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ORIGINAL SCIENTITIC PAPER

# Corporate Governance of the Companies Listed on the Belgrade Stock Exchange: Metadata Analysis Based on the Results of the Methodology G20/OECD Questionnaires

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**ABSTRACT**

The present article addresses the ex-post metadata statistical analysis of the corporate governance questionnaire of the listed companies at Belgrade Stock Exchange. The period is 2013-2020, with 50 reports filed as public information at the official website of the exchange. Methodology is based on the standardized approach promulgated on the IFC technical support to the exchange. It reflects fully the G20/OECD corporate governance principles and corporate governance assessment quality based on this method. The statistics consisted of handling of large and voluminous data with 50 questions, while the question No. 3 was included as a number but not as a question in the reports. Statistical calculation allowed us to make some conclusions and recommendations. At the same time, we are aware that those reports were not assured or audited internally within the companies, externally by the auditors or by the stock exchange itself. The main goal of our analysis was to give a standard and harmonized overview on the quality of corporate governance of issuers at the Belgrade Stock Exchange, which in turn could be compared with the relevant exchanges worldwide, also to be used for policy makers, regulators and issuers to make practical steps to further improve the quality of corporate governance

**Key words:** *Corporate governance, listed companies, Belgrade Stock Exchange, balanced scorecard, G20/OECD/IFC*

**JEL Classification:** O16, G3, G34, M41, M42

## INTRODUCTION

As any other deep and profound economic crisis this one shall have a dire consequence on the business performance of the companies. It is at the same time a chance for the positive changes that companies in Serbia could and should embrace the culture of corporate transformation. Stakeholders in the corporation existing and the potential as new investors shall have more sharp focus on the corporate governance, corporate social responsibility and overall business and financial performance. The economic crisis shall certainly have negative impact on the quality of corporate governance and social democratic values. Regulatory bodies and agencies should be aware of that fact and take into the account of their regulatory actions to counter-measure the before mentioned negative effects. Companies could react twofold. To behave fully reactively and resist change, or to embrace it, seeing their long-term strategic goals. The overall global economic and social landscape is going faster and faster into a direction of drastically

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environmentally and socially conscious and accountable doing business. If the companies and Serbian national economy shall not opt to go into this and the only perspective and real direction that will pave the way to peril for the Serbian companies, economic growth, no doubt.

The shift waiting Serbian companies and the need for change in the sphere of corporate governance is opportunity to embrace change, to adjust, to harmonize, to be socially responsible and sustainable, since this is the only way out. We are in front of the long-term changes in the pattern of work. Work from home and distance working regardless of the conservative management negative reaction shall turn into a "new normal "whenever the costs are at stake, and the costs shall be even more at stake from now on.

Consequently, the effective corporate governance shall become more important than ever since the investors and stakeholders are more interested in the going concern of the business and in the sustainability. It becomes even more important not only "what "the companies do but rather "how "they do it.

IFC as a member of the World Bank Group is representing in Serbia and globally the biggest development institution. Its activities were focused to promote the private sector in the Serbian transitional economy. Expanding and growing listed companies are promoting employment and standard of living, economic growth and social stability, while attracting and productively mobilizing the inflow of capital into businesses. In order to ensure sustainable development and growth in Serbia joint stock companies have been assisted in the time span extending over few recent decades, helping them to attract the capacity for investments, for which is the only solid foundation the highest quality of corporate governance and social responsibility. The equally important aspect on this strategic footstep orientation is to inform the general public while increasing the public awareness on the role and significance of the quality of corporate governance. Good corporate governance is a model for the issuers to attract the domestic and foreign investors in the private sector, and shall be even more and increasingly important in the forthcoming economic crisis 2021 onwards. Serbian issuers which follow the international standards of good corporate governance principles founded by the G20/OECD shall improve corporate economic efficiency, performance of the top management, board of directors, protect the interest of shareholders, stakeholders and the public interest as well. This study with its preliminary results is aiming to instigate and stimulate the management board to clearly define objectives and goals at the interest of shareholders and stakeholders, while at the same time increasing the efficient use of the scarce resources. The broader goal is also to spread this attitude and orientation towards increasing quality of corporate governance to all private and public companies also in Serbia.

## OECD PRINCIPLES OF CORPORATE GOVERNANCE AS A FOUNDATION OF THE SCORECARD ANALYSIS

One of the leading, respected and influential think-thank is the Organization of Economic Cooperation and Development – OECD, as a pioneer in this field. They have published the first set of corporate governance principles in 1999 (OECD, 1999) and revised version in 2004 (OECD, 2004). The so-called OECD Principles are focused on the legal and regulatory frameworks for the corporate governance and the level of national jurisdiction (Compliance Online, 2020). OECD Principles are promoting the following key aspects:

- Creating effective and efficient regulatory framework for the corporate governance;
- Protecting the shareholders and keyholders rights;
- Treatment of shareholders on an equitable base;
- Ensuring the position and interest of other stakeholders in the regulatory framework;
- Information disclosure and reporting transparency;
- Duties and responsibilities of the management board.

Corporate governance as a pillar of equity investments supported by the strong an efficient capital markets, rule of law, clearly defined and separated responsibilities of the complex system of the regulatory and supervisory bodies and institutions, as well as the strong legal and regulatory enforcement authorities. Principle of corporate governance are one of the central pillars of the globalization, while the corporate law evolves via domestic mechanisms, so it is very important for Serbia to follow the international trends. Corporate governance mechanisms also become a vital part of the international agreements. This fact is enabling Serbia to harmonize with the unwritten international standards and regulation, also to be a part of the positive development by producing the real changes in the quality of corporate governance. (Sachs, 2019).

Basic shareholder rights could be grouped into the following:

- Secure registration of ownership rights;
- Secure transfer and convey of shares;
- Availability of the timely and relevant information about the company;
- Right of shareholders to participate and vote in the general shareholders meetings;
- Share in the company's profits.

The equitable treatment of shareholders including the minority and foreign shareholders is rather complex requirement to be implemented in countries like Serbia, since the legal profession does not fully grasp the economic ratio and context. From the regulatory point of view the rights of minority shareholders have not been addressed adequately, taking into the account that the renewed national stock market is rather small, slow, and not with so many issuers and investors. Closely with that the role of stakeholders should be readdressed. Issuers should have a better sense and communication with minority shareholders and stakeholders in general (The World Bank, 2020). The reaction of the Serbian regulatory community has been strengthening minority investor protection, but the outcome could not be assessed right now, as the market is slowing down. Further studies should clarify the level of good intentions turn into a positive practice of protecting minority shareholders. The topic of adequate and timely and accurate disclosure is material in corporate reporting in every sense. The external audit function is not well understood, accepted and the role of its influence on the quality and transparency of the national financial reporting system and in the national economy as a whole (The World Bank, 2016).

The effective monitoring and control of the operations of the board, with a focus on the accountability, especially in the view that the forthcoming reforms in EU and in UK in 2021., and onwards shall directly define the responsibility of the top management for the materiality in corporate reporting (Jones, 2021). The foreseeable future is that the company directors shall be considered personally liable for the accuracy of financial statements and very soon for the whole framework of non-financial information reporting, as reflected in the forthcoming EU regulation (Legislative, 2021). EU has been firmly determined to review and update the non-financial reporting directive before the April 2021.

