Second Survey of Gender Composition of Management Boards and Supervisory Boards of Companies Listed on the Main Index of the Warsaw Stock Exchange – the WIG20 – Data as of December 31, 2013

Executive Summary

Poland, the largest of the Central and Eastern European member state of the European Union (EU), is expecting significant changes in the gender diversity of corporate governance, as the EU plans to implement a directive imposing a 40% quota system of female participation in boards of directors / supervisory boards of publicly listed companies.

As part of an ongoing initiative to track developments in this issue in Poland, this article describes the second edition of the survey, “Gender Composition of Management Boards and Supervisory Boards of Companies Listed on the Main Index of the Warsaw Stock Exchange – the WIG20.” This survey analyzes data as of December 31, 2013. The inaugural survey analyzed data as of June 30, 2013.

Recent research shows that females are exceptionally enterprising in Poland. In 2012, they established nearly 41% of new companies. In contrast, the most recent survey conducted by the EU of female managers and gender balance in corporate governance paints a different picture. In addition to reporting the survey results about gender diversity in senior management and on corporate boards of the largest listed companies in Poland, the article also reviews recent policy, regulation and research in Poland and across the EU.

Introduction – Gender Diversity as a Significant Issue in the New Year 2014

Recently the role of gender in corporate governance has become a policy issue globally. Countries from Australia to Iceland have debated on the increasingly popular topic of female participation in companies’ decision making. As women constitute 45% of the EU’s workforce and are responsible for performing 60% of work globally, their impact on the economy demands closer analysis, inspection, introspection and research. In Poland, where
women set up four out of 10 companies, the matter of securing directorships for women is relevant.

Over the past decade, the ideas of promoting diversified gender representation in European and global board rooms as well as creating equal job opportunities for both sexes have rapidly developed. Perhaps it will reach a peak this year. The new year will be especially crucial for breaking the glass ceiling in the EU, as the members of the European Parliament hope to implement a quota system by the May 2014 elections. As a result, female business activity is given a lot of publicity these days in Poland and across Europe. The words of Herman Van Rompuy, the President of the European Council, were clearly heard in every EU member state: “Gender diversity is necessary to foster growth in Europe, but barriers holding women away from the workplace have to change and businesses have a duty to promote change in corporate culture inside organizations and the perception of women on boards externally.”

Ten years ago it was Norway which started the revolution in the world of gender diversity in corporate governance. The Nordic country pioneered in the field of pro-female legislation by setting up in 1981 a gender quota system (the Gender Equality Act), which applied to publicly appointed committees, councils and boards. In 2003 the Norwegian quota law was amended; as a result of the new law approximately 500 publicly-listed companies were required to seat their boards with 40% of women. Penalties for companies which failed to comply with the new regulations were harsh and included mandatory liquidation of a non-compliant company. As a result Norway has reached a high level of women on boards, which now oscillates at around 42%. The quota reforms were followed by the social intervention of the state. All children have been granted places at the state owned nurseries, whereas their parents’ weekly working hours have been reduced in comparison to other European countries. Nowadays, Norway boasts about its results. Statistically its female citizens are 16% more engaged in business activities than in other Organization of Economic Cooperation and Development (OECD) countries.

The EU’s Approach towards Gender Diversification of Corporate Boards

In October 2013 the European Commission pushed forward (with 459 Eurodeputies voting for, 148 against and 81 who abstained from voting) a draft of a directive concerning a
gender quota system\(^1\), which is based on the above-mentioned Norwegian experience\(^2\). Acceptance of the motion by the European Parliament has confirmed the EU’s commitment to one of the most important values of democracy – equality - and should be considered as a breakthrough decision in the fight for parity. This significant decision may also be viewed as a precautionary anti-crisis measure. The crucial change towards improving gender dynamics in the corporate governance of 28 EU member states has been long coming. Through this regulation, the EU hopes to achieve a significant rise in the number of female directorships in a relatively short period of time. If everything goes according to plan, women’s representation in the largest publicly-listed companies should reach the level of 40% in 2018, whereas boards of private sector companies should achieve a 40% representation of females (currently the underrepresented sex) in 2020.

In accordance with the projected EU quota system, EU member states will investigate the transparency of recruiting procedures. Any procedural improprieties discovered by the authorities will have to be explained. Companies will be also required to present remedies to the authorities. Countries will be able to choose from a wide range of sanctions such as administrative fines, bans on government grants and even the very severe consequence of exclusion of a company from the public call for tenders.

