

A DISCUSSION PAPER BY ACCA PAKISTAN

Gender diversity on boards in Pakistan

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Acknowledgement

ACCA would like to thank all the survey respondents for their participation in telephone questionnaire interviews and the one-to-one interview process. The information we received from the respondents was indispensable for the conduct of the survey, and for developing the resulting findings and recommendations.

We hope that this discussion paper and the recommendations contained in this discussion paper will prove to be useful in initiating a discussion around the potential business case for promoting gender-diverse boards in Pakistan as a possible corporate governance best practice. Each participating company will receive bound copies of this discussion paper, which we hope will be helpful for self-reflection on the potential business need for embracing diversity on boards as a core value.

Disclaimer and limitations to the discussion paper

This discussion paper has been prepared as a reference document and is not intended to be exhaustive. While the utmost care has been taken in the preparation of this publication, it should not be relied upon as a substitute for legal/corporate advice.

The findings, interpretations, judgements and conclusions contained in this publication are the authors own, and should not be attributed to, and do not necessarily represent the views of IFC, or its Board of Directors or the World Bank or its Executive Directors, or the countries they represent. IFC and the World Bank do not guarantee the accuracy of the data in this publication and accept no responsibility for any consequences of their use.

The views expressed in this discussion paper are of the respondents and do not necessarily reflect the views of the authors.

The following limitations apply to the information contained in this discussion paper.

- The scope of work did not include conducting an 'audit' (or third-party verification) of board gender-diversity practices of

the surveyed companies in Pakistan. No tests have been carried out to confirm companies' responses.

- The survey is unable to 'look beyond the numbers'. For example, while the survey has captured quantitative data on the number of companies that have women on their boards, it did not include such data on the contribution made by women on boards. Hence, the survey's authors have included qualitative data, notably comments made by respondents during the interview process, that support the survey's key findings or highlight issues.
- The information presented in this discussion paper was obtained by analysing responses received in telephone questionnaire interviews and one-to-one, face-to-face interviews conducted with responding companies during the second quarter of 2010. Any subsequent developments were not taken into consideration in the analysis of the survey findings.

About the discussion paper's sponsor and author

ABOUT IFC

IFC, a member of the World Bank Group, creates opportunity for people to escape poverty and improve their lives. It fosters sustainable economic growth in developing countries by supporting private sector development, mobilising capital for private enterprise, and providing advisory and risk mitigation services to businesses and governments. IFC supports the participation of women, in business, as well as men, as an important part of its mission, and is committed to creating opportunities for women.

ABOUT ACCA

ACCA Pakistan, a not-for-profit organisation incorporated under Section 42 of the Companies Ordinance 1984, is part of ACCA (the Association of Chartered Certified Accountants), the largest and fastest-growing global professional accountancy body, with more than 404,000 students and 140,000 members in 170 countries, whom ACCA supports through a network of 83 staffed offices and centres around the world.

Throughout its 106-year history, ACCA has provided opportunity to people of talent and application, regardless of background, and has succeeded in making the accountancy profession accessible to those normally denied further or professional education. ACCA supports any initiatives that contribute to equal opportunity for all and that remove unnecessary barriers to those seeking qualification as professional accountants.

ACCA was the first accountancy body to admit women to its membership, in 1909. In terms of the demographic of ACCA, women constitute 43% of ACCA global membership with women accounting for 49 % of those taking the most recent ACCA exams.

The core values of the organisation today – opportunity, innovation, integrity and diversity – are consistent with its founding principles, for example in relation to social mobility, fair access and routes for progression.

21 of ACCA's 45-strong senior management team around the world, including its CEO, are women.

In Pakistan, ACCA has provided opportunities for a large number of young women to pursue a world-class career in accounting, finance, business and management. It has worked with the Women's Chambers of Commerce and the Small and Medium Enterprise Development Authority (SMEDA) to facilitate access to finance for women entrepreneurs. *ACCA Pakistan* discussion paper *Access to Finance for Female Entrepreneurs* advocates creation of an enabling environment for nurturing women's enterprise. This can be done by enhancing access to finance for women entrepreneurs, by developing favourable policies, by capacity building and by bridging the trust gap between women entrepreneurs and finance providers.

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LIST OF ACRONYMS

ACCA	Association of Chartered Certified Accountants	IFC	International Finance Corporation
ACT	Australian Capital Territory	KSE	Karachi Stock Exchange
CAC	Continuous Assisted Quotation	PICG	Pakistan Institute of Corporate Governance
CEO	Chief Executive Officer	ROA	Return on Assets
FTSE	An independent company jointly owned by <i>The Financial Times</i> and the London Stock Exchange	SECP	Securities and Exchange Commission of Pakistan
GMI	Governance Metrics International		

Discussions around the causes of the financial crisis (2007– present) have underlined fundamental failures in corporate governance, underpinned by the failure of boards to direct and control their organisations to operate in their shareholders’ interests;¹ policy deliberations on enhancing the effectiveness of board practices have considered whether gender-diverse boards can more effectively perform the fundamental roles of providing oversight and direction, and are asking challenging questions. Some arguments given for increasing gender diversity at the top level of organisations relate to public accountability, social justice, full participation, and compliance with international conventions or national legislation. In addition, business case reasons are increasingly being made pointing, for example, to research suggesting that organisations with gender diversity on corporate boards and in senior-level management tend to perform better financially. Historically, corporate boards in many countries have comprised mainly men, with 85% of Fortune 500 company board seats being occupied by men.² A number of European market regulators are considering imposing quotas of women on the boards of publicly traded companies as a requirement in their new Codes of Corporate Governance, and this is likely to compel businesses to consider gender diversity on boards.

As policymakers and business leaders are internationally considering a trend for more board diversity (including gender diversity), the examination of the business case for board gender diversity in the context of Pakistan merits consideration. Even though more women have entered Pakistan’s paid workforce in the last decade, how many of them have been successful in reaching top management positions? Is the gender diversity agenda in Pakistan being driven by principles of meritocracy or kinship? Is gender diversity on boards perceived as a modern myth or is there a genuine business case to be made? This report aims to assess the value proposition of gender diversity on boards, by exploring the business community’s perceptions of and perspectives on board gender diversity, including the reservations, opportunities and challenges. The report concentrates on whether the number of qualified, professionally experienced and competent women on boards should be increased (and if so, how?). While board diversity as a business topic is at a nascent stage in Pakistan, it is intended that the questions raised in this report will further a discussion around board diversity (including gender diversity) in the context of Pakistan and identify areas in need of further research.

THE RATIONALE FOR GENDER DIVERSITY ON BOARDS

The board of directors’ primary responsibilities include effective governance of the company leading to its long-term success. The board’s role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls, enabling the assessment and management of risk. The responsibilities of the board include setting the company’s strategic aims, providing the leadership to put them into effect, supervising business management and reporting to shareholders on their stewardship. The board’s actions are subject to laws and regulations and to the shareholders in annual general meeting.³ As board decisions are collectively undertaken by individuals, the robustness of discussion and appropriateness of these decisions benefit from the skills, knowledge, perspectives and experience of both men and women. International research shows that a diverse set of perspectives is likely to result in improved board practices, stronger ability to foresee and manage risks, and better strategic decision making.