The balanced scorecard for corporate governance (BSCG) could be portrayed twofold as important guidelines for the domestic issuers but also very relevant for all savvy and conscious corporate governance and corporate socially responsible companies in Serbia. Peković, Zdravković & Pavlović (2020: 121-132), (Raičević, et al., 2018: 92-102) focused on the model to explain the role of balanced scorecard in assessment of the performance of board of directors, one of the most important feed-back mechanism of corporate results.

Equally important is that the information from the BSCG is a beacon and orientation for the corporate strategies and the impact of the corporate sector in the national, regional and global economy. The advantage of this approach is in its simplicity, understandability and efficient application in the corporate practice, as well as important information for the financial

institution like the Belex and national and international regulatory bodies (Belex, Serbian SEC, National Bank of Serbia, Ministry of Finance of Serbia) (Seskar, 2014: 2).

## RESEARCH METHODOLOGY

The balance scorecard methodology promoted by the IFC, based on the globally standardized, widespread and accepted methodology created and continuously curated by G20/OECD, has been introduced at the Belgrade Stock Exchange (Belex) by the IFC. This global financial institution has created the set of two toolkits which distils practical experience of 17 developed and developing countries. These toolkits are offering practical advice on building corporate organizations that are educating and training company directors on the best practices of corporate governance (IFC, 2003, 2005). IFC assisted Belex and issuers in obtaining know-how, training, implementation and subsequently it has been introduced at the official public website of the Belex. Joint stock companies (companies) listed at the primary and secondary securities listings where the companies are filing and publicizing the questionnaires. We have covered the period 2013-2020, accessing the individual filed questionnaires from the different issuers, various years. For some issuers there were more than one, but all without any regularity. The statistical metadata analysis has been consistently applied to all 50 questionnaires. It has been applied consistently G20/OECD balanced scorecard methodology of questionnaires to report on the level of overall quality of corporate governance.

The questionnaires were not enlisted in a structured data base, but at the random public access register. The names of the companies are not relevant for the overall conclusion on the level of the quality of corporate governance of issuers at Belex. This metadata analysis could be helpful for further research as it is a standardized methodology which is offering full consistency and compliance with the similar studies and research globally, since all stock exchanges and issuers are strictly following the methodological and reporting guidelines envisaged by the IFC based on the G02/OECD methodology.

Orderly regulation of the national capital markets is a crucial to strengthen the national economy (Gurria, 2019: 1). Globalization trends increases the integration of capital markets, business, interdependence of investors and issuers. Different legal, regulatory systems, economic and social systems, cultural traditions are also a solid foundation for the harmonization of the regulation and practice of corporate governance.

G20/OECD methodology is improving and "standardizing" the so-called global language of corporate governance, improving the regulatory and operational framework (OECD, 2017). In turn this is the best guidance for the Belex, investors, stakeholders, issuers and the general public in Serbia. As improved quality of the corporate governance is ensured and the long-term sources of capital are increasing to inflow to the companies as investors are increasing confidence in the corporate performance and from now on even more of the agility and integrity of issuers. G20/OECD principles of corporate governance help policy makers in Serbia to evaluate and improve the legal, regulatory and institutional framework. This in turn is supporting the economic efficiency, sustainable growth and financial stability of the transition economy as Serbia is. Principles developed by the OECD Corporate Governance Committee in cooperation with the World Bank are very useful for the policy makers in Serbia since they are offering in practice clear clarifications what is going in that so called "Harvard Black-Box" of corporate governance of issuers at Belex.

Methodology is backed by the Belgrade Stock Exchange - Belex Code, and the Serbian Chamber of Commerce and Industry relevant codes - CCIS Code, and practice of corporate governance in Serbia (Zivkovski, 2020), with the full backing of the Serbian Securities and Exchange Commission (Seskar, 2014: 1-2) (EBRDM, 2016: 1). According to Seskar, methodology was mainly the mirror image of the German approach with the full support and backing of the Global Corporate Governance Forum sponsored and supported by the World Bank/IFC (Global,

2016: 1,12), but in earnest this is IFC implementation of the G20/OECD approach. Mirror image of this methodological approach is governance scorecard for institutional investors globally (Institutional, 2019). Corporate governance is the key ingredient and the solid foundation of the stock markets expansion, investment and economic growth. The need of entrepreneurs in Serbia to raise financing to fuel the corporate growth is moving from the debt towards the equity market (Isaksson, 2017: 5-6). Those market/s should be attractive to investors, transparent to stakeholders, protecting the rights of minority shareholders and preserving the corporate social responsibility (IFC, 2016: 31). Controlling the majority shareholders could be only effectively implemented and addressed through the real and potential mechanisms to address the corporate governance issues stemming from the such uncontrolled power of the majority shareholders and top management teams (Nenova, 2005: 181-222), (Ljutić, 2013). It promotes the private sector, stabilize the national economy and the financial and banking system.

Countries with strong corporate governance and financial systems even if some are the emerging economies like Serbia could be attractive to foreign investments. What is worrisome in Serbia is the instability and the lack of motivation of the institutions like Belex, Serbian SEC, Central Bank, not wholeheartedly to support the need for continuous process of improvement of the quality of corporate governance. Adoption of the code, improvement and continuous work on is a positive strategic option, but the real value of scorecard is practical opportunity to measure something until now almost unmeasured but more than important to attract the domestic and foreign investors (OICV-IOSCO, 2016). In essence the application and practice of corporate governance looks like the "Bridge too far." In the transition economies like Serbia with a relatively weak analytical community and rather low demand for such information there is no real push for improvement. Quality of corporate governance gives companies wide opportunity for benchmarking, aiming to improve the quality of the corporate governance performance, while the costs are kept at minimum. The common component building blocks of the corporate governance scorecard are logical and complementary leading to a final scoring. On the other hand, we are facing with the objective obstacle that the issuing companies are somehow reluctant to "open up the heart and mind, "since the picture portrayed is rather a wide-angle landscape photo which reveals a lot between the lines. As we know the best remedy for viruses and bacteria is the Sunlight, and also for investments the full information of the public about the corporate governance and social responsibility of the issuer. Logical starting assumption is that the issuers are attracted to the idea to lure equity investors. At the same time the importance of application of the EOCD Corporate Governance Code and Guidelines is at the top of priorities of the securities regulation at the national level (Gobiernocorporativoarg, 2019).

## THE STRUCTURE OF THE BALANCED SCORECARD OF CORPORATE GOVERNANCE OF ISSUERS IN SERBIA

The Scorecard methodology is consisted of six broad conceptual areas:

I Ensuring an effective implementation of the corporate governance principles including the aspect of corporate social responsibility
II Equitable treatment of shareholders (e.g., shareholders' meetings)
III Management model – responsibilities and functioning of the board
IV Corporate executive bodies and secretary of the company
V Supervision, control and independent external audits
VI Transparency and disclosure

To each broader group of related and consistent questions it has been allocated adequate weighted ponder expressed in percent. These ponders are expression on the relevancy of each area, and all in all are leading to the total maximum score of 100%, e.g., reflecting the full

compliance expressed in the answers given by the issuers, but not audited or in any other way reviewed by the Belex either/or external auditors.