In order to come into effect, the proposed directive must be approved by the Council of the European Union. It will not affect the corporate governance of small companies hiring less than 250 workers and with an annual income less than 50 million Euro.

At present, no member state has reached the level of 40% females in supervisory boards. The closest to the main goal is Finland with 30% of women in board rooms. Within the EU, men represent more than 82% of boards of directors / supervisory board members.

Some experts link the level of feminization of corporate governance to the geographic location / jurisdiction of corporations / listed companies. Research conducted by Laurence Monnery from Egon Zehnder has shown some trends: countries located in the south of Europe at best reach 6.5% of women on boards, whereas Nordic countries oscillate around 20%. Great Britain, Iceland and Ireland are within the range of about seven to 12%, whereas Belgium, France, Germany and Luxemburg manifest female participation between 7.5% and 9.7%.

\(^1\) The new European Union (EU) quota system is intended only for non executive board positions.
\(^2\) Norway is not a member state of the EU.
Gender Composition of Management and Corporate Boards – The Current Situation in Poland

The results of the latest research on female managers and gender balance in corporate governance conducted by the European Commission (EC) demonstrate that Poland underperforms its European peers. The survey studied the largest listed companies in 27 EU countries; for Poland, the results are disappointing. Poland was 20th on the list, with a result of 10.3% of women on boards of the largest companies listed on the Warsaw Stock Exchange. From October 2012 to April 2013, during the time when the research was conducted, Poland noted one of the biggest drops in female participation in top management. According to the Polish Press Agency the same trend was observed in the following countries: Great Britain, Greece, Latvia, Malta, Portugal and Romania. Across the EU as a whole, the results were optimistic - female participation in top management increased by 0.8% during the time of study. In simple terms, this means that every sixth board member in the EU is a woman.

Despite the above-mentioned results of the European Commission’s survey, positive change in the Polish economy towards feminization of business can be observed during the past few years. According to the Central Statistical Office, a Polish businesswoman is well educated. The majority of Polish female entrepreneurs are aged between 35 to 54 years old and have obtained secondary education (40.1%). Almost every forth Polish businesswoman has obtained higher education (21.5%). Among those women, the most popular sectors of business activities are agriculture and commerce, whereas only 11,000 Polish businesswomen specialize in the construction industry.

Recent studies show that women are exceptionally enterprising in Poland – females established nearly 41% of new companies in 2012. Women are seated on 27.3% of the boards of new partnerships, which is a great result. Also, Poles hire the highest number of workers in Europe (almost 30%).

According to the Grant Thornton International Business Report, developing countries have more feminized boardrooms in comparison with developed countries. In Poland, the survey demonstrates a rapid and significant change: in 2012 40% of companies lacked

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iii Croatia, which joined the EU in 2013, is not included in this study.
iv The data was collected in 2012.
v Grant Thornton examined approximately 7,000 companies on the topic of female role in senior management. Investigated companies represented every sector of the economy worldwide.
women on their boards, whereas at the beginning of 2013 the percentage has dropped to only nine percent.

Research conducted by (Daily Legal Newspaper), the leading Polish legal daily, presents a different picture of Poland. The Dziennik Gazeta Prawna has created an index of feminization concerning female participation in the strategic points of the Polish economy. According to this research of the boards of all domestic companies (not only large companies or listed companies, Hungary is the EU leader, followed by France, Latvia and Poland. Thus the size of a company appears to be a factor in gender diversity/representation in company governance.

**Survey of Gender Composition of Management and Boards of WIG 20 Companies – December 31, 2013**

From December 25, 2013 until January 1, 2014, I analyzed for the second time the composition of the management boards and supervisory boards of the 20 largest companies listed on the Warsaw Stock Exchange, constituents of the WIG Index. I gathered the data from the English websites of each company. 19 of the companies surveyed are Polish and one – Kernel – is Ukrainian. Please note that the composition of the companies listed on WIG20 has not changed since the last research dated June 30, 2013. The data collected for the present survey is as of the record date of December 31, 2013. The survey database is presented at the end of the article.

The charts below present gender composition of the management board and of the supervisory board of each company as of June 30, 2013 and as of December 31, 2013.

**Management Boards - June 30, 2013**

The red bar represents the female percentage of members of the management board whereas the green bar represents the male percentage of members of the management board of each company as of June 30, 2013.
On the record date of June 30, 2013 only 10% (12 persons) of management board members of WIG20 companies were women. 11 companies failed to recruit a single female on their management board. Kernel, the only non-Polish company, was the leader in gender diversity of management boards - 44% of its board members were women.