Gender diversity on boards is measured by the proportion of women on boards of directors.⁴ According to research done in Finland, the benefits of gender diversity on Finnish boards includes women’s greater empathy with shareholders’ interests; higher levels of professional commitment to good corporate governance and ethical management practices; more open and

1 *Climbing out of the Credit Crunch* ACCA Policy Paper 2008 www.accaglobal.com/pdfs/credit_crunch.pdf

2 *Catalyst Census: Fortune 500 Women Board Directors* 2009 www.catalyst.org/file/320/2009_fortune_500_census_women_board_directors.pdf

3 Financial Reporting Council *UK Corporate Governance Code* www.frc.org.uk/images/uploaded/documents/uk%20Corp%20Gov%20Code%20June%2020102.pdf

4 Nina Smith, Valdemar Smith and Mette Verner *A Panel Study of 2300 Danish Firms* 2005 www.lige.dk/Default.asp?id=373&AjrNws=597&AjrNwsPg=1

honest communication with investors and stakeholders; and emphasis on seeking buy-in by employees to the organisation's strategies, policies and goals.⁵ A Canadian research report on corporations suggests that representation of qualified and experienced women on boards results in improved board practices relating to setting and oversight of strategic aims, accountability to shareholders, compliance with legislation and monitoring of financial position and performance. The research concludes that boards having two or more women followed, on average, 2.7 out of five accountability practices, reviewed five or more non-financial performance measures and explicitly assumed 94% of responsibilities recommended by the Canadian Stock Exchange. According to the research, in comparison all-male boards reviewed an average of 1.5 out of five accountability practices, reviewed 2.5 non-financial performance measures regularly and explicitly assumed 72% of responsibilities recommended by the Stock Exchange. Furthermore, 94% of boards with three or more women members specifically monitored the implementation of corporate strategy; 66% of all-male boards did.⁶

A research of Fortune 500 companies indicates that women's insights into market segmentations⁷ are or may be particularly significant in a world where women are increasingly playing an active role as entrepreneurs, managers and consumers. There is evidence to suggest that gender diversity on boards can also have positive effects on financial performance. A study of the 2300 largest Danish firms concludes that the proportion of women among board members and CEOs is positively correlated with firm profitability.⁸ A study of Fortune 500 companies has shown that companies with higher representation of women on their corporate boards outperform those with fewer female board members on three key financial measures: return on equity, return on sales and return on invested capital, measured over a period of four years.⁹ A study of Finnish limited liability companies illustrates that companies with a female majority on their boards show a higher adjusted return on assets (ROA): 14.7% compared with an adjusted ROA of only 11.5% for companies with a male majority.¹⁰ A study of French CAC 40 (Continuous Assisted Quotation) Stock Exchange members found that in 2008 companies that had more women in management had more stable share prices.¹¹

Hermès,¹² a French company with international operations and the only big company that had a rise in share price (16.8%) in 2008, at that time had a management team that was predominantly women (55%).¹³

As shown above, research conducted mainly in developed economies suggests evidence of benefits of gender diversity on boards, including the positive contributions to good corporate governance practices linked to having a diversity of opinions, experiences, competences and skills on boards, which in turn promotes balanced decisions, efficient oversight of financial management, enhanced accountability to shareholders and prudent risk management.

As the business case for diversity on boards is considered by emerging economies such as Pakistan, the benefits outlined by international research may provide the motivation for companies in such economies to consider this business case (including that for gender diversity). This discussion paper aims to encourage the business community of Pakistan to reflect and conduct further dialogue on the potential benefits of gender diversity on boards as an element of good corporate governance practice.

RECENT INTERNATIONAL TRENDS AND DEVELOPMENTS ON BOARD GENDER DIVERSITY

As shown in the previous section, research in developed economies suggests that there are benefits of gender diversity on boards. Research also outlines that women are academically outperforming men and joining the workforce in increasing numbers around the world.¹⁴ Nonetheless, globally, women are not breaking the glass ceiling, as indicated by their lack of proportional representation in the top tiers of management (see, for example, Figure 1, which is based on research by Government Metrics International (GMI), March 2010).

As shown in Figure 1, the number of women on boards is greater in Scandinavian countries than elsewhere. This can be attributed to these countries' proactive gender diversity policies and quotas, which may have enabled movement from tokenism to an understanding of the real benefits and positive impact of gender diversity on board performance and corporate

5 Annu Kotiranta, Anne Kovalainen and Petri Rouvinen *Female Leadership and Firm Profitability* EVA Analysis, No. 3, 24 September 2007 www.eva.fi/files/2133_Analyysi_no_003_eng_FemaleLeadership.pdf

6 David A H Brown, Debra L Brown and Vanessa Anastasopoulos *Women on Boards: Not Just the Right Thing ... But the "Bright" Thing* The Conference Board of Canada. *Insights You Can Count On* 2002 www.europeanpwn.net/files/women_on_boards_canada.pdf

7 Catherine M Daily, S Traves Certo and Dan R Dalton *A Decade of Corporate Women: Some Progress in the Boardroom, None in the Executive Suite* Strategic Management Journal, January 1999 <http://wall.oise.utoronto.ca/inequity/daily.pdf>

8 Nina Smith, Valdemar Smith and Mette Verner *A Panel Study of 2300 Danish Firms* 2005 www.lige.dk/Default.asp?Id=373&AjrNws=597&AjrNwsPg=1

9 *The Bottom Line: Corporate Performance and Women's Representation on Boards* Catalyst, 2007 www.cii.org/UserFiles/file/members%20login/general%20members/DiversitySubcommittee/The%20Bottom%20Line%20Corporate%20Performance%20and%20Women's%20Representation%20on%20Boards.pdf

10 *Female Leadership and Firm Profitability* Finnish Business and Policy Forum EVA, 2007 www.ewmd.org/topics/claudia-schmitz/female-leadership-and-firm-profitability-eva-finland

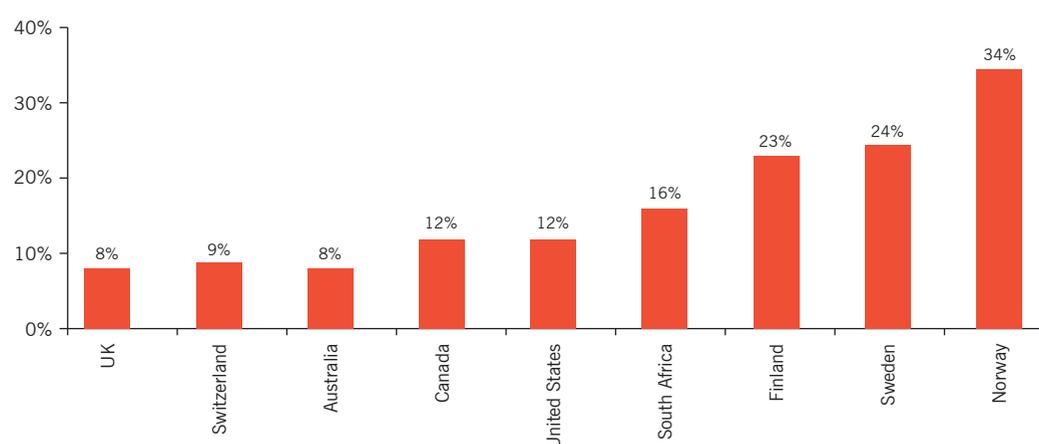
11 Michele Kirsch *Gender balance in the boardroom* www.kpmg.com/Global/en/JoinUs/CareerNews/GlobalCareers/PublishingImages/CareersMagazineApr10/reallife/gender-balance.html