Serbian promulgation of the BSCG at the beginning has been a pilot and test study. In focus were the companies from financial and banking sector, later on manufacturing and services. At the start the whole project was based on the voluntary and confidential base, as it was logical then. The reviewers additionally organized pilot on site visits, with the adequate representations on both sides (Belex, SCCI, IFC with company representatives: executive board members, CFOs, secretaries). The primary focus was on the legal compliance followed by selected advices, recommendations, suggestions, SWOT approach.

Initial assessment by the founding team at Belex was that the key benefits of the introduction and application of the BSCG (Seskar, 2014: 2) were:

- Better understanding, valuation and assessment of the corporate governance practice of issuers in Serbia;
- Tracing of the map for better and continuously improving quality of corporate governance and social responsibility (Virijević-Jovanović, at al., 2020: 105-1117);
- Principles of corporate governance at the Belex in Serbia are supporting investment and generating growth, while the operational efficacy and quality is the critical factor for the quality assessment. The impact on the domestic corporate and financing laws is immensely positive, and located problems and neuralgic spots should be solved and dismantled, in order to create a common new framework of reference of the quality of corporate governance of issuers (Siems, 2017: 1);
- Harmonization with the leading international practice, as the balance scorecard in essence is very useful proven in practice management tool.
- Capacity to review the standards as minimum requirements looking into the future how to raise the bar of continuous improvement.

The change and the reform of corporate reporting from the mainly financial towards non-financial with an emphasis on the integrated, reporting, environment-social responsibility-governance (ESG), sustainability, green, is leading towards the creation of the unified global standards. This trend is now evolving under the auspices of the IFAC/IASB with the full support of all other voluntary bodies and organization. Based on the preliminary information and hints the new robust standards will cover the aspects of management responsibility for the overall reporting, while there will be introduced new mechanisms for the review, auditing and external assurance of the corporate governance and social responsibility as significant pillars of the expected new forms of non-financial reporting. The open question is the level of assurance and verifiability of the corporate governance and social responsibly information issued by the companies (IFAC, 2020).

## Survey of the Standardized IFC/G20/OECD Questionnaires of the Quality of Corporate Governance of Issuers at Belgrade Stock Exchange

The methodological approach we have adopted is based on the standardized widely acclaimed and approved methodology introduced, developed continuously and applied in practice by the IFC in almost all the member countries. The main purpose of this reporting by the issuers in the period 2013-2020, was to give an overview insight into the practice with a goal the external users of information could determine the level and quality of corporate governance, to identify the problems and to solve them proactively in order to make companies issuers more productive. The methodology based on the balanced scorecard approach is giving an excellent inroad to analyse the interaction in practice of the norms and real performance, based only on the reports of issuers, for which in turn issuers are legally and regulatory liable. This approach has given us the opportunity to obtain a deeper insight into:

- the current and in the prolonged period the quality of corporate governance practice in joint stock companies and banks at the listing of Belex;
- The level and quality of compliance of issuers with the pertinent Serbian corporate and related legislation and with the national and international codes of corporate governance;
- to further locate and pinpoint the bottlenecks and problems in practice.

**Applied statistical metadata methodology in this research**

We have focused and covered all the published corporate governance questionnaires of issuers at Belex, period 2013-2020. All in all, all the publicized 50 reports by various issuers for the covered period, with 50 standardized questions (Note: Question Number 3 does not exist, but that was not a problem for the proper analysis), which in turn is a stable approach to handle and include all the publicly available data reports. We were not able to conduct individual interviews with the representatives of issuers, as this was not the goal of this initial study. We have statistically covered the final data and then we have processing, statistically summarizing, and presenting the analysis of the results we have obtained. The issuers and respondents are legally liable for the truthfulness of the data, and as the data has been publicized at the official website of the Belex, as it is public information revealed, not more than that. Our role and goal of research was clearly not to critically overview and objectively deeper assess the value of data, although we stress that we do not express negative opinion on that either. The answers were on three levels or types with grades, yes (1), partly (0, 5), no (0).

**Timeframe of the survey**

The surveys were conducted by the issuers and reported by Belex in the period from 2013 until 2020.

**Survey coverage**

In the survey we have covered all 50 questionnaires supplied by the issuers, whose questionnaires we were able to locate at the official Website of Belex.

## SUMMARY OF QUALITY OF CORPORATE GOVERNANCE SURVEY OF ISSUERS AT BELGRADE STOCK EXCHANGE

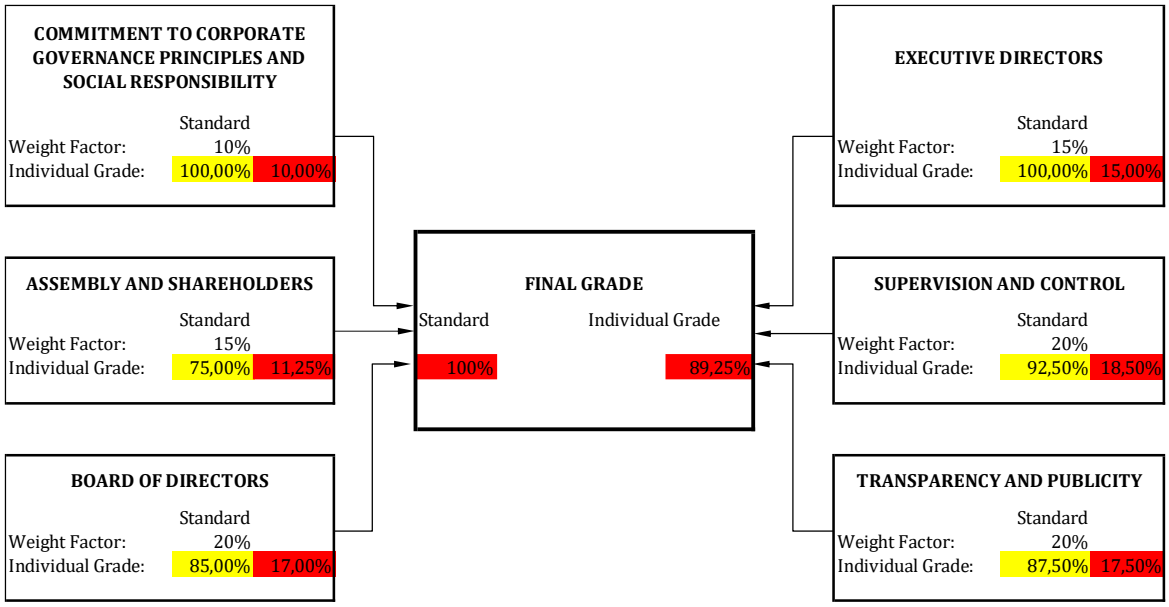


**Figure 1.** SCORECARD for the Corporate Governance Code in Serbia: Overview of results and the final grade (total score)

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021.*

The flowchart (Figure 1) is representing the balanced scorecard with the accompanying (Figure 2), is showing that the commitment to the corporate governance principles and corporate governance social responsibility is 100%, assembly and shareholders 75%, board of directors 85%. While it is full 100% for the executive directors, 92.5% for the supervision and control activities, transparency and publicity 87.50%. The overall score of the quality of corporate governance is rather high with 89.25% out of the maximum based on the scorecard standard 100% (Figure 3).

