

Article

Compliance with Corporate Governance Principles by Energy Companies Compared with All Companies Listed on the Warsaw Stock Exchange

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Abstract: Disclosure of non-financial information, especially regarding corporate governance (CG), is an important element of companies' communication with their stakeholders. This paper sets out to define—from a theoretical and practical perspective—the scope of CG reporting in Polish fuel, gas, and energy (“energy”) companies required under EU directives and national regulations. The paper presents the results of a study investigating whether and to what extent annual corporate governance statements (CGSs) prepared by energy companies, compared with other companies listed on the Warsaw Stock Exchange (WSE-LCs), are consistent with “Best Practices for WSE-LCs 2016” (BPs for WSE-LCs). The study group consisted of energy companies submitting their 2017–2020 reports, as well as other companies listed on the WSE, as a comparative group (i.e., a total of 179 reports). We used a monographic method to study theoretical problems and annual CGSs and performed a critical review of the literature, as well as comparative, content, and descriptive analyses. The analysed CGSs helped answer the following question: to what extent do energy companies and other WSE-LCs pursue the CG rules specified in BPs for WSE-LCs? The results indicate that such companies follow various approaches to CG disclosures and reporting obligations. However, what truly matters is not the legal obligation itself, but rather the companies' social responsibility for maintaining good relations with their stakeholders. The paper will contribute to CG studies, because no Polish theorist has so far analysed CG disclosures in annual non-financial reports. The paper fills a research gap in information on adherence to best practices in CG disclosures in CGSs of all WSE-LCs. The study presents conclusions of CG disclosures by energy companies, which can provide the basis for further research in other sectors.

Keywords: corporate governance; best practices for WSE-LCs; Directive 2013/34/EU; Directive 2014/95/EU; corporate governance statement (CGS)



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1. Introduction

The specificity of the Polish energy industry is that it is largely public. Energy companies are state-owned. This feature is distinguishing for Europe and the world. Hence, examining the application of best practices when disclosing non-financial information in energy companies compared to other companies operating on the stock exchange may contribute to filling the research gap in this area.

The CG concept and CG reporting are part of everyday business language, which has a positive impact on capital markets. Best CG practices for listed companies, modified in

recent years in many countries, are becoming key to protecting investors and strengthening and stabilising capital markets worldwide [1]. The CG concept is a theme for various research studies and attracts wide stakeholder attention [2].

The practice and theory of CG from 2010 to 2021 focus primarily on how CG information can help stakeholders make effective supervision and investment decisions [2]. Nowadays, CG is an important tool used to increase trust in business integrity and capital markets [1,3]. The stability of global capital markets, confidence in listed companies, and improved investor security, require regulations and listed company supervision. For every listed company, the application of CG recommendations and principles should be important for building its market position and maintaining good stakeholder relations.

Recently, a number of attempts at new CG regulation have been made as well. Hence, initiatives in the form of standards, principles, norms, and guidelines are intended to assist listed companies in corporate annual reporting in general, as well as CG and non-financial reporting in particular. The quality and accuracy of these regulations are a relevant basis for implementing corporate transparency and social responsibility rules. The regulatory framework should support effective supervision and law enforcement in every listed company [3–7].

In 2013–2021, the European Union published initiatives in the form of standards, principles, norms, and guidelines intended to assist listed companies in annual CG reporting [2].

Currently, in many countries, the CG regulatory framework takes the form of a “best practices code for listed companies”. The objective of every best practices code is to build effective tools supporting actual supervision, management, and transparent communication between the listed company and the capital market, as well as respect for shareholders’ rights [8,9]. In Poland, the WSE-LCs have prepared their own set of CG recommendations and principles collected in the BPs for WSE-LCs [10].

Many authors have confirmed that adherence to the CG best practices code has a significant impact on various company indicators and stakeholder relations. Moreover, applying the CG recommendations and principles builds trust in the listed company, and:

- Affects the company’s relation with the market environment.
- Strengthens the company’s competitive position.
- Is tantamount to respecting various capital market interests.
- Helps shareholders make more informed investment decisions.

Partial or full disregard for the best practices code in a listed company may indicate a significant investment risk.

In Poland, listed companies may publish CG information in the “statement on non-financial information” or CGS. Companies prepare statements on non-financial information to meet the Polish Non-Financial Reporting Standard (PN-FRS) [11]. On the other hand, the companies prepare CGSs in accordance with BPs for WSE-LCs.

The objective of BPs for WSE-LCs is to allow the capital market to adequately assess the companies trading on the WSE’s regulated market. The structure of this document includes the following reporting areas:

- Disclosure policy and investor communications.
- Management Board and Supervisory Board.
- Internal systems and functions.
- General meeting and shareholder relations.
- Conflict of interest and related party transactions.
- Remuneration.

Directive 2013/34/EU [12] introduces the principle, which obliges the “Board Activity Reports” of listed companies to contain a separate CGS, with information on a best practices code. This Directive also introduces the “comply or explain” principle [13], requiring the reporting company to disclose and explain in its CGS to what extent it has departed from certain best practice principles. This supplementary regulation enables the listed company to depart from the best practice code if such a departure allows more effective

supervision and management and considers the company's size, shareholding structure, and industry [2,14,15].

The authors' earlier studies show that the PN-FRS guidelines are not applied by WSE-LCs [9]. Not all listed companies separately approach the management area (14%) in which they should disclose CG information. Moreover, companies seem not to understand the concept of linking CG with non-financial (e.g., social, economic, and environmental) aspects. Unfortunately, companies clearly show that they often do not understand the CG disclosure rules. For these reasons, we assessed the practical application of CG principles from CGSs submitted by energy companies and WSE-LCs from WSE index (WIG) indices.

The objective of this article is to evaluate to what extent CGSs prepared by companies from the fuel, gas, and energy ("energy") sector and other companies listed on the WSE are consistent with the BPs for WSE-LCs.

The research hypothesis is: "Listed companies are reluctant to disclose their policies on executive appointment and remuneration, and on the selection and responsibilities of members of corporate management and control bodies".

For that purpose, we analysed 52 CGSs from 2017–2020 prepared by all energy companies and 127 CGSs from 2020 prepared by all companies from WSE's WIG20, mWIG 40, and sWIG 80 indices (as comparative groups).

The paper consists of five sections (including this introduction).

- Section 2 describes CG reporting and Polish regulation in this area.
- Section 3 reviews CSR/integrated reports and CG disclosure literature.
- Section 4 describes the methodology and data content analysis, data description, research questions, and descriptive results.
- Section 5 describes the study results and answers to the research questions.

In the first part, we review the subject literature and the monographic method. In the second part, we analyse the content; the basic source materials were the CGSs for 2017–2020. The study group consisted of all energy and WIG companies listed on the WSE that submitted their reports (140 reports in 2020 and 39 CGSs published by energy companies for 2017–2019). We studied the CGSs using methods including content analysis, comparative and descriptive analysis, and induction.

The study presents the gap between the expected and the actual scope of disclosures regarding the CG in CGSs, which are the primary source of non-financial information for stakeholders of energy companies and other WSE-LCs.

The paper contributes to CG studies because no Polish theorist has so far analysed CG disclosure aspects in annual energy company non-financial reports. The paper presents preliminary yet empirically proven conclusions showing future research directions.

2. The Concept of CG in the Literature and in Regulations

CG has many definitions and interpretations [16]. Each business activity or investment involves risk. CG aims to protect the interests of both company owners and employees, as well as investors and other stakeholders. CG introduces control mechanisms to protect the interests of shareholders in the scope of, for example, information policy and communication with investors, organisation of general meetings, or the rules of operation of the Management Board and Supervisory Board [2,17,18]. The application of "good CG practices" is part of the concept of sustainable development. This is particularly important in view of the possibility of fraudulent policies by companies, which may undermine confidence in entities operating on capital markets [19]

After another wave of corporate scandals, bankruptcies, and the 2008–2010 financial crisis, many public discussions took place, followed by legislation and regulations encouraging public companies to apply the principles of transparency and social responsibility to restore investor confidence in the financial markets [20–24]. At that time, corporate secrecy and new financial management practices were considered to be the underlying cause of corporate scandals, bankruptcies, and the financial crisis, sometimes referred to as a crisis of confidence [19]. Therefore, the concept of transparency and social responsibility

stimulated many public debates [25], resulting in incorporation of this concept into many regulations concerning public companies.

Investors' expectations evolved towards greater management disclosure. Today's investors are aware of the importance of precisely formulated strategies, development visions, long-term market analysis, and effective management of internal systems and functions, particularly including risk management [26]. The new scope of expected disclosure fits well with the stakeholder theory promoting practical, efficient, effective, and ethical organisation management in a complex and turbulent environment [27,28].

Therefore, regulatory authorities have acted to legitimise transparency and social responsibility as basic CG principles [1,9,29]. The transparency principle has become a key concept in both the literature and regulations (e.g., [30–37]).

