SECP regulation: Women directors to more than double in three years

ISLAMABAD, July 8: In a major break-through for gender diversity in corporate boards in Pakistan, the Securities and Exchange Commission of Pakistan (SECP) has required listed companies to have at least one woman director within three years.

This change is being implemented through the revised Code of Corporate Governance under the new Companies Act 2017, which specifies that public interest companies shall have such representation of women directors as specified by the SECP. As a result, the proportion of women directors on listed companies, which are a subset of public interest companies, is expected to jump from 6.4 percent to at least 14.3 percent.

At present out of 100 companies included in the KSE 100 index of Pakistan Stock Exchange, 69 companies have no woman director. These include 16 out of the 20 largest listed companies in terms of free-float market capitalization. Overall, the proportion of women directors on the boards of listed companies is only 6.4%. It is far below the 17.2% representation of women in the country’s parliament and their 15.8% labour force participation rate. It is also much lower than the proportion of women directors in the companies in S&P 500 and FTSE 100, which now ranges from 20% to 25%.

The business case for women directors in Pakistan is no different from that being made elsewhere in the world. It is associated with, though not established as a cause of, better decision making and lower corruption without any compromise on, if not improvement in, the financial performance. There are also legal precedents from both developed (e.g. Norway, Finland, Germany) and developing countries (e.g. Malaysia, India, Kenya) of direct legal intervention to address gender diversity.
The Companies Act 2017, a major project of SECP that was promulgated in May 2017 after years of hard work, has brought a range of long term benefits for Pakistan’s corporate sector including ease of doing business, use of information technology, expeditious resolution of corporate disputes, and greater participation of women on corporate boards.