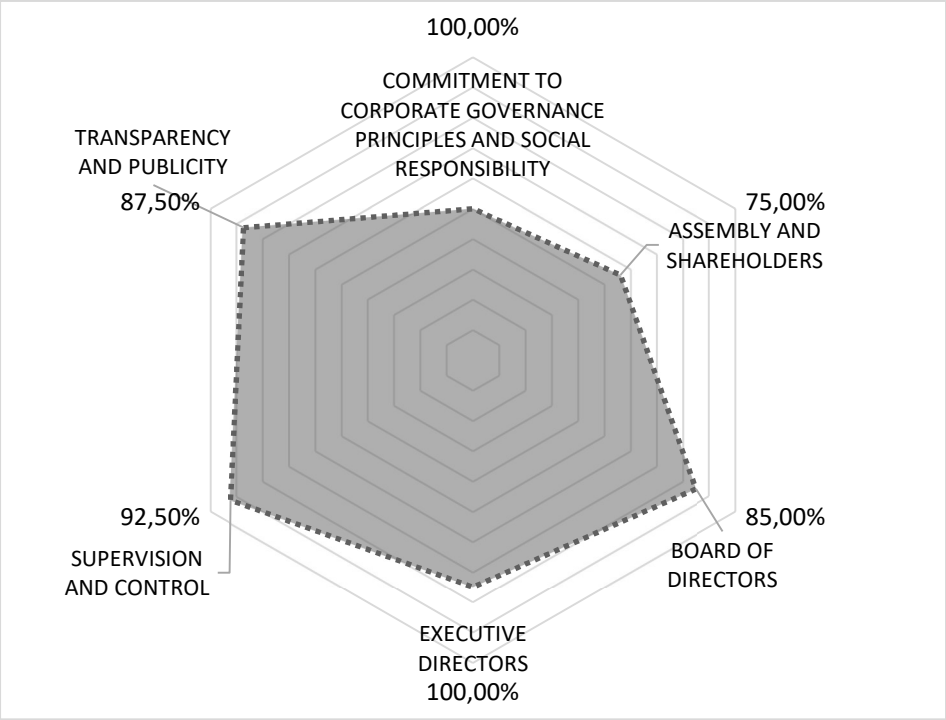


**Figure 2.** SCORECARD for the Corporate Governance Code in Serbia

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021.*

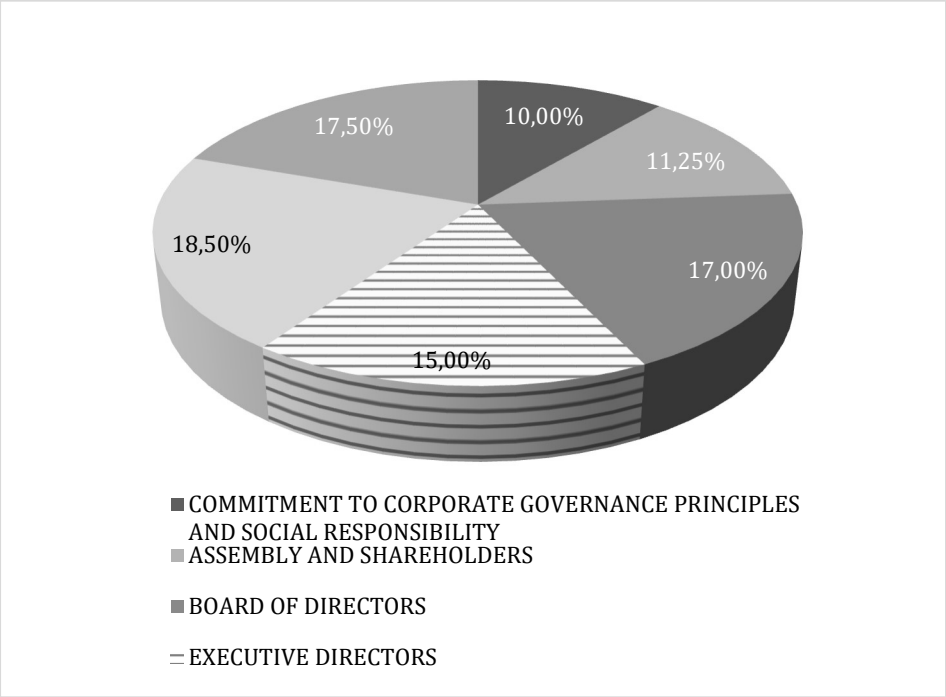


**Figure 3.** Final Score per Group of Questions

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021.*

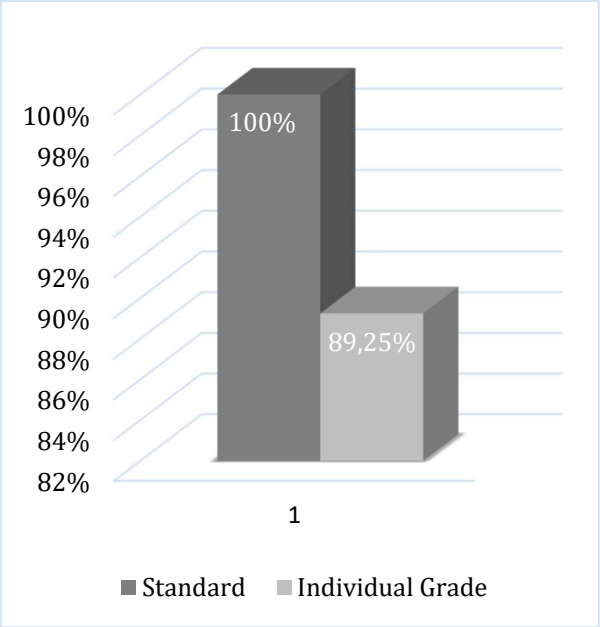


**Figure 4.** Final Grade

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021.*

**Table 1.** I Connitment to corporate governance principles and social responsibility (10%)

| Criteria: | Responses (1) | | | Standard weight factor (2) | Score (3)= (1)x(2 |
|---|---|---|---|---|---|
| | 1 | 0,5 | 0 | | |
| | yes | partly | no | | |
| 1. Has the Company adopted its own Code of Corporate Governance or has it applied another organisation's Code of Corporate Governance? | 1 | | | 33% | 33,00% |
| 2. Have applicable corporate governance principles been incorporated into the Company acts and are they easily available to all stakeholders? | 1 | | | 33% | 33,00% |
| 4. Does the Company publish in its annual reports the information on its business operations' compliance with the corporate governance principles or provide explanations for any departure from the principles, in line with Article 368 of the Law on Commercial Entities? | 1 | | | 34% | 34,00% |
| | | | | 100% | 100,00% |

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021.*

All the companies on the sample have responded positively on all the three criteria of commitment to corporate governance principles and corporate social responsibility. They all have adopted their own code of corporate governance, applied the principles, incorporated in the company internal regulation, with easily accessible information to stakeholders. Annual reports and related information were publicized jointly with the compliance of the principles of corporate governance, that is easy, but in essence formal and necessary first inroad step into the right direction. On the following Figure 5, is portrayed that compared to the balanced scorecard grade criteria, issuers have achieved full compliance, that is excellent itself.

