



**Women on Boards**  
in Romania

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# Foreword

The present study was intended to go beyond awareness building for equal opportunities; it is a documented bid for creating and maintaining balanced corporate culture and fair, comprehensive and diverse leadership. Following in the footsteps of other countries, Romania can make full use of proven Best Practices, and also Lessons Learned. Regardless that gender-balanced board structure is a result of legally regulated quotas, of open leadership development pipelines, or the result of population specifics within various industries, good governance frameworks should pro-actively address this issue in a consistent manner.

Competencies, capabilities, and business acumen are gender-free. Women and men are equally competent, capable and business-oriented. Their perspective and approach are complementary.

The current study is an initiative that we hope will support businesses to make progress on the employment and retention of women in the workplace, and their promotion on the professional ladder. At a time when gender balance has reached a high point in community and corporate consciousness, it is important that we continue to build on the efforts of all those in industry, business and government who have contributed to creating a climate of change around gender balance.

The business case for women on boards is clear and based on concrete facts and figures. Studies and research have consistently proven that there is a direct positive correlation between the percentage of women on boards (supervisory board and board of directors) and the financial performance of the companies. Therefore, actively supporting women board membership is a sound business decision, yielding value added, as well as a measure to make sure all relevant resources have been tapped into their full potential to support growth and sustainability.

Corporate boards perform better when they include the best people who come from a range of perspectives and backgrounds.

The boardroom is where strategic decisions are made, governance applied and risk overseen. It is therefore imperative that boards are made up of competent high calibre individuals who together offer a mix of skills, experiences and backgrounds.

Board appointments must always be made on merit, with the best qualified person getting the job. But, given the long record of women achieving the highest qualifications and leadership positions in many walks of life, the poor representation of women on boards, relative to their male counterparts, has raised questions about whether board recruitment is in practice based on skills, experience and performance. This study presents a snapshot of the Romanian reality, first-hand thoughts of women in leadership positions, as well as practical recommendations to address this imbalance.



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In 2012, when Professional Women's Network Romania started its dedicated program for women on boards, the general opinion was that women were fairly well represented in management positions, at all levels.

However, when the Women on Boards team of PWN Romania started to look more closely at the facts, it was discovered that the situation looked actually different.

During communism, Romania had a fair representation of women in all domains, including management. After 1989, and especially after year 2000, the situation has started to deteriorate not only in the comparison with the previous decades, but also in comparison with other European countries.

In many of European Union countries, the benefits of gender diversity in the executive management and corporate boards have been largely debated in the media, academia, and corporate realms. Consequently, various policies - comprising both voluntarily and mandatory measures - have been initiated to promote gender balance on board and senior management. For example, Belgium, France, Italy, and Finland have seen the greatest progress in gender balanced corporate boards between 2013 and 2016, following the adoption of legislation that introduced quotas for women on boards.

In Romania, in contrast, the lack of attention on this matter has resulted in a suboptimal representation of women on corporate boards and senior management.

PWN Romania's aim is to support women to advance in leadership. In order to design and recommend the best measures to address the declining representation of women in senior management, and especially corporate boards in Romania, a thorough analysis of the current situation and understanding of the factors that have led to it, was needed.

The study jointly performed by Deloitte Romania and PWN Romania is the first of its kind in the country. However, its conclusions do not differ from the ones of similar studies performed across the world. The benefits of gender balance in decision making are manifold: from better capturing the market demand to financial and operational soundness.

The present study also reveals the need for sound policies to increase the representation in decision making bodies in Romania.

PWN Romania is prepared to contribute to this goal with its specific programs such as Women on Boards Academy, Mentoring Program, and networking opportunities. We also place a high emphasis on engaging men in our efforts to promote women in leadership, as we strongly believe that only through collaboration with all stakeholders involved we can achieve a balanced participation of women in decision making bodies for the benefit of the entire society.

#### **About PWN Global & PWN Romania**

PWN Global is a non-governmental federation consisting of associations with headquarters currently in 29 cities around the world, that have in total more than 4,000 members, 90 nationalities, and in a continuous expansion at the international level. The Romanian association was established in October 2011, being a local chapter of PWN Global. It is a volunteer-based organization, non-for-profit, non-governmental, with more than 180 members, women senior executives and entrepreneurs, in more than 20 industries. PWN Romania's mission is to advance women in leadership. Its values are courage, respect, collaborative intelligence, gratitude, excellence, talent, advancement. The main pillars of PWN Romania are mentoring, women on boards, and entrepreneurship. More information about PWN Global and PWN Romania may be found at [www.pwnglobal.net](http://www.pwnglobal.net) & [www.pwnromania.net](http://www.pwnromania.net).



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# Contribution and Acknowledgements

This study was produced at the request of the Professional Women's Network in Romania (PWN Romania). The aim of the Romanian association is building an elite community of women who beyond their professional and personal achievements are willing to volunteer to a noble and useful purpose: overcoming organizational social and mental barriers that stand in the way women achieving their potential.

We take this opportunity to acknowledge the help and contribution of the Professional Women's Network team in Romania, in particular to Sorana Baci, Virginia Otel, Arcadia Hinescu and Ileana Botez, who brought in valuable insight

in order to highlight the most important aspects from the perspective of Women in Boards in Romania.

The research report was prepared under the direct oversight of Adriana Lobda - Audit Partner and Oana Petrescu - Partner-in-Charge of the Consulting Practice. Beatrice Bucur led the core team as Lead Manager, supported by Hanaan Yaseen as Consultant in our data-driven growth and research group. Valuable suggestions at various stages of the project were provided by Minola Jac, Andreea Ilinca - Manager, Elena Stoicovici - Legal Consultant and Anemari Bentu - Consultant within Deloitte Romania.



# Executive Summary

After witnessing a wealth of global studies where research shows that board balance enhances corporate performance, we took the opportunity to have a special look at the Romanian status quo regarding women on corporate boards. Our research includes an analysis on the Bucharest Stock Exchange listed companies which highlights the correlation between the percentage of women on boards and the financial performance of the company in the period 2009-2014. The estimated model helped us to find a statistically significant relationship between a better gender balance on boards and a better financial performance.

Currently, in Romania, no other study has been conducted for the purpose of analyzing whether there is any correlation between the percentage of women and men in corporate boards and the financial performance of the company. This hypothesis is proven in other countries, some of them taking measures to accelerate and increase the proportion of women in corporate boards. In most of these countries it has been shown that there is a strong correlation between the percentage of women on the corporate board and the financial performance of their companies (i.e. Norway, Belgium, Italy).

The study conducted by Deloitte in collaboration with Professional Women's Network Romania is meant to provide a first census of the gender balance on Romanian boards, and to raise awareness on the major long-term financial benefits for companies in which the representation of women and men on boards is balanced.

Also, we want to provide Romanian companies enough arguments to motivate, support, and promote as many professional women as possible in their careers in order to become members in the Corporate Boards of companies so we can reach the level of EU countries in terms of the percentage of women on boards. In this regard, an important step would consist in identifying a significant number of women who have the potential and the capabilities within Romanian companies and raising the profile of the existing pool of women ready for non-executive board positions, followed by the implementation of a structured and relevant training plan to develop a sustainable pipeline of female talent.

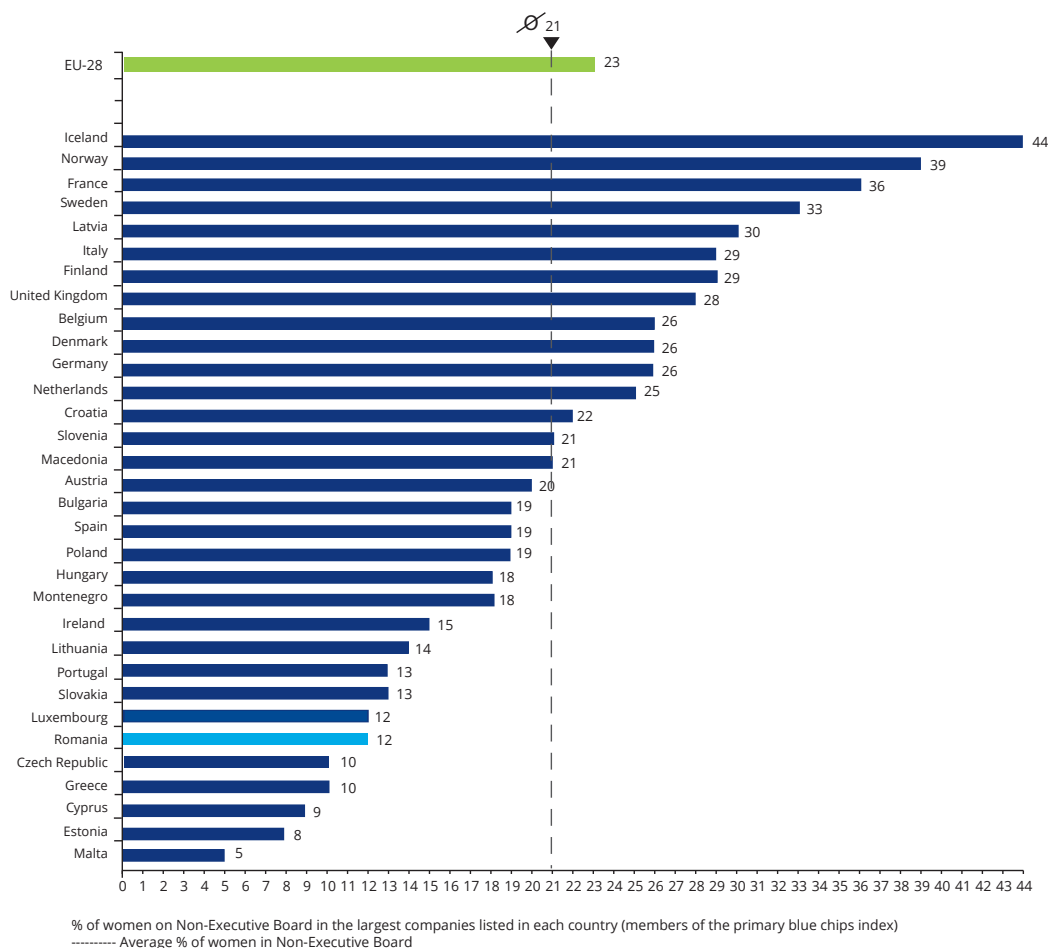
Across Europe, progress has been made as regards the presence of women in politics. Unfortunately they are under-represented in leadership positions in different fields across Europe. In this respect, some countries have responded by introducing gender quotas for political positions and for boards, which resulted in the increase of the efficiency of the decision-making process. For example, in Norway, researchers found evidence that in companies where the quota was quickly reached, the performance of the company improved. Norwegian companies had 5 years to reach 40% women on boards. However, the situation in terms of gender balance varies from country to country in Europe. In general, the gender balance is stronger in Northern and Eastern Europe than in Southern or Western Europe.

In Romania, in case of companies listed on the Bucharest Stock Exchange (BSE), women represent only 15% of the board members. The situation is worse when we look at the most traded companies in Romania, those which are part of the primary blue-chips index calculated on the BSE. In case of these companies, the percentage is only 12%, as of end 2015.

In the figure below we can observe that Romania ranks the 28<sup>th</sup> within the European Countries in terms of women on boards, when we look at the largest listed companies by market capitalization and / or market trades that are members of the primary index of the country.

In the European Union, during several decades Member States and EU institutions have undertaken numerous efforts to promote gender equality in economic decision-making, notably to enhance female presence on the company boards, by adopting recommendations and encouraging self-regulation. An important step was taken by the European Commission in November 2012 when a directive was proposed aiming at reaching 40% representation for the under-represented gender among non-executive directors (supervisory board members in a dual system) by 2020 (or 2018 for State-owned undertakings). The Directive also calls for a fair and transparent board selection process until the 40% objective is reached.

Figure 1 - Share of women on boards in the largest European companies in 2015



Source: European Commission database

The main elements of the directive are:

- An objective of a minimum 40 percent representation of the underrepresented sex for nonexecutive board members of listed companies by January 1, 2020.
- The adoption and implementation of established, unambiguous, and neutrally formulated criteria regarding the selection process for these posts.
- Priority should be given to a candidate of the underrepresented sex if that candidate is as qualified as a candidate of the other sex.
- Qualification and merit remain the key criteria for board appointments.
- Member states will have to adopt appropriate and dissuasive sanctions for companies that fail to comply with the terms of the directive<sup>1</sup>.

<sup>1</sup> European Commission, Proposal for a Directive of the European Parliament and of the Council on Improving the Gender Balance among Non-Executive

Directors of Companies Listed on Stock Exchanges and Related Measures, November 2012.

The European Union directive was the starting point of our study. Thus, we focused our analysis on the Romanian listed companies and the presence of women in the decision-making bodies of these companies. The first step in this direction is a description of the Romanian legal frame on this issue and short explanation of the terminology of the paper in order to insure a better understanding of the results of our study.

### **Romanian Corporate Management Legal Frame and terminology**

In Romania, depending on the legal form of a company, the management can be ensured by one or more directors, acting individually or jointly or in a board of directors or other management structures.

Thus, limited liability companies (LLC, in Romanian SRL / societate cu raspundere limitata) are managed by one or two directors (in Romanian: administrator) that usually act(s) and represent(s) the company individually or jointly. The board of directors is not a common management structure for the LLC.

The joint-stock company (in Romanian: societate pe actiuni) - listed or not - may choose between two systems of board structures: one-tier board (unitary board) and two-tier board (dual board), which have two different organizational structures as presented below.

The unlisted companies usually prefer the one-tier board, in which the company is managed by a sole director (in Romanian: administrator unic) or by a board of directors (in Romanian: consiliu de administratie, and the members are called membri ai consiliului de administratie or administratori).

**A One-Tier Board** is formed of a board of directors (in Romanian: Consiliu de administratie) which has management and supervisory powers. But, in accordance with legal provisions the board of directors must delegate its management powers to one general manager (in Romanian: director general) or to more managers (in Romanian: directori). The managers can be appointed among the members of the board of directors, in which case they are also called executive directors, or from outside the board of directors (third parties). The members of the board of directors that are not managers are referred to as non-executive directors. The managers conduct the day-to-day management of the company, under the supervision of the board of directors. Generally, under a one-tier system, the board of directors must comprise at least 3 members. For the state-owned companies the board of directors must comprise between 3 and 9 members.