Management Boards - December 31, 2013

The pink bar represents the female percentage of members of the management board whereas the blue bar represents the male percentage of members of the management board of each company as of December 31, 2013.

* BRE Bank changed its name to mBank.
On the record date of December 31, 2013, nine percent (11 women) of management board members of WIG20 companies are women. The majority of companies’ management boards (13 out of 20) are homogenous and consist exclusively of male members. In December 2013 Kernel maintained its position as a leader in gender diversity of boardrooms.

**Changes in the Number of Females and Males on Management Boards**

The data presented below compares the survey results on the record date of June 30, 2013 with the survey results on the record date of December 31, 2013.

The chart below presents changes in the number of female and male management board members. The yellow bar represents the difference in the number of females whereas the purple bar presents the difference in the number of males seated on the management board of each company.

The change in dynamics of gender diversity in corporate governance may be observed in relation to the number of companies without any female manager on board. During the timer period June 30 – December 31, 2013 the percentage of female management board members has decreased from 10% to nine percent and the number of all male board rooms has risen from 11 to 13.

Bogdanka, KGHM and PGE lost their sole female management board member; in contrast, Bank Handlowy added one female management board member as did PGNiG.
Although Kernel maintained the same number of women on the management board (four), since it increased the size of the management board it experienced a decrease in the percentage of women on the management board.

**Chairs of Management Boards**

Nothing changed during the time period of June 30 to December 31, 2013 in terms of the chairmanship of the management boards of the companies listed on the WIG 20.

As the chart above demonstrates, there is still not a single female chair of the management board. Thus, females are absent in the pie chart.

**Supervisory Boards - June 30, 2013**

The yellow bar represents the female percentage of members of the supervisory board whereas the purple bar represents the male percentage of members of the supervisory board of each company as of June 30, 2013.
On the record date of June 30, 2013 14% (24 people) of the supervisory board members of WIG20 companies were women. PKO was the leader in gender diversity with four women represented in the supervisory board; thus, 44% of the supervisory board were female. Eight companies did not have any female representation on their supervisory board.

**Supervisory Boards - December 31, 2013**

The red bar represents the female percentage of members of the supervisory board whereas the black bar represents the male percentage of members of the management board of each company as of December 31, 2013.

As of December 31, 2013 15% (25 people) of the supervisory board members of WIG20 companies were women. Only seven companies have strictly homogenous male supervisory boardrooms. PGE has the most feminized supervisory board among all WIG20 companies. Women represent 60% of board members; three out of five supervisory board members are women.

**Changes in the Number of Females and Males on Supervisory Boards**

The data presented below compares the survey results on the record date of June 30, 2013 with the survey results on the record date of December 31, 2013. The chart below presents changes in number of female and male supervisory board members. The pink bar represents the difference in number of females whereas the blue bar presents the difference in number of males seated on the supervisory board of each company.
During the timer period June 30 – December 31, 2013 the change in supervisory boardrooms of WIG20 companies is very subtle. The percentage of female board members has increased from 14% to 15%. Bank Handlowy diversified its boardroom, by adding one woman to its supervisory board. In comparison to June, men lost one representative in total. The number of all-male board rooms has fallen from eight to seven.

The leader of the June 2013 edition of the survey – PKO - maintained the percentage of 44% women on its supervisory board, but there is a big percentage gap between PKO and the December 2013 leader – PGE. PGE has restructured its board by downsizing the number of men from four to two. Now the percentage at PGE is 60% female and 40% male.

When we consider women’s participation in total in both supervisory and management boards there are interesting results. It appears that the total number of women on boards of companies listed on WIG20 did not change between June 30 and December 31, 2013.

**Chairs of Supervisory Boards**
Between June 30 and December 31, 2013 the percentage (15%) of female chairs of supervisory boards of the companies listed on WIG 20 did not change. There are still three female chairs of the supervisory (females are marked pink in the chart). KGHM and Orlen have preserved their female chairs. In Lotos, a man became the chair of the supervisory board whereas at PGE vi a woman became the chair of the supervisory board.

**Opinions, Policy, Regulations and Latest Research on Gender Diversity in Corporate Governance**

13 European countries have decided to minimize the gender gap in corporate governance through legislation (with fixed or voluntary quota system). The latest addition to the group was Poland’s closest neighbor - Germany. After failed coalition talks in April 2013 and blocking of the parity bill by the Christian Democratic Union (CDU) vii in the Bundestag, Angela Merkel’s CDU party and the Social Democratic party have agreed to impose a gender quota on supervisory boards. German publicly-listed companies will be obligated to reach the quota of 30% of women among newly recruited supervisory members by 2016.