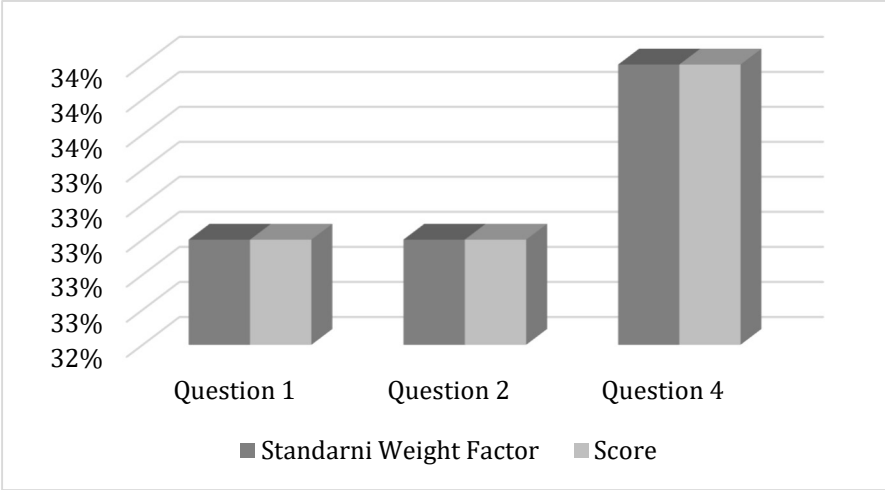


**Figure 5.** Commitment to corporate governance principles and social responsibility

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021.*

**Table 2.** II Assembly and shareholders (15%)

| **Criteria:** | **Responses (1)** | | | **Standard weight factor (2)** | **Score (3)= (1)x(2)** |
|---|---|---|---|---|---|
| | **1** | **0,5** | **0** | | |
| | **yes** | **partly** | **no** | | |
| 5. Does an Invitation for meeting of the Shareholders Assembly include all the prescribed elements and information, including the Shareholders Day details and information on shareholders' rights to participate in the activities of the Shareholders Assembly and propose items of the agenda, with timeframe for exercising these rights, as well as the description of voting procedures, either by proxy, absentee ballot or electronically? | 1 | | | 8,33% | 8,33% |
| 6. Is the Invitation for meeting of the Shareholders Assembly, with all relevant explanations and information submitted to the Stock Exchange for the purpose of publishing in the regulated market, i.e., MTP Belex, immediately after its sending (publishing) to shareholders? | 1 | | | 8,33% | 8,33% |
| 7. Are the materials for the meeting of the Shareholders Assembly available on the Company website? | 1 | | | 8,33% | 8,33% |
| 8. Has the Company established some of legally prescribed options for online participation in the Assembly activities, and if so, in which manner? | | 0,5 | | 8,33% | 4,17% |
| 9. Does the Company publish adopted decisions and minutes of the meetings, immediately, i.e., within prescribed deadlines, after the meeting? | 1 | | | 8,33% | 8,33% |
| 10. What materials, decisions and other relevant documents related to the Shareholders' Assembly, if any, are also prepared and published in English? | 1 | | | 8,33% | 8,33% |
| 11. Has the Company adopted the Shareholders' Assembly Rules of Procedure and does this or other Company act set forth rules and procedures which ensure that shareholders are provided with timely answers to all relevant questions concerning the Assembly? | 1 | | | 8,33% | 8,33% |
| 12. Has the Company clearly defined its dividend policy and the procedures and deadlines for its distribution? | 1 | | | 8,33% | 8,33% |
| 13. Has the Company issued shares in the previous year with restriction on shareholders' option to buy new emissions of the Company shares? | | | 0 | 8,33% | 0,00% |

| Criteria: | Responses (1) | | | Standard weight factor (2) | Score (3)= (1)x(2) |
|---|---|---|---|---|---|
| | 1 | 0,5 | 0 | | |
| | yes | partly | no | | |
| 14. Has the Company established its mechanism for prevention and settlement of possible conflicts between its shareholders and the company? | 1 | | | 8,33% | 0,00% |
| 15. Is comprehensive information on the proposed nominees available to the Shareholders' Assembly when selecting Board members, particularly the information on any relations to the Company, affiliated parties, competitors and main business partners of the Company? | 1 | | | 8,33% | 8,33% |
| 16. Are shareholders enabled to exercise their rights to unrestricted participation in the Shareholders' Assembly activities and decision-making? | | 0,5 | | 8,33% | 4,17% |
| | | | | 100% | 75,00% |

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021.*

Aspects of the assembly and shareholders relationship covered the wide criteria, from the invitation to the shareholder assembly (regular annual, other), invitation, supplied materials and related information available on the company website. Issuers have partly established some form of the legal prescribed options for online participation at the assembly activities (Question 8). All other aspects like publication decisions and meetings minutes, dissemination of relevant information and documents, adopted rules of procedure for shareholders' assembly are handled on a timely bases with prompt responses, transparent dividend policy. It is evident that the companies have not issued shares in the previous year (question 13). It is significant the positive response of issuers on the company which has established its mechanism for prevention of settlement of possible conflicts between its shareholders and the company. The process of selection of the board members, revealing the information on any relations to the company (e.g., related party transactions) has a positive response, while the shareholders was only partly enabled to exercise their rights to participate in the activities of the shareholders' assembly, which a fact which should attract attention in the further subsequent research.

