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Adoption of corporate governance principles in the wake of the Covid-19 pandemic: The case of Slovakia

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Abstract. During periods of uncertainty, such as the Covid-19 pandemic, the significance of Corporate Governance (CG) practices is highlighted. The study aims to evaluate the adoption of CG practices in companies listed on the Slovak capital market, with a specific focus on the impact of the Covid-19 pandemic. The data were collected manually from the annual reports of these companies, and covered the period from 2016 to 2021. The Corporate Governance Index, which is developed through Saaty's method, is used to evaluate the overall level of CG implementation. Individual components of the CG Index are also examined. Between 2016 and 2021, the majority of the examined CG criteria and

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the overall CG Index showed improvement as compared to 2011 - 2015. However, currently, nearly 50% of companies do not disclose information on corporate governance, remuneration, and risk management, and many companies have not succeeded in establishing nomination and remuneration committees or making any progress in terms of board gender diversity. The Covid-19 pandemic has had a moderate impact on some criteria. On the one hand, the information on board member remuneration and risk management has moderately deteriorated. On the other hand, the audit committee has shown improvement. Nevertheless, the pandemic has not significantly affected the overall adoption of CG practices in Slovak companies.

Keywords: corporate governance index, gender diversity, Slovak capital market

JEL Classification: G19, G28, G30, G34, M14

1. INTRODUCTION

The social, environmental, and ethical dimensions of business have become important in the twenty-first century. According to Rahdari and Rostamy (2015), the dominance of profit has been reduced while the need for enrichment has grown from a social, cultural, and environmental point of view. Companies are expected to be more proactive and make more responsible choices. The environmental and social dimensions of their core business, as well as sustainable development with a strong focus on inclusive growth are necessary today. Social responsibility and sustainability, as well as the ability to strengthen relationships with stakeholders are the new opportunities for companies (Naciti, 2019; Oliinyk et al., 2023).

In the economic area of responsible and sustainable business concepts, Corporate Governance (CG) has an important role, particularly in relation to shareholders and employees. CG has become a significant factor in managing companies in the current complex global environment.

Good corporate governance is a crucial factor in determining a company's performance, as poor governance, according to Li et al. (2020), can result in business failure. Other studies, such as Abebe Zelalem et al. (2022), Dissanayake et al. (2021), Gupta and Sharma (2014), Shao (2019), and Zheka (2005) have also confirmed the positive correlation between good corporate governance and company performance. According to Gregory and Simms (1999), effective corporate governance involves protecting a company's creativity, flexibility, and freedom, and ensuring its ability to generate wealth and prosperity for civil society. Tong et al. (2022) have emphasized that having high corporate governance standards is a crucial factor in promoting investment and enhancing firm-level performance. It also plays a critical role in the economic aspect of the corporate social responsibility concept, particularly with regard to employees and shareholders, as noted by Musa et al. (2018). Furthermore, Grofcikova and Musa (2020) suggest that effective corporate governance is essential in achieving satisfactory financial performance, as the effectiveness of governance positively impacts a company's performance.

In the literature, various models of corporate governance have been discussed, each with its own approach in defining corporate governance. In this research paper, the models proposed by Roubíček (1998) are followed, which include the Anglo-American corporate governance model (Outsider System) and the Continental-European corporate governance model CG (Insider System). Other authors have also contributed to this definition, such as Mallin (2013) and Okruhlica (2013).

The purpose of establishing and improving corporate governance is to introduce good practices based on proven principles that have been elaborated into various codes and guidelines. According to Zhang &

Luo (2022), the fundamental objectives of the corporate governance system are to achieve maximum fairness and efficiency, where the principle of balance between the two being essential. The development of corporate governance principles can be traced back to 1992 when Sir Adrian Cadbury, a member of the Institute of Directors, issued the Cadbury Code of Best Practice. This code emphasizes principles of honesty, transparency, and accountability in corporate governance, primarily for the United Kingdom's conditions under a one-tier model.

The formulation of certain principles to guide the relationship between company owners, executive management, and other stakeholders was driven by both positive and negative experiences. The Organization for Economic Co-operation and Development (OECD) has been a prominent international organization in addressing this issue. In 1999, the OECD issued the Principles of Corporate Governance, which were updated in 2004 to reflect the experience of accounting scandals in many American and non-OECD countries. The OECD principles have become the foundation for the development of national codes of corporate governance in most developed countries globally.

The initiative to create a national corporate governance code was taken by the stock exchange, following a similar trend observed in many countries globally. The stock exchange collaborated with other institutions, professional associations, and representatives of listed companies to establish a Unified Corporate Governance Code in September 2002. The Code was formulated through extensive negotiations among stakeholders and subsequently became part of the stock exchange rules. The Code has been updated multiple times, with the most recent update in 2016. Taking into account the G20/OECD principles endorsed in Ankara in September 2015, the European Commission's corporate governance recommendations on independent members of corporate bodies, remuneration, and reporting, and the UN Guidelines on Human Rights of June 16, 2011. These updates were made to be in compliance with and to explain the framework of Recommendations 2004/913/EC, 2005/162/EC, 2009/385/EC, and 2014/208/EU.