**A Two-Tier Board** is formed of two structures: the directorate (executive board, in Romanian Directorat) and the supervisory board (in Romanian: consiliul de supraveghere). The directorate performs the day-to-day management of the company, while the supervisory board has only supervisory powers. The members of the directorate are considered executive directors and the members of the supervisory board are considered non-executive directors. The directorate must be composed of at least 3 members. The supervisory board must have between 3 and 11 members. For the state-owned companies the directorate can have between 3 and 7 members and the supervisory board between 5 and 9 members.

Taking into consideration the above, it results that the members of the board of directors who were not appointed managers (one-tier board) and all the members of the supervisory board (two-tier board) to whom we refer in our study generally as members of the board are non-executive directors, while the general manager and the managers to whom the board of directors from one-tier board delegated the management (in one-tier board) and the members of the directorate, that we called in our study executive committee

are executive directors. Such distinction is made in accordance with the EU Directive for improving the gender balance in company boardrooms.

As terminology and criteria of analysis we referred as board to the members of the board of directors and of the supervisory board. The members of the board of directors that were not appointed managers and all the members of the supervisory board are also referred to as non-executive directors. Meanwhile, the general manager and the managers to which the board of directors from one-tier board delegated the management and the members of the directorate - which we called in our study executive committee - are executive directors.

In case of companies listed on the Bucharest Stock Exchange we noted that startign 2009 the number of women in supervisory boards increased progressively, by an average of 5.44% per year. The largest increase was registered in 2013 when the number of women in such boards increased by 8.82%.

In 2015, the total number of women members in the supervisory boards and the boards of directors is 50 of a total number of 340 board members sites. Thus, only 15% of all board members in the Bucharest Stock Exchange listed companies is represented by women in the decision-making process.

The final chapter of the study estimates the correlation and the impact of the share of women on boards and separately, of the share of women on executive boards on the financial performance of the Romanian listed companies in the period 2009-2015. Our empirical study leads to three broad conclusions:

1. There is empirical evidence that there is a positive correlation between the percentage of women on boards and the financial performance of companies.
2. The probability that a company's return on equity will increase in the next period is positively influenced by the percentage of women on boards.
3. One percentage point increase in the share of women on boards will increase the financial profitability of a company in the next year, by approx. 10%.

In Romania, within all listed companies, the percentage of women on non-executive boards is 15% and the percentage of women on executive boards is 23%. Within the blue-chip companies, the percentage of women on non-executive boards is 12% and the percentage of women on executive boards is 20% in 2015.



# 1. Introduction – Female Labor Force and Leadership Potential

It's about talent and the optimal mix between women and men on boards

Debates regarding gender balance within corporate boards have existed for decades. The move to gender equality and representation of women on boards of companies and governmental entities has sparked litigation and legislation change. The work that began in the late 20th century to push back against the male-dominated model for career success and to ensure no employee has to choose between family and career advancement led to numerous changes. However, women remain under-represented within corporate boards in most European countries.

The struggle of women to reach senior levels in any field must not be seen as simply a "women's issue", but rather one of talent; women's progress has vital implications for the health and growth of companies, and economies. Nicholas Kristof and Sheryl WuDunn in "Half the Sky - Turning Oppression into Opportunity for Women Worldwide, investing in women's advancement results in economic and social improvement for entire families and communities", prove that the key to economic progress lies in unleashing women's potential. In 2008, former U.S Secretary of State Condoleezza Rice said "If I could focus on one thing in developing countries it would be the empowerment of women."

Already, in many parts of the world women are rapidly matching or overtaking men in terms of education. Knowledge is the most valuable currency in the 21st century economy and not tapping into this resource that women represent would mean both wasting a wellspring of information, competence and unique perspectives, and forgoing the return on investment that comes from the fact that women reinvest their wealth in their families and communities. If talent is the most important natural resource a nation can possess, then continuing to nurture and advance the most worthy, diverse talent – including high-potential women - to upper- echelon, decision-making levels can have a significant impact on the economy.

Gender equality will help address the gap between labor demand and labor supply in companies by providing access to a wider talent pool.

The assumption that an optimal mix between women and men in a company's board may lead to a better performance has been proven in numerous countries. Our intention is to increase the level of awareness that this is true also for the Romanian companies.

The legal instrument for accelerating the process of restoring the balance between the percentage of women and men within corporate boards is the introduction of gender quotas in legislation. Since 2004, the number of countries with such quotas for publicly-listed or state-owned companies has increased from 7 to 24 in 2014<sup>2</sup>. This could be a sign that the countries that used legislative measures in order to increase women's representation on boards were convinced that a gender balance could lead to a better performance and an increase in the quality of the decision-making process.

## 1.1. Female Labor Force Potential - A General Overview and Romania in European Context

At the global level, capital markets and portfolio investors are increasingly paying attention to corporate governance and corporate performance in terms of gender balance. Major investment funds and asset management institutions include this indicator as criteria in their investment policies. At the same time, in recent years, rating agencies developed tools to measure gender balance.

Still, according to Corporate Women Directors International (2015 Report) for the 200 largest companies in the world, there has been little progress in increasing the percentage of women on boards globally this past decade. In the period 2004 - 2014, the average annual increase of the percentage of women in corporate boards was 1%. The share of women on boards rose from 10.4% in 2004 to 17.8% in 2014, at global level.

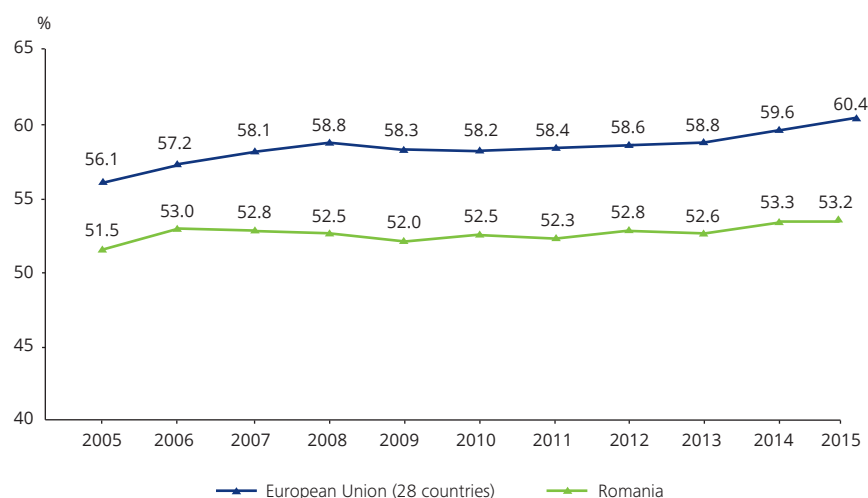
In 2004, almost 75% of the best performing companies which have women directors were US companies. In contrast, in 2014 the situation changed significantly. Hence, 70% of these companies are based in Europe. Europe's numbers of women directors have ticked upwards also due to proactive laws establishing quotas or to private sector initiatives to accelerate board balance.

<sup>2</sup> <http://www.globewomen.org/CWDI/2015FG200KeyFindings.html>

Gender balance it is generally understood as a rapport between the percentage of male labor force and the percentage of female labor force. In accordance with the European Commission, there are three groups of indicators which can prove the women labor force potential: (i) employment rate - which can be enforced to raise among women, (ii) higher education enrollment, and (iii) part-time working.

In Romania, most of the important companies are not aware of the female labor force potential and, as a consequence, they do not benefit from the full female talent pool that is in the market.

**Figure 2 - Employment rate of women, comparison between EU 28 and Romania**



Source: Eurostat

In general, employment rates are lower among women globally, and such trend is reflected also in Europe, Romania included. In 2015, the employment rate for men stood at 70% in the EU-28, as compared to 60 % for women. In Romania, the percentage is similar with the EU-28 level in terms of men employment and below the EU-28 level in terms of women employment. Thus, in Romania, 69% of the total number of men are employed, while the share of women is only 53.2%. However, in Europe and also in Romania there is a greater share of women out of the total number of university graduates, which is a strong indicator that the talent pool can be found easier among women than men. But, even if there is a large number of women who successfully completed higher education, this does not reflect on the labor market as the employment indicators of women are lower than the EU-28 average, suggesting an under-utilization of the educated female workforce.

According to IMF (2015), while economic growth and economic stability are essential for the labor force to benefit from job opportunities, women participation in the labor market also influences growth and stability. Hence, in accelerated aging economies, higher female labor force participation in general can support growth by mitigating the impact of a shrinking workforce.

Promoting women's education and integrating women into the labor force may have a positive impact on a company's productivity and growth. According to an IMF study<sup>3</sup>, in developed economies, it is acknowledged that women who have higher education allocate a higher share of the family budget to education and healthcare - two factors that are expected to boost productivity and economic growth in the medium and long run. A few studies have attempted to examine the impact of increased female participation on productivity growth in advanced economies. These studies provide mixed empirical evidence about the importance of female labor participation for productivity growth. Moreover, these studies argue that higher female participation may lead to productivity growth if workers can adapt to innovation. Women bring new perspectives among the men who lead the company, the result being a higher success of the company in terms of an increase in profitability through a decrease in expenses or a rise in productivity.

Based on International Labor Organization data, Aquirre and others (2012) estimate that out of the approximately 865 million women worldwide who have the potential to contribute more fully to their national economies, 812 million live in emerging and developing nations. Thus, these women can be targeted for advancing in corporate boards in order to contribute to the decision-making process and would be a good premise for a better development process for each country.

<sup>3</sup> Loko, B., Diuf, M. (2009). "Revisiting the Determinants of Productivity Growth: What's New?", IMF Working Paper

In this study and also in other previous research, numerous hypotheses were proven, which support the importance of gender balance for company growth.

Thus, a series of arguments for the recruitment of women on companies' boards of directors or supervisory boards were developed. According to Burgess<sup>4</sup> (2002), some of the arguments that stand also today and which we are promoting, are:

- a) Diversity of opinions in the boardroom is a key driver for facilitating a good decision process;
- b) Women directors bring strategic input to the board which could increase the efficiency of decision-making on the medium and long term;
- c) Women influence decision-making and leadership styles of the organization;
- d) Providing female role models and mentors helps younger generations to increase motivation and productivity;
- e) Better gender balance at the top could enhance corporate image and reputation in their activity sector and in front of investors;
- f) Women's capabilities and availability for director positions;
- g) Insufficient competent male directors;
- h) Ensuring "better" boardroom behaviour;
- i) Women's better perspective about client relationship due to over 70% of purchasing power is on the women side.

Women have been found to contribute also to governance, reducing CEO dominance due to their "power-sharing" style (Bradshaw et al.1992). It is also argued that women on boards can contribute with a long-term orientation taking into account this female characteristic defined by Hofstede, which is more developed in women than in men. This cultural dimension is globally applicable.

## A change of the strategic direction of a company that is made by women may contribute to a higher financial performance in the long term within the company.

Having women in key positions is argued to be associated with long-term company success and competitive advantage, adding value through women's distinctive set of skills, and creating cultures of inclusion through a diverse workforce. It has also been argued that as women directors tend to be younger than their male colleagues on the board, the boards may benefit from new ideas and strategies. The Australian Report of the Industry Task Force on Leadership and Management suggested that women directors are economically advantageous to a company. In the recent academic literature (Sckwartz-Ziv, M. (2013),

Dezso, C., Ross,D. (2012)) it is claimed that well-balanced boards that include women directors reduce the likelihood of corporate failures. Homogeneous groups tend to have homogenous ways of solving company problems: "group think" errors would be less likely to occur with a heterogeneous board.

According to Catalyst<sup>5</sup> (1995), in the United States it is proven that increased profitability is associated with the appointment of women directors. 82% of the most profitable listed companies in the US had at least one female director and all top 10 companies had a female director on their boards of directors. In Australia, Korn (1997) argued that most of the top 20 companies had at least one woman as board member. Thus, by the presence of women in the company's board may create premises for a full access to the range of intellectual capital available. In summary, there are numerous positive effects if a company has a female perspective within the boardroom.

In a recent Fortune 500 study among US companies, it was found that only 16.9% of corporate boards are chaired by women in 2013. Women's participation in the labor force in US accounted for 57.2% of the working age women population, compared to 69.7% participation rate for men in 2014. In European Union, the percentage of women participation in the labor force is 59.6, with 2.4 p.p. higher than in US.

In Europe, women represent 23% on supervisory boards of the largest listed companies in the EU, despite being 45% of the labor force, and the women labor force in other countries is even lower. Moreover, in the EU-28 countries on average there is a smaller difference between female and male employment than in other countries. The number of women employed in 2014 in EU-28 is 17% lower than the number of men employed.

The difference in the percentage of women and men on corporate boards is not explained by the total number of employees, or by the total number of tertiary enrollment. In several countries, a series of projects, workshops, seminars and incentives were implemented in order to create advantages and benefits for women in education but despite these efforts, women remain under-represented in leadership positions in businesses across the globe.

## Demonstrating women's potential to become a member of the board - Greater number of women than men that graduate from higher education.

<sup>5</sup> Catalyst is connected to business and its changing needs and is the premier resource for information and data about women in the workplace. In addition, Catalyst honors exemplary business initiatives that promote women's leadership with the annual Catalyst Award. Founded in 1962, Catalyst is the leading nonprofit corporate membership research and advisory organization working globally with businesses and the professions to build inclusive environments and expand opportunities for women and business. With offices in New York, San Jose, Toronto, and Zug, and the support and confidence of more than 340 leading corporations, firms, business schools, and associations

<sup>4</sup> Burgess, Z., Tharenou, P. (2002). Women Board Directors: Characteristics of the Few. *Journal of Business Ethics*, April 2002, Vol. 37, pp 39-49 1 Lasfer, A, Levis, M. (1998).