In CG discussions [29,38,39], the transparency principle needs to be closely linked to corporate disclosure. The Directives and various international guidelines [40] stipulate that CG recommendations and principles should define key areas of disclosure, including voluntarily disclosed information on investor and shareholder relations, sustainability, and other non-financial information on corporate management [41]. Current global studies indicate the inter- and multidisciplinary nature of CG theory and practice [19,42].

Changing stakeholder needs and expectations have rapidly impacted disclosure scope. Currently, financial statements must consider the specific nature of the company's industry and business model. As a result, stakeholders increasingly incorporate non-financial information into their evaluations [43–45].

Many studies seek to understand the perspective of supervisory board members on CG best practices [46] and financial auditors' opinions on CG development [47]. Other research studies CG in the context of ownership structure [46,48], especially concerning signalling, agency theories, and CG mechanisms [20–24,49] and their effect on CSR, to understand the motivations for and factors in sustainable development (SD) reporting [50].

Regulatory authorities' actions to legitimise CSR and transparency in corporate reporting show a clear recent evolution, with new regulations being introduced [25]. Assessing companies has always been complex. Importantly, while financial information has long been codified, standardising non-financial information is far more difficult. Nevertheless, global organisations have taken many such initiatives.

For investors, the decision-making process is not easy. Integrated reports (IRs) are the most recent approach, combining financial with supplementary non-financial information. While IRs have not yet become standard, some companies have adopted them to build sound investor relations. However, recent research shows that IRs tend to contain discrepancies and duplications [51]. Some IR information overlaps with the management board's activity or CSR reports [52]. Hence, proposals have been put forward to clarify the IR concept to avoid information duplication [53,54].

Many authors rightly note that globalisation, increased competition, and the knowledge economy have all contributed to non-financial information's importance in assessing company performance, even if such non-financial information is not directly related to financial information [53,55–58]. Therefore, the fundamental question concerning non-financial disclosure is: what non-financial information should be disclosed to ensure that the information is useful to stakeholders and not merely an image builder (e.g., [27,28,59–62]), and what regulatory approaches are appropriate?

Good CG practices include actions aimed at stakeholders, management boards, investor relations, and board member remuneration. Good practices usually are guidelines for the implementation of the GC "Comply or Explain" approach. Listed companies must report their compliance with certain rules and reasons for non-compliance.

CG studies focus primarily on the impact of non-financial disclosures on stakeholder relations. Authors pay particular attention to financial, moral, and social aspects. Other addressed issues include CG:

- Theory [63–65].
- System development [23,24] and prospects [66].

- Impact on financial health [67–71] and economic development.
- Factors contributing to corporate bankruptcies [64].
- Measurement methods [72].
- Analysis and evaluation procedures and adherence to “good practices” enabling the comparison of those procedures [73].
- Evolution of regulations, recommendations, and principles [20–24].

We also discuss CG’s impact on environmental performance [73], and its effect on social relations through the extent of disclosure of environmental information to local communities [31,39,74–79].

The European Commission (EC) has introduced numerous regulations on CG disclosure. Listed EC companies first had to comply with CG and the “comply or explain” principle in 2006 [80]. Directive 2013/34/EU [12] included new regulations concerning disclosure transparency, and Directive 2014/95/EU [81] and the Commission Recommendation (CR) 2014/208/EU [82] on the quality of CG reporting (“comply or explain”). These directives, alongside CR 2014/208/EU [82], have been implemented into Polish legislation in the Accounting Act and the National Accounting Standard No. 9—Activity Report [83]. Public companies must now prepare “non-financial statements” and/or CGS as stand-alone “Activity Report” parts.

Directive 2013/34/EU [12] stipulates that listed companies must include the following information in their CGSs:

- The applicable CG code; or
- The CG code voluntarily followed by the company; or
- CG practices if they go beyond national law requirements.

On 21 April 2021, the EC presented a draft of the Corporate Sustainability Reporting Directive (CSRD), expected to replace Directive 2014/95/EU [81]. This revision’s objective is to expand financial reporting scope in areas such as climate change risks or the quality of reporting on environmental, social, and CG issues. The ensuing quality improvement, perfectly in line with European Green Deal objectives, arises through a uniform classification of sustainability measures, i.e., the EU taxonomy. The EC intends that the new norms and regulations will increase public company transparency and social responsibility status.

The Capital Markets Development Strategy 2019 indicates the need to increase WSE powers set out in its regulations to enforce CG compliance [84]. This approach is in line with the studies we reference. We found that CG information in WSE-LC annual reports is disclosed as part of the CG and non-financial statements, leading to considerable CG information duplication.

The question arises whether the scope of CG disclosure satisfies stakeholder needs and whether non-mandatory disclosure will disclose only good and hide bad outcomes.

Błażyńska [15] examined WSE-LCs which declare that they prepare their non-financial statements in accordance with the PN-FRS [11]. In her study, Błażyńska showed that, according to the PN-FRS, WSE-LCs prepare their reports in accordance with the standard’s guidelines. However, “G.2 Governance” is the weakest link in non-financial reporting, as companies are expected to describe:

- Management structures.
- Tools for efficient management support.
- Respect for shareholders’ rights and transparent environmental communication.
- The company’s managing non-financial (environmental and social) reporting.
- How non-financial aspects affect financial performance.
- How and at what management level they address social and environmental factors.
- Risk management systems.
- Audit management systems.
- Whether the company audits its suppliers.
- Certified management systems.
- Internal control systems.

- How internal control addresses social or environmental aspects.

According to Błażyńska, only 14% of companies examined from 2017 to 2019 approached CG separately in their non-financial statements. Those that did disclosed only selected CG information (G.2), including [15]:

- Management structures (94%).
- Certified management systems (82%).
- Internal control system efficiency (76%).
- Tools for efficient management support (70%).
- Respect for shareholders' rights and communication with the environment (53%).

Błażyńska stated that other G.2 issues were treated superficially. Occasionally, we found cursory references as to how social and environmental aspects are addressed. No company showed how these aspects influenced financial results. We note that companies do not appreciate the need to define the relationship between CG and the environment, social responsibility, and other non-financial aspects. Companies seem not to understand linking CG with non-financial (social, environmental) aspects. Companies also avoid using Key Performance Indicators (KPIs). The lack of a direct relationship between non-financial and financial information is worrying. To conclude, Błażyńska confirmed that the PN-FRS is not translated into practice.

Unfortunately, as many as 86% of surveyed companies refer report readers to the CGS or BPs for WSE-LCs, clearly indicating that they do not understand the preparation of annual non-financial statements (reports).

Based on a predefined aim and a preliminary research sample analysis, the three research questions (RQs) we formulated are:

- (1) RQ1: How many WSE-LCs for the energy sector apply BPs for WSE-LCs as a whole?
- (2) RQ2: How many WSE-LCs for the energy sector report that the CG recommendations or detailed principles are not applicable to them?
- (3) RQ3: Does the scope of CG information included in CGS depend on the company's sector/industry?

3. Methodology and Data Description

In this paper, we present the CGS analysis from listed energy companies against the background of other WSE-LCs (as a basis for comparison). The energy sector is currently of interest to many researchers due to the energy transformation. Research is being carried out on the relationship between various energy sources including renewable energy and economic growth [85], the impact of financial and economic development, energy consumption on territorial emissions and thus on the environment [86], and modernisation of the energy system to combat climate change [87]. The importance of disclosing information by the energy sector is growing due to the need for transparency of non-financial information regarding, *inter alia*, actions taken to combat environmental degradation and conducting corrective actions in this regard. Compliance with best practices when disclosing non-financial information increases its transparency and in turn enables the assessment of the impact of the energy sector's activities on the economy and the natural environment. The main research method used in the article is content analysis. Content analysis can be understood as an analytical and systematic approach to analysing the content of a written message. The person using this method works with the material which he analyses. Among the content that can be analysed, we can find, among others, transcripts from research, namely answers to open-ended questions (e.g., research problems, which are formulated in the form of questions). A similar method is used by authors of other studies on similar topics covered in this study [88,89].

There are four large Polish fuel and gas companies, supplying about 88% of the country's fuels and gas:

- Polski Koncern Naftowy ORLEN S.A. (PKN).
- Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGN).

- Grupa Lotos S.A. (LTS).
- Unimot S.A. (UNT).

All companies are listed on the WSE.

There are four large Polish energy groups, generating about 86% of Poland's energy:

- Polska Grupa Energetyczna S.A. (PGE).
- Tauron Polska Energia S.A. (TPE).
- ENEA S.A. (ENA).
- Polenergia S.A. (PEP).

This group of important energy companies also includes:

- KOGENERACJA S.A. (KGN).
- Power Plant Complex "Państwów-Adamów-Konin" S.A. (ZEP).
- MLSystem S.A. (MLS), PHOTON (PEN).
- INTERAOLT (IRL).