12 The Hermès Group, based in France, is a French high-fashion house. www.hermes.com

13 Michele Kirsch *Gender balance in the boardroom*

14 Economist *Women and the World Economy: A Guide to Womenomics* April 12, 2006

www.bwl-online.ch/500KapitelOrdner/520KapitelOrdner/women%20and%20the%20world%20economy_The%20Economist.pdf

FIGURE 1: WOMEN REPRESENTATION ON BOARDS: AN INTERNATIONAL INSIGHT¹⁵

Norway has introduced a quota system, which requires the boards of public companies to have at least 40% women directors.

France has introduced legislation in parliament requiring that women constitute 50% of the boards of directors of publicly listed companies by 2015.

Spain has also introduced a regulatory requirement that any private company that is awarded a public contract must have a board of directors of whom at least 40% are women.

In Iceland, the parliament has adopted a legislative reform requiring publicly owned companies and public limited companies that have at least 50 employees and boards with more than three persons to have at least 40% of each gender by 1 September 2013.

In Australia, the Australian Capital Territory (ACT) and South Australian governments have set themselves the target of achieving and maintaining 50% representation of women on government boards and committees.

The United States (US) Securities and Exchange Commission requires disclosure of whether and, if so, how a nomination committee considers diversity in identifying nominees for directorships.¹⁷

governance.¹⁶

Looking ahead, there are indicators of an increased representation of qualified and professional women on boards; these indicators include the changing demographic profile of the workforce in Europe, Asia and the Americas, the recognition that gender diversity in corporate leadership can potentially enhance good corporate governance practices and support the effectiveness of board decisions, processes and practices. Other factors that may play a role are appreciation of business case for gender-diverse boards; the resolve of women to 'break the glass ceiling'; and enactment of legislation in various developed countries, to create quotas for women on boards.¹⁸

The Code of Corporate Governance of Pakistan¹⁹ (indirectly) promotes diversity on boards by recommending representation of non-executive directors representing minority interests, lenders and institutional investors. In view of the international trends and developments in diversity, including gender diversity on boards, it may be useful in the context of Pakistan to discuss and deliberate on the potential benefits and challenges of diversity (including gender diversity) on boards in Pakistan. This discussion paper, by considering the perspectives of the business community of Pakistan about gender diversity on boards, aims to contribute to such a discussion on board diversity in general and gender diversity on boards in particular.

15 *Women on Boards, A Statistical Review by Country, Region, Sector and Market Index* Governance Metrics International® The survey is meant to provide a high-level overview of women on boards by country, region, sector and index. GMI sector and super-sector groupings are based on the Dow Jones/FTSE Industrial Classification Benchmark system.

16 McKinsey and Company *Women Matter, Gender Diversity, A Corporate Performance Driver* www.europeanpwn.net/files/mckinsey_2007_gender_matters.pdf

17 *Corporate Governance Principles and Recommendations* by ASX Corporate Governance Council, Exposure Draft, 22 April 2010 www.asx.com.au/about/pdf/20100421_proposed_changes_to_corporate_governance_principles.pdf

18 *Female Presence on Corporate Boards: A Multi-Country Study of Environmental Context* by Siri Terjesen and Val Singh, Jena Economic Research Papers, 2008–9 https://dspace.lib.cranfield.ac.uk/bitstream/1826/4255/1/Female_presence_on_corporate_boards.pdf

19 Securities and Exchange Commission of Pakistan *Code of Corporate Governance of Pakistan* 28 March 2002 [www.ecgi.org/codes/documents/code_corporate\(revised\).pdf](http://www.ecgi.org/codes/documents/code_corporate(revised).pdf)

PURPOSE, METHODOLOGY AND STRUCTURE OF THE REPORT

1 Purpose of the report

The report has two primary objectives:

- to give an overview of the current state of gender diversity on the boards of listed companies in Pakistan, providing a glimpse into potential challenges and opportunities for gender diversity
- to provide a basis for discussion/further research around a potential business case for gender diversity on boards of publicly listed companies of Pakistan.

2 Report methodology

The report was compiled after a survey of gender diversity practices of boards of publicly listed companies in Pakistan.

The survey was divided into three stages: the review of annual reports, the telephone survey itself, and the subsequent interviews.

Review of annual reports

A review of the most recent publicly available annual reports of listed companies was undertaken to obtain information about women's representation on the boards of the surveyed companies. The survey sample comprised of 303 publicly listed companies. The sample included the Karachi Stock Exchange (KSE) 100 Index companies and a random sample of 203 actively trading²⁰ listed companies on the KSE, from each of the 32 KSE sectors.

Telephone survey

The review of annual reports identified 93 publicly listed companies as having women on their boards. Using a questionnaire, the perspective of these companies on board gender diversity was obtained through semi-structured telephone interviews with either the company secretary or head of human resources of each company.

Interviews

Further to the telephone survey, 11 in-depth, one-to-one, face-to-face interviews with chief executive officers (CEOs), chairpersons and directors (both women and men) of listed companies, including those who did not have women on their boards, were conducted so as to obtain their opinion on the benefits and challenges of, and future outlook for, gender diversity on boards.

Timeline

The project was conducted in the second quarter of 2010.

3 Report structure

In addition to this introductory Section I, the survey report includes the following three sections.

Section II – Executive summary

This section highlights the major findings of the survey and outlines key recommendations.

Section III – Survey results – key findings and discussions

This section presents an overview of the current state of gender diversity on Pakistani boards, examines the potential business case for gender diversity on boards, explores the opportunities in terms of value addition, critically evaluates the challenges to having appropriately skilled and experienced women on boards, and offers a future outlook for gender diversity on boards.

Section IV – Roadmap to gender-diverse boards: Conclusions and recommendations

On the basis of the main conclusions of the discussion paper, this section recommends possible next steps for promoting representation of qualified and professional women on boards.

²⁰ A company having a turnover of more than 100 shares as of 15 March 2010.

Section II – Executive summary

OVERVIEW: KEY FINDINGS AND KEY RECOMMENDATIONS

Gender diversity on boards – An overview

Of the total surveyed companies 31% have women on their boards; 72% of those that have women on the board are family owned. Among KSE 100 Index companies, 78% do not have women on boards.

Women on boards: How are they appointed/nominated?

55% of the respondents considered family relationships to be the main criterion for women's appointment to the board. Other reasons included the desire to balance the board (17%), to adopt global best practice (11%), their qualifications (9%), the fact that gender diversity is a company practice (5%), and the professional experience of women (3%).