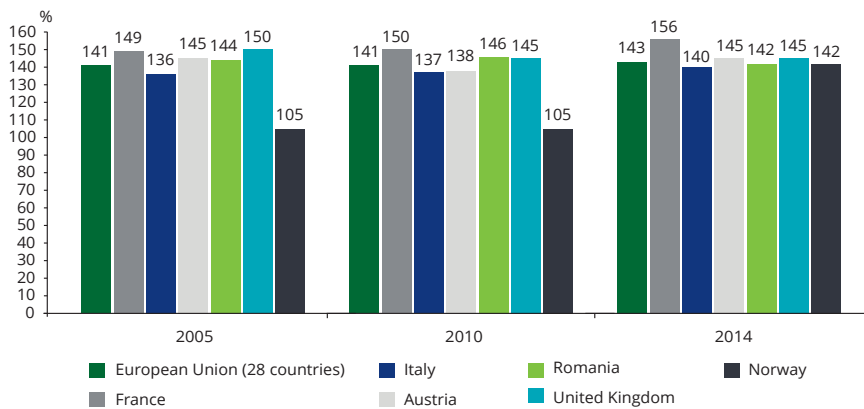
There are indicators that can help for a better understanding of the potential of women in being involved in leadership position and decision-making process, and some of them are presented as follows.

Thus, ratio of female to male which are enrolled in higher education is an indicator that presents the fact that more women than men graduate a university every year which means that the potential to become a woman on board is higher for women than for men. This indicator represents the percentage of women to men enrolled at tertiary level in public and private schools.

As we can see in the graph below, the female to male ratio enrolled in tertiary education is about to explain that in the analyzed countries the number of females is with approx. 43 percentage points higher than the number of males in European Union (28 countries) in 2014. The difference in Romania is approximatively at the level of the European Union, in consequence we can say that the number of women with higher education it could not be a challenge for Romania.

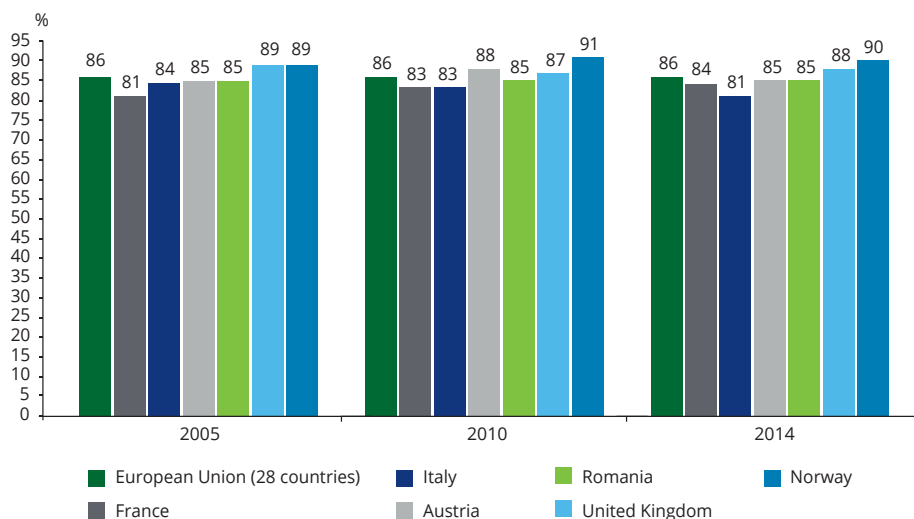
## In Romania, 42% more women than men graduate from university

Figure 3 - Ratio of women to men in higher education enrollment (%)



Source: Eurostat

Figure 4 - The employment rate of men with tertiary education



Source: Eurostat

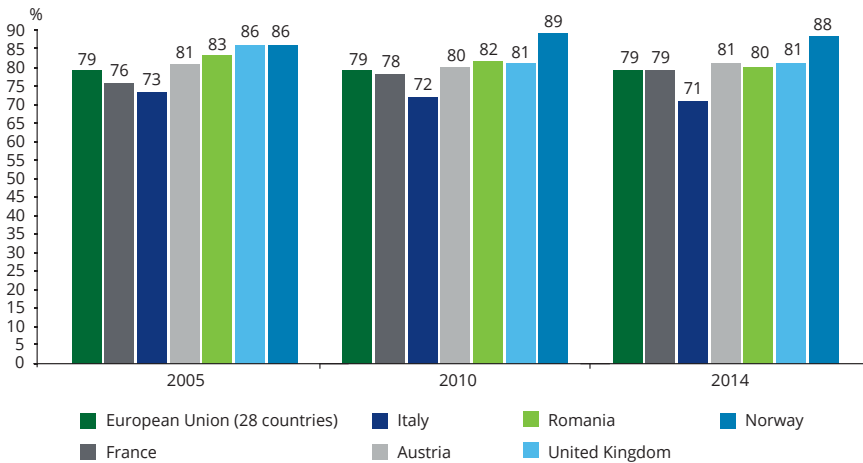
The women to men ratio, in terms of total employment, is calculated as total employed women compared to total employed men. This indicator shows that in all the analyzed countries, the total number of employed women is lower than the total number of employed men.

The lowest difference between employment rate for women and employment rate for men is in France where the total number of employed women is 8% lower than the total number of employed men. However, France is one of the countries that face a difficult challenge in terms of women's advancement on corporate boards.

Even if the number of women within the business environment was greater than the number of men, women's presence in executive ranks remained scarce in French companies. In this case, companies strived much more to increase the level of representation of women on boards. An important step in this direction was the introduction of the board quotas in legislation and a mandatory obligation.

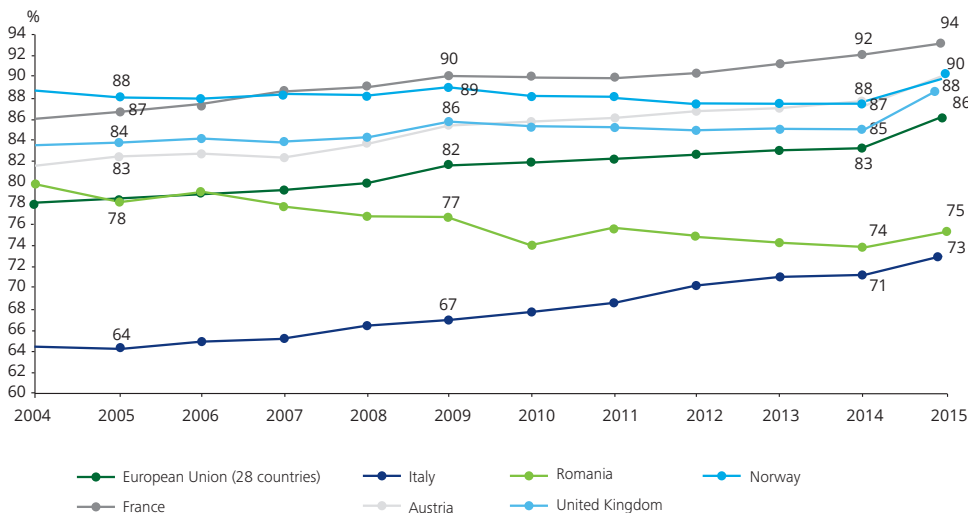
We have not identified this kind of challenge in Romania, and moreover, based on a better presence of women in executive positions, the efforts to raise the share of women in the companies' boards are not so high. We noted that Romania benefits from a high pool of talented women who have all the necessary competences and capabilities to be part of corporate boards. Still, models and mentors are needed to increase the level of motivation in order for women to apply for board positions.

Figure 5 - The employment rate of women with tertiary education



Source: Eurostat

Figure 6 - Women to men ratio (total employment)



Source: Eurostat

Romania has a greater rate of employment among men than women who have graduated from higher education or tertiary education (i.e. university, post-university, doctoral schools etc.). However, the difference between the percentage of men with tertiary education and the percentage of women with tertiary education is only 5 percentage points in 2014. If the difference is at this level and if we take into consideration that 45% more women graduate each year from higher education, we can argue that companies benefit more from women's qualification taking into account that Romania registers a higher number of employed women within national or multinational corporations. Higher employment rate of men is triggered by a smaller number of men that graduate from university. Actually, there are more women than men employed within corporations who actually form a better talent pool of women than of men.

At the EU-28 countries level, the difference between the same two percentages is greater than in Romania - 7 p.p. Thus, we can say that Romania has the same rate of employment among women with higher education than the average EU-28. The lowest difference between the percentage of women and men with higher education employment is in Norway, the country that has the highest level of female representation on companies' boards out of the analyzed countries. Even Italy that has the highest difference (10 p.p.) between these percentages has a higher share of women on companies' boards than Romania.

Analyzing the selected countries from the perspective of the share of women on corporate boards, Romania has a great potential in terms of qualified women, even a higher pool of women than other countries. However, Romania has the lowest share of women representation within the corporate boards. We would argue that Romanian shareholders and their current boards should pay more attention to this neglected pool of female talent. sure that more women are appointed as board directors in the near future.

## 1.2. Women Features Which Sustain a Greater Company Performance

A previous Deloitte study, conducted in Poland, indicates that broad perspectives in corporate thinking, leadership changes and the ability to achieve planned financial objectives are the most important and desirable leadership competencies of management board members.

The Korn Ferry<sup>6</sup> research found that with the exception of confidence, women generally score higher than men in all dimensions of leadership style and in most of the skills and competencies thought to be essential for senior leadership success, such as employee engagement, customer satisfaction and building talent. This is not a surprise if we think about the traditional female characteristics such as empathy, sensitivity, focus on emotional aspects, carefulness, all these put in context with women's role nowadays. More than that, throughout time women dealt with various social roles, including leadership role, and this is how they got adapted and succeeded in developing efficient strategies for subjects such as employee engagement, customer satisfaction, building talent, building teamwork and team spirit, personal and professional development.

The increasing impact of women in top management positions and in corporate boards has stimulated researchers to identify the leadership style of women. Leadership in modern organizations needs to be non-coercive, based on teamwork and adept at building relationships (Kolb, 1999<sup>7</sup>). Women were found more likely to display these modern leadership styles (Eagly et al., 2003<sup>8</sup>).

Thus, academic and non-academic research suggests that the following female behaviours may contribute to an increasing financial performance in companies:

1. Long-term orientation
2. Competitiveness
3. More risk aversion
4. Abilities to change strategy directions

This model of women leaders implies on the one hand the traditional female features, and, on the other hand, is developed based on borrowed elements from the male model in order to "get adapted to the new society", such as assertiveness, competitiveness and also implies traditional male abilities such as logical and analytical skills and figure-oriented thinking.

*"Women can bring value because they are more empathetic, detail-oriented, more analytical; they have proven to be more patient, diligent in carefully reading through board materials and documentation. They debate over a matter in depth, striving to make best possible decisions, covering all details and perspectives."*

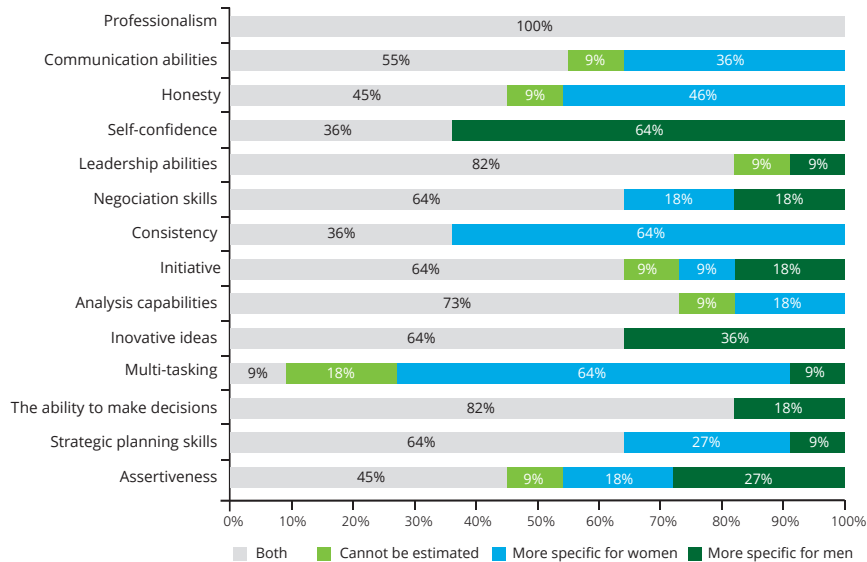
Oana Truta, Member of Board of Directors in Fondul Proprietatea's portfolio companies

<sup>6</sup> Korn Ferry, "Talent Management Best Practice Series: Women in Leadership."

<sup>7</sup> Kolb D. (1999). The Kolb Learning Style Inventory, Version 3. Boston: Hay Group.

<sup>8</sup> Eagly, Alice H.; Johannesen-Schmidt, Mary C.; van Engen, Marloes L., Psychological Bulletin, Vol 129(4), Jul 2003, 569-591

Figure 7 – Perceived Women and Men Features - Survey results



Source: Deloitte Women on Boards Survey Results (2015)

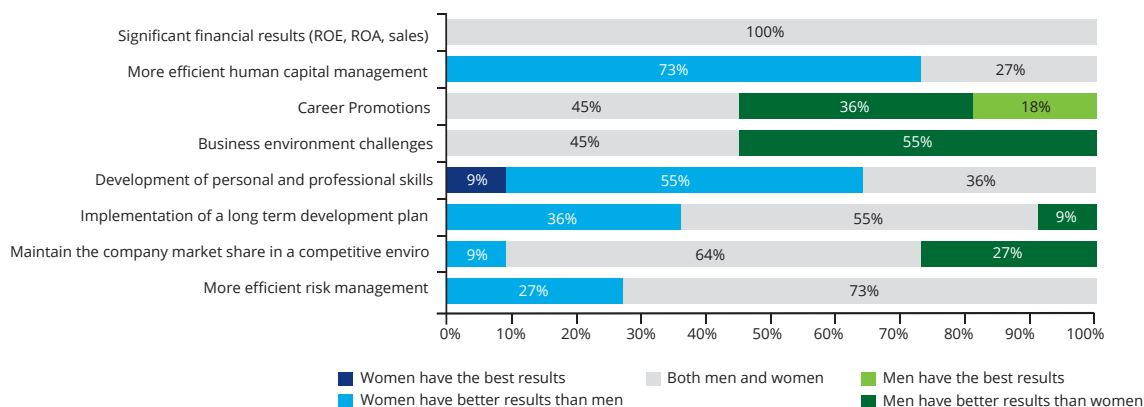
Applying a survey among members of non-executive or executive boards of the Romanian listed companies, it has been found that the general trend is that both women and men have similar competencies that classify them to run for a non-executive position. From our respondents' point of view, Romanian women have more multi-tasking abilities than men. On the other hand, from the analysis it results that men have more self-confidence than women. Therefore, this is an additional argument that a gender balance is essential for a good features mix within the boardrooms. In the figure above we present the statistics from the survey.

