

# ANALYSIS

# HUNGARY

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## 1. SCOPE OF THE ANALYSIS

### 1.1. Companies visited

The Motivation of selection of the companies had 3 important criteria:

First of all, the national coordinators found it important, that the most influential listed companies of the Hungarian economy , listed on the Budapest Stock Exchange ( BÉT ) .

Secondly, that the different industries are covered in the selection. This approach has the advantage to provide information on the percentage of female representation in companies working in different economy sectors in Hungary

Thirdly, an important factor was considered the fact that if there are currently women on the boards of the selected companies: both companies with and without female board representation are selected.

Within the framework of the project the National Coordinator organized the visits of Annual General Meeting of 12 companies. The project proposal was 14 , but due to the fact that the shares of one company , TVK Zrt. (Tiszai Vegyi Kombinát Zártkörűen Működő Részvénytársaság, iszaújváros, TVK-lpartelep, 2119/3. hrsz., 3581), were not available , and another company , Rába Járműipari Holding Nyrt. (9027 Győr, Martin út 1, Cg.08-10-001532), have indicated in writing before the date of AGM that there is no possibility to put up our questions on the annual general meeting for there is not such Agenda of the meeting that would not make it possible.

Below is a list of the visited companies whose AGMs were visited, and the number of women representatives on board.

BÉT Company	Industry	Women Board Members
ANY Biztonsági Nyomda Nyrt.	Insurance sector	1
APPENINN Vagyonkezelő Holding Nyrt.	Assets management sector	0
BUSINESS TELECOM Távközlési Nyrt.	Telecommunications	0
CIG Pannónia Életbiztosító Nyrt.	Life insurance sector	3
Danubius Szálloda és Gyógyüdülő Nyrt.	Hotels and tourism sector	2

FHB Jelzálogbank Nyrt.	Banking sector	2
Magyar Telekom Távközlési Nyrt.	Telecommunications	4
MOL Magyar Olaj- és Gázipari Nyrt.	Oil and gas industry	2
OTP Bank Nyrt.	Banking sector	0
PannErgy Nyrt.	Business management	0
Richter Gedeon Vegyészeti Gyár Nyrt.	Chemical and pharmaceutical sec- tor	2
Synergon Informatikai Rendszereket Tervező és Kivitelező Nyrt.	information technology consultan- cy	0

## 1.2. Written questionnaires

By the existing regulations the management board shall provide information at the latest three days before the date fixed for the general meeting to all shareholders which may be deemed necessary for discussions held in connection with the items placed on the agenda of the general meeting upon written request submitted at least eight days before the date fixed for the general meeting.

Accordingly the National Coordinator has submitted all the questions to the Management of the selected companies.

Written questionnaires were sent to the selected 13 listed companies of the Budapest Stock Exchange. Eleven of the companies provided written answers. The visited Appennin and Business Telekom companies did not reply despite being explicitly asked in writing (remark: Business Telekom announced liquidation). Rába Járműipari Holding Nyrt., though not visited for the above explained reason provided detailed written answers.

A listed company giving answer emphasised that the answer was given expressly to the shareholder upon practicing information rights and do not give their consent to be used in any project.

### 1.3. Focus of the analysis

The analysis below focuses on the following:

- General observations and conclusions of the speakers, note-takers and national coordinator from the implementation of the project in Hungary, including atmosphere at the meetings, feedback and reactions of Boards and shareholders, other impressions of importance of the project .
- Analysis of the information received by the companies through the visits of the AGMs and the written questionnaires.
- Recommendations based on the observations and conclusions from the project implementation in Hungary for improving the gender balance at leadership positions in Hungary and in Europe in general, as well as regarding other related issues identified in the course of the project by the National Coordinators .

## 2. ANALYSIS OF THE AGMS VISITS AND INFORMATION RECEIVED BY COMPANIES

### 2.1. General observations and conclusions on the procedure and atmosphere of visited AGMs

To pose the questions of the project was ensured by the general legal regulations on practicing information rights. But practising information rights on the AGM is limited to the scope of the agenda .

The regulation does not regulate how to apply the expression „in connection with the items placed on the agenda“, therefore one listed company (Rába) has interpreted this regulation in a strict sense, when rejecting to pose the question on the AGM.

Overall we can state that a special attention was paid to the participants of the AGMs visited both with positive and negative examples.

Positive examples : To the submitted letter containing our questions , the company board administration has contacted us , and provided the necessary information . ( For ex. T – Com, Richter ,CIG Pannonia , Synergon.)



Negative examples : some companies were seeking formal excuses in order to prevent participation on the AGM. But after introducing our objectives and convincing the companies that our information rights as shareholders we wish to practice our participation was accepted.