Gender diversity on boards: The perceived business drivers/benefits?

The perceived benefits of having women on boards include the belief that female relatives protect business interests (41%), women's excellence in board discussions (26%) and the need to make balanced decisions (23%). As there is insufficient evidence of appreciation of the real benefits of gender diverse boards, such as enhanced financial performance, the making of inclusive decisions, and responsiveness to customer segmentation, it can be concluded that the potential business case for gender diversity is yet to be fully formulated/identified/presented in the context of Pakistan.

Gender diversity on boards: The challenges

The major challenges to having qualified and experienced women on boards include perceptions that they lack business acumen, that is, an awareness of business and its dynamics (44%), are unable to achieve work-life balance (41%), possess aggressive and emotional attributes (27%); unavailability of qualified and experienced women (17%); and the belief that women have a risk-averse nature (11%). Survey respondents perceived that women who have the right attributes, aptitude and attitude would overcome these enormous challenges, thus rising to board positions automatically. Their advancement would be supported by work-life balance policies and practices that could further their ascent to board positions.

Gender diversity on boards: The future outlook

Among respondents, 16% visualised that future boards would have more qualified and experienced women. The remaining 84% did not favour a change to the current composition of their boards, although 35% of the respondents claimed that a compelling business case advocating the virtues of gender diversity on boards could convince them to have appropriately skilled and experienced women on their board. On the other hand, 28% opined that women who have the right skills,

knowledge, attitude and aptitude would ultimately make it to board level on the strength of their own credentials. A very small number of respondents (13%) favoured mandatory legislation and 20% supported the inclusion of a provision in the Code of Corporate Governance that would encourage the appointment of women to boards, as a means of facilitating gender diversity on boards.

Roadmap to gender diversity: Key recommendations emanating from the survey conclusions

A business case advocating gender diversity on boards may have to be developed through the collaborative efforts of relevant stakeholders. Business leaders whose businesses have successfully adopted gender-diverse board practices could serve as ambassadors of gender diversity on boards. A database of existing and potential women directors could be developed. The development of mentoring and coaching programmes supporting women's ascent to board positions could be considered. Company's governance and corporate culture could nurture the principles of gender diversity on the board. Nomination committees could have a key role in encouraging gender diversity on boards. Disclosure of gender-diverse board practices in annual reports could enhance the transparency of diversity (including gender diversity) practices.

Section III – survey results: key findings and discussions

This section examines the key findings of the three stages of the survey: the review of annual reports, the telephone interviews with company secretaries and/or heads of human resources of companies with women representation on their boards, and subsequent one-to-one interviews with chairmen, CEOs and directors of listed companies (see Section I for an explanation of the report methodology).

GENDER DIVERSITY ON PAKISTANI BOARDS – ANNUAL REPORTS REVIEW: KEY FINDINGS

As illustrated by Figure 2, 31% of 303 surveyed publicly listed companies had women on their boards. The sample included KSE 100 Index companies and a random sample of 203 actively trading companies listed on KSE.

As shown in Figure 3, 18% of all the surveyed companies had one woman director and 13% had more than one woman director.

It can be concluded from Figures 2 and 3 that since the majority of the companies do not have a single woman director on the board, having women on boards is not a common board practice in Pakistan.

The majority of Pakistan's largest companies represented by KSE 100 Index companies (78%) do not have a single woman on the board (see Figure 4).

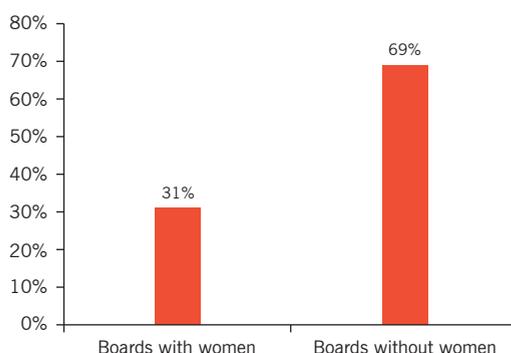
The lower incidence of women representation on boards of KSE 100 Index companies implies that even the largest companies of Pakistan are not practising gender diversity as a business best practice at the board level.

The majority of the companies that have women on their boards are family-owned (see Figure 5), i.e. a business in which one or more members of a family have a significant ownership interest.

As shown in Figure 6, 32% of the companies that have women on their boards are from the textile sector, which consists mainly of family-owned businesses.

As 78% of KSE 100 index companies do not have women on their boards, the comparatively higher incidence of gender diversity among boards of family-owned businesses prompts questioning of whether the existing evidence for gender-balanced boards reflects appreciation of the business case for such boards or rather the innate desire of owners of family-owned businesses to maintain business control and decision making within the family.²¹

FIGURE 2: WOMEN REPRESENTATION ON BOARDS



21 ACCA/IFC/SECP/PICG Survey of Corporate Governance Practices in Pakistan 2007

[www.ifc.org/ifcext/mena.nsf/AttachmentsByTitle/ASurveyofCGPracticesinPakistan2007/\\$FILE/A+SURVEY+OF+CORPORATE+GOVERNANCE+PRACTICES+IN+PAKISTAN.pdf](http://www.ifc.org/ifcext/mena.nsf/AttachmentsByTitle/ASurveyofCGPracticesinPakistan2007/$FILE/A+SURVEY+OF+CORPORATE+GOVERNANCE+PRACTICES+IN+PAKISTAN.pdf)