All survey's respondents think that both women and men can have significant financial results in terms of ROE, ROA, sales. Thus, it has been identified the need to increase awareness among the shareholders and board of companies regarding a better gender balance that can lead to better financial results. 73% of all respondents think that women are more efficient in human resources management than men and 55% think that women have better results than men in the development of their personal and professional skills. In the following figure the results of the survey applied on Romanian board members are presented.

*"Women tend to focus better on long-term priorities and manage risk better, they are more in tune with larger pools of needs, measures and attitudes. They think and act out of the box and sometimes this brings in a whole new perspective on issues".*

Daniela Lulache, Member of the Board of Directors, Nuclearelectrica

Figure 8 - Who has better results in the following aspects - Women or men? - Perceived results



Source: Deloitte Women on Boards Survey Results (2015)

*"Women also tend to be more hardworking and more demanding during a reasoning process. They are more detail-oriented. At the same time, sorry to say, most of the time these abilities become obvious when women are vocal and/ or when they are challenged.*

*At the end of the day, board-level performance is directly related to expertise, drive, business acumen - which are not gender specific. Men and women have complementary perspectives, which contribute to build a wholesome approach. For a gender-balanced board, this ultimately results in fair teamwork directed at respecting business principles, setting objectives, monitoring and guiding performance, making decisions."*

Aurora Negrut, President of Board of Directors, Romgaz

*"Within this region, women's role in family is paramount - a woman is her family's executive management; in this environment she develops some abilities and competencies that are essential for the good functioning of any executive or non-executive board of any company. Moreover, women are more interested in 'leaving a trace', they have long-term vision. Hence their increased and more genuine interest in building and nurturing a pipeline of successors.*

*The professional networking ability of women is more efficient and much more lasting, based on a 'personal touch', men networks based on circumstances, women network is driven by commitment."*

Carmen Neagu, ex. President of the Supervisory Board, Transelectrica

### 1.3. Barriers to Female Leadership

The World Development Report<sup>9</sup> identified a series of barriers for women in leadership positions globally. These barriers are identified in order to explain the lack of women in leadership positions and were classified in supply (women employees) and demand- side (corporates). We present in this section the barriers for women employees (and in the next section for women corporate), as follows:

**Preferences and Costs of Entry:** There are higher costs for women to enter and to continue in the labor force because of their greater childcare responsibility. Women are considered to have less experience because of a lower number of working hours and because of some interruptions in the workflow. In as much as on-the-job experience is an important criterion for promotion in companies and selection of candidates by parties, fewer women will be selected for these positions.

The global trend is that women are willing to have children later or decide not to have children because the career is their first priority. Moreover it can be seen that the women potential is on an increased trend in the last years because women are focusing on career building than on raising children.

**Aspirations:** One of the barriers for women is that the entry is harder because of the lack of female predecessors. Even if it is feasible for women to aspire to leadership positions, they will not know this or be motivated to try, unless they see other women filling a top management position. Women need examples and maybe mentors in order to increase motivation to reach a position in top management or in the company's board of directors.

**Aversion to Competition:** Women's preference for non-competitive environments may limit their drive to contest in a competitive corporate advancement process. Niederle and Vesterlund (2007) show that women prefer competitive engagements less than half as often as men of similar ability. Gneezy, Niederle, and Rustichini (2003) utilize a series of lab experiments to determine that, among men and women who perform similarly in non-competitive environments, women are less successful than men in tournament-based environments. This effect is stronger when women compete against men, rather than only women. This may present an additional challenge to women competing in largely male dominated winner-takes-all environments.

It is to be noticed to underline that the importance of studying a management or a professional training for a director or for a board member will minimize the aversion for competition in front of men.

**Discrimination and gender bias:** Personal biases can cause a preference for male leaders. Such often unconscious discrimination is often rooted in the social norm that women should not be leaders or that leadership is a male activity. Kelley and McAllister (1984) and Beaman et al. (2009) demonstrate discrimination against women among voters in elections, while Bagues-Volart (2010) presents evidence of a preference for male candidates in the hiring process in Spain.

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<sup>9</sup> World Development Report 2012 Gender Equality and Development - Gender Quotas and Female Leadership.

## 2. Board Balance and Corporate Governance

The hypothesis that "Gender balance in the boardrooms affects governance in meaningful ways" was proven in numerous researches in recent years. In order to demonstrate the correlation between board balance and company performance and then the benefits that would be created at the macroeconomic level while the companies perform better, the following questions are addressed: Do measures of board inputs (attendance behavior and committee assignments) vary with gender balance? Does the gender balance composition of the board affect measures of governance, such as General Manager turnover, compensation or risk management? Does the effect of gender balance on governance matter sufficiently to affect corporate performance?

Nowadays, a positive relationship between gender balance in the boardroom and company performance measured by return on equity, return on assets and return on investments is cited in the popular press and academic research (i.e. Catalyst researches, Post and Byron, 2014). It has been found that balance has a positive impact on performance in companies that otherwise have weak governance, as measured by their abilities to resist management turnover. Another explanation would be that higher gender balance may lead to over-monitoring in those companies by authorized institutions, which cannot permit risky investments and actions which might come with a higher company performance.

Reverting to the barriers for the women in leadership, this time in corporates, they are as follows:

**Statistical Discrimination:** Lack of information about the abilities of women leaders may cause members or voters to rely on beliefs about average performance. The small number of women leaders may cause these beliefs to be biased and result in inefficient statistical discrimination that undervalues the performance of women (Selody, 2011). If voters and employers are relatively unfamiliar with the performance of women, then they may also choose a man because that is the type of leader they are most familiar with.

**Biased systems of selection:** Existing systems for selecting political representatives and directors of corporate boards may restrict the demand for female leaders. A large body of research has shown that proportional representation (PR) systems lead to greater representation of women versus other systems (Siaroff - 2000, Norris - 2005, or Matland - 2005). However, while PR systems are dominant in Europe, they are the national electoral system in less than half the countries in the rest of the world.

Similarly, the system of selection for corporate board members often makes use of networks of existing board members and senior management of a firm, who in most cases are predominantly men. A commonly cited reason for the low level of female leadership on boards is a lack of access of potential female candidates to informal networking opportunities, particularly to break into male - dominated networks (Janiak 2003, Fairfax 2006, Lord Davies 2011). Since they are relying on their existing networks, selection committees may be restricted on finding well qualified women to elect to their boards."

Barriers in Romania are especially related to the regional perspective about the role of women in society, namely more active in the family than in a company. There are few women models as professionals and it is still necessary publicity on this matter, about women who succeeded, not only in Romania but also abroad. We think that in Romania the organizational culture is the main obstacle for women in their way to board membership. Companies need to think in broader perspective and also they need to change their mindset regarding gender balance in the boardrooms.

Romania needs a process of education and awareness among companies that a gender mix can bring the balance that a company needs to increase its financial performance and to have a more solid long-term strategy.

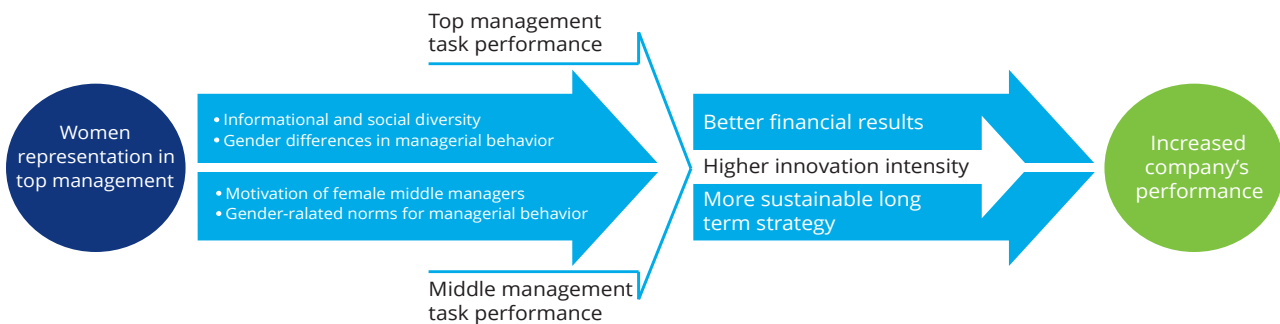
2.1. Arguments for Gender Balance in Top Management

The inclusion of women in the workforce is critically important to the economy. Research has shown that more women business leaders is correlated with a better financial performance of the company.

The lack of women at the top management gives us grounds to question the reasoning behind the scarce numbers. Oakley<sup>10</sup> (2000) explains the many difficulties women have while trying to further their careers. These barriers include access to line positions and other experiences within the corporation, and corporate culture stereotyped with gender biases as well as many other hindrances.

Corporate policies and practices in training and career development, promotion, and compensation are often identified as major components of the glass ceiling that prevent women from making it to the top. The experience that women need in areas such as operations, manufacturing, or marketing is often not offered to young women managers. This line experience is often deemed an essential prerequisite for the CEO position and other senior management positions.

Figure 9 - Theoretical model



According to a Catalyst study performed as early as 2007 into gender balance and its benefits on corporate performance - The Bottom Line: Corporate Performance and Women's Representation on Boards, Fortune 500 companies with the highest representation of women board directors attained significantly higher financial performance, on average, than those with the lowest representation of women board directors. In addition, the report points out that, on average, there is a notably stronger-than-average performance in companies with three or more women board directors.

"Clearly, financial measures excel where women serve on corporate boards," said Ilene H. Lang, President of Catalyst. "This Catalyst study again demonstrates the very strong correlation between corporate financial performance and gender balance. We know that balance, well managed, produces better results. And smart companies appreciate that diversifying their boards with women can lead to more independence, innovation, and good governance and maximize their company's performance."

The report found higher financial performance for companies with higher representation of women board directors in three important measures:

- **Return on Equity:** On average, companies with the highest percentages of women board directors outperformed those with the least by 53%.
- **Return on Sales:** On average, companies with the highest percentages of women board directors outperformed those with the least by 42%.
- **Return on Invested Capital:** On average, companies with the highest percentages of women board directors outperformed those with the least by 66%.

The correlation between gender balance on boards and corporate performance can also be found across most industries - from consumer discretionary to information technology.

<sup>10</sup> Oakley, J. (2000). Gender-based barriers to senior management positions: Understanding the scarcity of female CEOs. Journal of Business Ethics 27 (4).

In addition to financial benefits, other advantages have been found in corporations with more women at the top. Higher retention rates and high job satisfaction have been found in female employees who have women superiors. This higher job satisfaction can keep these women devoted to an organization where they have the potential to become the future leaders (Bell, 2002). Promoting female positions throughout the company may lead to more women at the top in the future. Women can be driven to push their way up the corporate ranks with the help of a female mentor.

People have a tendency to be mentees of those like themselves. Giscombe and Mattis<sup>11</sup> (2002) found that a "lack of similar 'other' may lead to a lack of mentorship or

sponsorship." A shortage of female mentors essentially leads to a lack of advancement for female managers. This lack of mentors reduces the likelihood for an organization to profit from the benefits of female leadership.

To further highlight the impact of women at the workplace at large, the September 2015 McKinsey study - *The Power of Parity: How Advancing Women's Equality Can Add \$12 Trillion to Global Growth* - proves that "narrowing the global gender gap in work would not only be equitable in the broadest sense but could double the contribution of women to global GDP growth between 2014 and 2025. Delivering that impact, however, will require tackling gender equality in society".

Having women in key positions is argued to be associated with long term company success and competitive advantage, adding value through women's distinctive set of skills, and creating cultures of inclusion through diverse workforce<sup>12</sup>.

## 2.2. Legal Measures Implemented in Other European Countries in Order to Support Women in Top Management

In 2010, the European Commission launched its strategy for equality between women and men, placing the issue of corporate boardroom gender balance high on its political agenda. In 2011, it called for credible self-regulation by companies to ensure a better gender balance on boards of directors. However, as it became clear that progress was too slow, the European Commission introduced a draft directive to accelerate progress toward more balanced representation of genders on listed company boards throughout Europe. The European Parliament approved the directive with a strong majority on November 20, 2013. The directive is currently being discussed by the European Council, and is pending further approval and implementation in the member states.

In October 2014, the average share of female directors serving on the boards of the largest listed companies in Europe reached 21%, according to the European Commission's women in economic decision-making database - an increase of 11.9% from 2010, when the issue was first put on the table. The largest percentage increases were recorded in France (20%), Italy (19.6%), Belgium (11.9%), Germany (11.8%), the United Kingdom (10.8%), and Slovenia (10.1%). Not coincidentally, these are all countries that have already introduced gender equality legislation or have had an intense public debate on the issue.

However, there is still a long way to go to reach the 40% objective. Today, there are only four countries in the European Union where women account for at least 25% of board members: France, Latvia, Finland, and Sweden.

### *Quotas and Initiatives*

Several EU member states have introduced different types of national regulation for company boards. Eleven have used legal instruments to promote a better gender balance on corporate boards (Belgium, France, Italy, the Netherlands, Spain, Portugal, Denmark, Finland, Greece, Austria, and Slovenia). These measures vary considerably by country with respect to targeted quotas, the scope of the companies covered, deadlines for implementations, and sanctions for noncompliance.

In other European countries, equal-access legislation is being considered. This, along with voluntary initiatives that have been developed in almost all EU member states, including those that have already introduced legislative or administrative quotas, strives to address the gender imbalance in decision-making positions. These initiatives can take the form of national corporate governance codes that address gender balance on boards; charters that companies may sign and that establish quantitative goals; voluntary targets set by businesses; and coaching, training, mentoring, recruiting, and networking programs aimed at promoting more women directors on boards.

Hereinafter, we presented the case of Norway and the one of UK, as regards their measures to improve Board quotas, the first one by compulsory measures, the second by voluntarily measures.

<sup>11</sup> Giscombe, K., Mattis, M. (2002). Leveling the Playing Field for Women of Color in Corporate Management: Is the Business Case Enough?. *Journal of Business Ethics*, Volume 37, Issue 1, pp 103-119

<sup>12</sup> Burgess, Z., Tharenou, P. (2002). Women Board Directors: Characteristics of the few. *Journal of Business Ethics*. 37 (1): 39-49.