All companies are listed on the WSE.

We performed the following research stages:

- (1) Determining full lists of WSE-LCs, broken down into WIG20, mWIG40, and sWIG80 indices. In June 2021 those companies submitted their CGSs 2020. We analysed the statements; we present our findings in Section 3.1.
- (2) Analysing CG objectives, basic and detailed principles and recommendations based on BPs for WSE-LCs 2016. This document serves as a reference point for our main objective. We present the results in Section 3.2.
- (3) Presenting in Section 4 the study results and the research question answers.

3.1. Study Sample Selection

To determine to what extent listed energy companies and other WSE-LCs (comparative group) pursue the CG recommendations and principles specified in BPs for WSE-LCs 2016, we selected a representative company sample. We analysed all CGSs from 2020 from WSE's WIG20, mWIG40, and sWIG80 indices (including 13 energy companies). We allocated companies to the WSE indices based on trading volumes and market capitalisation.

WSE-LCs from the WIG20, mWIG40, and sWIG80 indices represent eight basic economic sectors:

- "Sector 100—Finance".
- "Sector 200—Fuels, gas and energy".
- "Sector 300—Raw materials and chemistry".
- "Sector 400—Construction, industrial and assembly production".
- "Sector 500—Consumer goods".
- "Sector 600—Services and trade".
- "Sector 700—Healthcare".
- "Sector 800—IT and technologies".

The study includes all WSE-LCs from WIG20, mWIG40, and sWIG80 indices as of 30 June 2021.

The largest share of the analysed companies represent sector "100—Finance" (19.29%—27 institutions and companies). The runners-up are:

- "500—Consumer goods" (15.71%—22 companies).
- "400—Construction, assembly and industrial production" (15%—21 companies).
- "600—Services and trade" (13.57%—19 companies).
- "700—Healthcare" (10.72%—15 companies).

Three industries account for 8.57% each (12 companies each):

- "200—Fuels, gas and energy".
- "300—Raw materials and chemistry".
- "800—IT and technologies".

Each sector includes a few industries. Overall, the study covers 34 industries in the sample; the relative share in the index is variable (updated quarterly), and the sector/industry classification is permanent.

The energy sector includes 13 listed companies broken down into WIG indices as of 30 June 2021:

- (1) “210—Fuels and gas industry”:
 - WIG 20 index—Polski Koncern Naftowy ORLEN S.A. (PKN), Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGN) and Grupa Lotos S.A. (LTS).
 - sWIG80 index—Unimot S.A. (UNT).
- (2) “220—Energy industry:
 - WIG 20 index—Polska Grupa Energetyczna S.A. (PGE) and Tauron Polska Energia S.A. (TPE).
 - mWIG40 index—ENEA S.A. (ENA) and Polenergia S.A. (PEP).
 - sWIG80 index—KOGENERACJA S.A. (KGN), Zespół Elektrowni “Państw-Adamów-Konin” S.A. (ZEP) and MLSystem S.A. (MLS), PHOTON (PEN) and INTERAOLT (IRL).

Table 1 presents a detailed breakdown of sectors and industries represented by WIG20, mWIG40, and sWIG80 companies, as well as lists of WSE-LCs and including their relative shares in industries whose CGSs we analysed.

In total, our analysis listed in Table 1 indicates that WIG20, mWIG40, and sWIG80 companies represent 34 industries from eight sectors:

- 100 Finance sector (26 institutions and companies—18.56%): 12 banks, 1 insurance company, 8 real estate companies, 2 capital markets, 1 company from the claims industry, and 2 investment companies.
- 200 Fuels, gas and energy sector (13 companies—9.29%): 9 power companies and 4 companies from the fuel and gas industry.
- 300 Raw materials and chemistry sector (16 companies—11.43%): 4 mining companies, 4 chemical companies, 5 metallurgy companies, 2 recycling companies, and 1 company from the wood and paper industry.
- 400 Construction, assembly and industrial production sector (21 companies—15%): 5 companies from the electrical engineering industry, 10 companies from the construction industry, 3 companies from the corporate supplies industry, and 3 companies from the transport and logistics industry.
- 500 Consumer goods sector (17 companies—12.14%): 5 companies from the clothing and cosmetics industry, 5 companies from the food and drink industry, 5 companies from the automotive industry, and 2 companies from the household goods industry.
- 600 Services and trade sector (20 companies—14.29%): 3 wholesalers, 2 companies from the retail networks industry, 3 companies from the leisure and relaxation industry, 7 companies from the games industry, 3 company from the hotels and restaurants industry, and 2 e-commerce companies.
- 700 Healthcare sector (15 companies—10.71%): 4 manufacturers of pharmaceuticals, 3 companies from the medical supplies industry, 2 companies from the distribution of pharmaceuticals industry, and 6 biotechnology companies.
- 800 IT and technologies sector (12 companies—8.57%): 8 information technology companies, 3 telecommunication companies, and 1 new technology company.

Finally, this analysis covers data from the 39 annual CGSs for 2017–2020 published by energy companies. This analysis defines the values and tendency to change.

Based on the last CGSs from 2021 (presenting data for 2020), we compare the values for 140 companies from the WIG20, mWIG40, and sWIG80 indices from the comparison group. The comparison group also includes 13 energy companies. Therefore, we performed further analysis of 127 other reports published by other WSE-LCs (the comparison group) for 2020 to compare the values of all listed companies in 2020.

Table 1. Sectors and industries represented by the analysed companies from WIG20, mWIG 40, and sWIG80.

Sector Code	Sector Name	Industry Code	Industry Name	Ticker Symbol			Relative Share (%)
				WIG 20	mWIG 40	sWIG 80	
100	Finance	110	Banks	PKO, PEO, SPL	ALR, ING, MIL, BHW, MBK	BOS, GNB, GTN, IDA	8.57
		120	Insurance companies	PZU	-	-	0.71
		130	Capital markets	-	GPW, XTB	-	1.43
		140	Real estate	-	GTC, DOM, DVL, ECH	1AT, PHN, ARH, CPG	5.71
		160	Claims	-	KRU	-	0.71
		180	Investments	-	-	MCI, INC	1.43
200	Fuels, gas and energy	210	Fuels and gas	PKN, PGN, LTS	-	UNT	2.86
		220	Energy	PGE, TPE	ENA, PEP	KGN, ZEP, MLS, PEN, IRL	6.43
300	Raw materials and chemistry	310	Chemistry	-	ATT, CIE	PCR, PCE	2.86
		320	Mining	KGH, JSW	-	LWB, AML	2.86
		330	Metallurgy	-	KTY, STP	MNC, STB, BRS	3.57
		360	Wood and paper	-	-	ATC	0.71
		370	Recycling	-	-	MBR, EEX	1.43
400	Construction, assembly and industrial production	410	Construction	-	BDX	SKA, FRO, TOR, PKM, PBX, LTX, MRB, INK, TRK	7.14
		420	Electrical engineering industry	-	FMF	WLT, NWG, APT, VGO	3.57
		430	Transport and logistics	-	PKP	STX, ENT	2.14
		440	Corporate supplies	-	-	TIM, GRN, WSE	2.14
500	Consumer goods	510	Food and drink	-	KER	WWL, AMB, AST, KSW	3.57
		520	Clothing and cosmetics	LPP, CCC	-	LBW, GLC, HRP	3.57
		530	Household goods	-	AMC	FTE	1.43
		540	Automotive industry (including parts)	-	CAR	APR, SNK, ACG, DBC	3.57
600	Services and trade	610	Wholesale trade	-	-	ABE, TOA, ASB	2.14
		620	Retail networks	DNP	EUR	-	1.43
		630	Leisure and relaxation	-	EAT, BFT	RBW	2.14
		640	Hotels and restaurants	-	WPL	AGO, ATG	2.14
		650	Games	CDR	TEN, 11B, PLW	CIG, ULG, BBT	5.00
		660	E-commerce	ALE	-	OPN	1.43
700	Healthcare	720	Medical supplies	-	-	VOX, MDG, AWM	2.14
		730	Production of pharmaceuticals	-	BML, CLN	BIO, CRM	2.86
		740	Distribution of pharmaceuticals	MRC	NEU	-	1.43
		750	Biotechnology	-	OAT, SLV	RVU, SLV, BKM, MAB	4.28
800	IT and technology	810	Telecommunication	CPS, OPL	-	NET	2.14
		820	Information technology	ACP	LVC, ASE, CMR, DAT	CMP, PSW, ABS	5.71
		830	New technologies	-	-	R22	0.71

Source: by the authors based on WSE data as of 30 June 2021.