FIGURE 3: PERCENTAGE OF WOMEN ON BOARDS

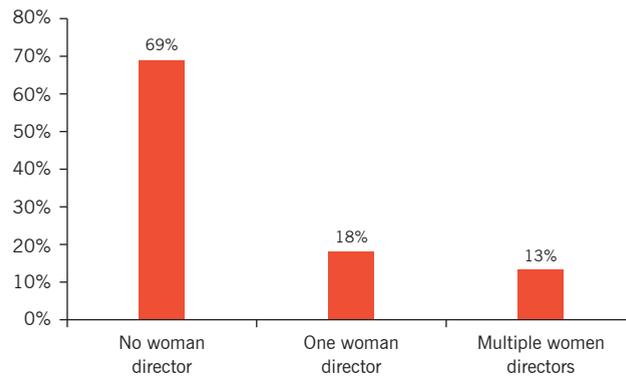


FIGURE 4: WOMEN ON BOARDS OF KSE 100 INDEX COMPANIES

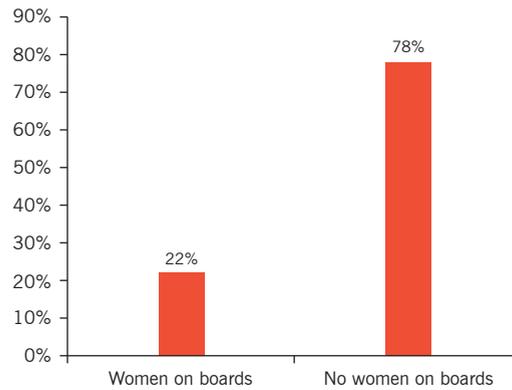


FIGURE 5: WOMEN REPRESENTATION ON BOARDS – OWNERSHIP OF COMPANIES

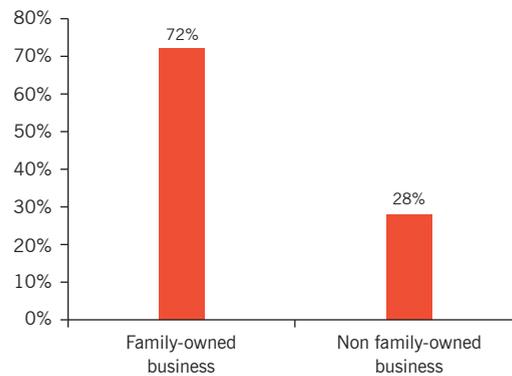
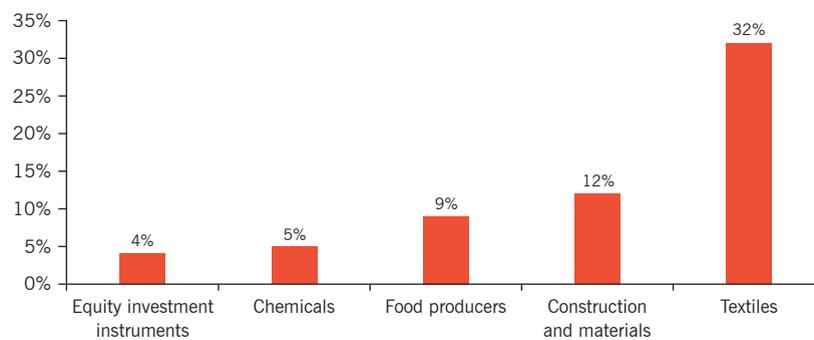


FIGURE 6: TOP FIVE KSE SECTORS INTERMS OF WOMEN REPRESENTATION ON BOARDS



I do not like outsiders on my board. Our board only has family members. Some of them are women also. As we are a conservative family, our women do not attend the board meetings generally but they give advice. You can even give sensible advice [at] the dinner table. The cultural sensitivities need to be understood. If you want to have women as part of the boards, be cognisant of the social barriers [that prevent] women [from] mixing with men, and then, a woman is a homemaker not a business or empire maker. As for having experienced and competent women on boards, where can you find them? I have a few women working in my sales department; they have neither the expertise nor the ability to get onto the board.

CEO OF A FAMILY-OWNED LISTED COMPANY

Yes, with a few exceptions women on boards of family-owned businesses are only [there] to populate the boards. They do not attend meetings. They do not participate in discussions. They do sign the documents but...may not [necessarily] read the documents. [Putting] gender diversity on [the] board's agenda would benefit from making...the listed companies appreciate the value of having professional and competent women...on the boards.

A NON-EXECUTIVE DIRECTOR

Family-owned businesses have myopic vision, they do not aim global and cannot be convinced of adopting gender diversity only because it is an international best practice. The blue chip companies of Pakistan will have to take an active lead in opening up their boardrooms to professionally experienced and qualified women.

EXECUTIVE DIRECTOR OF A MULTINATIONAL COMPANY

TELEPHONE SURVEY AND INTERVIEWS: KEY FINDINGS AND DISCUSSIONS

Women on boards: How are they appointed?

Figure 7 outlines the criteria for the nomination/appointment of women directors to the boards of those companies that have them, as stated by the respondents of the telephone survey.

When asked what was the main criterion for nomination/appointment of women to boards, 55% of the respondents considered it was family relationship, while 9% claimed it was qualifications and 3% deemed experience to be most important. With the majority of the respondents considering kinship to be the main criteria for appointing women to the board, it may be useful to assess the main criteria applied for the appointment of directors to the boards of family-owned businesses and whether these are different for women and men.

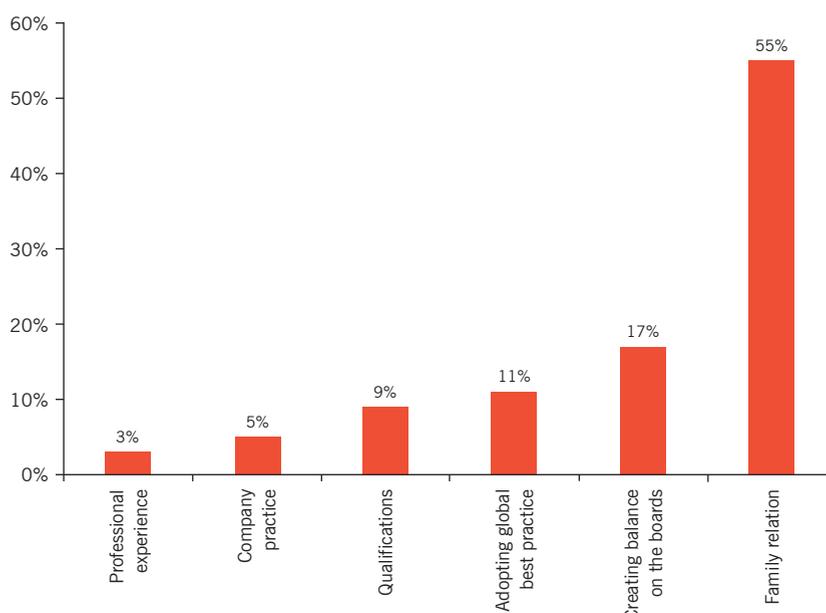
Among some of the survey respondents, there was a perception that women who are appointed to boards solely on the basis of kinship are contravening the spirit of gender diversity, which entails providing opportunities for women to bring in their 'different' experiences and perspective to board deliberations, enabling more inclusive, balanced decision making.

Only 5% of the respondents have women on their boards as a company practice; 11% of the respondents have women on their boards because they consider it to be global best practice that also needs to be adopted as a best practice by their businesses in Pakistan.

Whereas gender-diverse boards are associated with expediting more balanced, objective decision making, for only 17% of the respondents the main driver for having women on boards is the creation of a board resulting in more inclusive decision making.

From the survey responses, it can be concluded that the main criterion for appointment/nomination of women to boards is family relationship. A perception exists that gender diversity (in terms of proportion of qualified and competent women on boards) could benefit if the leading companies of Pakistan acknowledge gender diversity as a good corporate governance practice, tapping into the wider pool of skills, creativity, talent and experience available, and have women with the appropriate skills, knowledge and experience on their boards. This may also influence family-owned businesses to open up their boards to independent professional experience and

FIGURE 7: WOMEN ON BOARDS: CRITERIA FOR BOARD NOMINATION/APPOINTMENT



judgement, paving the way for qualifications and experience, rather than kinship, to become the main criteria for nomination/appointment to their boards.

Gender diversity on boards: Is there a business case to be made? What are the perceived business drivers/benefits?

Figure 8 shows many of the perceptions of the benefits of gender diversity on boards, as expressed during the telephone survey.

Improved quality of board discussions (26%) is perceived as an advantage mainly because of a perception that women do not shy away from asking challenging questions and come more prepared for meetings, ensuring constructively vibrant discussion around important agenda items. A gender-diverse board was viewed as producing more balanced decisions (23%) because women bring a ‘different’ dimension to decision making. Enhanced professionalism on boards (15%) was stated as an advantage, because thoroughness of preparation for the board meetings, punctual attendance of board meetings and the robustness of board discussions were all viewed as potentially benefiting from gender diversity.