### **Norway - The Effect of Board Quotas on Female Labor Market Outcomes in Norway**

As response to public pressure, in 2003, Norway was the first European country to have adopted a 40% quota for female representation on supervisory boards of joint-stock companies, which became effective in January 2007. In 2000, Norway had 5% women on boards in listed companies and due to the legally imposed quota, the percentage increased to 40% in the following 7 years.

The first objective of the gender balance reform was to increase the representation of women on boards in the corporate sector and to decrease gender disparity in the total earnings within this sector.

The Norwegian experience shows that legislation that supports women on company boards is essential to achieve higher results in engaging women to be part of the decision-making process. Norway provides us with a number of lessons learnt from their experience:

1. A broad political support;
2. Sanctions for the companies that do not observe the law and do not implement the quota;
3. A delay until the quota must be implemented; in Norway, companies were given 4 years to meet the quota;
4. Creation of a number of data bases for women to register and for companies to search for talent;
5. Still, even if the quota was reached by 2009, some facts remain unchanged. The president of the board is still male in a large number of companies. Also the General Managers of the listed companies of the Oslo Stock Exchange are males in more than 90% of such companies;
6. The quota is widely accepted by politicians and the society, without any problems reported, after seven years

### **UK – Women on boards – No Legal Measures, just Voluntarily Measures**

In September, 2011, UK Business Minister Edward Davey and Minister for Women Lynne Featherstone commissioned an official review of women inclusion on corporate boards, to identify the barriers preventing more women from reaching the boardroom and to make recommendations regarding what government and businesses could do to increase the proportion of women on corporate boards. "At the rate of current change, it will take over 70 years to achieve gender-balanced boardrooms in the UK", the study revealed. "The business case for increasing the number of women on corporate boards is clear. Women are successful at university and in their early careers, but attrition rates increase as they progress through an organization. When women are so under-represented on corporate boards, companies are missing out, as they are unable to draw from the widest possible range of talent", the study points out, advocating that "the issue of promoting more women on the boards is as much about improving business performance as about promoting equal opportunities." There is a strong business case for balanced boards.

Inclusive and diverse boards are more likely to be effective boards, better able to understand their customers and stakeholders and to benefit from fresh perspectives, new ideas, vigorous challenge and broad experience. This in turn leads to better decision making<sup>1</sup>.

Meanwhile, France and Spain have decided to raise the percentage of women on boards to 40% using quotas imposed

by legislation. Also Germany, has adopted a quota rule for the supervisory boards of listed companies.

Besides ethical and social reasons of non-discrimination and gender equality, legal entities justify these initiatives based on the statement proven in the past that more gender-diverse boards improve corporate governance.

From legal perspective, the Central Eastern local legislation it refers only to general terms and principles regulating equal opportunities and equal treatment between women and men, covering all areas of public life and employment and outlines the obligation of equal treatment and prohibition of discrimination due to gender, religious views, faith, race, nationality or ethnical background, physical disability, etc.

Local legislation applicable is not targeted in terms of gender balance and it approaches the discrimination of all kind in order to achieve full harmonisation with the EU legislation covering anti-discrimination.

The Central - Eastern block of the EU is mirroring the historical evolution of the other EU countries with the same time gap. While most of the EU western countries are well advanced and organizing public debates on gender balance and quotas for the boardroom, the newest additions to the EU are still very timid in tackling this topic. The result is basically based on historical inheritances rather than pro-active managing and improving gender balance.

Best practice recorded so far in our CEE region comes from Poland, where in 2010, the Warsaw Stock Exchange added a recommendation to the Rules of Corporate Governance for public companies regarding gender equality in management positions. The requirement to disclose the number of men and women working in managerial roles followed in 2012. The Warsaw Stock Exchange amended the Code of Best Practices for listed companies, and conducted public consultations in this respect. Planned changes to the Code of Best Practices of the Warsaw Stock Exchange will introduce an obligation for publicly listed companies to report annually on the application of balance policies.

In 2013, the Minister of the State Treasury issued a recommendation that, for state-owned enterprises, women should occupy at least 30% of the supervisory board seats appointed by the Minister by 2015.

There are ongoing public debates, conferences, and media events in Poland today pushing for a stronger presence of women in executive roles. Numerous surveys and analyses have shown that companies with women in management or serving in a nonexecutive director capacity report better financial performance, higher share prices, and are better governed.

On the western side, the picture changes with at least a 10% increase of women boardrooms (whether it's listed companies in general, or top listed companies, the advance is very visible) while there are also a couple of champions which got in the pole position exactly by establishing and imposing quotas<sup>16</sup>.

<sup>13</sup> European Commission, Gender Balance on Corporate Boards: Europe Is Cracking the Glass Ceiling, January 2015.

<sup>14</sup> European Commission, database on women and men in decision-making, January 2015.

<sup>15</sup> European Law Journal, Col. 21, No. 1, pp. 97-115, Gender Equality on the Boards of EU Companies: Between Economic Efficiency, Fundamental Rights and Democratic Legitimation of Economic Governance, January 2015.

<sup>16</sup> Deloitte research & study. (2015). Women in the boardroom.

**Table 1 - Legal aspects - CEE comparison**

Country	General non-discrimination / equal opportunities legislation	Specific legislation regulating gender balance within Boards	Quotas	Women serving on boards (%) for 2015
Croatia	Yes	No	No	22
Slovakia	Yes	No	No	13
Poland	Yes	Yes	No	19
Romania	Yes	No	No	12
Hungary	Yes	No	No	18
Slovenia	Yes	No	No	21
Czech Republic	Yes	No	No	10

Source: Deloitte Research 2015 - Women in the boardroom

**Table 2 - European legislation in terms of gender balance on Boards**

Country	Quotas	Women serving on boards (%) for 2015
Norway	Yes	39
Finland	Yes	29
France	Yes	36
Sweden	Recommendations	33
Netherlands	Yes	25
Denmark	Recommendations	26
Italy	Yes	29
Germany	Yes	26
Belgium	Yes	26
Austria	No	20
Spain	Recommendations	19
Luxembourg	No	12
Ireland	Recommendations	15
Switzerland	No	11
Greece	Yes - partially (for state owned)	10
Portugal	No	13

Source: Deloitte Research 2015 - Women in the boardroom

### 2.3. Women on Boards in Romania

#### 2.3.1. Women in Management Positions in Romania

In September 2014, Romania made an important step as regards gender balance. The public institution National Agency for Equal Opportunities for Women and Men was reestablished (in Romanian: Agenția Națională pentru Egalitatea de Șanse între Femei și Bărbați - ANES). This institution has the role of implementing and monitoring the legislation regarding equal opportunities and treatment. It could also play a role in increasing women's representation on corporate boards.

##### Women on Romanian Company Boards: Current Trends

In the last years, the economic literature examined how the percentage of women on corporate boards influences financial performance and sales. Analyzing a significant number of companies (listed companies, non-listed companies and limited liabilities companies) that are registered at the National Trade Register Office (in Romanian: Oficiul National al Registrului Comerțului - ONRC) in 2014, we noted that companies in the financial intermediation and insurance sector have the highest percentage of women appointed and registered as directors. The culture sector represents the second highest percentage and the sector of public administration, defence, education and social security ranks 3rd with 40% and respectively 27%. Thus, we can say that taking into account a major part of the companies that activate in Romania, the percentage of female directors is greater than the percentage of women on the boards of Romanian listed companies.

We have also analyzed the correlation that might exist between the percentage of women directors and the company's figures, based on the data available in the period 2012 - 2014 taking into account a significant number of 8,781 companies which operate in Romania.

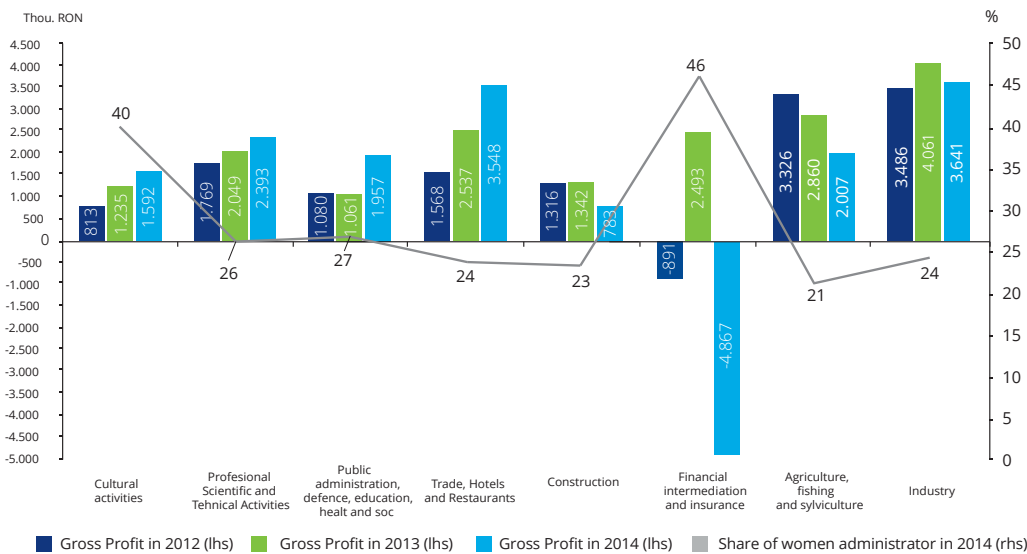
We noted that the highest percentage of women as executive directors is in the financial sector (46%).

In the cultural sector (theaters, museums, etc), there are 40% women directors and the average value of sales per company increased in the last years. In the professional, scientific and technical sector there was a 9.3% increase in sales in the last year and the companies in this sector have 26% women directors. Thus, in the third chapter we demonstrate that there is a high positive correlation between women board members and, on the one hand, a company's financial performance and, on the other hand, the company's sales in the following year taking into account the BSE listed companies.

It is interesting to see the share of women directors in the total number of directors by sector in correlation with the evolution of the total amount of sales and the average value of the gross profit per company. In terms of sales, we do not have sufficient observable values to demonstrate that there may be a trend or a correlation with the share of women directors.

Analyzing most companies that operate in Romania, the largest number of women in C-level positions is in the industry sector. The second place is occupied by the financial intermediation and insurance sector and the third place by the trade sector. Regarding the share of women in C-level positions, the first place is occupied by the financial intermediation and insurance sector, followed by cultural and leisure activities. The public administration, defence, compulsory social security, education, health and social care are on the third position in terms of the percentage of women in C-level positions.

Figure 10 - Average Value of Gross Profit per company and % of women directors by economic activity sector



Source: Credit info, Deloitte calculations

On the other hand, we can see in the figure below that in the cultural activities sector and in public administration, defence, education and social security, which register the second and third highest percentage of women administrators, the average value of gross profit from 2012 to 2014 increased year on year. We cannot say the same about the financial and intermediation sector because of its different accounting standards.

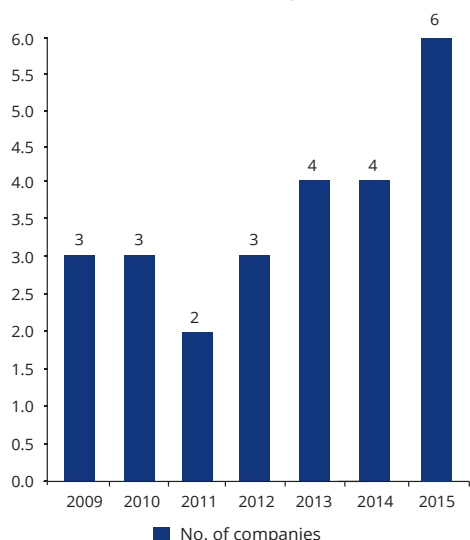
As revealed by the figure below, the total number of companies which have women board presidents was 4, representing only

5% of the total number of companies listed on the BSE. The percentage of companies which had women general managers is higher, but not sufficient to say that companies achieve a good gender balance within the corporate boards. Only 10% of the companies have women General Managers.

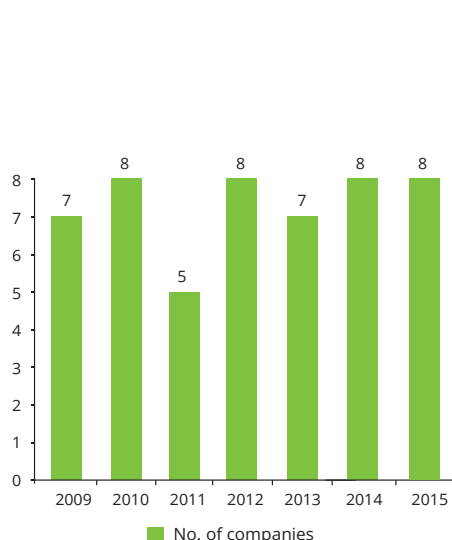
In the analyzed period, the maximum number of companies that had women board presidents was 4 (in 2013 and 2014), but in all previous years the situation was more unfavorable for women. The situation is more random when we look at the number of companies with women as general director. In 2010 2012 and 2014 there were 8 companies with women as a CEO/ general director, while 2011 registered the lowest number of companies that had women general managers.

**Figure 11 - No of Romanian listed companies which have a Woman as the:**

**a. Board President (both Supervisory Board and Board of Directors)**



**b. General Manager/ CEO**



*"I strongly believe in professionals and professionalism knows no gender discrimination. Women with strong skills, expertise and results are everywhere. What causes discrimination is a narrow mindset built on misconceptions. Biases and misconceptions relating to women's role in top management positions bear the input of obsolete, deep-rooted socio-cultural aspects. Such aspects no longer fit today's economic realities. On the contrary: competence attracts anyone and everyone who needs and seeks growth. Ensuring larger participation of women on boards delivers balance and balance is a key aspect to performance. The same balance that relies heavily on the right professionals, either women or men, broadens perspectives, multiplies opportunities, reduces risks, works better on gender specifics that turn into board competitive advantages. It is best to have gender balance on board as the sought out outcome is performance."*

Daniela Lulache, General Manager and Member of the Board of Directors, Nuclearelectrica

### 2.3.2. Analyzing the Romanian Listed Companies

According to BSE's report "Investing Romania", in June 2015, 81 companies were listed on the stock exchange. The companies listed on the BSE have one of the two management systems, however the percentage of women on company boards had a random trend in the last 7 years. In 2015, only 15% of board members were women, with only 1 percentage point higher compared to 2014 but it is still with 1 percentage point lower than in 2013.