3.2. Analysis of CG Objectives, Recommendations, and Principles for WSE-LCs

BPs for WSE-LCs 2016 is the base document used to analyse Polish CGs. This document provides guidance for WSE-LCs as to how to report CG information. BPs for WSE-LCs 2016 consists of six basic principles, addressing the most fundamental Polish listed company CG issues: (1) Disclosure Policy and Investor Communications, (2) Management Board and Supervisory Board, (3) Internal Systems and Functions, (4) General Meeting and Shareholder Relations, (5) Conflict of Interest and Related Party Transactions, and (6) Remuneration. The basic principles are further broken down into 20 recommendations and 67 detailed principles.

Table 2 lists the basic principles to be achieved by WSE-LCs by applying recommendations and detailed principles on CG.

Tables A1 and A2 (in Appendix A) list 6 basic principles, 20 recommendations, and 67 detailed principles for Polish listed companies contained in BPs for WSE-LCs 2016.

The application of six basic principles (divided into 67 detailed principles) contained in BPs for WSE-LCs 2016 is obligatory and follows from the nature of the Polish capital markets and the relationship of the companies with the market environment. We observe greater flexibility with regard to the 20 recommendations. WSE-LCs report on their adherence to

the recommendations in their CGSs, which is part of the board activity report, which in turn is one of the elements of the annual corporate report.

Table 2. Best practices for WSE-LCs 2016—structure analysis.

No.	Basic Principle	Objectives of Polish Listed Companies by Applying Detailed Principles and Recommendations	Number of Recommendations	Number of Detailed Principles
I.	Disclosure Policy and Investor Communications	Ensuring adequate communications with investors and analysts by pursuing a transparent and effective disclosure policy. To this end, they should ensure easy and non-discriminatory access to disclosed information using diverse tools of communication	4	22
II.	Management Board and Supervisory Board	Ensuring an efficient management board, responsible for setting its strategic objectives, as well as a competent supervisory board which in particular issues opinions on the company's strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company's performance	7	11
III.	Internal Systems and Functions	Maintaining efficient internal control, risk management, and compliance systems and internal audit functions	1	6
IV.	General Meeting and Shareholder Relations	Encouraging the engagement of shareholders, in particular through active general meeting participation by respecting the shareholders' rights	3	18
V.	Conflict of Interest and Related Party Transactions	Having in place transparent procedures for preventing conflicts of interest and related party transactions	1	6
VI.	Remuneration	Having a remuneration policy defining the form, structure, and methods of remuneration of officers and key managers	4	4

Source: by the authors based on [10].

However, filing a full report on adherence to CG recommendations and principles is mandatory. Therefore, WSE-LCs can choose any of the three following approaches:

- Disclose and explain which recommendations and detailed principles from BPs for WSE-LCs are not applicable in the company's (i.e., in the board's) opinion.
- Apply BPs for WSE-LCs in the whole.
- Disclose and explain why certain recommendations or detailed principles from BPs for WSE-LCs are not complied with.

4. Results and Recommendations for Further Research

This section discusses our results for the defined research questions (RQ1–RQ3).

4.1. How Many WSE-LCs for the Energy Sector Apply BPs for WSE-LCs as a Whole? (RQ1)

In this section the authors analysed 39 energy companies CGSs (from 2017 to 2020) and 127 listed company CGSs (as a comparison group) to answer research question RQ1.

Table 3 presents the detailed results of CGS research for energy companies and other WIG20, mWIG40, and sWIG80 companies reporting in line with the recommendations of the BP for WSE-LCs.

The study shows that only 9 out of 140 WSE-listed companies fully comply with the recommendations of the BPs for WSE-LCs. Two of those nine companies (PKN and PGN) represent the fuels and gas sector. However, one energy company (PEP) does not report whether it adheres to those principles and recommendations. Therefore, in accordance with the WSE regulations and the “comply or explain” principle, we should assume that it fully complies with them. The other energy companies applied only 13 out of the 20 recommendations.

Table 3. Percentage of companies reporting in line with the recommendations of the BPs for WSE-LCs.

Recommendation No.	Application of Recommendation				Change (%) 2020/2017	% of Comparative Group Companies Reporting This Recommendation	Non-Application of Recommendation	
	% of Energy Companies Reporting This Recommendation						% of Energy Sector Companies Reporting	% of Comparison Group Companies
	2017	2018	2019	2020			2020	2020
I. Disclosure policy and investor communications								
I.R.1	100	100	100	100	0	100	0	0
I.R.2	76.92	76.92	76.92	76.92	0	91.34	23.08	8.66
I.R.3	100	100	100	100	0	100	0	0
I.R.4	100	100	100	100	0	100	0	0
II. Management board and supervisory board								
II.R.1	100	100	100	100	0	99.21	0	0.78
II.R.2	92.31	92.31	92.31	92.31	0	88.98	7.69	11.02
II.R.3	100	100	100	100	0	100	0	0
II.R.4	100	100	100	100	0	100	0	0
II.R.5	100	100	100	100	0	100	0	0
II.R.6	100	100	100	100	0	100	0	0
II.R.7	100	100	100	100	0	100	0	0
III. Internal systems and functions								
III.R.1	92.31	92.31	92.31	92.31	0	84.25	7.69	15.75
IV. General meeting and shareholder relations								
IV.R.1	100	100	100	100	0	94.49	0	5.51
IV.R.2	30.77	30.77	30.77	30.77	0	37.79	69.23	62.20
IV.R.3	100	100	100	100	0	78.74	0	21.26
V. Conflict of interest and related party transactions								
VR.1	100	100	100	100	0	100	0	0
VI. Remuneration								
VI.R.1	69.23	69.23	69.23	76.92	+7.69	95.27	23.08	20.47
VI.R.2	69.23	69.23	69.23	76.92	+7.69	85.04	23.08	14.96
VI.R.3	84.62	84.62	84.62	84.62	0	82.68	15.38	17.32
VI.R.4	100	100	100	100	0	100	0	0

Source: by the authors.

An analysis of the other CGSs shows that they reported non-application of 10 out of 20 recommendations from BPs for WSE-LCs. This analysis means that as many as 50% of the recommendations were not applied, according to the CGSs.

In 2020 WSE-LCs we analysed the following recommendations were waived (see Table 3):

- IV.R.2 “Companies should broadcast its general meetings and enable bilateral real-time communication”—69.23% of energy companies and 62.20% of companies in other sectors.
- VI.R.1 “The remuneration of the company’s officers and key managers should follow the approved remuneration policy”—23.08% of energy companies and 20.47% of companies in other sectors.
- VI.R.2 “The remuneration policy should be closely linked to the company’s strategy, its short- and long-term goals, long-term interests and results”—23.08% of energy companies and 14.96% of companies in other sectors.
- I.R.2 “Disclosure of information on sponsorship or charity projects”—23.08% of energy companies and 8.66% of companies in other sectors.
- VI.R.3 “Establishment of a remuneration committee”—15.38% of energy companies and 17.32% of companies in other sectors.

- II.R.2 “Management/Supervisory Board members should be selected so as to ensure versatility and diversity of these bodies”—7.69% of energy companies and 11.02% of companies in other sectors.
- III.R.1 “The company’s structure should include separate units responsible for the performance of tasks in individual systems or functions”—7.69% of energy companies and 15.75% of companies in other sectors.
- IV.R.3 “If the securities issued by the company are traded in different countries, corporate events should take place at the same time in all of those countries”—0% of energy companies and 21.26% of companies in other sectors. Failure to follow this recommendation is due to Polish energy companies being mostly state-owned and owned by the state treasury.

However, we assume that because of the COVID-19 pandemic, both the shareholders and the companies will reconsider the application of Recommendation IV.R.2. We thus continue the study by examining statements on the application of CG principles published for 2021. The percentage of companies that do not apply Recommendation IV.R.2 in the remaining seven industries is similar.

Further analysis indicates that 23.08% of energy companies do not apply Recommendations VI.R.1 and VI.R.2. As far as Recommendation VI.R.1 is concerned, companies report that while they do not have a formalised remuneration policy they introduce internal remuneration policy regulations inspired by Recommendation VI.R.2, believing that such regulations are helpful in implementing their business strategies. Companies declare that their remuneration policies are currently being developed, which may also be inspired by regulations on preventing, mitigating, and combatting the effects of COVID-19.

Some 15.38% of the surveyed companies do not apply Recommendation VI.R., associated with ongoing remuneration policy development. Positive results of these efforts are visible in the energy company sector, as evidenced by the variability of application of recommendations by these companies being 7.69%.

In addition, 23.08% of energy companies declare that they do not apply Principle I.R.2., as they do not do any sponsoring. Therefore, their activity reports do not contain any such information.

Table 4 presents the detailed results of our CGS research for energy companies and other WIG20, mWIG40, and sWIG80 companies reporting in line with the detailed principles of the BPs for WSE-LCs.

In the analysed 2020 CGSs, almost all WIG20, MWIG40, and sWIG80 companies declare that they want to implement all recommendations and principles specified in BPs for WSE-LCs. The analysis of the CGSs of energy companies showed that 35 out of 67 detailed principles were not applied. The analysis of the CGSs of other WIG20, mWIG40, and sWIG80 companies also showed that 12 out of 67 detailed principles were not applied. Table 4 shows the results.