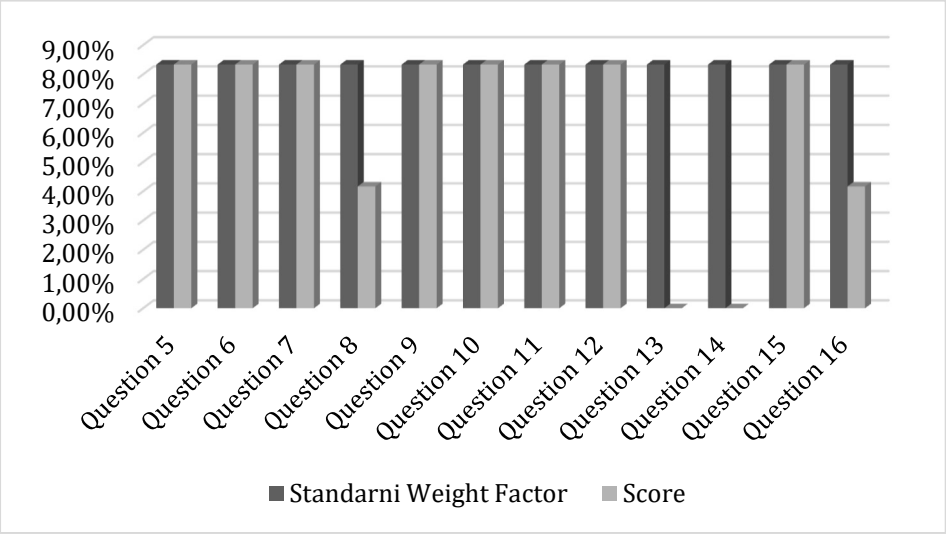


**Figure 6.** Assembly and shareholders

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021.*

**Table 3.** III Boards of directors (20%)

| Criteria: | Responses (1) | | | Standard weight factor (2) | Score (3)= (1)x(2) |
|---|---|---|---|---|---|
| | 1 | 0,5 | 0 | | |
| | yes | partly | no | | |
| 17. Which governance system has the Company set up? | 1 | | | 10% | 10,00% |
| 18. Do the Company acts define in more detail the competence of the Board of Directors, i.e., the Company's Supervisory Board? | 1 | | | 20% | 20,00% |
| 19. Do the Company acts define criteria for required expert and professional knowledge and experience, as well as other conditions for appointment of Board members? | | 0,5 | | 10% | 5,00% |
| 20. Does the Board of Directors prepare analyses and assessments of the quality and efficiency of its activities minimum once per year, and propose measures and activities for their improvement, notifying shareholders of the above measures? | 1 | | | 10% | 10,00% |
| 21. Are independent directors, i.e., independent members of the Supervisory Board under any obligation to inform the Company and its shareholders of all changes which may affect their status in terms of independence? | 1 | | | 10% | 10,00% |
| 22. Has the Company adopted a transparent and publicly available remunerations policy for the Board of Directors members and is the remuneration amount dependent on their contribution to attaining corporate financial and non-financial results and business goals? | 1 | | | 20% | 20,00% |
| 23. Has the Company's board, apart from the law-prescribed Audit commission, formed any other Commissions as well, specifically other expert advisory bodies? | | 0,5 | | 10% | 5,00% |
| 24. Are the remunerations which are paid to the Company's Commission members included in the remunerations policy for the Company's Commission members, i.e., determined within the framework defined by the Company's assembly? | | 0,5 | | 10% | 5,00% |
| | | | | 100% | 85,00% |

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021.*

The composition of the board of directors, adopted governance system, the important role of external independent directors and also the composition and functioning of the supervisory board is more than important and positive response also for the transparent and publicly available remunerations policy for the board of directors and members (e.g., measured contribution to financial and non-financial performance. On the other hand, the partly implementation of the law request to establish the audit board (commission) and other expert advisory bodies is the reflection of the not full and adequate understanding of the important and more than useful role of this control mechanism. This is also a clear indication that also remuneration for these bodies is not adequately regulated, since the companies are probably reluctant to use the full possibility of potential full contribution while at the same time to pay those external experts adequately. The neuralgic spots could be observed in the following Figure 7, on the response to the questions 19, 23 and 24.

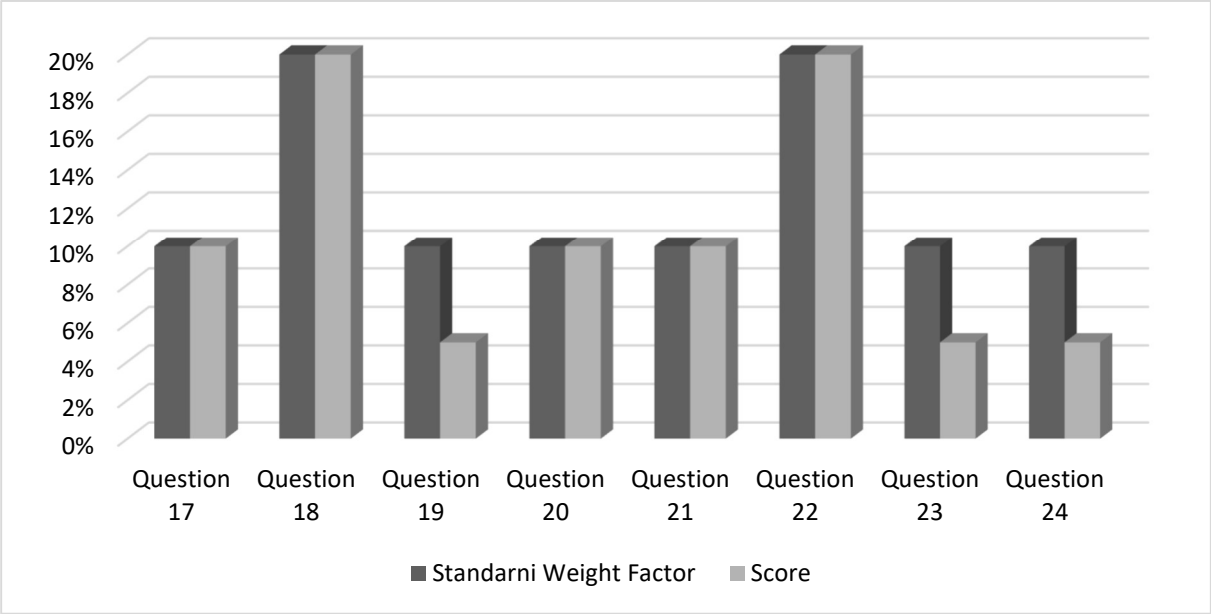


**Figure 7.** Board of directors (20%)

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021.*

**Table 4.** IV Executive directors (15%)

| Criteria: | Responses (1) | | | Standard weight factor (2) | Score (3)= (1)x(2 |
|---|---|---|---|---|---|
| | 1 yes | 0,5 partly | 0 no | | |
| 25. Do the Company's acts clearly define the authorizations and responsibilities of the executive directors? | 1 | | | 20% | 20,00% |
| 26. Do the Company acts set the criteria which define the required expert and professional knowledge and experience, as well as other requirements that a person must meet to be appointed an executive director? | 1 | | | 20% | 20,00% |
| 27. Has the process of work evaluation of executive directors by the non-executive directors of the Board of Directors, or by Supervisory Board, been established and is applied, in case of a two-tier system? | 1 | | | 20% | 20,00% |
| 28. Do the remunerations for the Executive Board members comprise the fixed and variable parts (bonuses, motivation, etc.) depending on their performance in achieving financial and nonfinancial results and the Company's business objectives? | 1 | | | 10% | 10,00% |
| 29. Does the Company have efficient mechanisms to provide the accurate, timely, comprehensive, and egalitarian reporting to the Company's board members by the executive directors, specifically, which procedure is applied when reporting to the non-executive directors and/or members of the supervisory board on all issues relevant to business operations, financial status, and potential risks to the Company's assets? | 1 | | | 10% | 10,00% |

| Criteria: | Responses (1) | | | Standard weight factor (2) | Score (3)= (1)x(2 |
|---|---|---|---|---|---|
| | 1 yes | 0,5 partly | 0 no | | |
| 30. Do the executive directors report to the Company's board on the issues under Art. 416 of the Law on Commercial Entities, specifically in terms of giving qualitative opinion and analysis of important issues which significantly impacted Company's operations in the reporting period, including the view and analysis of significant Company's business risks and future long and short-term perspectives of the Company? | 1 | | | 10% | 10,00% |
| 31. Does the Company have the function of the corporate secretary and, if yes, specify the assigned duties and responsibilities. | 1 | | | 10% | 10,00% |
| | | | | 100% | 100,00% |

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021*

Board of the executive directors, as it would be expected has been well approached as a top management body and that is reflected in corporate practice. The issuers have clearly defined their authorization and responsibilities, set up the clear criteria for the expert advice (requirements of the appointment of the executive director/s). That follows the process of work evaluation of executive directors by the non-executive directors or by the supervisory board. Also are important aspects of management reporting, opinions, analysis, strategic perspectives of the company, the significant role of the company secretary. All responding questions got positive response from all the companies included in the sample, see Figure 8 below.