Analyzing the past 7 years, the maximum percentage of women on the boards of all listed companies on BSE was recorded in 2011, when it reached 19%, 3 percentage points higher than in 2010 (when it was 16%). In 2012, the percentage was 15%, and the following year (2013), there was a slight increase of 1%.

The Boards are appointed to act on behalf of shareholders to supervise how it runs the day to day affairs of a company. There are several main functions for a board, as follows: (i) establishing the vision, mission and values of the company (ii) directing, which implies setting the overall corporate strategy and structure; (iii) overseeing executive management, meaning ensuring competent and efficient management, including the delegation of management and the legal representation of the company; (iii) legitimizing, namely enforcing legal requirements as regards the company's activity.

The members of the boards are also seen as a source of advice and counsel, a discipline model, acting actively in difficult situations and providing expertise when the firm faces an issue. By setting the strategic direction of the company, they have also to ensure that this will be communicated clearly across the company. Considering the important role of the corporate board on a company's activity, a gender balance would provide a broader perspective on certain issues and an analysis from various points of view in the decision-making process. In this respect, the role of women could come to complement and to add new skills to those existing in the board when they are under-represented.

In this respect, many European countries focus on gender balance within the boardrooms by introducing programs for women to motivate and support as many women in their careers, to become members of the supervisory boards and executive boards.

The total number of actual executive board members shows that there are sufficient women with potential of becoming good candidates for board positions. However, they need to be encouraged / motivated, provided with the necessary tools to grow and obtain access to a board position through a fair selection process.

In Romania, the current situation reveals the need for gender balance in the decision-making process of the company, given the positive link that has been demonstrated in other countries between a company's financial performance and the percentage of women on boards. Through an econometric model that we used in the third chapter of the study, we demonstrated that this positive correlation also exists in Romania in the period 2009-2015.

In 2015, analyzing all companies listed on the BSE in Romania, there were only 114 women on the executive committees and the supervisory boards out of 583 total. The number of women directors registered a percent of 10% decrease in 2015 compared to the previous year. The highest number of women on boards of directors and supervisory boards was registered in 2011.

**Table 3 - The evolution of the number of Women on Boards and in the Executive Committees in Romanian listed companies on Bucharest Stock Exchange**

	2009	2010	2011	2012	2013	2014	2015
No. of analyzed companies	60	67	66	69	73	79	70
No. of Women on Boards	58	57	67	54	61	55	50
No. of Women in Executive Committees	75	83	86	89	77	90	64

Note: the number of companies is different from year to year because of the date when the companies were listed on the Bucharest Stock Exchange and because their annual reports for the previous years are not public available

Source: Annual reports of the companies, Bucharest Stock Exchange database, Deloitte Calculations

The representation of women in executive committees (such executive committees include executive directors and member of directorate is higher than on boards. In 2014, the share of women on boards is 13 percentage points lower than in executive committees.

2011 registered the maximum percentage of women on boards among all listed companies - 19% while at the BET company level, it registered one of the lowest values in the analyzed period - 9%. In that year, the fact that smaller companies have a greater representation of women on boards in Romania was the most visible.

**Table 4 - The evolution of the share of Women on Boards and in Executive Committees in Romanian listed companies on the Bucharest Stock Exchange**

	2009	2010	2011	2012	2013	2014	2015
No. of analyzed companies	60	67	66	69	73	79	70
% of Women on Boards	17%	16%	19%	15%	16%	14%	15%
% of Women in Executive Committees	28%	27%	27%	27%	25%	27%	23%

Note: the number of companies is different from year to year because of the date when the companies were listed on the Bucharest Stock Exchange and because their annual reports for the previous years are not public available

Source: Annual reports of the companies, Bucharest Stock Exchange database, Deloitte calculations

In the period analyzed, the percentage of companies that had at least one woman on the board decreased from 58% in 2009 to 44% in 2015.

The maximum percentage was registered in 2011, also in terms of women in supervisory boards and also in boards of directors (61% of the analyzed companies had at least one woman on the board).

**Table 5 - The evolution of the number of companies with Woman on Boards and in Executive Committees in Romanian listed companies in the Bucharest Stock Exchange**

	2009	2010	2011	2012	2013	2014	2015
No. of analyzed companies	60	67	66	69	73	79	70
No. of companies with Women on Boards (percentage of total number of analyzed companies)	35 (58%)	34 (51%)	40 (61%)	36 (52%)	43 (59%)	38 (48%)	31 (44%)
No. of companies with Women in Executive Committee (percentage of total number of analyzed companies)	36 (60%)	38 (57%)	40 (61%)	41 (59%)	40 (55%)	46 (58%)	37 (53%)

Note: the number of companies is different from year to year because of the date when the companies were listed on the Bucharest Stock Exchange and because their annual reports for the previous years are not public available

Source: Annual reports of the companies, Bucharest Stock Exchange database, Deloitte calculations

The number of companies that had a woman Board President is extremely low. Only in 6 out of the 70 companies analyzed the boards were chaired by a woman.

In terms of companies which have a woman general manager or member of the Directorate the situation is better, but only 12% of all Romanian companies listed on the BSE had a woman general manager or member of the Directorate in 2015.

**Table 6 - The evolution of the number of companies that have a woman as the Board President or General Manager in Romanian listed companies on BSE**

	2009	2010	2011	2012	2013	2014	2015
No. of analyzed companies	60	67	66	69	73	79	70
No. of companies with Woman as the Board President (percentage of total number of analyzed companies)	3 (5%)	3 (5%)	2 (3%)	2 (3%)	4 (6%)	4 (5%)	6 (9%)
No. of companies with woman as General Manager (percentage of total number of analyzed companies)	7 (12%)	8 (12%)	5 (8%)	7 (10%)	7 (10%)	8 (10%)	8 (11%)

Note: the number of companies is different from year to year because of the date when the companies were listed on the Bucharest Stock Exchange and because their annual reports for the previous years are not public available

Source: Annual reports of the companies, Bucharest Stock Exchange database, Deloitte Calculations

### 2.3.3. Analyzing the Blue Chips - BET companies

The BSE calculates and distributes in real time eight indices which track the price changes of the most traded companies listed on the BSE or show the evolution of companies within a certain sector, such as the financial sector. As it is presented by the BSE, "BET, the first index developed by the BSE, is the reference index for BSE. It is a blue chip index, tracking the performance of the 10 most traded companies on the BSE."

The index breakdown by industry is presented as follows:

1. Energy - 40%
2. Banks - 28%
3. Closed funds - 19%
4. Utilities - 12%
5. Diversified financials - 1%

Altogether, these 10 companies which are part of the BET index calculation had 8 women on boards and 23 women in the executive committees in 2014, of the total 71 board members and 82 executive committee members. We noted that the percentage of female representation on boards is lower when we looked at the BET companies than when we analyzed all listed companies, and even more when we indicated the female representation at the level of all the companies registered in Romania. Analyzing this percentage by different groups of companies, in decreasing order, the total share of women on boards has the following values: ONRC companies - 29%, total number of companies listed on the BSE - 14% and BET companies - 12%.

2009 and 2010 registered the highest number of women in the supervisory boards of BET companies. In 2011, the number decreased by 50% and in 2012 there were only 4 women in all 10 boards.

The highest number of women in the boards of BET companies was registered in 2009 and 2010. The number decreased by 50% in 2011, and in 2012 there were only 4 women in all 10 boards.

In 2015, the representation of women in the decision making process on the BET companies' boards is only 12%, ranking 27<sup>th</sup> within all European countries.

Taking into account the BSE listed companies, in 2014 there were 5 companies that increased the number of women in the boards of directors by one or two women. These companies are the following: ANTIBIOTICE S.A., CEMACON S.A., GRUPUL INDUSTRIAL ELECTROCONTACT S.A., S.N. NUCLEARELECTRICA S.A., TRANSILVANIA CONSTRUCTII S.A. Also, there are 5 companies that raised the female representation in the decision-making process by introducing one or two women in the Executive Board in 2013.

These companies were the following: CONCEFA S.A., CONPET S.A., IMPACT DEVELOPER & CONTRACTOR S.A., S.N. NUCLEARELECTRICA S.A. (it increased in two consecutive years), TRANSILVANIA CONSTRUCTII S.A. This could be a sign that the high potential of women is starting to be recognized in these companies.

The BET companies that had the maximum percentage of women on boards in the last six years are: S.N. NUCLEARELECTRICA S.A., ELECTRICA S.A., C.N.T.E.E. TRANSELECTRICA and FONDUL PROPRIETATEA.

In top 10 most liquid Romanian companies on the Bucharest Stock Exchange, in most of the analyzed years, the average return on equity of companies with women on boards was higher than in companies that did not have any female board members.

**Table 7 - The evolution of the number of Women on Boards and Executive Committee in BET companies**

	2009	2010	2011	2012	2013	2014	2015
No. of Women on Boards	10	10	5	4	9	8	9
No. of Women in Executive Committee	12	13	16	16	20	23	15

Source: Annual reports of the companies, Bucharest Stock Exchange database, Deloitte calculations

In Romania, in average, most of companies that are not listed on the Bucharest Stock Exchange have higher female representation on boards than the listed companies. Moreover, among all listed companies on the BSE, the share of women on boards is lower in the biggest and most liquid ones than in the smaller companies.

As we can see in the table 6 - The evolution of the share of women on Boards and in executive committee in BET companies, the representation of women in the executive committees is higher than on boards. Alongside with the decrease from 2009 to 2015 in terms of the supervisory boards, also in terms of the boards of directors, the share of women in the executive committee registered a decrease by 4 percentage points.

It can be a sign that there are potential women candidates for non-executive board membership and in the future, this might be a premise for a raise in the representation of women on boards.

**Table 8 - The evolution of the share of Women on Boards and in Executive Committee in BET companies**

	2009	2010	2011	2012	2013	2014	2015
% of Women on Boards	15%	14%	9%	7%	13%	12%	12%
% of Women in the Executive Committee	24%	24%	23%	25%	24%	28%	20%

Source: Annual reports of the companies, Bucharest Stock Exchange database, Deloitte calculations

We noted that there are women in the executive committees that can run for a position on the boards of Romanian listed companies in order to accelerate the progress of a better gender balance in the decision-making process within the board.

While looking at the main indicators that can help us identify a potential correlation between the share of women on boards and the company's financial performance in terms of return on equity we can take into account the following statements:

- In the case of BET companies, the average percentage of women on boards per company in 2015 was 12%, with the highest level registered in 2009, when it reached the share of women in the supervisory and administrative board reached 15.63% per company.
- The highest percentage of women on boards registered in the analyzed period was in 2014 and 2015 among all listed companies, and it reached 43%. The following companies were identified that had the highest share of women on boards: 2009 - C.N.T.E.E. TRANSELECTRICA, 2010 - FONDUL PROPRIETATEA, 2011 and 2012 - S.N.T.G.N. TRANSGAZ S.A., 2013 - ELECTRICA SA, 2014 - S.N. NUCLEARELECTRICA S.A.
- In all the analyzed years, except for 2010, the average ROE of companies with at least one woman in the supervisory and administrative board was higher than the same indicator of companies without women.
- The lowest difference between the average ROE of companies that had at least one woman in the supervisory board and the average ROE of the companies that did not have any women was 0.90 percentage points and the highest difference was 2.75 percentage points, registered in 2014.
- Thus, we can say that there might be a greater impact of the better balance between women and men representation on boards in the last years (2011-2015).

**Table 9 - Main indicators**

	2009	2010	2011	2012	2013	2014	2015
Average % of Women on Boards per company	16%	13%	10%	7%	15%	13%	13%
Maximum % of Women on Boards per company	33%	36%	20%	20%	40%	43%	43%
Average ROE of companies with Women on Boards	11%	2.09%	13%	7%	8%	11%	7%
Average ROE of companies without Women on Boards	9%	13%	11%	6%	6%	8%	5%
Average % of Women in the Executive Committee	23%	24%	29%	25%	22%	27%	21%
Max % of Women in the Executive Committee	45%	45%	75%	67%	60%	50%	43%
Average ROE of companies with Women in the Executive Committee	8%	6%	14%	7%	8%	9%	7%
Average ROE of companies without Women in the Executive Committee	24%	16%	6%	3%	7%	11%	5%

Source: Annual reports of the companies, Bucharest Stock Exchange database, Deloitte calculations  
 \*We took into account trimmed values

**2.3.4. Bucharest Stock Exchange - Top Companies with Women on Boards in 2015 that reached the 40% quota already implemented in other countries**

In 2015, the top places of the ranking, with 67% women on boards are occupied by BERMAS S.A and FARMACEUTICA REMEDIA SA. In BERMAS S.A. 2 of 3 members of the board of directors are women and the management is delegated to 4 managers - 3 women and 1 man. One of the 3 women that part of the management is also the General Manager of the company. This structure has remained unchanged since 2011. Thus, we cannot say that their increase in ROE was influenced by a change in the board. Also, in 2015 FARMACEUTICA REMEDIA SA had 2 women out of 3 members of the board of directors and the management of the company was delegated to 2 managers, 1 man and 1 woman. In 2014 the same company had only 1 woman out of 3 members of the board of directors. The management of the company was delegated to 1 member, a man. GRUPUL INDUSTRIAL ELECTROCONTACT S.A. also had 2 women out of 3 members of the board of directors.

TURBOMECHANICA S.A. is also one of the top companies with women on boards in 2015, with 3 out of 5 members being women. However, the management of the company is delegated to one member board who is a man. The financial performance of TURBOMECHANICA S.A. increased with 22 p.p. in 2015 compared to 2014. With 50%, ranking 3rd place is ZENTIVA S.A with 2 women in the board of directors out of 4 members. Also, the management is delegated to 2 members, both of them women. Other companies that are in top 5 in terms of the share of women in the board of directors that had an increase in the financial performance are ELECTRICA SA, CEMACON S.A and PRODPLAST S.A. Thus, in 2015 ELECTRICA SA had 3 out of 7 women on the board, CEMACON S.A. had 2 out of 5 women on the board and for PRODPLAST S.A. there are also 2 out of 5 women on the board. Consequently, only 11 out of 70 listed companies had reached the 40% quota of EU directive, already implemented in other countries.