Table 4. Percentage of companies reporting in line with the detailed principles of BPs for WSE-LCs.

Principle No.	Application of Detailed Principles					Non-Application of Detailed Principles		
	% of Energy Companies Reporting This Principle				Change (%) 2020/2017	% of Comparison Group Companies Reporting This Principle	% of Energy Companies Reporting This Principle	% of Companies in Comparison Group
	2017	2018	2019	2020				
I. Disclosure policy and investor communications								
I.Z.1.1	100	100	100	100	0	99.21	0	0.79
I.Z.1.2	100	100	100	100	0	99.21	0	0.79
I.P.1.3	84.61	84.61	84.61	84.61	0	80.31	15.39	19.69
I.P.1.4	100	100	100	100	0	100	0	0
I.P.1.5	100	100	100	100	0	100	0	0
I.P.1.6	92.31	92.31	92.31	92.31	0	98.42	7.69	1.58
I.P.1.7	100	100	100	100	0	93.70	0	6.30
I.P.1.8	84.61	84.61	84.61	84.61	0	92.91	15.39	7.09
I.P.1.9	92.31	92.31	92.31	92.31	0	95.27	7.69	4.73
I.P.1.10	92.31	92.31	92.31	92.31	0	76.38	7.69	23.62
I.P.1.11	92.31	92.31	92.31	92.31	0	94.49	7.69	5.51
I.P.1.12	100	100	100	100	0	100	0	0
I.P.1.13	100	100	100	100	0	100	0	0
I.P.1.14	92.31	92.31	92.31	92.31	0	99.21	7.69	0.79
I.P.1.15	92.31	92.31	92.31	92.31	0	61.42	7.69	38.58
I.P.1.16	69.23	69.23	69.23	69.23	0	55.12	30.77	44.88
I.P.1.17	100	100	100	100	0	93.70	0	6.30
I.P.1.18	100	100	100	100	0	100	0	0
I.P.1.19	100	100	100	100	0	94.49	0	5.51
I.P.1.20	69.23	69.23	69.23	76.92	+7.69	44.09	23.08	55.91
I.P.1.21	100	100	100	100	0	100	0	0
I.P.2	92.31	92.31	92.31	92.31	0	80.31	7.69	19.69
II. Management board and supervisory board								
II.P.1	92.31	92.31	92.31	92.31	0	81.10	7.69	18.90
II.P.2	84.61	84.61	92.31	92.31	+7.70	77.95	7.69	22.05
II.P.3	76.92	84.61	92.31	92.31	15.39	96.06	7.69	3.94
II.P.4	92.31	92.31	92.31	92.31	0	96.06	7.69	3.94
II.P.5	92.31	92.31	92.31	100	+7.69	96.06	0	3.94
II.P.6	100	100	100	100	0	97.64	0	2.36
II.P.7	76.92	76.92	76.92	84.61	+7.69	87.40	15.39	12.60
II.P.8	84.61	84.61	84.61	92.31	+7.70	97.64	7.69	2.36
II.P.9	100	100	100	100	0	100	0	0
II.P.10	92.31	92.31	92.31	92.31	0	91.34	7.69	8.66
II.P.11	100	100	100	100	0	95.27	0	4.73
III. Internal systems and functions								
III.P.1	84.61	92.31	92.31	92.31	+7.70	92.91	7.69	7.09
III.P.2	84.61	84.61	84.61	84.61	0	81.89	15.39	18.11
III.P.3	76.92	84.61	84.61	84.61	+7.69	74.80	15.36	25.20
III.P.4	84.61	92.31	92.31	92.31	+7.70	83.46	7.69	16.54
III.P.5	92.31	92.31	92.31	92.31	0	92.91	7.69	7.09
III.P.6	84.61	84.61	84.61	84.61	0	91.34	15.39	8.66
IV. General meeting and shareholder relations								
IV.P.1	100	100	100	100	0	99.21	0	0.79
IV.P.2	38.46	38.46	38.46	46.15	+7.69	36.22	53.85	63.78

Table 4. Cont.

Principle No.	Application of Detailed Principles					Non-Application of Detailed Principles		
	% of Energy Companies Reporting This Principle				Change (%) 2020/2017	% of Comparison Group Companies Reporting This Principle	% of Energy Companies Reporting This Principle	% of Companies in Comparison Group
	2017	2018	2019	2020				
IV.P.3	92.31	92.31	92.31	92.31	0	90.55	7.69	9.45
IV.P.4	92.31	92.31	92.31	92.31	0	99.21	7.69	0.79
IV.P.5	100	100	100	100	0	98.42	0	1.58
IV.P.6	100	100	100	100	0	99.21	0	0.79
IV.P.7	100	100	100	100	0	98.42	0	1.58
IV.P.8	100	100	100	100	0	98.42	0	1.58
IV.P.9	100	100	100	100	0	94.49	0	5.51
IV.P.10	100	100	100	100	0	100	0	0
IV.P.11	100	100	100	100	0	99.21	0	0.79
IV.P.12	100	100	100	100	0	96.06	0	3.94
IV.P.13	100	100	100	100	0	97.76	0	2.24
IV.P.14	100	100	100	100	0	100	0	0
IV.P.15	100	100	100	100	0	100	0	0
IV.P.16	92.31	92.31	92.31	92.31	0	98.42	7.69	1.58
IV.P.17	92.31	92.31	92.31	92.31	0	99.21	7.69	0.79
IV.P.18	92.31	92.31	92.31	92.31	0	96.85	7.69	0
V. Conflict of interest and related party transactions								
V.P.1	100	100	100	100	0	100	0	0
V.P.2	100	100	100	100	0	99.21	0	0.79
V.P.3	100	100	100	100	0	99.21	0	0.79
V.P.4	100	100	100	100	0	100	0	0
V.P.5	76.92	76.92	76.92	84.61	+ 7.69	91.34	15.39	8.66
V.P.6	92.31	92.31	92.31	92.31	0	74.01	7.69	25.99
VI. Remuneration								
VI.P.1	92.31	92.31	92.31	92.31	0	86.61	7.69	13.39
VI.P.2	92.31	92.31	92.31	92.31	0	64.57	7.69	35.43
VI.P.3	100	100	100	100	0	97.63	0	2.37
VI.P.4	84.61	84.61	84.61	84.61	0	60.63	15.39	39.37

Source: by the authors.

WSE-LCs waived the following detailed principles (5% or more of energy sector companies) (see Table 4):

- I.P.1.3 “A chart showing the division of duties of the management board”—15.39% of energy companies and 19.69% of companies in other sectors.
- I.P.1.6 “Calendar of corporate events”—7.69% of energy companies and 1.58% of companies in other sectors.
- I.P.1.8 “Selected financial data for the last 5 years of business”—7.69% of energy companies and 7.09% of companies in other sectors.
- I.P.1.9 “Information about the planned dividend and the dividend paid out in the last 5 years”—7.69% of energy companies and 4.23% of companies in other sectors.
- I.P.1.10 “Financial projections”—7.69% of energy companies and 23.62% of companies in other sectors.
- I.P.1.11 “Rules of replacing the entity currently authorised to audit financial statements”—7.69% of energy companies and 5.51% of companies in other sectors.

- I.P.1.15 “Information diversity policies followed by the company”—7.69% of energy companies and 38.58% of companies in other sectors.
- I.P.1.16 “Information about the planned General Meeting broadcasts”—15.39% of energy companies and 44.88% of companies in other sectors.
- I.P.1.20 “Audio or video recording of a General Meeting”—15.39% of energy companies and 55.91% of companies in other sectors.
- I.P.2 “WIG20 and mWIG40 companies should have English-language versions of their websites”—15.39% of energy companies and 19.69% of companies in other sectors.
- II.P.1 “Division of responsibilities for individual areas among management board members”—7.69% of energy companies and 18.90% of companies in other sectors.
- II.P.3 “At least two members of the supervisory board should meet the independence criteria”—7.69% of energy companies and 3.94% of companies in other sectors.
- II.P.4 “Annex II to the European Commission Recommendation 2005/162/EC applies to the independence criteria of supervisory board members”—7.69% of energy companies and 3.94% of companies in other sectors.
- II.P.7 “Tasks and the operation of supervisory board committees”—15.39% of energy companies and 12.60% of companies in other sectors.
- II.P.8 “The chair of the audit committee should meet the independence criteria”—7.69% of energy companies and 2.36% of companies in other sectors.
- III.P.1 “The management board is responsible for the implementation and maintenance of efficient internal control, risk management, compliance and internal audit systems”—7.69% of energy companies and 7.09% of companies in other sectors.
- III.P.2 “Persons responsible for risk management, internal audit and compliance should report directly to the president or another member of the management board”—15.39% of energy companies and 18.11% of companies in other sectors.
- III.P.3 “Independence rules defined in generally accepted international standards for the professional practice of internal auditing apply to the person heading the internal audit function”—7.69% of energy companies and 25.20% of companies in other sectors.
- III.P.4 “The person heading for internal audit function and the management board should present to the supervisory board their assessment of the systems/functions efficiency [at least once a year]”—7.69% of energy companies and 16.54% of companies in other sectors.
- III.P.5 “The supervisory board monitors the efficiency of internal audit, risk management, compliance and internal audit systems”—15.39% of energy companies and 7.09% of companies in other sectors.
- III.P.6 “The company should regularly review whether a separate internal audit function/committee needs to be appointed”—15.39% of energy companies and 8.66% of companies in other sectors.
- IV.P.2 “Ensuring general and real-time access to General Meeting broadcasts”—53.85% of energy companies and 63.78% of companies in other sectors.
- V.P.5 “Before the company concludes a material agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board’s approval for the transaction”—15.39% of energy companies and 8.66% of companies in other sectors.
- VI.P.1 “Incentive schemes should be constructed in a way necessary to tie the level of remuneration of the management board members and key managers to the actual long-term financial standing of the company and long-term shareholder value growth, as well as the company’s stability”—7.69% of energy companies and 13.39% of companies in other sectors.
- VI.P.2 “To link the remuneration of the management board members and key managers to the company’s long-term business and financial goals, the period between the allocation of options or other instruments linked to the company’s shares under the incentive scheme and their exercisability should be no less than two years”—30.77% of energy companies and 35.43% of companies in other sectors.