The Bratislava Stock Exchange (BCPB) recognized the importance of implementing the Code's principles in the daily business operations of companies. To achieve this goal, the BCPB established an association to monitor global developments in corporate governance, encourage public, professional, and political discourse on the subject, foster the professional growth of current and potential board members, and create a knowledge-sharing platform. Thus, in October 2004, the Central European Corporate Governance Association (CECGA) was founded with the support of twenty founding members. Subsequently, on April 9, 2018, the General Meeting of the association approved a name change to the "Slovak Association of Corporate Governance" (SACG).

Ahmad et al. (2021) emphasize the importance of corporate governance and its implementation in the practice of companies. According to them, corporate governance is one of the key mechanisms to not only protect the interests of key stakeholders but also for enhancing firm value. They also state, that corporate governance codes have been introduced in most countries to ensure efficient management of companies.

One of the basic governance frameworks is information disclosure and transparency. It is in the interest of the companies to eliminate information asymmetry, which mainly occurs between managers, shareholders, investors, and other stakeholders. According to the agency theory by Jensen and Meckling (1976) the principal-agent conflict relationship can arise when the agent´s goals differ from those of the principal. This is due to the presence of information asymmetry, opportunistic behavior, and a conflict of interest between managers and shareholders (Ortas et al., 2015). These consequences can be reduced when corporate governance is conducted according to international standards in business processes, particularly financial reporting (Krismiaji & Surifah, 2020; Levytska et al., 2022)

One significant principle of corporate governance is the responsibilities of the board, which is closely related to the issue of gender equality. According to this principle, the board should ensure the strategic

management of the company, effectively monitor management, and act responsibly towards both society and shareholders. The number of board members, supervisory board members, and the gender structure have an impact on the effectiveness of these authorities, the company's performance, and the degree of information asymmetry.

The Board of Directors, according to Kaplan (2001), is the main vehicle for corporate governance and is responsible for protecting the appropriate interests of the stakeholders of a company by directing its operation and by supporting its decision-making. Krechovska and Prochazkova (2014) argue that the Board of Directors is the body that determines policies for corporate management and makes decisions on major company issues. Diversity on boards of directors can provide organizational benefits and competitive advantages such as the ability to strategically attract human resources (Cox, 2001), improve the level of corporate governance, and improve the company's performance (Bhagat and Black, 1999). For example, the presence of women on a board is expected to be positively associated with sustainability performance (Naciti, 2019; Cortellese, 2022). Women are more oriented toward social problems (according to Orij (2010) and toward environmental issues (Post et al., 2011) than men.

In this context, the study focuses on the evaluation of the level of CG practices adoption in companies listed on the Slovak capital market with a specific focus on the Covid-19 pandemic impact. For the evaluation of CG principles implementation, a CG Index is used, while its individual components are also examined and compared. The paper is organized as follows. It starts with a literature review, which is followed by a section describing the methodology applied. Then, there is a section presenting and discussing the research results, and the concluding part is summing up the most important research outcomes and recommendations for future research.

2. LITERATURE REVIEW

In Slovakia, the issue of corporate governance began to be researched only recently, with just several papers published to date. Two papers focused on creating and evaluating the Corporate Governance Index (Musa, et al., 2015; 2018), one studied the role of Corporate Governance in indebtedness and dividend policies (Musa, Rech, and Musová, 2019), another examined the impact on corporate performance (Grofcikova & Musa, 2020), and the latest paper investigated the effects of good corporate practices on the deterioration of financial variables during the Covid-19 pandemic (Musa, et al., 2022). The last study found out that companies with good corporate governance practices were less resilient during the pandemic, as measured by the deterioration of various financial variables.

However, studies of corporate governance involving the Corporate Governance Index have been criticized for their narrow focus on individual characteristics such as board size (Watson, 2013), female board representation (Strøm et al., 2014), relations of board members with owners (Farhan et al., 2020) and ownership structure (Ryu & Yoo, 2011), as they did not fully assess the quality of corporate governance. To overcome these shortcomings, other studies have taken a more comprehensive approach to create their Corporate Governance Index (Schweizer et al., 2019; Zhou et al., 2021; de Carvalho et al.; 2020, Xu et al., 2022; Pirgaip & Uysal, 2023).

Musa et al. (2015) developed the first version of the Corporate Governance Index, which they later applied in Musa et al. (2018) in order to assess the level of corporate governance in the Slovak capital market between 2011 and 2015. Their methodology provided a detailed picture of the level of corporate governance in Slovakia and enabled the Slovak Association of Corporate Governance (SACG) to develop a better understanding of the issue.

The period researched by Musa et al. (2018) was rather short, thus it did not enable to show any clear long-term trends. In addition, certain legal obligations were introduced during the period of 2011 - 2015

that certainly had immediate implications on the reported results. During the later period, no new legal obligations were introduced, thus any changes in results were endogenous. This research article successfully addressed an important research gap by introducing an extended observation period. In order to provide a more robust assessment of the adherence to corporate governance principles in the context of the Slovak capital market, the study combined the period covered by Musa et al. (2018), which spanned from 2011 to 2015, with the results presented in this research article, which encompassed the years 2016 to 2021. By incorporating data from both periods, the study offered a comprehensive and rigorous evaluation of corporate governance practices. One notable advantage of this extended timeframe is the inclusion of the Covid-19 pandemic period. The unprecedented global crisis presented an opportunity to examine the behavior and response of companies in relation to their adoption of corporate governance measures. By considering the effects of the pandemic on corporate governance practices, the study shed light on how companies navigated challenging circumstances and whether their governance frameworks proved resilient and adaptable.