Other identified potential benefits of gender diversity on boards included creating a positive public relations image (15%), its perception as a reputation-building measure (11%), and the communication of a marketing message of commitment to gender diversity (23%).

The perceived ability of women relatives to serve business interests by being custodians of business secrets and knowledge was identified as an important apparent advantage (41%).

Even though women were represented on their company’s boards, 25% of the respondents could not identify any benefit of gender diversity on boards.

From the survey responses, it appears that the existing gender diversity on boards in Pakistan may mainly be an outcome of business owners’ resistance to opening up their businesses to having qualified and competent outsiders (whether men or women) on boards. Even though the Code of Corporate Governance of Pakistan encourages board diversity by recommending appointment of independent non-executive directors

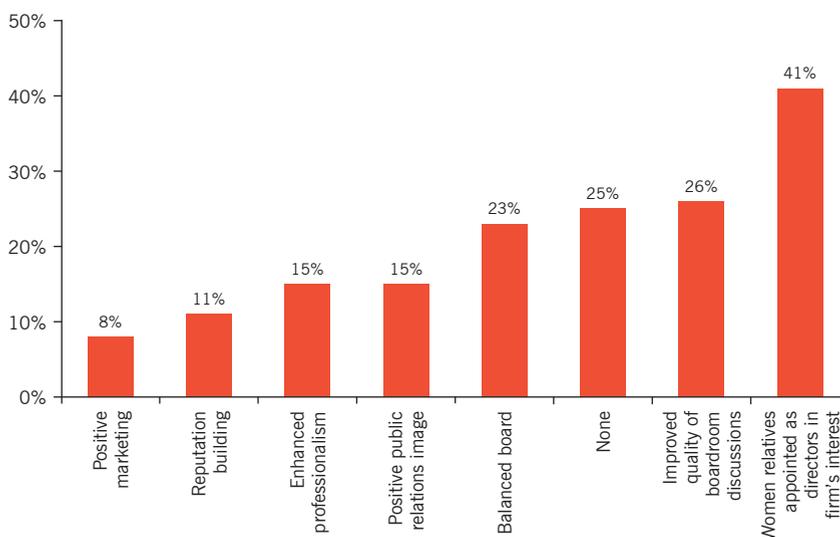
Professional, competent, experienced and knowledgeable women bring a different dimension to boardroom discussions. Their presence changes the conversation...more time is spent on discussion of significant issues. Women tend to listen more, ask different questions, at times questions that men, being part of the ‘boys’ club’, would avoid, [and women] are more inclined towards finding solutions to problems rather than harping on issues. This results in vigorous board discussion and deliberations. For inclusive decisions, exclusion of half of Pakistan’s population from business decision making does not make business sense. In Pakistan, as more and more women assume responsibility for product and services purchasing, as consumers, their perspectives, needs and preferences need to be considered for arriving at inclusive strategies and policies. Women board members usually are more empathetic to women as consumers and as employees.

CEO OF A LISTED FINANCIAL INSTITUTION

Women are loyal. A mother, daughter or a sister would always protect the family’s honour. In the same way she would protect the business secrets and reputation. Women do not ask many questions. All that they want is that the business remains profitable. They trust men to make the right decisions. If I have outsiders on the board, they would question what I am doing, why I am doing, why I am taking this much money? Tomorrow they may leave my company betraying my trade secrets to my competitors.

CEO OF A LISTED FAMILY OWNED BUSINESS

FIGURE 8: BENEFITS OF GENDER-BALANCED BOARDS (MULTIPLE RESPONSES)



Yes, we have women on boards but only because we need to populate the board with our relatives, some of these relatives happen to be women, otherwise why should I have women on the board? I operate business in challenging times. Hiring professionally qualified men and women is a financial burden, the benefit of which on the profits is non-existent.

CEO OF A LISTED FAMILY OWNED BUSINESS

A person having a family relationship is not an independent director. Well, how do you define family? Are nephews and great-nephews part of the family or not? Are uncles and aunts part of the family or not? My family has run the business successfully, now, all of a sudden, why should I have outsiders on the board? In my opinion if a person does not work full time for the company (he/she) is an independent director and that is the end of the story of independence.

CEO OF A FAMILY-OWNED BUSINESS²⁴

In Pakistan women are joining the workforce but very few are making it to the top. Men and women who make it to the board are those who have a comprehensive experience and knowledge of the business, of various sectors, [and] have exposure to various organisational cultures. Women are at a disadvantage as they usually do not have [a] hands-on approach to work, they generally are reluctant to go to the factory floor, and have issues with travelling. Women's family responsibilities hinder their commitments. Recruitment and promotion systems are based on the assumption that career paths for leaders will be unbroken, ... women who take maternity leave or part-time work, or who relocate several times due to husband's career moves [would be at a disadvantage]. Making it to the top means putting in long hours at times, managing the professional and personal commitments. At most of the blue chip companies there is a level-playing field but women, like men, have to fight it out and play the game.

DIRECTOR OF A MULTINATIONAL COMPANY

to boards,²² it was concluded by the Survey of Corporate Governance Practices of Pakistan that the majority of the respondents were not appreciative of the principal characteristic of an independent director, i.e. a director who has no material relationship with the company beyond his or her directorship.²³

Whereas, as evidenced by the Survey of Corporate Governance of Pakistan, Pakistan's leading companies are taking steps towards embedding corporate governance in its true spirit into the DNA of governance cultures, gender diversity on boards appears to be an elusive practice for the majority of the leading companies.

From the survey responses it may be concluded that the business case for gender diversity on boards (be it in terms of potentially enhanced financial performance, inclusive decision-making, celebrating meritocracy, or being responsive to the preferences of potential institutional investors) currently does not play a major role in the decision-making process for board appointments of women. As only 22% of KSE 100 Index companies have women on board (see figure 4), for professionally competent and experienced women to be represented on the boards, the potential business case arguments for gender diversity may need to be embraced first by the leading businesses of Pakistan, so that successful case studies can emerge, encouraging other businesses (including family owned) to follow suit. From a good corporate governance perspective, it may also be useful to consider whether the capacity of the existing pool of women (relatives included) on boards can be developed so that they become a useful resource, enabling boards to benefit from their different perspectives, experiences, preferences and ideas.