- VI.P.4 “In activity report, the company should report on the remuneration policy including at least the following: (1) overview of the remuneration system, (2) information about the terms and amounts of remuneration of management board members, (3) information about non-financial remuneration components due to each management board member and key manager; (4) significant amendments of the remuneration policy in the last financial year or information about their absence, (5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company’s stability”—7.69% of energy companies and 39.37% of companies in other sectors.

The following summary presents detailed explanations of WSE-LCs from the study sample who chose not to apply certain detailed rules. The data in Table 4 show that only three detailed principles (I.P.1.16, I.P.1.20, and IV.P.2) are not applied by more than 20% of the surveyed companies in the fuels, gas, and energy sectors.

Principle I.P.1.16 requires that stakeholders receive notice of the planned general meeting broadcasts at least seven days in advance.

As remarked above, with regard to the basic principle I section “Disclosure Policy and Investor Communications”, as many as 44.88% of the WSE-LCs and 30.77% of the energy companies do not apply Principle I.P.1.16, meaning that they do not announce the planned general meeting broadcasts. The explanations provided in CGSs indicate that to some extent non-announcement is a consequence of the non-application of detailed principle IV.P.2.

Other reasons for the non-application of detailed Principle I.P.1.16 include:

- Lack of interest among shareholders.
- Current shareholding structure.
- Concerns about publication of the images of general meeting participants who do not qualify as public persons.
- Insufficient technical infrastructure necessary for audio/video broadcasts of general meetings and related risk and expenses.
- At the same time, some companies declare that:
- The principles of equal treatment and non-discrimination are part of the personnel policy.
- Detailed Principle I.P.1.15 is applied in other processes (including, in particular, recruitment), and diversity in terms of gender, education, age, and professional experience is considered. They also declare that diversity and equal opportunities are important competitive advantages.

The non-application of detailed Principle I.P.1.16 understandably causes the non-application of detailed Principle I.P.1.20. Companies do not make audio or video recordings of their general meetings, acting on the assumption that it is sufficient to report on its resolutions, both in current reports and on corporate websites. The surveyed companies believe that current website reports are sufficient to communicate with their shareholders.

With regard to basic Principle VI section “Remuneration”, as many as 35.43% of the WSE-LCs and 30.77% of energy companies do not apply detailed Principle VI.P.2.

Some 15.39% of energy companies do not apply eight of the remaining detailed principles (I.P.1.3, I.P.1.8, II.P.7, III.P.2, III.P.3, III.P.6, V.P.5, and VI.P.4).

The surveyed companies do not apply detailed Principle I.P.1.3 addressing the division of duties of the management board members and publication of the corresponding chart on the company’s website because the number of their board members is rather low (e.g., 2–3). In their opinion, a rigid division of tasks and responsibilities is inappropriate and could be counterproductive and ultimately affect smooth operations. As the companies continue to develop, they will be willing to consider the application of this particular principle. Among the remaining 127 companies from the control group, the percentage of those not applying this principle is slightly higher (19.69%).

Two energy companies have not published financial data for the last five years in accordance with detailed Principle I.P.1.8. One, with its initial public offering in 2018,

considered it sufficient to include this data in the prospectus. The other one only declared that it was going to publish its financial data in future MS Excel files.

The companies explain that as to Supervisory Board committees, they generally adhere to Annex I to the European Commission Recommendation as to detailed Principle II.P.7. However, in light of the companies' internal regulations, the independence of a majority of Appointment and Remuneration Committee members is not obligatory.

Two energy companies explain their non-compliance with detailed principles III.P.2 and III.P.3 by saying that, due to their organisational structure and the size and nature of their business operations, they do not employ a risk management and compliance officer. Risk management and compliance operations are carried out by the various corporate bodies and by managers responsible for the functioning of certain organisational units.

Each company should regularly review whether a separate internal audit function/committee is necessary. Some 15.39% of the energy companies and 8.66% of companies from the other sectors (WSE-LCs) chose not to apply detailed Principle III.P.6 because they have efficient internal audit functions and committees.

Two energy companies do not apply detailed Principle V.P.5. The current wording of the Articles of Association of these companies does not require the supervisory board's consent before the company concludes a significant agreement with an affiliated entity or a shareholder holding at least 5% of the company's total votes.

Two energy companies do not apply detailed Principle VI.P.4, believing that the Principle requires too detailed information about internal remuneration policy. As such information is confidential, disclosure could violate legitimate management board interests.

4.2. How Many Energy WSE-LCs Report That the CG Recommendations or Principles Are Not Applicable to Them? (RQ2)

In this section, we analysed CGSs to answer research question RQ2.

Table 5 presents separately energy companies and other WSE-listed companies in the WIG20, WIG40, and WIG80.

Table 5. Recommendations and principles not applicable to analysed companies.

No.	Principle/ Recommendation	% of Energy Companies				Change (%) 2020/2017	% of Companies in Comparison Group in 2020
		2017	2018	2019	2020		
I. Disclosure policy and investor communications							
1.	I.R.2	0	0	0	0	0	0.79
2.	I.P.1.10	7.69	7.69	7.69	7.69	0	5.51
3.	I.P.1.16	0	0	0	0	0	0.79
III. Internal systems and functions							
4.	III.P.2	0	0	0	0	0	0.79
5.	III.P.4	0	0	0	0	0	0.79
6.	III.P.6	7.69	7.69	7.69	7.69	0	3.15
IV. General meeting and shareholder relations							
7.	IV.R.2	0	0	0	0	0	1.57
8.	IV.R.3	0	0	0	0	0	3.94
9.	IV.P.4	0	0	0	0	0	0.79
VI. Remuneration							
11.	VI.P.1	0	0	0	0	0	1.57
12.	VI.P.2	0	0	0	0	0	3.94

Source: by the authors.

The study shows that only one energy company (TPE) indicated that two principles from the BPs for WSE-LCs do not apply (I.P.1.10 "Financial projections" and III.P.6 "The company should regularly review whether a separate internal audit function/committee needs to be appointed"). Seven companies made such a disclosure from the comparison group:

- One company from Sector 100 (Finance sector).
- One company from Sector 300 (Raw materials and chemistry sector).
- Three companies from Sector 600 (Services and trade sector).
- Two companies from Sector 700 (Healthcare sector).

We conclude that most companies do not split the recommendations and detailed principles into two groups, i.e., those which are not adhered to and those that do not apply. Instead, companies report one set of not followed recommendations and principles.

4.3. Does the Scope of CG Information Included in CGS Depend on the Company's Sector/Industry? (RQ3)

In this section, we analyse CGSs submitted by 140 companies to answer research question RQ3, linked to the companies' sector/industry structure analysed in Section 3.1.

As mentioned in Section 2, in addition to BPs for WSE-LCs 2016, other regulations in place cover disclosure of non-financial information in annual reports. Their goal is to make it easier for stakeholders to understand companies' CG. In the next stage, sector- and industry-specific regulations (applicable, e.g., to banks) may be important.

A 2014 document published by the Polish Financial Supervision Authority, dedicated to financial institutions, entitled Principles of CG for Supervised Institutions (effective 1 January 2015), may be particularly applicable. The document defines CG principles for financial market entities supervised by the Polish Financial Supervision Authority (such as banks, insurance market companies, investment funds, pension funds, and brokerages). In this study, Principles of CG for Supervised Institutions would apply to one sector only (100—Finance).