In 2020, the Covid-19 pandemic caused a significant economic shock worldwide, which was consequently reflected in various studies exploring the relationship between good corporate governance practices and the pandemic. Important issues were highlighted in studying of employees' relations governance in this period (Mishchuk et al., 2023; Sarihasan et al., 2022). Hus and Liao (2022) found that sound corporate governance may reduce the impact of COVID-19 on trading volume and stock price volatility in the US, but it may not necessarily improve stock returns. Hus and Yan (2022) discovered that the pandemic led to a decline in financial reporting quality in UK-listed companies and that a larger board size may mitigate the negative impact. No such effect was observed for CEO duality and board independence. Tampakoudis et al. (2022) investigated the influence of syndicated loan announcements on wealth gains prior to and past the pandemic. Regarding this, any significantly greater wealth gains during the pandemic were not found, while various corporate governance mechanisms had different effects on borrowers' excess returns prior to and past the pandemic.

3. METHODOLOGY

The research focused on companies with listed securities on the Bratislava Stock Exchange from 2016 to 2021. Table 1 displays the yearly count of companies that quoted their shares and bonds.

Table 1

The number of shares issuers and bonds issuers

	2016	2017	2018	2019	2020	2021
The count of shares issuers	52	42	42	40	34	28
The count of bonds issuers	13	16	16	17	18	19
Total count of issuers	65*	58*	58	57	52	47

Source: own processing

** Companies that are trading on a multilateral trading system were excluded since the Issuer is not obligated to disclose information to receive security for trading on such a system.*

The data used in this research were obtained from various sources, including the Central Register of Regulated Information (referred to as "CERI"), the Register of Financial Statements (referred to as "RUZ"), and the official websites of individual companies. In 2014, an amendment to the Accounting Act No. 431/2002 introduced a new requirement for issuers to publish their annual financial reports in RUZ under § 23, paragraph 2 of the Act. Additionally, the Act on Stock Exchange No. 429/2002 was also amended, which mandates that the issuer must provide regulated information in CERI of the National Bank of

Slovakia under § 45, paragraph 1. As fulfilling the obligation to disclose information in RUZ satisfies the legal requirement, the analysis includes information disclosed in RUZ.

Since this study follows the previous research conducted by Musa et al. (2018), it will use the same corporate governance assessment methodology. Other studies (Kanagaretnam et al. 2007; Elbadry, 2010; Anglin et al. 2011; Cai et al. 2015) also used the Corporate Governance Index to determine the level of corporate governance, but often without providing any specific methodological details. However, since the concept of corporate governance is still relatively new in Slovakia, their approach would distort the results. Therefore, in this research paper a more suitable methodological approach for the Slovak capital market standards and company disclosures is developed. The developed Corporate Governance Index uses ordinal measures of various evaluative criteria, which include:

a) disclosure of the current annual report in the Central Register of Regulated Information,
b) disclosure of the current annual report in the Register of Financial Statements,
c) disclosure of the current annual report on the company's website,
d) the scope and clarity of information about corporate governance in the annual report according to § 20 of the Accounting Act,
e) the scope, clarity, and quality of the information in the corporate governance statement,
f) information concerning board members, including their names, expertise, roles, and duties,
g) information on the compensation structure and level of pay received by each member of the board individually,
h) information on the management of risks, including identification of potential risks and methods for assessing and quantifying them,
i) information regarding the formation and operations of an Audit Committee, or its absence,
j) information regarding the formation and operations of a Remuneration Committee, or its absence,
k) information regarding the formation and operations of a Nomination Committee, or its absence.

Several problems and limitations were encountered during the evaluation. Companies are not legally obligated to disclose regulated information on their website, instead only in CERI or RUZ. Therefore, the effort to disclose information on companies' websites as a means to inform stakeholders is appreciated and valued. Companies could reach the highest score in this category by disclosing regulated information in CERI, RUZ, and on their websites simultaneously. Another criterion was to assess the level and quality of information regarding the Statement on Corporate Governance. This statement is specified in § 20 of the Accounting Act. Companies either followed the legal requirements in order to make the Statement on Corporate governance which, however, provides insufficient information, or they used the statement forms prepared by the Slovak Association of Corporate Governance (SACG). In this case, the focus was not put on the structure of the statement but rather on the quality of information, i.e. whether the company provided general information or if it provided an explanation of each item of the statement, also with regard to deviations from the Code comprehensively and concisely. Accounting Act § 19 requires that companies also establish an audit committee. In case it is not established, the supervisory board is required to perform the activities of the audit committee or rely on the audit committee established by the parent company, and thus it would not be appropriate to assess whether a company established an audit committee. Instead, comprehensive information regarding the audit committee was taken into account, i.e. information regarding its establishment, an explanation if it was not established, a description of activities, and its results for the reporting period. The same logic with the Remuneration and Nomination Committee was followed.

