



MAJEED & PARTNERS

ADVOCATES & COUNSELLORS AT LAW

CLIENT UPDATE

Gender diversity in the corporate sector: SECP encourages companies to formulate gender diversity policies.

Several studies have established the positive effects of gender diversity on corporate boards and leadership roles on the overall performance of companies, better financial results, and greater return on equity. Researchers have found that gender diversity results in positive contributions to good corporate governance practices linked to having a diversity of opinions, experiences, competencies, and skills on corporate boards, which in turn promotes balanced decisions, efficient oversight of financial management, enhanced accountability to shareholders, and prudent risk management.

Gender diversity in the corporate sector – the global trend

Gender diversity in decision-making correlates with the enhanced financial performance of the corporate sector and the overall growth of the economy. Recognizing the positive impacts and advantages of gender diversity, several countries have taken legislative and regulatory

measures to encourage greater gender diversity on corporate boards and in decision-making roles.

Israel was the first country to enact a law in 1999 making it mandatory for a publicly traded company to have at least one female director on its board of directors.

In Europe, Norway was the first country to enact a gender quota legislation that requires both public and state-owned companies to have 40% female board representation. Iceland, Spain, Sweden, Finland, Netherlands, France, Germany, Australia, Luxembourg, India, and Malaysia have also taken legislative or regulatory measures requiring or encouraging gender diversity on corporate boards.



Steps to improve gender diversity in Pakistan's corporate sector

Women represent almost half of Pakistan's total population. However, Pakistan figures low in World Economic Forum's Global Gender Gap Index. While women have historically played a very strong role in the agriculture sector, their participation in other economic sectors of the country has remained insignificant. The same position prevails in the corporate sector.

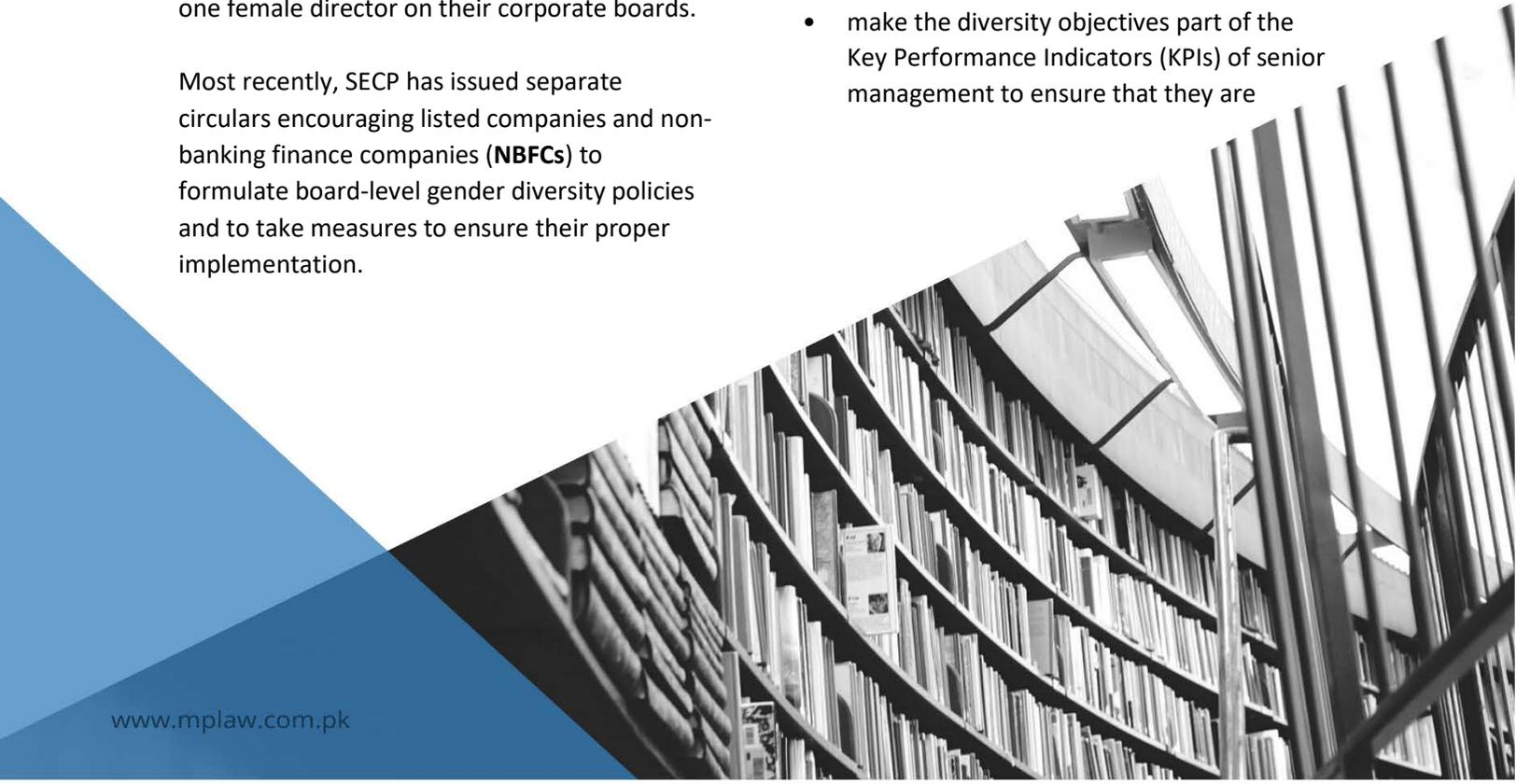
In recent years, certain legislative and regulatory measures have been introduced in Pakistan to improve gender diversity. In 2017, Pakistan enacted a new company law that enabled the corporate regulator to require public interest companies to have female representation on their corporate boards. It was followed by a new Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (**SECP**) which requires all listed companies to have at least one female director on their corporate boards.