**Table 10 - Top Romanian listed companies by % of women on non-executive board**

Rank women	Company	Women on boards 2015 (%)	Economic Activity Sector	ROE 2015
1 <sup>st</sup>	BERMAS S.A.	67%	Production of beer	6.69%
1 <sup>st</sup>	FARMACEUTICA REMEDIA SA	67%	Pharma	1.93%
2 <sup>nd</sup>	TURBOMECHANICA S.A.	60%	Manufacture of machinery (spacecraft and air)	10.6%
3 <sup>rd</sup>	ZENITIVA S.A.	50%	Pharma	16.94%
4 <sup>th</sup>	ELECTRICA SA	43%	Energy and Resources	12.28%
4 <sup>rd</sup>	S.N.G.N. ROMGAZ S.A.	43%	Extraction of natural gas	12.32%
5 <sup>th</sup>	MECANICA CEHLAU S.A.	40%	Pharma	4.43%
5 <sup>th</sup>	ANTIBIOTICE S.A.	40%	Pharma	6.92%
5 <sup>th</sup>	CEMACON S.A.	40%	Manufacture of building materials	10.48%
5 <sup>th</sup>	PRODPLAST S.A.	40%	Manufacture of plastic products	13.16%

Source: The annual reports of the companies, Deloitte Analysis

*"Often, complex and challenging discussions occur between executive management and the board - this is why I consider it is paramount to have a diverse board membership, to make sure every situation is approached from multiple perspectives, covering all angles and points of view. Board balance - including gender balance, as well as cognitive balance - ensures an increased level of understanding, as well as a more refined sense of reasoning.*

*That said, I believe Board members, including women, should be appointed on Boards strictly based on competence and expertise with no imposed quotas."*

Oana Truta, Member of Board of Directors in Fondul Proprietatea's portfolio companies

### 2.3.5. Bucharest Stock Exchange - Top Companies with Women on Boards in 2015 which had an increase in ROE compared to 2014

As it can be observed in the table below, from the 11 companies that had in 2015 women on the boards of directors and an increasing return on equity in 2015 compared to 2014, 5 companies have also reached the 40% quota of women on the board of directors. TURBOMECANICA S.A. ranks the first in terms of increased financial performance (22 percentage points increase in 2015 compared to 2014) and also one of the first in terms on percentage of women in the board of directors (60% with 3 women on the board out of 5 members). The second place is occupied by CEMACON S.A. that had an increase in ROE of 19 percentage points in 2015 and 2 women out of 5 members on the board.

Three out of these 11 companies increased the number of women on boards in 2015, namely CEMACON S.A., PRODPLAST S.A. and ELECTRICA S.A. and one company decreased the number of women on boards in 2015 compared to 2014 by one woman (NUCLEARELECTRICA S.A.). However, the assumption that a greater percentage of women within the boards increases the financial performance of the company is validated on a medium or long term, not immediately. In the academic research, it is proven that there can be a one to 4 years' lag between a change in the share of women on boards and the increase in financial performance.

In addition to the top 5 ranking companies on the BSE in terms of the share of women in the supervisory boards and boards of non-executive directors, we added companies with women on the board of directors that registered an increase in ROE in 2015. The share of women on boards was 29%, 25% and 14% each in 1 company and 20% in 3 companies.

**Table 11 - Top Romanian listed companies on the BSE with an increase in financial performance in the last year**

Rank women	Company	Women on boards%	No. of Women on Boards 2015	No. of Women on Boards 2014	ROE 2015	ΔROE 2015-2014
1 <sup>st</sup>	TURBOMECANICA S.A.	60%	3	3	11%	22pp
2 <sup>nd</sup>	CEMACON S.A.	40%	2	1	10%	19pp
3 <sup>rd</sup>	PRODPLAST S.A.	40%	2	1	13%	17pp
4 <sup>th</sup>	TERAPLAST S.A.	20%	1	1	19%	11pp
5 <sup>th</sup>	ELECTRICA S.A.	43%	3	1	12%	6pp
6 <sup>th</sup>	S.S.I.F. BROKER S.A.	20%	1	1	3%	5pp
7 <sup>th</sup>	BERMAS S.A.	67%	2	2	7%	3pp
8 <sup>th</sup>	OIL TERMINAL S.A.	14%	1	1	1%	1pp
9 <sup>th</sup>	CONPET S.A.	25%	2	2	8%	1pp
10 <sup>th</sup>	ALUMIL ROM INDUSTRY S.A.	20%	1	1	4%	1pp
11 <sup>th</sup>	NUCLEARELECTRICA S.A.	29%	2	3	2%	0pp

Source: The annual reports of the companies, Deloitte Analysis

### BET Companies

The situation is more disturbing when we look at the most traded companies in Romania. Only 4 out of 10 BET companies have at least one woman as non-executive director. Three of these companies have the share of women on boards above the shares presented in top 10 companies which registered an increase in ROE in 2014 compared to 2013.

Only 2 companies out of 10 companies that are part of the BET calculations are also part of the top companies listed on the BSE in terms of the share of women on boards.

These companies are ELECTRICA S.A. and S.N.G.N. ROMGAZ S.A. and they have 43% women on boards.

However, 2 out of 6 companies which did not have a woman on the board had at least one woman in the executive committee, except for FONDUL PROPRIETATEA S.A. and C.N.T.E.E TRANSELECTRICA S.A.

**Table 12 - BET companies 2014 rank by share of Women on Boards**

No	Company	Women on boards (%)	Women in executive committee (%)	ROE
1	ELECTRICA SA	43%	33%	12%
2	S.N.G. N. ROMGAZ S.A	43%	14%	12%
3	NUCLEARELECTRICA S.A.	29%	33%	2%
4	BURSA DE VALORI BUCURESTI S.A.	11%	0%	7%
5	BRD-GROUPE SOCIETE GENERALE S.A	0%	14%	7%
6	FONDUL PROPRIETATEA	0%	0%	-5%
7	OMV PETROM S.A.	0%	40%	-3%
8	C.N.T.E.E. TRANSELECTRICA S.A.	0%	0%	12%
9	S.N.T.G.N. TRANSGAZ S.A.	0%	19%	12%
10	BANCA TRANSILVANIA S.A.	0%	29%	40%

Source: The annual reports of the companies, Deloitte Analysis

*“The key to team work is collaboration – this is easier to achieve within a mixed, gender-balanced team. Collaboration also facilitates board activities. Women have the capacity to ensure the target is achieved in the best way possible , they are more focused on the details, the series of ‘here and now’, the ‘journey’ itself – they display a capacity to focus on different things at the same time, can anticipate better and more accurately.”*

Aurora Negrut, President of Board of Directors, Romgaz

### 2.3.6. Projections

In the BSE listed companies we accounted for the number of managers who are potential candidates for the following board elections. Thus, we present below the potential pipeline among the Romanian listed companies:

- The total number of Supervisory Board sits taking into consideration the BSE listed companies is 340 sites, out of which only 50 are women (14.7%).
- The total number of potential women candidates to the Supervisory Board taking into account the actual number of women in management positions is 64 - 19% of the total sites in the Supervisory Boards of BSE listed companies).

Therefore, we can say that there is female potential only in companies' executive committees, which might increase the percentage of women as non-executive directors from 14.7%.

*"Women's access to company boards should be supported by the development of a sound corporate culture which shapes fair, un-biased employee behaviors. Under the current conditions in Romania, the quota for women presence on boards might help in order to increase the representation of women; however, women must be chosen and supported to run for board membership based on their expertise and business values, not just merely to meet this gender-balanced requirement. This quota could be set as an initial measure, to 'break the ice' and boost momentum, to kick off the change of mentality, thus starting a more complex culture shift that would support women to run for board membership."*

Carmen Neagu, ex. President of the Supervisory Board, Transelectrica

*"Looking at the talent pipeline, I would say women need to be aware of the equal opportunities paradigm early on. Young generations should become part of leadership development programs since the beginning of their professional careers. The next generations will operate within a much more competitive environment, more diverse – as a consequence of ever increasing globalization. Hence the need to raise awareness about gender balance leadership development from the early education stages."*

Daniela Lulache, Member of the Board of Directors, Nuclearelectrica

# 3. The Impact of Women on Corporate Boards on a Company's Financial Performance - Empirical Analysis on BSE Companies

## Other studies that proved the correlation between the percentage of women on board and the company's financial performance

Catalyst (1999) - showed that Fortune 500 companies with higher percentages of women board directors, on average, financially outperformed companies with the lowest percentages of women board directors by significant margins.

It was demonstrated in previous literature (Schwartz-Ziv, 2013<sup>17</sup>) that boards that have at least three directors of each gender in attendance of the executive board members, are more active than boards that do not have a balance. These results are particularly driven by the existence of a women directors participants in the meeting. It was found also that boards with a at least three women in the board of directors are approximately twice as likely to take an action in board meetings - both to request further information and to take an initiative. These findings highlight that a better gender equality is required to allow boards to benefit from the potential benefits gender balance may offer.

Moreover, literature demonstrated that ROE is found to be significantly larger in firms whose boards include at least three women directors. Therefore, we begin our analysis of the causal positive relation between the percentage of women on boards and the increase of company's financial performance. We want to demonstrate that one gender is not better than the other in enhancing firm performance. Rather, having both genders on a board, and "enough" of each gender (that is, at least three directors of each gender), catalyzes firm performance. Hence, we assess the impact of the percentage of women on boards on firm financial performance in Romania in the period 2009-2015.

We found evidence in academic and non-academic research that there is a positive association between the share of female non-executive directors in the previous year and the share of female executive directors in the current year (i.e. Catalyst researches, Post and Byron, 2014<sup>18</sup>). It is interesting to assess if there can be a direct effect of the percentage of women on boards on the percentage of women on the executive committees.

Therefore, the results of our analysis show that both the board's and management structure can be associated with the company's financial performance. Moreover, the share of women both in the supervisory board and as non-executive directors and separately the executive directors have a positive influence on the return on equity, return on assets of Romanian listed companies.

### 3.1. Methodology

#### Sample and Database

Our model analyses the BSE companies in the period 2009-2015 and the percentage of women on the supervisory board and the board of directors on the company's performance in terms of ROE<sup>19</sup>, ROA<sup>20</sup> and total sales. We gathered the data using Companies Annual Reports for each year, their official websites and the Bucharest Stock Exchange database. We trimmed the data in order to eliminate the abnormal financial results (we cut the first 5% and the last 5% of the records). Thus, we have a homogenous database that helps us have more robust estimated parameters and better results. The investments and the turnover data are in their logarithmic form in order to have a stable model. Also for obtaining a robust and stable result all records have been normalized before the analysis (they have normal distribution in order to validate the model hypothesis).

#### Methodology

In order to analyze the correlation between the share of women on boards and separately, the share of the executive committee on company financial results, we used an econometric panel data and logit models analysis<sup>21</sup>. We estimated approximately 30 models in order to choose those models that are the best estimates by comparing some specific indicators calculated using R statistics and E-views software. These kinds of models are used in the academic and non-academic literature in order to demonstrate correlations and to have a well-grounded impact analysis for some aspects that are not clearly seen in the market. Also these models are used in medicine, biology, finance and banking in order to highlight and calculate different probabilities.

<sup>17</sup> Schwartz-Ziv, M. (2013). Does the gender of Directors Matter?. Harvard University, Edmond J. Safra Working Papers, No. 8.

<sup>18</sup> Post, C., Byron, K. (2014). Women on Boards and Firm Financial Performance: A Meta-Analysis. Journal of Academy of Management, 58:5 1546-1571

<sup>19</sup> ROE (Return on equity) = Net Profit at the end of the year/Equity at the end of the year.

<sup>20</sup> ROA (Return on assets) = Net Profit at the end of the year/Total Assets at the end of the year.

<sup>21</sup> Methodological aspects for logit model:

- The dependent variable Logit ROE means that the variable ROE is 1 if the financial return increased in comparison with precedent year and ROE equals 0 if it decreased or remained constant.
- The dependent variable Logit ROA means that the variable ROA is 1 if the economic return increased in comparison with precedent year and ROA equals 0 if it decreased or remained constant.
- The dependent variable Turnover means that the variable Turnover is 1 if it increased in comparison with precedent year and it equals 0 if it decreased or remained constant.

For example, in medicine they are used to calculate the probability that a person can be infected or can have a specified disease. In banking, they are used to calculate the probability of default of some companies using some variables and also for credit risk minimization.

### 3.2. Results of the Empirical Study

Our results highlight that, during the analyzed period, there was a positive correlation between the percentage of women on a company's board and its financial performance in terms of Return on Equity. The correlation between the explicative variables of the model and the probability that ROE in the next year will increase is approximately 70%. One of the model variables that explain this correlation is represented by the percentage of women on boards.

The study also highlights that the percentage of women non-executive directors is in a positive correlation with the financial performance of the company.

It is also demonstrated using this model that the share of women on boards or in executive committees has a positive impact on the company's financial performance. There is empirical evidence that, in Romania, in the period 2009-2015, companies that increased the number of women on boards, the total number of board members remaining unchanged, performed better than companies that did not make any change in terms of gender balance in the boardrooms.

**Table 13 - Empirical results**

Variable	Model 1	Model 2	Model 3
Dependent Variable	ROE	ROE	ROE
Independent Variable			
Constant	0.8249.	0.75114.	0.7116.
% of women on boards	0.8134**	0.85076**	0.5796.
% of women on executive committees			0.3142.
Turnover	0.3955*	0.41683*	0.4999*
Investments		-0.07864.	-0.09364.
Random Effects	Company	Company	Company
Pseudo-R <sup>2</sup>	60.27%	69.52%	69.24%

The confidence level is 95% for ".", 99% for "\*\*", 99,9% for "\*\*\*" and 100% for "\*\*\*\*".

Source: Deloitte analysis

There is no evidence that women can contribute to a sales increase in the following year using the same database, thus we can say that women may contribute to a decrease in expenses and increase in productivity, as also proven by other researches, by attracting and retaining the best talents within the company and by optimizing costs.

Therefore, considering only the turnover of the company during the analyzed period and investments in the company a year earlier, their correlation with financial return is 57%. Adding the percentage of women on the board of the company, the correlation increases to 69%.

These models cannot tell us the exact contribution of the percentage of women to the correlation between the explanatory variables and the dependent variable, but we can deduce that by analyzing historical data, the percentage of women on boards had a positive impact on the financial performance of the company.

The table below is constructed using the probability distribution function of the Logit model with mixed effects. Thus, we calculated the influence of each variable on the probability that a company has an increased financial performance.