Each criterion of the Corporate Governance Index is assessed by the ordinal character in accordance with their level of importance. Weights are assigned on the basis of expert estimation and theoretically

supported by Saaty's method. Saaty's method compares pairs and evaluation is entered into a matrix S = (s_{ij}) in the following way:

$$\left(s_{ij}\right)=\begin{cases}1- \ i \ and \ j \ are \ equivalent \\ 2 \ - \ i \ is \ slightly \ preferred \ over \ j \\ 5 \ - \ i \ is \ strongly \ preferred \ over \ j \\ 7- \ i \ is \ very \ strongly \ preferred \ over \ j \\ 9 \ - \ i \ is \ absolutely \ preferred \ over \ j\end{cases} \quad (1)$$

For ease of calculation the least squares logarithmic method was utilized, where the values 2, 4, 6, and 8 correspond to intermediate stage evaluations.

$$F = \sum_{i=1}^{k}\sum_{j>i}\left(\ln s_{ij}-\left(\ln v_i-\ln v_j\right)\right)^2 \rightarrow \min \quad (2)$$

Condition for validity: $\sum_{i=1}^{k} v_i = 1$

The solution can be obtained by calculating the geometric mean of the row in matrix S:

$$v_i = \frac{\left[\prod_{j=1}^{k} s_{ij}\right]^{1/k}}{\sum_{i=1}^{k}\left[\prod_{j=1}^{k} s_{ij}\right]^{1/k}} \text{ where i = 1, …, k.} \quad (3)$$

An objective assessment of each criterion within the Corporate Governance Index was achieved by an expert estimation of assigning weights as follows:

CG index = 0,095*(a + b + c) + 0,079*d + 0,159*e + 0,079*f + 0,079*g + 0,079*h + 0,079*i + 0,079*j + 0,079*k. (4)

Each criterion was weighted in accordance with its level of importance, and through expert estimation that was supported by Saaty's method. The expert estimation found that the criterion "the scope, clarity, and quality of the information in corporate governance statement" was the most important and was given the highest coefficient. The criteria "disclosure of the current annual report in CERI", "disclosure of the current annual report in RUZ", and "the publication of the current annual report on the websites of the companies" were given lower coefficients. The remaining criteria were assigned with coefficients that are based on their significance relative to the mentioned criteria in the index. Each company was given an individual Corporate Governance Index calculated as a weighted sum of the criteria, allowing for comparison across companies. Finally, the Saaty's matrix was compiled, as shown in Table 2, to evaluate the importance of the 11 criteria.

Table 2

Saaty´s matrix

	a	b	C	d	e	f	g	h	i	j	K
A	1	1	1	2	0.33	2	2	2	2	2	2
B	1	1	1	2	0.33	2	2	2	2	2	2
C	1	1	1	2	0.33	2	2	2	2	2	2
D	0.5	0.5	0.5	1	0.33	1	1	1	1	1	1
E	3	3	3	3	1	3	3	3	3	3	3
F	0.5	0.5	0.5	1	0.33	1	1	1	1	1	1
G	0.5	0.5	0.5	1	0.33	1	1	1	1	1	1
H	0.5	0.5	0.5	1	0.33	1	1	1	1	1	1
I	0.5	0.5	0.5	1	0.33	1	1	1	1	1	1
J	0.5	0.5	0.5	1	0.33	1	1	1	1	1	1
K	0.5	0.5	0.5	1	0.33	1	1	1	1	1	1

Source: own processing

Table 3

Criteria weighting based on Saaty´s method

Category	Percentage	Rank
Disclosure of the current annual report in CERI	11.5%	2
Disclosure of the current annual report in RUZ	11.5%	2
The publication of the current annual report on the websites of the companies.	11.5%	2
Clarity and quality of information provided in the statement on corporate governance	6.1%	5
Information about board members	22.9%	1
Details regarding the composition and quantity of compensation.	6.1%	5
Audit Committee	6.1%	5
Nomination Committee	6.1%	5
Remuneration Committee	6.1%	5
Information about risk management	6.1%	5

Source: own processing

The Corporate Governance Index based on Saaty's method of determining the weights is as follows:

$$\text{CG index} = 0.115*(a + b + c) + 0.061*d + 0.229*e + 0.061*f + 0.061*g + 0.061*h + 0.061*i + 0.061*j + 0.061*k. \quad (5)$$

4. EMPIRICAL RESULTS AND DISCUSSION

Musa et al. (2018) conducted the first research on corporate governance in Slovakia, which covered the period of 2011 - 2015. Although it revealed some crucial implications, the time frame of the study was relatively brief. This research expands on their findings by adding six more years, from 2016 to 2021, to the analysis. This extension enables us to identify various trends in the advancement and adoption of corporate governance practices in Slovakia.

Disclosure of information in the context of corporate governance

Disclosure and transparency are the basic governance frameworks in Slovakia. According to § 34 of the Act on Stock Exchange, as subsequently amended, companies issuing securities are obligated to publish

the Annual Financial Report, no later than four months after the end of the financial year, with a part that provides information regarding corporate governance.

