of equity ownership. This trend provides new investment opportunities, and better access to capital for companies. However, for countries to reap the full benefits of these opportunities, governance arrangements must be credible and well understood across borders.

Main issues for discussion:

- *What areas do the OECD Principles of corporate governance cover?*
- *What have been the most important legal and regulatory cornerstones for developing effective corporate governance practices in the OECD countries?*
- *What examples can illustrate good governance as enshrined in the Principles?*
- *To what extent they are relevant to non-OECD countries and how they can be implemented in a transition setting?*
- *What are the main recent trends shaping the corporate governance landscape in OECD countries?*

2. **Session II** will examine the current corporate governance framework in Romania with a special emphasis on the ownership and control structure of the Romanian corporate sector and their determinants.

The history and achievements of the transition process from a centrally planned to market economy in Romania are important to understand the development of the corporate sector. One of the most important reform efforts since transition began is privatisation, through which the ownership and control of enterprises is transferred to private hands. The policies addressing enterprise restructuring and exit, as well as the main actors in this process and its results are also important determinants of the current corporate ownership structure.

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The need to mobilise outside capital is another important factor in shaping corporate governance. As in OECD countries, stock exchanges in Romania are promoting good governance practices. However, their influence may still be limited due to the fact that the markets are in their infancy. The banks, which currently serve as the main source of corporate finance, may play a significant role in disciplining and monitoring management.

Main issues for discussion:

- *What are the recent developments in corporate governance practices in Romania and their driving forces?*
- *What are the main characteristics of corporate ownership and control in Romania? What are the determining factors that shape these characteristics?*
- *What is the role of the equity market in the financing of corporations and how important is the stock market in corporate finance? What is the ownership and control situation in an average listed company? Is stock market discipline perceived as an important governance factor?*
- *What is the role of the banking sector in corporate governance? Do banks own a considerable part of industry? Do they have other means to exercise corporate control and if so, how do these arrangements work?*

3. The purpose of **Session III** is to discuss issues related to the rights of shareholders and their equitable treatment.

Shareholders have certain basic rights including those to secure ownership and registration, convey and transfer shares, obtain relevant information, share in residual profits, participate in basic decisions and at general shareholder meetings, and fair and transparent transfers of control. The protection of minority shareholders enhances investor confidence and ultimately improves access to external capital for the company. In order to obtain a perspective on corporate behaviour toward shareholders, representatives of listed companies and institutional investors will address accomplishments and challenges in managing shareholder relations.

Particular emphasis will be put on the legal framework of shareholder rights and protection. Legal protection is particularly important for minority shareholders as management has fewer incentives to address their interests than those of controlling owners. With unequal access to information, minority shareholders may be vulnerable to abuse such as insider trading or abusive self-dealing. It is vital that effective legal procedures be established so that minority shareholders could obtain redress for grievances at a reasonable cost and without excessive delay.

Main issues for discussion:

- *What are the mechanisms for shareholder protection in Romania? How effectively are the rights of shareholders being protected? Have shareholders been treated equitably?*
- *How can minority shareholders be protected against transactions that are based on conflicts of interest between the corporation and its major shareholders/management? What are the most common practices in this respect?*
- *Does the legal framework provide for fair treatment of shareholders? How can enforcement be strengthened? Can shareholders obtain redress for violation of their rights? Are there institutional issues to be addressed for better shareholder protection?*

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4. The way a company is managed matters not only to shareholders but also to other persons who may have a stake in the company. **Session IV** will assess the corporate governance role of stakeholders, including employees, creditors, suppliers, customers and the communities in which the company operates.

Although a key aspect of corporate governance is the interaction between shareholders and management, corporate governance is also concerned with finding ways to encourage the various stakeholders in the enterprise to undertake socially efficient levels of investment in firm-specific human and physical capital. It is important that the corporate governance framework recognise that the interests of the corporation are served by acknowledging the interests of stakeholders and their contribution to the long-term success of the corporation.

In some OECD countries, certain stakeholders are significantly involved in the corporate governance process. Where credit is a primary source of finance, banks may play an important role in providing external discipline to corporate management. Employees are sometimes formally admitted to participate in the governance process through board representation. Employee stock ownership plans are also widely used to align the interest of owners and employees. In Romania, privatisation provided employees with the opportunity to own shares. Employees have, however, reportedly been inactive in decision-making.

Main issues for discussion:

- *What is the role of stakeholders in the corporate governance practices of Romania? How are they involved in the governance of the enterprise?*
- *Does the corporate governance framework permit performance-enhancing mechanisms for stakeholders?*
- *Where stakeholders participate in the corporate governance process, how much access to information should they have?*

5. **Session V** will examine the legal framework and the practical functions of the board, focusing upon its responsibility and accountability to the company and shareholders.

The board is an important mechanism for monitoring management and providing strategic guidance. Members of the board are appointed directly or indirectly and are accountable to the shareholders. They are expected to act in good faith, with due diligence and in the best interest of the company and the shareholders. At the same time, the board must ensure compliance of the company with applicable laws and take into account the interests of stakeholders.

Certain key responsibilities of the board such as audit, nomination and executive remuneration may require the attention of independent, non-executive directors. It is often accepted as best practice that the board in public joint-stock companies include a sufficient number of members who are not employed by the company and (except for share ownership) are not closely related to the company or its management through significant economic, family or other ties.

Main issues for discussion:

- *What is the role of the board in corporate governance in Romania? What are the main responsibilities of the board?*
- *What is the common board structure? Does it work? What are the major obstacles? What can be done to enhance the responsibility and accountability of the board?*
- *How do boards balance the interest of minority shareholders against those of controlling ones?*

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- *How has thinking been evolving on the need for independent directors? What role should they play and what duties should they have?*

6. **Session VI** will highlight the importance of transparency and disclosure for good corporate governance. It will also explore recent developments in accounting and auditing standards in Romania.

Disclosure can be a powerful tool both for influencing the behaviour of companies and for protecting investors. Shareholders and potential investors require access to regular, reliable and comparable information in sufficient detail for them to make informed decisions about the acquisition, ownership and sale of shares. Disclosure also plays an important role in the monitoring of enterprises.

Main issues for discussion:

- *Is disclosure adequate for investors in Romania? Are the current financial accounting standards adequate for market participants and for the purposes of governance?*
- *To what degree do existing disclosure channels provide users with timely, accurate and relevant information? What areas require further development?*
- *What mechanisms can be useful in improving effective transparency and disclosure? In this connection, who should be the main bodies that set rules and/or ensure effective implementation?*
- *Are international standards being used? What are the merits and risks of introducing international accounting standards? Should the standards be applied to all corporations? How can effective implementation of such standards be ensured?*
- *What instruments do securities market regulators have at their disposal to ensure compliance with legislation related to transparency? Have these been effective? What are some of the challenges and how can they be addressed? Is the existing institutional set-up effective?*

7. **The concluding session** will assess the policy implications of the discussion for the future development of corporate governance in Romania.

8. The analytical report on the corporate governance framework and practices presented at the meeting will be updated to reflect the main conclusions and recommendations from the papers and discussion and will be sent to participants after the meeting.