Most recently, SECP has issued separate circulars encouraging listed companies and non-banking finance companies (**NBFCs**) to formulate board-level gender diversity policies and to take measures to ensure their proper implementation.

What is in the SECP's new circulars?

The new circulars issued by SECP require the corporate boards of listed companies and NBFCs to:

- Formulate a gender diversity policy for recruitment and promotion along with gender pay gap analysis within the organization, retention, and development of skills of their women employees, providing them conducive work environment which includes, but not limited to, the provision of daycare facilities, better maternity leaves, robust anti-harassment and speak-up policies and diverse committees overseeing the complaints pertaining to workplace harassment, etc.
- oversee the implementation of gender diversity policy with concrete targets and review the progress at least annually;
- make the diversity objectives part of the Key Performance Indicators (KPIs) of senior management to ensure that they are



applied throughout the company; and

- maintain the gender-disaggregated data concerning female employment within the company as well as data regarding female customer base or supply base as may be relevant and make it available to SECP when required.

Closing remarks

Gender diversity is not just about having the right mix of males and females on corporate boards. SECP seems to be conscious about the

fact that reserving a female quota on corporate boards alone may not be sufficient to increase gender diversity in the corporate sector in Pakistan and that there is a strong need to encourage women participation in the workforce, developing in-demand skills and creating opportunities for them to advance into leadership roles within the corporate sector.

The recent circulars are a welcome effort from SECP to create a pipeline or career pathway for women to management level positions and to break the “glass ceiling”.

Majeed & Partners, Advocates & Counsellors At Law is a Lahore based law firm. We have an experienced team of corporate lawyers having up to date knowledge of laws and regulations governing the corporate sector in Pakistan. If you require any legal assistance, please visit our website at <https://www.mplaw.com.pk> or email us at contactus@mplaw.com.pk.

DISCLAIMER: This Client Update is a source of general information for clients and friends of Majeed & Partners. The information provided in this Client Update does not, nor is it intended to, constitute legal advice, and does not create or constitute an attorney-client relationship. Readers should not take or refrain from taking any action based on any information contained in this Client Alert without first seeking legal advice.