Below are highlighted some of the major conclusions based on the AGM visits and answers received in Hungary.

- Information rights of shareholders' of public companies are rarely exercised: shareholders physical persons rarely visit AGMs and raise questions to the management. For this reason, Hungarian board members are not accustomed to long and detailed sessions of questions and answers.
- On most of the AGM's there was a time limit to pose the questions. Therefore the activist visiting the AGM in most of the cases had to "consolidate" the questions and highlight the topic according to the relevance to the gender situation of the given company.
- Gender-related questions are clearly not among the priorities of the companies. At most visited AGM's the Board members answered to the posed questions in a more general way. None of the AGM's had the gender topic on agenda. A defensive stance was taken by some of Boards representatives in answering to the gender-related questions at those companies where the proportion of representation of women was low. Moreover, gender equality and women in leadership positions seems to be an uncustomary topic to be discussed publically on the AGM in case of those companies where there are no women at all , or are predominantly men.
- Those companies where women representatives were relatively higher the Board members, or the chair of the Companies took advantage of the opportunity to discuss the topic on the AGM.
- The attending shareholders (mostly majority shareholders) seemed to be passive on the raised topic of gender balance on boards, they did not comment on the topic.

At the visited listed companies where the number of women of the Board Members were "significant", the attitude of the board members, chair persons on the AGMs was positive ( T-Com, CIG Pannonia , Synergion, Richter ) , the questions were welcomed , and the Board Members took advantage to introduce their view on the topic.

- .At the visited listed companies where there were no women Board Members at all , or non significant number of them, the attitude of the board members, chair persons was either formal on the gender quota principle , such they referred to the fact that there is no quota



regulation in effect , and should there be such legal regulation introduced in Hungary they will apply the regulations.

- Other way of expressing their formal attitude was that they stated that the candidates for board memberships at their company are appointed not by gender , but according to their competency , ability , or talent.

## 2.2. Board Members

### 2.2.1. Election of board members for the Supervisory Board or Board of Directors

Election of members for the Board of Directors or Supervisory Board at the AGM took place at nine of the companies ( Appennin, Business Telecom, CIG Pannónia , Danúbius , FHB, Mol, Rába, Synergon )

### 2.2.2. How did the process for proposing the candidates for (supervisory) board membership ensure that suitable women candidates were included at all of its stages? / Will the process for proposing candidates for (supervisory) board membership in the future actively ensure that suitable women candidates are included at all of its' stages

Most of the companies who's AGMs were visited, applies a process for proposing candidates for (supervisory) board members which can ensure that suitable women candidates were included. The following standard answers were received:

- The some of the visited companies answered by stating that the effective Hungarian law is strictly applied in the process of proposing and electing candidates for board members. It is usually considered that as long as the law and the corporate documents of the company do not require any further action, the board is not obliged to take such.
- Most of the companies emphasized that that the primary aspect on nomination of the candidates is not a gender aspect, but is based upon the specific professional criteria and requirements set up by the company.
- Also a listed Company has referred in respect to the topic that the gender roles should be viewed in an overall way , in its' complexity and not only from the leadership , position perspective ( Any )



Mandatorily a visited company ( CIG Pannonia ) has set up corporate rules on election of members to the Management Board and the Supervisory Board of the company. The nomination of candidates is conducted on the basis of the Recommendations of Remuneration and Nomination Committee adopted by the Company in order to improve the gender balance in the Company. The Recommendation sets out the aim to reach a proportion of 40% of female staff for the executive directors, and addresses to increase the proportion of women in senior management positions ( on boards) as well. These recommendations are public .

- It has been stated by some companies that if and when there shall be a binding Directive on quotas, implemented in Hungary, specific measures to increase the number of women at leadership positions will be undertaken.
- Most of the listed companies have their own career development program , but do not have special program focusing on women or enhancing women. In the process of selection the gender is not a criteria . When selecting a candidate the educational background ( degree) , the professional experience, suitability and the accomplishment is the criteria.
- Another statement that was often heard was that candidates for board members are normally proposed by the shareholders (majority shareholders) and elected by the shareholders, but the shareholders consider the aspects of diverse leadership.( FHB).
- At those companies where is a special career development program (for ex.: Junior Club) the company has experienced an increase of women in leadership, both on executive and on board level.

### 2.3. Is a publicly accessible requirements profile for the composition of the (supervisory) board available?

- In the majority of the companies' publicly accessible requirements profile for the composition of supervisory board/supervisory members of the board of directors are available of the visited companies.