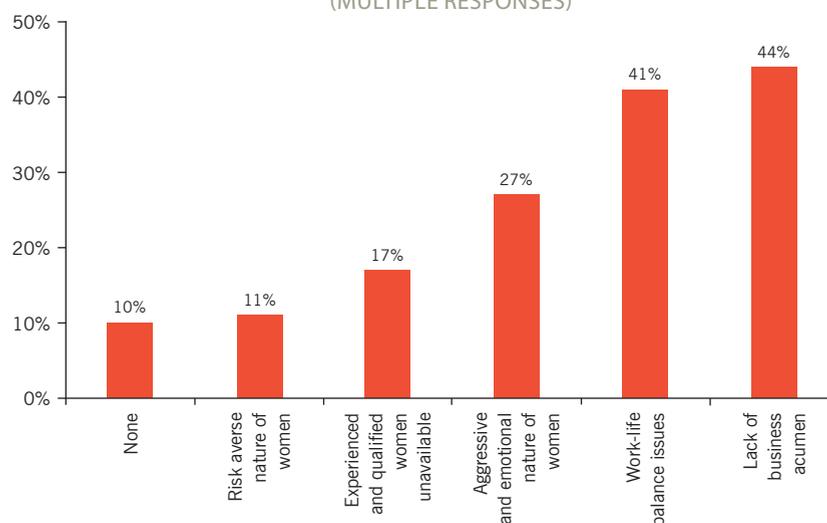
Gender diversity on boards: The challenges

Figure 9 outlines different perceptions of the challenges of having experienced and qualified women on boards in Pakistan.

Lack of business acumen in terms of overall business knowledge and awareness of business dynamics (44%) and failure to manage the balance between professional and personal commitments, i.e. work-life balance (41%) were identified as the major challenges to having qualified and experienced women on the boards.

Other challenges included the perception that women have aggressive and emotional

FIGURE 9: WOMEN ON BOARDS: PERCEIVED CHALLENGES (MULTIPLE RESPONSES)



²² Section I of the Code of Corporate Governance of Pakistan: 'All listed companies shall encourage effective representation of independent non-executive directors, including those representing minority interests, on their Boards of Directors so that the Board as a group includes core competencies considered relevant in the context of each listed company.' www.secp.gov.pk/corporatelaws/pdf/CodeofCorporateGovernance.pdf

²³ IFC Guidelines for Directors. See www.ifc.org/mena

²⁴ Survey of Corporate Governance Practices of Pakistan 2007 [www.ifc.org/ifc/text/mena.nsf/AttachmentsByTitle/ASurveyofCGPracticesinPakistan2007/\\$FILE/A+SURVEY+OF+CORPORATE+GOVERNANCE+PRACTICES+IN+PAKISTAN.pdf](http://www.ifc.org/ifc/text/mena.nsf/AttachmentsByTitle/ASurveyofCGPracticesinPakistan2007/$FILE/A+SURVEY+OF+CORPORATE+GOVERNANCE+PRACTICES+IN+PAKISTAN.pdf)

characteristics (27%), are risk averse (11%). A perception also exists that qualified and experienced women are unavailable (17%).

Some of the interviewees observed that for gender diversity to become a norm, effective coaching and mentoring may be needed to support women to become successful hierarchy climbers. A number of survey respondents argued that as women do not promote themselves, and this leads to a managerial assumption that they are happy to continue with their present position, while male peers indicate their ambition, their career successes and their readiness for the next step much more strongly to the promotion gatekeepers. Hence, women may self-limit their advancement unless top management are aware of gender differences and take steps, such as offering women-targeted mentoring and advocacy, to address the situation.

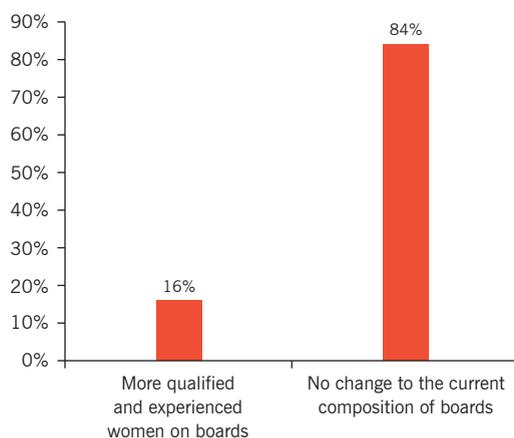
Survey respondents were optimistic that women with the right skills, knowledge and expertise can, through persistence and assertiveness, overcome the challenges that may at times reflect stereotypes and/or preconceived notions. It was felt that their advancement could be facilitated by an enabling work environment, supporting family and respectful society. Transparent and fair recruitment and promotion policies and systems could encourage professional and competent women aim for the top. Arguments that professional, competent, rational and experienced women are not available, or that it is just a matter of time before women make it onto boards may require critical analysis and evaluation. If the recruitment and promotion processes are truly 'fair', and rewarding only the meritorious, one may want to question why a significant number of women on boards are family relatives. A systematic change in the business thinking accompanied by the nurturing of a corporate culture that supports gender diversity and encourages the breaking of 'the glass ceiling' could support women's advancement to board level.

Gender diversity on boards: The future outlook

As outlined in Figure 10, only 16% of the survey respondents envisaged that in future boards would include more qualified and experienced women; 84% of the respondents were not inclined towards changing the current composition of boards.

What would compel businesses to include qualified and experienced women on boards? As shown in Figure 11, 35% of the respondents would become convinced of the value of gender diversity on boards if a business case were to be developed, communicated and advocated that clearly linked gender diversity with improved financial performance, better decisions, enhanced board performance, better corporate governance practices and fostering business reputation.

FIGURE 10: GENDER DIVERSITY ON BOARDS: FUTURE OUTLOOK



As for now, boards comprise mainly male members. When a woman joins the board, her participation in board discussions, her attitude to board meetings and her perspectives may appear unfamiliar and out of context to males, resulting in misunderstandings and conflicts. If she exhibits feminine characteristics like sensitivity, friendliness, affection then she is considered as not the right person for being a member of the board of directors. As male board members may not be used to having a woman on [the] board, her opinion may not be given an active listening and her judgement may be mistrusted. Women in this situation struggle, they either get frustrated or decide to leave the board, withdraw into a shell or become aggressive and appear non-professional. For their voice to be heard women should preserve their personal authentic leadership style rather than assuming characteristics like aggression, ambition, dominance, self-reliance and individualism to become part of the board of directors. Being a woman I have never felt discriminated [against]; you feel what you want to feel and you become what you want to become.

WOMEN CEO OF A LISTED COMPANY

In Pakistan, [as in] the rest of the world, boards remain boys' clubs where preferences are given to personal and professional networks formed over golf games, cigar sessions, common clubs, men's talk, bonding while travelling together and professional associations on other boards. Dealing with women is still a new and generally not a comfortable experience for many men. This results at times in women board candidates being a victim of 'competency testing', where women have to prove themselves over and over again by meeting a set of criteria which their male competitors need not meet. What is stopping most of the women in middle management from even aspiring to be on the top is that the business culture is not making women mentally, physically and emotionally confident about making it to the top. A supportive culture that makes them believe in their abilities would make women 'hierarchy climbers' who would consciously willingly participate in the race for top.