According to Musa et al. (2018), between 2011 and 2013, several companies did not share their annual reports on any platform. Furthermore, in 2011, more than 50% of companies either did not disclose their annual reports or only published them on one platform. However, in 2012 and 2013, there was a shift in this trend as fewer companies published information exclusively on one platform, while the number of companies publishing on two platforms increased. A significant transformation occurred in 2014, with more companies opting to share their annual reports on a greater number of platforms.

During the observed period, there was a higher number of companies that published their annual reports on multiple platforms. The most significant change is observed in the third category, where companies publish their annual reports on two of the three available options (CERI, RUZ, company website). This is a positive trend that indicates that companies are becoming more aware of their responsibility to publish legal documents and make them easily accessible to stakeholders. In the long run, this can enhance transparency in the Slovak capital market.

Table 4

Disclosure of information (the annual report)

	2016	2017	2018	2019	2020	2021
There is no disclosure available on CERI, RUZ, or the company's website.	1 (1.5%)	0 (1.7%)	0 (0%)	0 (0%)	0 (0%)	1 (2.1%)
The annual report is made available through one of the three options (CERI, RUZ, or the company's website).	3 (4.6%)	3 (5%)	3 (5.2%)	2 (3.5%)	0 (0%)	0 (0%)
The annual report is made available through one of the three options (CERI, RUZ, company´s website)	17 (26.2%)	24 (40%)	4 (6.9%)	8 (14%)	7 (13.5%)	11 (23.4%)
The annual report is published in CERI, RUZ, company´s website	44 (67.7%)	32 (53%)	51 (87.9%)	47 (82.5%)	45 (86.5%)	34 (74.5%)

Source: own processing

* *Since 2015 companies are obligated to publish their annual report in* RUZ

Ahmad et al. (2021) state that if companies provide disclosures to shareholders and potential investors showing they are compliant with CG principles, then they might be perceived as less risky as compared with their non-compliant counterparts. On the other hand, if firms implement alternative governance mechanisms and provide explanations for their non-compliance, then they may be perceived as riskier. On the other hand, Beekes, Brown, Zhan, and Zhang (2016) emphasize that better-governed firms make more frequent and informative disclosures.

The Statement of compliance with corporate governance

The primary focus of this study was to assess the content of the Corporate Governance statement. Companies have the option of using either the Statement on Corporate Governance Code provided by CECGA or creating their own statement based on the Accounting Act's stipulations. A considerable number of companies drafted their own statements, but many of these statements lacked adequate information on corporate governance. These findings are consistent with the previous research conducted by Musa et al.

(2018), who concluded that these companies treated the drafting of the statement as a mere formality (refer to Table 5).

Table 5

Statement on Corporate Governance

	2016	2017	2018	2019	2020	2021
No specific information on CG	27 (41.5%)	24 (40%)	30 (51.7%)	28 (49.2%)	27 (51.9%)	25 (53.2%)
Each item in the statement is briefly explained.	18 (27.7%)	20 (33.3%)	7 (12.1%)	8 (14%)	8 (15.4%)	6 (12.8%)
The statement includes an explanation for each item and the justification for non-compliance with the Code.	20 (30.8%)	16 (26.7%)	21 (36.2%)	21 (36.8%)	17 (32.7%)	16 (34%)

Source: own processing

The table above and Musa et al.'s (2018) research yield two implications:

(1) Although the number of companies without specific information on compliance with corporate governance principles decreased after 2013, their proportion remained nearly constant throughout the observation period, hovering around the 50% threshold.

(2) The absolute number of companies publishing comprehensive information on compliance with corporate governance principles remained relatively stable over the observation period, but their proportion increased after 2015 and peaked at 37% in 2019.

These figures suggest that a significant proportion of companies remain hesitant to publish, and potentially comply with corporate governance principles. However, there have been significant improvements in recent years, particularly after 2018, with a greater number of companies publishing more detailed information.

Board members' composition and remuneration

Principle IV, paragraph 5 of the Corporate Governance Code mandates companies to disclose information about their board members' qualifications, selection process, and independence. This obligation is reiterated in Accounting Act § 20, paragraph 6. The assessment of companies' compliance with this requirement found out that between 2011 and 2013, approximately one-third of observed companies did not disclose any information about their board members, and most companies only provided their names (Musa et al., 2018). However, since 2014, fewer companies have failed to disclose information about their board members. A more positive trend was observed from 2016 to 2021, with fewer companies failing to provide information and more companies disclosing at least the names of their board members. By 2019, the proportion of companies providing comprehensive information about their board members had increased to 26.3%. Although there was a significant change in two sub-categories in 2021 when considering the proportion, this change was mostly due to a decrease in the number of listed companies rather than improved compliance with disclosure requirements.