Germany has taken one approach, yet opinions on gender legislation in Europe vary. Great Britain for instance, still opposes fixed quotas in corporate governance. In Poland, the ruling party remains reluctant to accept the EU’s proposal of a fixed 40% quota system.

This may change as the EU gender directive moves towards reality.

Steve Almond, the chairman of Deloitte viii, recently said: “I recognize there is no one-size fits all, quick fix solution, but I and my fellow board members get it: "Equality means business. Equality means good business."

Recent research indicates that more women in corporate governance increases a company’s sustainability and profits. Goldman Sachs has counted that more feminized boardrooms contribute to the rise of Gross National Product (GNP) - even up to nine percent. McKinsey analytics have observed a rise in operational profits of companies run by gender balanced authorities (the profits were calculated as 56% greater for gender diversified companies). Furthermore, the results of a study conducted by the University of British

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vi The Polish State Treasury is the majority shareholder (61%) of PGE. KGHM and Orlen also have significant state ownership.

vii The Christian Democratic Union of Germany (CDU) is currently the leading party in Germany. Angela Merkel is the head of the party.

viii Women occupy 25% of seats in the global board of Deloitte.
Columbia’s Sauder School of Business in Vancouver have shown that gender diversified boards help to carry out cheaper acquisitions. Women on boards reduce the costs of acquisitions by 7.6%, which greatly contributes to lifting a company’s value. Additionally, Canadians suggest that women are more conservative than men and refrain from risky business deals; also, they protect in a better way the invested money of a company’s shareholders. In addition, research undertaken by Catalyst proves that companies with more women on boards have better sales results, as they outperformed more homogenous companies by 42%. Charlotte Kirkengaard, an expert at Unisex Progress, says: “Women in business are usually more aware of environmental issues, and CSR\textsuperscript{ix} strategies around the world are very much driven by women. This is an area where we have some talent and acknowledge that should be embraced much more than it is today.”

Conclusions

Research on gender diversity in corporate governance is relatively recent – in Poland and in other countries. Ongoing data collection and analysis will help identify the status quo, chart trends and inform about the consequences/outcomes of gender diversity.

Regardless of the legal debate in Europe, it is definitely the time of women in Poland. Their professional situation is gradually improving. Ten years ago the proportion of women on company’s boards was leveling at nine percent, whereas in 2013 women have obtained 12% of seats in supervisory boards of WIG20 listed companies.\textsuperscript{x} Management boards` gender diversity in Poland is still in need of improvement, no significant changes can be observed as the level of women on boards fluctuates near 10%. The result may not be astonishing, but it should be kept in mind that the number of women employed on management boards of WIG20 listed companies is only a small percentage of all female managers working in Poland, who according to the above-mentioned research by the Dziennik Gazeta Prawna constitute 39% of all board members in total.

Data indicates that larger companies in Poland are more willing to have women on boards and that females dominate financial institutions, where 61% of bank managers are females, The Polish deputy prime minister is a woman, the Speaker of the Sejm\textsuperscript{xii} is also a woman. Women are in chief positions of big companies – lately the nomination of Dorota

\textsuperscript{ix} CSR - Corporate Social Responsibility
\textsuperscript{x} Average in 2013 for EU is 16.6%
\textsuperscript{xii} The Sejm is the lower house of parliament.
Raben, as chair of the management board of Zarząd Portu Morskiego Gdańsk S.A. (Port of Gdansk) has been widely commented on in Poland. Her example of a brilliant career and a leading position in corporate governance may only raise the spirits of young Polish female managers. Poland rose\textsuperscript{xii} from 55\textsuperscript{th} position to 45\textsuperscript{th} (out of 189 countries surveyed) in The World Bank’s "Doing Business 2014."

Perhaps this too will add to the positive prognosis for female entrepreneurs in Poland for the upcoming 2014.

\textbf{About the Author}

Agnieszka Ploetzing is a graduate of the Faculty of Law and Administration of the University of Gdansk. She also completed the School of American Law and a program for English language translators. Currently she is working as a public tender consultant in a large dredging company. Simultaneously, as her main interest, she is working to pursue her academic career by undertaking PhD studies (at the Faculty of Social Studies at the University of Gdansk), with emphasis on the legal system and political situation in North Korea. Her latest article: “The identity of North Koreans in sketch” was published in December 2013.

\textsuperscript{xii} The Polish leap in the ranking was the biggest advance among all countries listed by the World Bank in an eight year period - from 2005 to 2013.
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