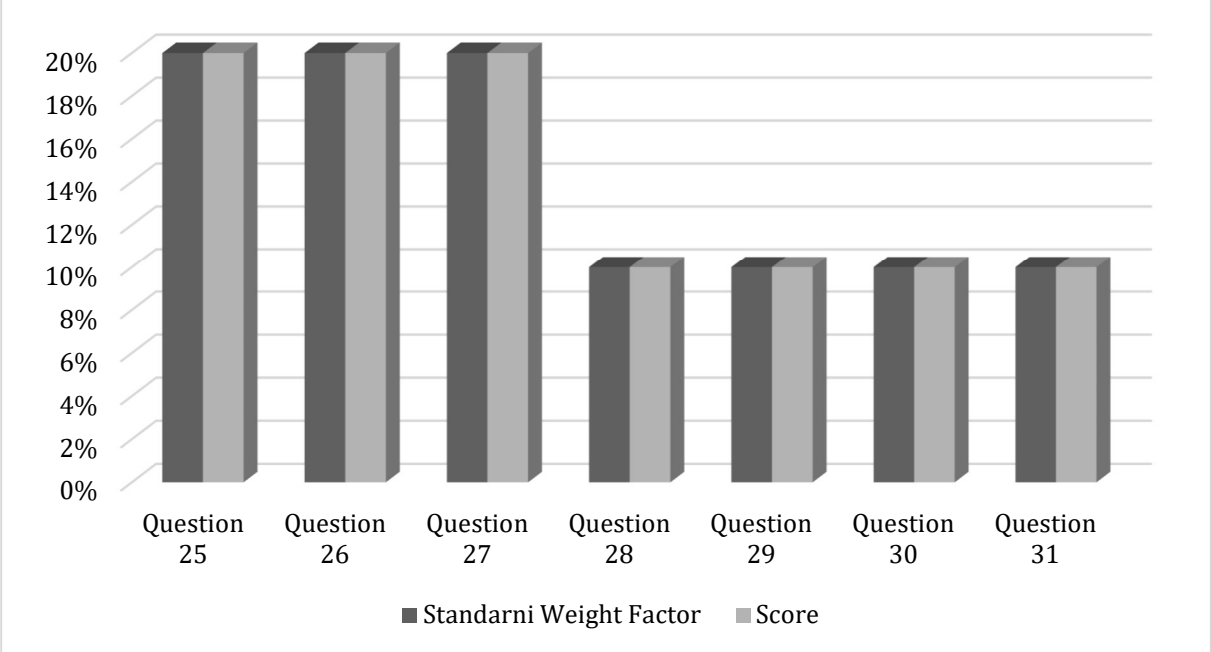


**Figure 8.** Executive directors

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021*

**Table 5.** Supervision and control (20%)

| Criteria: | Responses (1) | | | Standard weight factor (2) | Score (3)= (1)x(2 |
|---|---|---|---|---|---|
| | 1 | 0,5 | 0 | | |
| | yes | partly | no | | |
| 32. Is there the Audit Commission in the company? | 1 | | | 15% | 15,00% |
| 33. Are there any bodies and/or persons appointed for the activity of internal audit? | 1 | | | 15% | 15,00% |
| 34. Do the Company acts more specifically regulate the issues under Article 452 of the Law on Commercial Entities? | 1 | | | 15% | 15,00% |
| 35. Are there any mechanisms and rules for performing supervision and control established at the Company level, as well as the activity indicators that should suggest to the Internal Audit that the preventive audit and control need to be performed? | 1 | | | 10% | 10,00% |
| 36. Do the systems of internal audit include the insider information affairs? | | 0,5 | | 15% | 7,50% |
| 37. Does the External Auditor of the Company inform the Audit Commission on the issues under Art. 453 of the Law on Commercial Entities? | 1 | | | 10% | 10,00% |
| 38. Does the External Auditor prepare a separate internal document for the Company's board (letter for management), comprising key shortfalls identified during the procedures of control, Company's accounting and operative procedures, including the suggestions for their improvement? | 1 | | | 10% | 10,00% |
| 39. Does the external auditor attend the meetings of the Shareholders Assembly where the reports on performed audits and company's financial reports are reviewed? | 1 | | | 10% | 10,00% |
| | | | | 100% | 92,50% |

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021*

Supervision and control are narrowly focusing on the important aspects of the introduction of the audit committee or commission, internal audit function and department, at the corporate level, as the usage of key performance indicators (KPI), as well as on the effective functioning of the internal audit on the preventive manner and as a control mechanism. All those criteria (questions 32. to 35.) are having a full positive response. The companies have been somewhat not so disciplined following the pattern that the internal audit assure the quality of internal information. The cooperation between the external audit function and company's audit commission is positive. The external auditors prepare a separate internal communication to the audit commission, e.g., informing them on the quality of internal control system, and what is very valuable positive outcome is the attendance of external auditor to the meetings of shareholders assembly (Figure 9).