Table 6

Composition of board members

	2016	2017	2018	2019	2020	2021
No information	11 (16.9%)	8 (13.3%)	3 (5.2%)	5 (8.8%)	5 (9.6%)	2 (4.3%)
Only the names of board members	48 (73.8%)	44 (73.3)	41 (70.7%)	37 (64.9%)	39 (75%)	37 (78.7%)
The names of the board members, along with their qualifications, roles, responsibilities, and managerial positions, were made public	6 (9.3%)	8 (13.4%)	14 (24.1%)	15 (26.3%)	8 (15.4%)	8 (17%)

Source: own processing

In connection with the identified shortcomings in corporate governance, the survey data on board members' compensation was also incorporated. The disclosure of board members' remuneration continues to be a closely guarded aspect for most companies. Table 7 reveals some advancements in this area. The percentage of companies that chose not to disclose any information about board members' remuneration initially reached its highest point at 69.2% in 2016, then declined to a low of 43.9% in 2019, and eventually rose to 63.8% in 2021. This suggests that a significant proportion of companies, more than half of them, still prefer not to reveal details regarding compensations. Additionally, the disclosure of complex information regarding board member remuneration hovered around 10% over three years, surged to 19.2% during the initial year of the pandemic, and eventually dropped to a mere 6.4% in 2021.

Table 7

Remuneration of board members

	2016	2017	2018	2019	2020	2021
No information	45 (69.2%)	41 (68.3%)	30 (51.7%)	25 (43.9%)	31 (59.6%)	30 (63.8%)
Cumulative data about remuneration	13 (20%)	18 (30%)	22 (37.9%)	26 (45.6%)	11 (21.2%)	14 (29.8%)
Disclosed the amount of remuneration of board members and managers of the company or remuneration disclosed for individual boards of the company	7 (10.8%)	1 (1.7%)	6 (10.4%)	6 (10.5%)	10 (19.2%)	3 (6.4%)

Source: own processing

Risk management

According to Principle IV of the Corporate Governance Code, companies are expected to disclose information regarding potential risks in advance. This information should provide investors with a comprehensive understanding of any foreseeable and significant risks associated with the company. Additionally, the Accounting Act § 20 mandates that the annual report should include a description of the company's risk management systems. Of course, the relationship between corporate governance and risk can be explained from the perspective of agency theory. In this theoretical framework, owners and managers have different attitudes toward risk and the conflict of interest between owners and managers leads to higher

agency costs (Jensen and Meckling, 1976). Ahmad et al. (2021) confirm that non-compliance with the UK Corporate Governance Code is positively associated with total, systematic, and idiosyncratic risk.

However, Musa et al. (2018) found that between 2011 and 2015, a significant proportion of companies (over 66%) did not provide any specific information regarding risk management, and only about 10% reported basic information. The companies that reported comprehensive information were mostly banks, insurance companies, or large corporations. Although the situation improved slightly from 2016 onwards, with fewer companies reporting no specific information, this proportion remained above 50%. This indicates that companies do not fulfill their obligation to inform shareholders and potential investors about their risk management systems.

Furthermore, it is important to note that comprehensive risk management information is typically reported by banks, insurance companies, and large corporations that are less likely to go bankrupt or go private. Therefore, the absolute number of companies reporting comprehensive information did not change significantly until 2020, even if some companies with good corporate governance decided to go private. It is more probable that the increase in companies failing to report on their risk management was caused by the uncertainty of the Covid-19 pandemic, which may have prompted companies to under-report their risk management.

Table 8

Information on risk management

	2016	2017	2018	2019	2020	2021
No specific information	39 (60%)	34 (56.7%)	31 (54.4%)	34 (58.6%)	35 (67.3%)	25 (53.2%)
Basic information about risk management and defined predictable risks	5 (7.7%)	8 (13.3%)	5 (8.8%)	6 (10.4%)	8 (15.4%)	8 (17%)
Comprehensive information about risk management and risk quantification	21 (32.3%)	18 (30%)	21 (36.8%)	18 (31%)	9 (17.3%)	14 (29.8%)

Source: own processing

Audit, remuneration, and nomination committees

According to Accounting Act § 19, companies that issue securities on a regulated market are required to have an Audit Committee. However, the Act does not require a separate committee to be created if the supervisory board takes on the responsibilities and activities of the Audit Committee. Nonetheless, establishing a separate Audit Committee is considered a positive step by companies and is awarded maximum points. Musa et al. (2018) found that between 2011 and 2013, approximately 50% of companies did not disclose any information about their Audit Committee, while in around 35% of companies, the supervisory board performed the responsibilities of the committee. Only about 15% of companies had established a separate Audit Committee. Between 2016 and 2021, the situation gradually improved, with more companies choosing to establish an Audit Committee or assigning the responsibilities to their supervisory board. The best year for compliance was 2021, when the number of companies that did not report any information on their Audit Committee decreased to a low of 21.3%. This improvement may have been due to the economic shock caused by the Covid-19 pandemic, which prompted managers to ensure that owners in the supervisory authorities were well-informed to make important decisions about production, employee layoffs, and other matters.