### 2.4. Strategy for increasing women executives

#### 2.4.1. What is the company's ambition as to the share of female representation on the executive committee/executive management team within the next



### three to five years? Which concrete measures does the company intend to adopt to achieve or to exceed this ambition?

Some of the companies visited had specific ambition as to the share of female representation on the executive board/executive management team within the next three to five years was expressed. They wish to approach this aim through their carrier development program. Some companies have carrier programs specifically organised for women (for example: FEMMe, Female Engineering MOL Programme) in order to reach the requirements of qualification for higher position on the basis of profession. At a company a “Women’s Leadership Network” has been established in order to maintain the knowledge and contact of those women colleagues who are already in leadership positions. (MOL).

In one of the visited companies (T-Com) has accepted a self regulatory requirement for achieving of at least 30% portion of women on boards.

Others have a non binding goal to achieve a ratio of 40% of women in higher positions (MOL).

#### 2.4.2. Is a publicly accessible requirements profile for the composition of the executive board/executive members of the board of directors available?

- In the majority of the companies’ publicly accessible requirements profile for the composition of supervisory board/supervisory members of the board of directors are available of the visited companies.

## 2.5. Other Executive Positions – The Talent Pipeline

### 2.5.1. Overall female employee share

- The overall female employee share in the visited companies is between 8.5 and 52 percentage depending on the industry sector. Women in pharmaceutical and banking sector form more than 50 per cent of all the employees.
- Information on the number women on management positions is public. Information and statistics relating to gender issues were available at the some of the AGM’s (for example T-Com) as it was part of their annual report, but in other cases were provided additionally in writing.

### 2.5.2. Female employee share at the two management levels below the executive committee

- Answers have been provided to this question by most of the companies. Therefore, it seems not most of BÉT companies have this type of official statistics.
- Since the ratio of women representatives on executive level is much higher than on the top management positions, therefore most of the companies emphasised their results of the lower management levels.
- When giving the answers on the two management levels below the executive committee has not been clearly followed.

### 2.5.3. Promotion of women to the 1st and 2nd management levels immediately below executive committee level

- The replies were not always specific, that is expressed in numbers. Many companies referred to the situation that there is not relevant fluctuation in the top positions.

### 2.6. Relevant national legal situation: national quota rules, self-regulatory commitment etc.

There have been basic changes from 15 th of March 2014 in the national legislation regarding the Companies. The Company Law was integrated into the Hungarian Civil Code. With the basic structural amendments of the legal regulations on companies, no regulations promoting a gender balanced leadership of the companies have been introduced.

- A) There are **no national quota rules** in place in Hungary.
- B) **Recommendation** number 6/2014. (XII. 17.) of the **Hungarian National Bank** has issued for the financial Companies/ Organizations on **establishing internal safeguarding regulations**, which recommends the companies to work out a gender ratio of the boards ( bodies).
- C) CORPORATE GOVERNANCE RECOMMENDATIONS of the Budapest Stock Exchange of 2012 ( BÉT ) .with no gender aspect regulation.
- D) **Regulations/rules and Self-regulatory commitments** have been adopted by the Companies on equal treatment and the promotion of equal opportunities
- E) Some companies have the **general ambition** to achieve an increasing gender presence among the board members.



- Some of the companies pointed out that having more than 45% participation of women in the management as a whole (including mid-management) already represents a very good and balanced position and therefore no improvement is needed.
- Majority of the companies pointed out that they follow the regulations in effect. When the law makes it compulsory that certain percentage of female representation on the boards or top management positions is necessary, specific rules to enhance female participation will be adopted.

## 2.7. Corporate Strategy - identification and nurturing of female talent

- There are training and development programmes or other support mechanisms created in order to identify female talent some of the visited companies.
- There are trainings carried out for employees irrespective of gender but particularly focusing on identification and nurturing of female talent is rare.
- Most of the answers given stressed that all training opportunities are available to both men and women, without gender limitations.
- Strategy to nurture specifically female progression has been named by MOL Company...

### 2.7.1. Concrete measures to raise awareness of the issue „more women in executive positions” among the staff and management

To raise the awareness of the issue „more women in executive positions” among the staff and management a Company has decided to organise a forum on the topic on the AGM. ( Pannergy)

### 2.7.2. Do you see female representation in leadership positions as a good business sense?

Most of the companies provide an answer to the question as it is professional qualification and competency that counts and not the gender.

### 3. RECOMMENDATIONS BASED ON THE PROJECT IMPLEMENTATION IN HUNGARY

- Most of the companies visited, referred to lack of regulation, and that should a quota regulation would take place they would implement the law.
- Raising awareness on a broader channel, both on governmental level, aiming at the codification professionals, to subserve, to achieve a binding regulation and to campaign on company level to promote self-regulation.