Principles of CG for Supervised Institutions include 57 principles grouped in nine chapters: (1) organisation and organisational structure, (2) relation with supervised institution's shareholders, (3) management body, (4) supervisory body, (5) remuneration policy, (6) communication policy, (7) promotional activities and client relations, (8) key internal systems and functions, and (9) execution of rights resulting from assets acquired at the client's risk.

Most of these principles are incorporated in BPs for WSE-LCs. In addition, the document contains two chapters that are absent from BPs for WSE-LCs. They address the organisation and organisational structure and the execution of rights resulting from assets acquired at the client's risk. An analysis of CGS indicates that the scope of presented information does not depend on sector- or industry-specific regulations. Compared to companies from other sectors and industries, financial companies (i.e., banks, insurance company and investment funds from WIG20, mWIG40, and sWIG80) commented on a greater number of principles in their CGSs. The underlying reason is that financial institutions are obliged (by banking and insurance laws) to operate risk management systems and to have internal audit functions.

Importantly, Chapter 9 of Principles of CG for Supervised Institutions is not reflected in any of the principles included in BPs for WSE-LCs 2016. The principles listed in Chapter 9 are strongly related to the specific business of financial institutions offering investment intermediary services, e.g., banks, insurance companies, and investment funds. Since there are no such institutions among the WIG20, mWIG40, and sWIG80 companies, we do not analyse in depth the principles from Chapter 9. We believe that such principles do not affect the current model of CG reporting by WSE-LCs. However, selected guidelines (principles) from Principles of CG for Supervised Institutions may be considered when developing a new concept model for CG reporting.

5. Discussion

We discuss CGS preparation in accordance with the BPs for WSE-LCs, which is an important research problem from both theoretical and practical perspectives.

CG interests many stakeholders/parties, including the state, businesspeople, academics, and regulatory bodies supervising listed company operations in various industries.

Shareholders pay the most attention to CG. We draw such a conclusion from CG definitions. They emphasise that its basic objective is to maintain a balance between the interests of entrepreneurs, company owners, shareholders, local communities, and entities cooperating with company owners.

We also note the controlling function of CG, analysed primarily with regard to shareholder interests, as a tool to minimise investment risk [2,16–18].

CG is particularly important for public listed companies, which are now subject to dedicated regulations on CG disclosures. The most recent approach to publishing company information is integrated reporting, in which financial information should be presented alongside non-financial information [53,54]. So far, no standards exist in this regard, but experts point out the need to disclose information that is useful to its recipients, rather than only reporting companies [27,28,59–62].

Polish public listed companies must follow international disclosure requirements, as well as EU and national regulations on non-financial reporting and CGs. In this regard, Polish companies follow the internationally recognised GRI [90] guidelines. Polish companies are bound by EU Directives. Domestic instruments include the NAS No. 9 and the PN-FRS [11]. The regulations and guidelines define the principles that Polish companies should follow in CG disclosures. The most important principles include: (1) Transparency, (2) Best practices application, and (3) “Comply or explain”.

Public listed companies in Poland are required to report on the extent of their compliance with the principles and recommendations specified in the BPs for WSE-LCs.

The BPs for WSE-LCs can be applied in full or in part. If in part, companies must explain how the ignored principles and recommendations are inconsistent with their internal policies or why they are simply not applicable.

This reporting method inspired us to study the extent to which Polish energy companies apply CG, as compared to the remaining WSE-listed companies. The upcoming global energy transition inspired us to focus on energy companies, whose role is important to define future economic, social, and political life. Our research raises the question experts have already posed: is it possible to fully comply with the transparency principle in the context of trade secrets [91]? Do companies really want to disclose all their information? Is it in their best interest to do so?

Our study covered 52 CGs from 2017 to 2020 published by all energy companies compared against 127 CGs of listed companies from other industries.

The research questions focused on determining: (1) How many companies apply the BPs for WSE-LCs in its entirety; (2) How many report that the application of best practice principles and recommendations is not favourable; and (3) Whether the scope of CG information is industry-specific.

The study showed that only 9 out of the 140 surveyed companies apply all good practice principles and recommendations (including two energy companies).

We confirmed our research hypothesis, as our analysis indicates that the non-application of CG principles is particularly common with regard to remuneration policy and ensuring diversity in management and supervisory board member selection. We ask the following questions:

- Do companies present true reasons for the non-application of good practices in hiring and remuneration policies for executive and control personnel?
- Do qualifications and professional experience, rather than political considerations, really matter in the recruitment and selection process?
- Are charts defining the division of duties pointless (the principle of presenting the chart showing the division of duties of the management board)? Or perhaps are companies avoiding and diluting responsibility?
- Should companies employ a risk management officer? After all, monitoring the company’s legal compliance should be entrusted to competent individuals with appropriate (e.g., legal) education and experience. In practice, company officers do not always meet these requirements.

Other areas where companies fail to apply best practice principles include the use of remote connectivity to enable shareholders' real-time participation in general meetings; the publication of financial data for the last five years; and the Supervisory Board's consent for a significant agreement with a shareholder holding at least 5% of the company's shares. However, these principles are not as sensitive as those related to the policy of executive hiring and remuneration, or to charts defining the roles and responsibilities of board members.

The authors emphasise that the "comply or explain" formula applies, which imposes certain disclosure obligations on listed companies with respect to the adherence to CG principles. If a company refuses to comply with a CG principle, it should explain why. The explanation should be detailed enough to illustrate the reasons for not applying a given principle. Above all, however, it should make it possible for the stakeholders to assess the company's approach to applying the BPs for WSE-LCs and its efforts aimed at ensuring a high CG level.

Only two energy companies (and seven companies from other sectors) apply all CG principles (the study covered 179 CGSs from 2017 to 2020). The most commonly rejected CG principles include:

- (1) Ensuring diversity management and supervisory board member selection; in this regard, energy company performance is below the control group average.
- (2) Transparency of internal units responsible for specific systems or functions; energy companies perform worse than control group companies.
- (3) Enabling shareholders' general meeting participation using electronic means of communication with real-time bilateral communication; in this regard, the energy company performance is above average compared to control group companies.
- (4) Policy for board members and top-level manager remuneration; in this regard, energy company performance is below average compared to control group companies.

The COVID-19 pandemic will undoubtedly help listed companies speed up their efforts to address these issues. Companies justifying non-compliance with this rule claim that the shareholders do not expect compliance, due to technical risks that—if occurring during a vote—could cause adverse legal consequences. After two years of lockdown and remote work, these arguments are no longer valid. This area requires further research. The state often owns energy companies. Thus, transparency in every area is also an important public interest. Our study also demonstrated that the scope of CG information does not depend on sector-specific regulations.

By comparing the other findings relating to energy companies with those applicable to other public listed companies, we note that energy company performance is usually either lower than or comparable to the performance of the remaining listed companies.

6. Conclusions, Limitations of The Study, and Future Research Directions

The article discussed the preparation of CGSs in accordance with the BPs for WSE-LCs—an important research problem from both theoretical and practical perspectives.

Adherence to CG principles ensures equal shareholder treatment and capital minority protection, as well as business operation transparency and fairness, in line with SD concepts. Conversely, violating these principles is a risk factor for both companies and stakeholders.

By nature, CG principles are part of long-term efforts. Respecting these principles is particularly important with regard to industries with an impact on the environment, including energy companies.

The energy transition has coincided with the COVID-19 pandemic. In November 2021, at a climate summit in Scotland, Poland, along with 40 other countries, pledged to discontinue all coal-based investment projects in the energy sector. Despite that pledge, at the end of 2021, Polish electricity generation is still largely coal-based and a serious environmental burden. Nevertheless, studies indicate that the pandemic has accelerated Poland's shift away from coal, even though the country's electricity prices are the highest in the region (which includes Sweden, Lithuania, Germany, and the Czech Republic) [92,93].

The study discussed here focused on CGSs based on BPs for WSE-LCs 2016. BPs for WSE-LCs 2016 was in force from 1 January 2016 to 30 June 2021. In July 2021, it was replaced with “Best Practices for GPW Listed Companies 2021”. However, the changes are purely editorial.

Having analysed all listed company CGSs published in 2020, we conclude that although the companies declare a future intention to apply all CG principles, there are no grounds to expect significant changes any time soon. The analysed companies claim that executive remuneration and employment policy are internal matters, and their disclosure is not in their best interest. The same applies to the companies’ internal structures. We also note that the situation may change if reporting such information becomes mandatory.

We also emphasise that applying CG principles is not so much about caring for the company’s image or reputation, but about promoting its best interests and communication with stakeholders—whence the importance of the research problem we address.

One limitation we faced was that secondary archive data from other authors on CGSs published by Polish listed companies, although potentially available, were not taken into account because no such sources were found. Therefore, this study encourages identifying further research directions.

We believe it advisable to continue this study after the publication of the CGSs for 2021 and subsequent years according to the new BPs for WSE-LCs 2021.