Table 9

Audit committee

	2016	2017	2018	2019	2020	2021
No information	25 (38.5%)	24 (40%)	16 (27.6%)	18 (31.6%)	11 (21.1%)	10 (21.3%)
Information on whether the committee was or was not established (reasons why it was not established)	29 (44.6%)	26 (43.3%)	31 (53.4%)	25 (43.9%)	30 (57.7%)	25 (53.2%)
It is established, a description of the activities of the committee and the results of its activities	11 (16.9%)	10 (16.7%)	11 (19%)	14 (24.5%)	11 (21.2%)	12 (25.5%)

Source: own processing

The Corporate Governance Code's Principle V recommends companies to establish a Remuneration and Nomination Committee. However, based on the data, it appears that companies in Slovakia have been least favorable towards fulfilling these criteria. Both Musa et al. (2018) and the analysis presented here show that establishing a Remuneration Committee is not considered important by companies, as the proportion of companies disclosing no information remains high, with minor fluctuations. In fact, more than 80% of companies have disclosed no information, and there has been no significant improvement in this criterion.

Table 10

Remuneration committee

	2016	2017	2018	2019	2020	2021
No information	54 (83%)	53 (88.3%)	51 (87.9%)	49 (86%)	45 (86.5%)	40 (85.1%)
Information on whether the committee was or was not established (reasons why it was not established)	5 (7.7%)	4 (6.7%)	5 (8.6%)	5 (8.8%)	5 (9.6%)	4 (8.5%)
It is established, a description of the activities of the committee and the results of its activities	6 (9.3%)	3 (5%)	2 (3.5%)	3 (5.2%)	2 (3.9%)	3 (6.4%)

Source: own processing

According to Musa et al. (2018), the Nomination Committee received even less attention than the Remuneration Committee, with over 90% of companies failing to provide any information. While there was a slight improvement during the researched period, with the proportion of companies reporting no information dropping to 95% in 2016 and 2017 and staying around 87% from 2018 onwards, the results remain concerning. In fact, the results for the Nomination Committee closely mirror those for the Remuneration Committee from 2018 onwards.

Table 11

Nomination committee

	2016	2017	2018	2019	2020	2021
No information	62 (95.4%)	57 (95%)	51 (87.9%)	49 (86%)	46 (88.6%)	40 (85.1%)
Information on whether the committee was or was not established (reasons why it was not established)	2 (3.1%)	2 (3.3%)	5 (8.6%)	5 (8.8%)	3 (5.8%)	4 (8.5%)
It is established, a description of the activities of the committee and the results of its activities	1 (1.5%)	1 (1.7%)	2 (3.5%)	3 (5.2%)	3 (5.8%)	3 (6.4%)

Source: own processing

Oversight committees could generally be viewed as the most powerful side among boards of directors (Platt & Platt, 2012). Research on the US firms (e.g. Elloumi & Gueyie, 2001) recognizes audit, remuneration, and nomination committees as key monitoring mechanisms and provides evidence to support the independence of these committees in order to protect shareholders' interests, and detect causes of performance decline as early as possible. In this context, an independent audit committee according to Carcello and Neal (2000) aims to mitigate management pressure on the auditor. Platt and Platt (2012) perceive an independent nomination committee as an effective way in reducing the risk of bankruptcy.

The number of board members, proportion of women and employees on companies' boards

The principle of "responsibilities of the board" is closely linked to gender equality. This principle highlights the significance of effective management, monitoring of management, and responsible conduct towards society and shareholders. Gender equality is among the determinants of these activities. The European Commission believes that gender equality can result in various benefits, including improved company performance, stronger decision-making, better corporate governance and ethics, and higher efficiency in talent pool utilization. Specifically, having a higher proportion of women in top positions can lead to better financial performance, while a more diverse board can result in higher-quality decision-making. Additionally, having more women in managerial positions can enhance the ethical behavior and corporate governance quality of companies. Finally, given that 60% of European graduates are women, both male and female candidates should be systematically included in the selection of new board members to ensure the best possible talent pool.

Naciti (2019) claims that companies with more diversity on the board show higher sustainability performance. Nguyenwe et al. (2020) state that females make more contributions to corporate financial and nonfinancial performance although they are faced with some (gender-based) challenges in terms of becoming board members.

Table 12

The proportion of women on companies´ boards

	Median	Modus	Mean	Standard deviation	The number of companies with no female representation
2016	16.67%	0%	23.21%	21.95%	21 (32.3%)
2017	16.67%	0%	21.61%	21.55%	19 (31.7%)
2018	16.67%	0%	22.99%	23.49%	19 (32.8%)
2019	23.08%	0%	23.48%	22.04%	19 (33.3%)
2020	16.67%	0%	20.70%	21.09%	20 (38.5%)
2021	18.75%	0%	25.42%	21.72%	12 (25.5%)

Source: own processing

Upon comparing the 2016-2021 period to the 2011-2015 period researched by Musa et al. (2018), no significant progress had been made as the numbers remained largely unchanged. It is important to note that women in management were underrepresented with a median of only 16.7%. Moreover, a significant number of companies had no female representation at all. Although the number of such companies remained the same over time, their proportion increased until the year 2020. As of 2021, 25.5% of companies had no women in top management positions.

