

## **THE EFFECT OF CORPORATE GOVERNANCE CODES ON FINANCIAL DISTRESS**

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## Abstract

This paper analyzes whether the compliance with corporate governance codes help to mitigate financial distress of firms. We examine three different levels of compliance: overall compliance, the compliance with the recommendations regarding the board of directors and the compliance with the recommendations on board subcommittees. Our results reveal that only the fulfillment with the recommendations about the board of directors leads to a reduction in the likelihood of financial distress. These findings extend the academic debate concerning the role of the governance codes and its impact on firm outcomes, and have practical implications for both professionals and firms.

**Keywords:** Corporate Governance Codes; Corporate Governance; Financial Distress; Board of Directors; Board subcommittees