A comparative study of the scope of the statements for the period 2017–2021 and subsequent years may shed new light on changing stakeholder expectations. Studies continued over a longer period, e.g., 10 years, may lead to better understanding of changes in the scope and quality of CG reporting.

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Appendix A

Table A1. Best Practices for WSE-LCs 2016—Recommendations’ structure analysis.

Recommendations
I. Disclosure Policy and Investor Communications
I.R.1. The company’s position regarding untrue information is disseminated in the media, which may affect its evaluation
I.R.2. Disclosure of information on sponsorship or charity projects is available
I.R.3. Companies should allow investors and analysts to inquire about matters of their interest
I.R.4. Companies should allow investors to review their periodic reports as soon as possible
II. Management Board and Supervisory Board
II.R.1. The management board and the supervisory members should be highly qualified and experienced.
II.R.2. Management/Supervisory Board members should be selected so as to ensure versatility and diversity of these bodies
II.R.3. Functions on the management board should be the main area of the professional activity of management board members
II.R.4. Supervisory board members must be able to devote the time necessary to perform their duties
II.R.5. The company should immediately take steps necessary to ensure substitution or replacement of a supervisory board member who has resigned or is unable to perform his/her duties
II.R.6. The supervisory board should take steps to ensure efficient operation of the management board
II.R.7. The supervisory board is free to use professional and independent advisory services
III. Internal Systems and Functions
III.R.1. The company’s structure should include separate units responsible for the performance of tasks in individual systems or functions
IV. General Meeting and Shareholder Relations
IV.R.1. Companies should strive to hold an ordinary general meeting as soon as possible after the publication of the annual report
IV.R.2. Companies should broadcast its general meetings and enable bilateral real-time communication
IV.R.3. If the securities issued by the company are traded in different countries, corporate events should take place at the same time in all of those countries
V. Conflict of Interest and Related Party Transactions
V.R.1. Management/supervisory board members should refrain from professional or other activities which might cause a conflict of interest
VI. Remuneration
VI.R.1. The remuneration of the company’s officers and key managers should follow the approved remuneration policy
VI.R.2. The remuneration policy should be closely linked to the company’s strategy, its short- and long-term goals, long-term interests and results
VI.R.3. A remuneration committee has been established
VI.R.4. Remuneration of management/supervisory board members should be linked to an incentive scheme

Source: by the authors based on [10].

Table A2. Best Practices for WSE-LCs 2016—Principles' structure analysis.

Principles
I. Disclosure Policy and Investor Communications
I.P.1.1. Basic corporate documents
I.P.1.2. Composition of the Management/Supervisory Board
I.P.1.3. A chart showing the division of duties of the management board
I.P.1.4. Current shareholding structure
I.P.1.5. Current and periodic reports and prospectuses from the last five years
I.P.1.6. Calendar of corporate events
I.P.1.7. Information materials concerning strategy and financial results
I.P.1.8. Selected financial data for the last five years of business
I.P.1.9. Information about the planned dividend and the dividend paid out in the last five years
I.P.1.10. Financial projections
I.P.1.11. Rules of replacing the entity currently authorised to audit financial statements
I.P.1.12. Statement on compliance with the CG principles contained in the annual report
I.P.1.13. Statement on the company's compliance with recommendations and principles
I.P.1.14. Materials provided to the general meeting
I.P.1.15. Information diversity policies followed by the company
I.P.1.16. Information about the planned general meeting broadcasts
I.P.1.17. Justification for draft general meeting resolutions
I.P.1.18. Information about the reasons for cancellation/postponement of a general meeting; information on changes in the agenda
I.P.1.19. Shareholders' questions asked to the management board
I.P.1.20. Audio or video recording of a general meeting
I.P.1.21. Contact details of the company's investor relations officers
I.P.2. English-language versions of WIG20 and mWIG40 company websites
II. Management Board and Supervisory Board
II.P.1. Responsibilities for individual areas are divided among management board members
II.P.2. The company's management board members may sit on the management board or supervisory board of unaffiliated companies only upon consent of the supervisory board
II.P.3. At least two members of the supervisory board should meet the independence criteria
II.P.4. Annex II to the European Commission Recommendation 2005/162/EC of 15 February 2005 applies to the independence criteria of supervisory board members
II.P.5. Supervisory board member's statement of compliance with the independence criterion are available
II.P.6. Assessment of supervisory board members' compliance with the independence criteria are available
II.P.7. Tasks and the operation of supervisory board committees are described
II.P.8. The chair of the audit committee should meet the independence criteria
II.P.9. The management board should provide the supervisory board with access to information on matters concerning the company
II.P.10. Supervisory board reports should be presented at the general meeting
II.P.11. The supervisory board reviews and issues opinions on matters to be decided in general meeting resolutions
III. Internal Systems and Functions
III.P.1. The management board is responsible for the implementation and maintenance of efficient internal control, risk management, compliance, and internal audit systems
III.P.2. Persons responsible for risk management, internal audit, and compliance should report directly to the president or another member of the management board
III.P.3. Independence rules defined in generally accepted international standards for the professional practice of internal auditing apply to the person heading the internal audit function
III.P.4. The person heading for internal audit function and the management board should present to the supervisory board their assessment of the systems/functions efficiency (at least once a year)
III.P.5. The supervisory board monitors the efficiency of internal audit, risk management, compliance and internal audit systems
III.P.6. The company should regularly review whether a separate internal audit function/committee needs to be appointed

Table A2. Cont.

Principles
IV. General Meeting and Shareholder Relations
IV.P.1. The company publishes the date and place of general meetings
IV.P.2. The company ensures general and real-time access to general meeting broadcasts
IV.P.3. The company allows the presence of the media at the general meeting
IV.P.4. The supervisory board convenes a general meeting when the management board fails to do it in due time
IV.P.5. Amendments of the general meeting rules should take effect at the earliest at the next general meeting
IV.P.6. The company should strive to ensure that the cancellation, postponement or interruption of a general meeting does not prevent or limit the exercise of the shareholders' rights to participate in the general meeting
IV.P.7. General meeting proceedings may be interrupted only in special circumstances
IV.P.8. A resolution of the general meeting announcing a break should clearly state the date and time of resuming the meeting
IV.P.9. Draft resolutions of the general meeting should contain a justification, if it helps shareholders to make a well-informed decision
IV.P.10. Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of company bodies
IV.P.11. Members of the management board and the supervisory board should participate in a general meeting if their presence is necessary to answer questions asked during the meeting
IV.P.12. The management board should present to participants of an ordinary general meeting the financial results of the company and other relevant information contained in the financial statements to be approved by the general meeting
IV.P.13. The management board should answer a shareholder's request for information about the company or notify him/her about its refusal to respond within 30 days
IV.P.14. Resolutions of the general meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of determination of the shareholder rights resulting from such events
IV.P.15. A general meeting resolution concerning a pre-emptive issue of rights should specify the issue price or the mechanism of its determination or authorise the competent governing body to determine the price prior to the subscription right record date within the timeframe necessary for investors to make decisions
IV.P.16. The dividend record date and the dividend payment date should be more than 15 business days apart
IV.P.17. A general meeting resolution concerning a conditional dividend payment may only contain such conditions that may be fulfilled before the dividend record date
IV.P.18. A general meeting resolution to split the nominal value of shares should not set the new nominal value of the shares below PLN 0.50, which could result in a very low market value of the shares, and which could consequently pose a threat to the correct and reliable valuation of the company listed on the stock exchange
V. Conflict of Interest and Related Party Transactions
V.P.1. No shareholder should have preference over other shareholders in transactions concluded by the company with shareholders or their related parties
V.P.2. Management/supervisory board members should notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and should refrain from voting on a resolution on a matter in which a conflict of interest may arise
V.P.3. Management/supervisory board members must not accept any benefits which might affect their impartiality and objectivism in making decisions
V.P.4. Where a member of the management board or the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is against the interest of the company, he or she may request that his/her view on the matter is recorded in the minutes of the meeting
V.P.5. Before the company concludes a material agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board's approval for the transaction
V.P.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise

Table A2. Cont.

Principles
VI. Remuneration
VI.P1. Incentive schemes should be constructed in a way necessary to tie the level of remuneration of the management board members and key managers to the actual long-term financial standing of the company and long-term shareholder value growth, as well as the company's stability
VI.P2. To link the remuneration of the management board members and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years
VI.P3. The remuneration of the supervisory board members should not be linked to options or other derivatives or any other variable components, and neither should it be linked to the company's results
VI.P4. In this activity report, the company should report on the remuneration policy including at least the following: (1) Overview of the remuneration system; (2) Information about the terms and amounts of remuneration of management board members; (3) Information about non-financial remuneration components due to each management board member and key manager; (4) Significant amendments of the remuneration policy in the last financial year or information about their absence; and (5) Assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability

Source: by the authors based on [10].

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