Table 13

The number of members of the board

	2016	2017	2018	2019	2020	2021
Median	3	3	3	3	3	3
Modus	3	3	3	3	3	3
Mean	3.14	3.32	3.33	3.37	2.94	3.15
Standard deviation	1.68	1.55	1.56	1.55	1.55	1.50

Source: own processing

Table 14

The number of members of the supervisory board

	2016	2017	2018	2019	2020	2021
Median	3	3	3	3	3	3
Modus	3	3	3	3	3	3
Mean	3.69	3.80	3.83	3.84	3.42	3.57
Standard deviation	1.2	0.95	1.33	1.48	1.28	2.63

Source: own processing

Based on Commercial Code no. 513/1991, § 200, companies are legally required to have a minimum of 3 members on their supervisory board. The tables indicate that the median and mode for both board and supervisory board members have been 3 over the long term, indicating that companies have generally met this legal requirement.

Corporate governance index

The level of corporate governance was evaluated using the Corporate Governance Index. With regard to this, Table 15 provides descriptive statistics for the 2016 - 2021 period. The findings show significant improvements compared to the results reported by Musa et al. (2018) for the 2011 - 2015 period. During 2011 - 2015, the Corporate Governance Index had a minimum value of almost 0 throughout the period, with the maximum value peaking at 1.63. The median increased from 0.427 to 0.6335 by 2015, and the mode rose from 0 to 0.44. The mean also increased from 0.4847 in 2011 to 0.6624 in 2015. However, during the 2016 - 2021 period, the minimum value gradually increased to 0.269 in 2020 and then in 2021 one company failed all the survey criteria. The maximum value remained stable for the last three consecutive years. The most significant improvement was seen in the median, mode, mean, and standard deviation. The median peaked at 0.68 in 2019 and in the following years remained relatively stable. The most frequently occurring value of the Corporate Governance Index gradually increased to a peak of 0.522. The mean also continued to increase and consolidate around 0.76 for the last three years. Moreover, the standard deviation decreased, indicating smaller variations within individual Corporate Governance Indexes. The positive skewness value suggested that the mean was greater than the median, implying that most individual Corporate Governance Indexes were lower than the mean. The negative kurtosis indicated a platykurtic distribution, which means that extreme values were less frequent compared to a normal distribution during the 2016-2021 period.

Table 15

Descriptive statistics of Corporate Governance Index

	N	Min	Max	Median	Modus	Mean	Std. Deviation	Skewness		Kurtosis	
								Stat.	Std. E	Stat.	Std. E
CG Index 2016	65	.000	1.47	.602	.443	.701	.358	.621	.297	-.451	.586
CG Index 2017	60	.000	1.39	.602	.269	.676	.343	.460	.309	-.506	.608
CG Index 2018	58	.174	1.551	.680	.5220	.767	.342	.406	.313	-1.003	.620
CG Index 2019	57	.253	1.551	.681	.4430	.768	.343	.422	.316	-1.026	.623
CG Index 2020	52	.269	1.551	.672	.522	.758	.303	.801	.330	-.289	.650
CG Index 2021	47	.000	1.392	.681	.522	.747	.31	.256	.347	-.199	.681

Source: own processing

Boachie and Mensah (2022) confirm that managers in companies with weaker CG quality can abuse the accounting decision towards their own interest, thereby reducing the value of the company. They also indicate that companies with high-quality CG have a positive effect on the performance of companies.

5. CONCLUSION

The aim of this study was to evaluate the level of adoption of Corporate Governance practices by companies listed on the Slovak capital market, with a specific focus on the impact of the Covid-19 pandemic. The relatively weak adoption of good corporate governance practices in Slovakia might be attributed to a weak capital market, where companies rely heavily on the banking sector. Despite this, the mean value of the corporate governance index increased from 0.4847 in 2011 (as reported by Musa et al. in 2018) to 0.747 in 2021, indicating some improvements. The most significant progress was detected in the case of the public disclosures as well as in the availability of the annual reports, with the majority of companies currently publishing their reports in CERI, RUZ, and on their company websites as well. However, around 50% of companies still do not provide specific information on corporate governance, remuneration, and risk management, and many have not established nomination and remuneration committees.

Some significant changes were recorded in individual criteria related to the information concerning the remuneration of board members, risk management information, and information about the audit committee compared to other criteria which remained more or less at the same level. Regarding information of the remuneration of board members, the proportion of companies providing no information moderately increased, the proportion of companies providing cumulative information halved, and the proportion of companies providing comprehensive information slightly increased. In the case of risk management information, the proportion of companies providing no information or providing basic information is slightly higher, while the proportion of companies providing comprehensive information moderately

decreased. The results regarding information on the audit committee did not deteriorate, but instead, they improved slightly. The proportion of women on company boards remained low, with a median value of 16.67%, and the number of board and supervisory board members did not change significantly from the legal minimum of 3 members.

Despite the Covid-19 pandemic, the level of the Corporate Governance Index in Slovakia was not significantly impacted. However, there were some moderate deteriorations in criteria such as information concerning board member remuneration and risk management, while information related to the audit committee slightly improved. Other criteria remained mostly unchanged. The Slovak Association of Corporate Governance is now implementing the same methodology to rank companies based on their corporate governance practices, and the results suggest a slight improvement in compliance with legal obligations. There is hope that the activities of the SACG will further promote good corporate governance practices among companies listed on the Bratislava Stock Exchange.

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