**Table 14 - Probability results**

The probability that the dependent variable increase in the model hypothesis			
	9.96%	11.28%	9.74%
Variabile	Change in the probability Logit 1	Change in the probability Logit 2	Change in the probability Logit 3
% of women on boards	0.080999	0.095978	0.056468
% of women on executive committees			0.030611
Turnover	0.039384	0.047024	0.048703
Investments		-0.00887	-0.00912

Source: Deloitte analysis

These results highlight the fact that the probability that the company's profitability will increase in the following year, analyzing Romanian companies, is 10%, taking into account an increase in the percentage of women on boards. In the event of one percentage point increase in the share of women on boards, the probability that a company will have a greater financial return increases by 0.08 percentage points.

The general trend among all companies listed on the BSE is that there was a correlation between the increase of the share

of women on boards and the increase in the financial return on equity of the company. The model took into consideration the different number of companies that raised the number of women on boards and those that decreased this number in the entire period. The model is not affected by the lower number of companies that increased the percentage of women on boards. Thus, we can say that there is a high probability that increasing the share of female representation on boards may raise the overall financial performance of companies listed on the BSE, and in general of any company.



# 4. Conclusions and recommendations

## Conclusions

In conclusion, the promotion and advancement of women in Romanian boards is paramount to tap into the yet underutilized highly educated and competent women workforce. The impact of this on the economy as a whole in terms of productivity, financial gains and social equality is highly significant as shown in the study. It can be argued that based on the results of the empirical study, several key areas can be identified as being positively impacted if an increase would be made in the present share of women on boards.

These areas are higher company financial performance measured by return on equity, return on assets and return on investments (ROE, ROA, and ROI), more qualitative corporate governance, and organization as a whole which could be measured by higher retention rates and satisfaction of women with women superiors and a better mix of opinions when having a gender balance on boards.

The analysis has shown that in several Romanian listed companies there are positive signs of improvement in the presence of women on boards. Several companies that increased the total number of board members and the number of women on board provide clear evidence that the potential of women is there and a trend to recognize it is on the rise. In contrast, in the Blue Chip companies the number of women present in the decision making process is very low and with a drop by nearly 50% in 2012. It placed Romania on place number 27th in Europe while BET companies that had the highest percentage of women on boards in last six years have significantly outperformed the BET companies that had fewer or no female member in the board mix.

Finally, the topic of the presence of women on boards in Romania is important and should be addressed, as the impact shown in the study is positive and holds to a great extent potential that if utilized would bring benefit to all the stakeholders involved. In the following section, we will advise some recommendations that would push the topic into a brighter spotlight and call for participation of the major actors identified, namely the companies, policy makers and women.

## Recommendations

To ensure that the report brings insights overall to actors but also individually, we have broken down the recommendations into what we call three key actors in the topic analyzed namely; Companies (Blue Chip, BET), Policy makers, Women and Urgency Actor, where we propose different recommendations for each. We have discussed the stakeholders recommendations in terms of their influence in the continuum with the objective to bring momentum to the awareness which is a prerequisite for future change.

## Implementation actors

Urgency actors - different associations/organizations/entities who are now tackling discussions about gender equality - these actors can collaborate to concoct a consistent message about the urgency nature of gender unbalance on boards of Romanian listed companies and the benefits of taking action.

An important role may be played by the policy makers who would predominantly have a role in piloting the quotas. But among others we have identified several key areas that if acted upon, they could positively impact the topic:

1. An official entity responsible with collecting information from companies about balance and openly communicating this information to promote awareness – the entity would play the role of a watchdog but without any prerogatives in imposing regulations rather with a role in promoting information transparency, establishing clear guidelines, developing best practice for corporate governance, organizing conferences and events.
2. Transparency in terms of company board composition with companies discussing in a separate section in the annual report of the process of appointment, description of search and how nomination is done – disclosing such information in the annual reports can have multiple positive effects on the company image, recruitment, hiring and ultimately on promoting and communicating the openness and existence of board positions among women.

The Companies play as both actors and internal overseers through the role that they must actively partake in the process. A more inclusive culture that promotes the gender equality is not just necessary but imperative at all levels of the organizations.

3. A combination of events/programs aimed at bringing the topic into discussion and create awareness coupled with open trainings (for both genders) as these trainings will act as levers giving women information that will ultimately positively impact their confidence to pursue these opportunities - to ensure the topic is dispersed at all levels of the organization and that the organizations stays engaged with the topic, special ambassadors can be developed by the organizations that will promote these programs and discussions on both the internal and external network. We firmly believe it is more likely that women will open the discussion about the topic in an informal way with the ambassador in the company during day-to-day activities and therefore more likely that the women will gain more interest and confidence to participate in the events and possibly even eventually becoming themselves an ambassador.

A key element here is the level of visibility and empowerment of the ambassador coupled with the position in hierarchy. A balance must be stricken so that the ambassador is right at the border of the person that is both visible and empowered and also sufficiently high in the hierarchy that will have access to the wider informal internal network. We believe this level of communication in the organization is powerful and with the potential to support the inclusive organizational culture that is necessary to be successful in today's competitive environment:

- Mentoring programs (not exclusive to women) - as leadership roles are seen as a dominant male part, women tend to have less confidence that they will be able to make it to the top. A special mentor who is more senior can help female managers and male managers who are identified as potential successful members of board to create a development plan in order to support them. It is also important from a psychological point of view to support women.
- Role models – with the aim of outlining difficulties that they faced and how they overcame them, actively discussing the topic of managing work-life balance and show through real life examples how it is possible to manage both family and board level role responsibilities. Women must find a reflection of themselves mirrored in the leadership.

4. Companies should set their own gender balance targets based on the current situation and set reachable goals and publicly commit to them, with the clear aim of reaching a desirable balance that is business focused and driven by their own organizational culture - companies have different organizational cultures driven by their leadership, nature of business and shaped by the environment in which they grow and so their needs in terms of balance are inherently different from each other.

We believe that each company must develop an understanding of the role of balance on their boards that is driven by the nature of their business and by organizational culture and set targets according to these factors. In addition, this will not only have a positive impact on the board performance but also throughout the organization in terms of hiring and retaining talent.

Women participation and involvement is key for the successful development of the topic. We have looked at several factors that we believe are important to implement:

1. Get informed about the opportunities that exist for advancement to board level career – either through informal or formal network getting informed about process, requirements is paramount to understanding where you stand and how you can access a board level career. We believe this is not sufficient but rather an active involvement in the events/programs/ambassadorship in order to gain a more tangible contact with what the board level responsibilities entail and the benefits and advantages in making this high level career step.
2. Participate in conferences/open discussions/round tables in order to get in touch with the experience of women already in these roles – we don't see it just a way to get to know likeminded people or talk to a role model but also a chance to get a point across, express vision and participate in developing solution. Not only will positively impact women careers through personal development but also professionally through networking.

It is worth mentioning that no recommendation if implemented will have a significant impact alone. But rather all the actions working together in a “cascade” style, starting with policy makers will determine awareness across the chain (policy makers, organizations, women) on both gender sides which in turn will determine change that as our study has shown it is much needed for the healthy development of the economy as a whole and which ultimately makes all stakeholders better off.

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# Appendix - Bucharest Stock Exchange Listed Companies at December 31<sup>st</sup>, 2015

Rank	% of women on Board	No. of Women on Board	No. of members on Board	Company name	BET/ Non- BET	No. of women on the Executive Comm.	No. of members on the Executive Comm.	% Women on the Executive	Women as Board president	Women as a General Director/ CEO
1	67%	2	3	BERMAS S.A.	Non-BET	3	4	75%	YES	YES
1	67%	2	3	FARMACEUTICA REMEDIA SA	Non-BET	0	1	0%	NO	NO
2	60%	3	5	TURBOMECANICA S.A.	Non-BET	0	1	0%	NO	YES
3	50%	2	4	ZENTIVA S.A.	Non-BET	2	2	100%	NO	YES
4	43%	3	7	ELECTIRCA S.A.	BET	1	3	33%	NO	YES
4	43%	3	7	ROMGAZ S.A.	BET	2	14	14%	YES	NO
5	40%	2	5	ANTIBIOTICE S.A.	Non-BET	4	9	44%	NO	NO
5	40%	2	5	CEMACON S.A.	Non-BET	0	2	0%	NO	NO
5	40%	2	5	MECANICA CEHLAU S.A.	Non-BET	2	4	50%	NO	YES
5	40%	2	5	PRODPLAST S.A.	Non-BET	1	4	25%	NO	NO
6	33%	1	3	GRUPUL INDUSTRIAL ELECTROCONTACT S.A.	Non-BET	3	5	60%	NO	YES
6	33%	1	3	SIF HOTELURI S.A.	Non-BET	1	2	50%	NO	NO
6	33%	1	3	UAMT S.A.	Non-BET	0	4	0%	YES	NO
6	33%	1	3	VES S.A.	Non-BET	1	3	33%	NO	NO
7	29%	2	7	NUCLEARELECTRICA S.A.	BET	1	3	33%	NO	YES
7	29%	2	7	SIF OLTENIA S.A.	Non-BET	1	2	50%	NO	NO
8	25%	2	8	CONPET S.A.	Non-BET	3	12	25%	NO	NO
9	22%	2	9	ELECTROMAGNETICA	Non-BET	0	5	0%	NO	NO
10	20%	1	5	ALTUR S.A.	Non-BET	0	4	0%	NO	NO
10	20%	1	5	ALUMIL ROM INDUSTRY S.A.	Non-BET	0	3	0%	NO	NO
10	20%	1	5	IMPACT DEVELOPER & CONTRACTOR S.A.	Non-BET	1	2	50%	YES	NO
10	20%	1	5	ROMPETROL WELL SERVICES S.A.	Non-BET	1	6	17%	NO	NO
10	20%	1	5	S.S.I.F. BROKER S.A.	Non-BET	0	1	0%	NO	NO
10	20%	1	5	SIF MUNTENIA S.A.	Non-BET	1	2	50%	NO	YES
10	20%	1	5	TERAPLAST S.A.	Non-BET	1	2	50%	NO	NO
10	20%	1	5	TMK ARTROM S.A.	Non-BET	1	3	33%	NO	NO
11	14%	1	7	OIL TERMINAL S.A.	Non-BET	1	6	17%	NO	NO
11	14%	1	7	ROPHARMA S.A.	Non-BET	0	3	0%	NO	NO
12	11%	1	9	BURSA DE VALORI BUCURESTI S.A.	BET	0	2	0%	NO	NO
13	0%	0	5	AEROTAR S.A.	Non-BET	0	9	0%	NO	NO
13	0%	0	7	ALRO S.A.	Non-BET	1	2	50%	NO	NO
13	0%	0	5	ARTEGO S.A.	Non-BET	1	3	33%	NO	NO
13	0%	0	3	BANCA COMERCIALA CARPATICA S.A.	Non-BET	1	5	20%	NO	NO
13	0%	0	7	BANCA TRANSILVANIA S.A.	BET	2	7	29%	NO	NO
13	0%	0	5	BIOFARM S.A.	Non-BET	4	5	80%	NO	YES
13	0%	0	5	BOROMIR PROD S.A.	Non-BET	0	1	0%	NO	NO
13	0%	0	8	BRD - GROUPE SOCIETE GENERALE S.A.	BET	1	7	14%	NO	NO
13	0%	0	5	C.N.T.E.E. TRANSELECTRICA	BET	0	5	0%	NO	NO
13	0%	0	5	CARBOCHIM S.A.	Non-BET	2	4	50%	NO	NO
13	0%	0	5	COMELF S.A.	Non-BET	0	1	0%	NO	NO

Rank	% of women on Board	No. of Women on Board	No. of members on Board	Company name	BET/ Non-BET	No. of women on the Executive Comm.	No. of members on the Executive Comm.	% Women on the Executive	Women as Board president	Women as a General Director/
13	0%	0	5	COMPAS.A.	Non-BET	0	16	0%	NO	NO
13	0%	0	3	CONTEDES.A.	Non-BET	0	1	0%	NO	NO
13	0%	0	3	ELECTROAPARATAJ S.A.	Non-BET	2	6	33%	NO	NO
13	0%	0	3	ELECTROARGES S.A.	Non-BET	2	6	33%	NO	NO
13	0%	0	4	ELECTROPUTERE S.A.	Non-BET	1	6	17%	NO	NO
13	0%	0	5	FONDUL PROPRIETATEA S.A.	BET	0	5	0%	NO	NO
13	0%	0	9	OMV PETROM S.A.	BET	2	5	40%	YES	YES
13	0%	0	3	PETROLEXPORTIMPORT S.A.	Non-BET	0	2	0%	NO	NO
13	0%	0	3	PREFAB S.A.	Non-BET	1	4	25%	NO	NO
13	0%	0	3	RETRASIB S.A.	Non-BET	0	3	0%	NO	NO
13	0%	0	3	ROMCARBON S.A.	Non-BET	5	9	56%	NO	NO
13	0%	0	5	ROMPETROL RAFINARE S.A.	Non-BET	0	2	0%	NO	NO
13	0%	0	4	S.N.T.G.N. TRANSGAZ S.A.	BET	4	21	19%	NO	NO
13	0%	0	4	SANTIERUL NAVAL ORSOVA S.A.	Non-BET	0	4	0%	NO	NO
13	0%	0	7	SIF BANAT CRISANA S.A.	Non-BET	2	4	50%	NO	NO
13	0%	0	7	SIF MOLDOVA S.A.	Non-BET	0	3	0%	NO	NO
13	0%	0	7	SIF TRANSILVANIA S.A.	Non-BET	0	3	0%	NO	NO
13	0%	0	3	SINTEZA S.A.	Non-BET	0	3	0%	NO	NO
13	0%	0	5	SOCEP S.A.	Non-BET	1	3	33%	NO	NO
13	0%	0	7	STIROM S.A.	Non-BET	1	2	50%	NO	NO
13	0%	0	3	TRANSILVANIA CONSTRUCTII S.A.	Non-BET	0	2	0%	NO	NO
13	0%	0	5	TURISM FELIX S.A.	Non-BET	1	4	25%	NO	NO
13	0%	0	4	TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.	Non-BET	0	1	0%	NO	NO
13	0%	0	5	VRANCART S.A.	Non-BET	0	1	0%	NO	NO

Source: Annual Reports of the Romanian Listed Companies

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