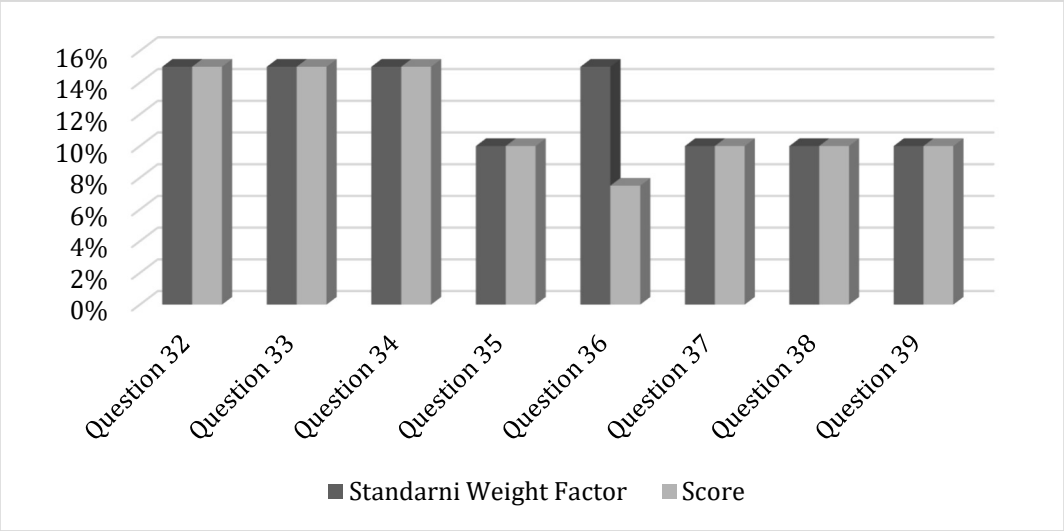


**Figure 9.** Supervision and control

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021*

**Table 6.** VI Transparency and publicity

| Criteria: | Responses (1) | | | Standard weight factor (2) | Score (3)= (1)x(2) |
|---|---|---|---|---|---|
| | 1 | 0,5 | 0 | | |
| | yes | partly | no | | |
| 40. Does the Company have a clearly defined and publicly accessible disclosure policy which defines principles, rules and procedures of reporting to shareholders, relevant authorities, public, and other interested parties? | 1 | | | 10% | 10,00% |
| 41. Does the company publish its business reports including the report of the External Auditor in compliance with the laws, by-laws, and regulations of the Stock-Exchange? | 1 | | | 5% | 5,00% |
| 42. Do the company's business reports include all law-prescribed elements, notably elements prescribed under Art. 289 of the Law on Commercial Entities and Art. 50 of the Law on Capital Market? | 1 | | | 10% | 10,00% |
| 43. Apart from information defined in the Law on Capital Market, does the Company establish and immediately publish the data which may impact the price of shares of the Company and the shareholders' status? | 1 | | | 10% | 10,00% |
| 44. Are the updated data on the Company's insiders publicly accessible, including data on the number of Company's shares/ratio of shares owned by them? | 1 | | | 10% | 10,00% |
| 45. Does the Company publicly announce the biographies data of the members of the Company board, members of the Audit Commission, and person responsible for internal supervision of business? | | 0,5 | | 5% | 2,50% |
| 46. Does the company publicly announce the data on transactions with affiliated persons and deals with persons having special authorizations in the company, and their affiliated persons? | | 0,5 | | 10% | 5,00% |

| Criteria: | Responses (1) | | | Standard weight factor (2) | Score (3)= (1)x(2) |
|---|---|---|---|---|---|
| | 1 | 0,5 | 0 | | |
| | yes | partly | no | | |
| 47. Does the Company report to the public on individually paid remunerations and other financial and non-financial rules and benefits gained by the holders of coordination, management and supervision functions in the Company, as well as by the Company's board's Commissions members? | | 0,5 | | 10% | 5,00% |
| 48. Does the Company use its own internet page to publish all relevant information? | 1 | | | 10% | 10,00% |
| 49. Is the Company's internet page organized in the manner as to enable a simple access to information relevant to investors? | 1 | | | 10% | 10,00% |
| 50. Are all relevant investment information published in the English language as well? | 1 | | | 10% | 10,00% |
| | | | | 100% | 87,50% |

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021*

Aspects of transparency and publication of the relevant information are covered in the last segment of this questionnaire (questions 40 to 50). It has included starting from the public free access of information, publication, business reports and of the insider information. Somehow companies are not so willing to publicize the full biographical information of the members of the board and on the transactions with affiliated persons (questions 45 and 46). Also, companies are somehow not fully opened up and transparent in revealing information on individually paid remunerations (e.g., financial and non-financial rules and remunerations of the members of the top management and supervisory board (question 47). Aspects of the Internet webpage for the publication of the company relevant information, pages simple to be accessed supplied with information relevant to investors, stakeholder and general public, have being covered fully. It is very positive that all that information has been published also in English language for this segment see the following Figure 10, on the transparency and publicity.

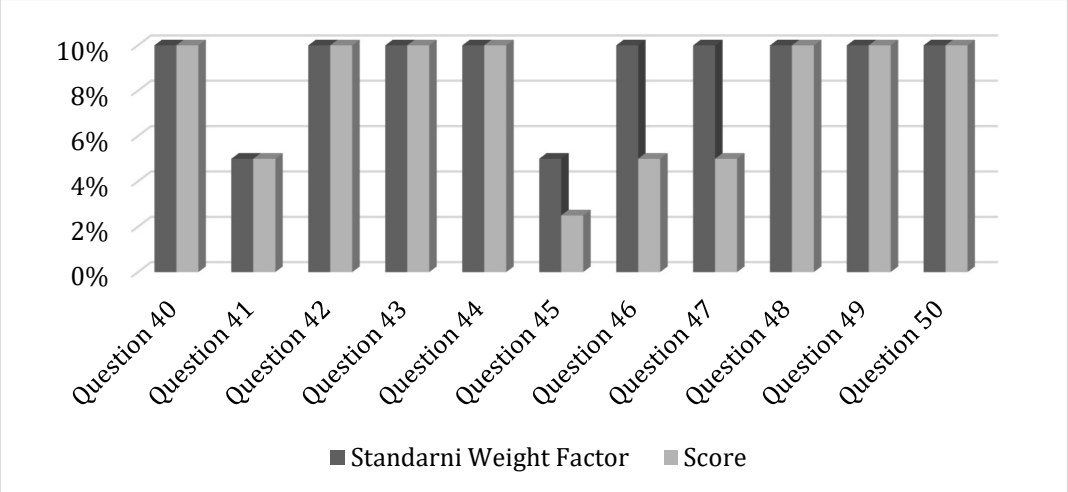


**Figure 10.** VI Transparency and publicity

*Source: Own metadata statistics based on the corporate governance questionnaires of issuers (50 reports of 50 questions), Belex, covered period: 2013-2020, Issuers News: https://www.belex.rs/trzista_i_hartije/vesti/izdavaoci. Accessed: February 8th-March 2nd, 2021*

## CONCLUSION

In the article we have analyzed the practical implementation of the G20/OECD principles of corporate governance of the issuers at the Belex, period 2013-2020. As this is rather a prolonged period, with no so many issuers, even with the change of the structure of reporting companies we have selected in the statistical sample of all 50 filed questionnaires of the corporate governance we have obtained. The standard methodology is founded on the original principles envisaged by the Organization for Economic Cooperation and Development (OECD) in 1999 (original principles), the last third version 2014-2015, as a result of the active involvement of the group of the largest developed countries (G20) as was adopted at Antalya Summit, Turkey, November 2015.

The current economic crisis from 2020 and afterwards has not been reflected in the principles since the crisis is in its early starting stages, but also strongly present and very deep with the negative consequences on the investments, sustainability and economic growth. This article is pointing out to the drastic and urgent need to improve the quality of corporate governance, to think creatively based on the results of this analysis how to implement much needed recommendations based on the OECD Principles. Unresolved issues and goals should be stressed not mainly from the aspects of quantitative analysis but from the point of view of qualitative improvements. This study is showing evidently that the stress and focus is on the formal implementation, from the transparency, standardized high quality disclosure of financial and increasingly stressing from now on even more the importance of non-financial disclosure, increased social responsibility as a key to open the doors to investors to finance the future economic growth and social stability.

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