DIRECTOR OF A MULTINATIONAL COMPANY

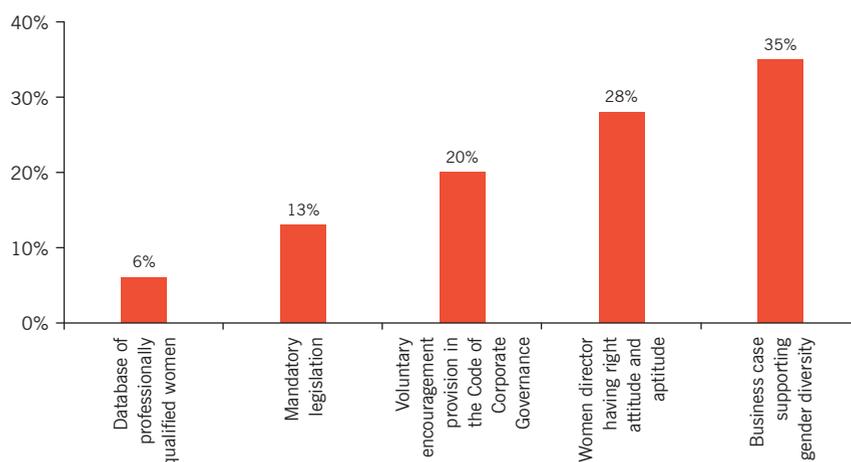
In general [Pakistan's] society does not support a woman who works. Men occupy [the] majority of top executive and senior-level positions whilst women usually can only make it to middle management. It is a male world built around the 'male' norms; women would struggle to adjust to this world. As senior managers they do not command respect: if they become chief executive, how would they run the company? They cannot become part of male formal networks, which play an important role in career advancements. They struggle to balance their work-life commitments; social and family pressures inhibit them for having [a] professional, serious approach to work. Hypersensitive, over emotional, aggressive, risk averse – how will a woman get [on] to the board? A director has nerves of steel, has guts to take risky decisions, has ambition, has drive, is rational and cool-minded, is enterprising, highly knowledgeable and diversely experienced – can a woman have all this? Women have to prove themselves to come to the board. They cannot be imposed on the boards.

CHAIRMAN OF A LISTED COMPANY

Women need to show [the] aptitude, attitude and skills associated with board directors. Quotas or positive discrimination or the Code of Corporate Governance requiring [female] representation will not result in gender-diverse boards in their true spirit. Boxes are not to be ticked, the benefits of gender diversity are to be recognised and lived. If women [were] competent, they would reach... the boards on their own merit. What would help them, however, is mindset change and behavioural change. This change is easier for the best of the best companies as compared [with] family-owned companies. A behavioural change will have to be ushered [in] by top management for gender diversity to become embedded into the DNA of board culture. The behavioural challenges or stereotypes need to be managed, addressed and resisted.

WOMAN CEO OF A LISTED COMPANY

FIGURE 11: QUALIFIED AND EXPERIENCED WOMEN ON BOARDS: THE MAJOR CATALYSTS



How can a convincing business case for having professional, experienced and competent women on boards be developed in Pakistan? Respondents argued that the business case may be developed on the premise that having qualified and professional women directors would mean recruiting from the population's overall pool of talent, knowledge, experience, creativity and skills, which would result in diverse boards. Research shows that gender-diverse boards contribute positively to corporate governance as they are likely to make better decisions, not because men and women are fundamentally different or because women directors are more intelligent, more empathetic or have better morals than male directors, but because they bring different kinds of experience and perspectives to the boardroom. Men and women have different social roles and work in different social areas and positions, and therefore have different experiences and values that can benefit the decision-making process.²⁵ Diverse teams are likely to be more responsive to diverse customers' aspirations and needs.

28% of the respondents want women to break the glass ceiling by progressing from middle/senior-level managerial positions to board positions by demonstrating the right aptitude and attitude, that is, by demonstrating professionalism, and 77% of the respondents waved away the idea of imposing affirmative action by legislating a specific number of seats for women on boards; they argued that that women with the right attitude and aptitude would move through the 'pipeline', making it to board positions.

Only 20% of the respondents wanted the Code of Corporate Governance to encourage female representation on boards.

Evidence of pipeline delivery remains unsubstantiated in Western economies. Is the pipeline delivering in Pakistan? A large number of women graduating from business schools are entering the workforce but the low representation of professionally competent and experienced women on boards implies that the pipeline may not be

25 Ancona D G and Caldwell D F *Demography and Design: Predictors of New Product Team Performance* Organization Science, 1992, Volume 3, 321-41 <http://orgsci.journal.informs.org/cgi/content/abstract/3/3/321>

HAS THE PIPELINE DELIVERED?

'Pipeline' is a mythical term given to career progression for women. In the early 1990s, in the West, it was assumed that as greater numbers of women graduates entered the workplace as senior and middle managers, over time they would make it to the top, addressing the issue of gender diversity on boards and at chief executive level. Even though women constitute 40% of global workforce,²⁶ only 3% of Fortune 500 CEOs are women,²⁷ 15% of board directors of Fortune 500 are women²⁸ and fewer than 14% of corporate executives at the top publicly traded companies around the world are women.²⁹ Men outpace women in compensation and reaching to the executive positions race, even when women have the aspiration and have no personal commitments such as parenthood.³⁰

working and qualified women are struggling to ascend to board positions.

As the expectation of the survey respondents is that women would reach the boards on their own merit by exhibiting the required attitude and aptitude, it follows that mindset and behavioural changes could facilitate the progression of women from middle management to senior and executive roles. For gender diversity on boards to become a common practice, the leading companies of Pakistan may like to take the lead by appreciating and embracing the business case for gender diversity from top to bottom. This may result in developing case studies to form the basis of a business case for having professional and competent women on boards, which may be advocated to other (including family-owned) businesses.

Recruiting, retaining and promotion of women with [the] right attitude and competences are essential for gender diversity across all levels of organisations. As private sector corporate leaders recognise the importance of gender diversity due to societal changes and the changing business dynamics, we can expect to see an upward trend in diversity and functioning across the board. A large number of young girls are pursuing education. You see them in large numbers in offices. It is just a matter of time, training and work experience that parity in boards will become a common practice. There is no boys' club, only [the] inability of significant corporations and leading professional firms to find and facilitate appropriately qualified and competent women into senior levels.

CEO OF A LISTED COMPANY

The battle for the top has to be a woman's own struggle. Those who have the required abilities, talent, characteristics and mental strength will make it to the boards without any hand holding.

CHAIRMAN OF A LISTED COMPANY

What is the aim of a business? To make profits. If I am making profits then my business model is serving my needs. If it can be shown to me that the cost of having experienced, educated and knowledgeable (men and women) directors would be balanced by the financial benefits in terms of enhanced business performance, then willingly I will have them on the boards.

CEO OF A FAMILY-OWNED LISTED COMPANY

As the number of consumers and financial decision makers who are women increases in Pakistan, the more a company mirrors its markets demographically, the better positioned it is to sense and respond to evolving market needs. This would result in financial gains also.

CHAIRMAN OF A LISTED FINANCIAL INSTITUTION

26 Nancy M Carter, PhD and Christine Silva *Pipeline's Broken Promise* Catalyst Research http://assets.bizjournals.com/cms_media/stlouis/catalyst.pdf atalyst Research, 2010.

27 Catalyst Research, 2010.

28 Rachel Soares, Nancy M Carter and Jan Combopiano 2009 *Catalyst Census: Fortune 500 Women Board Directors* Catalyst 2009 www.catalyst.org/file/320/2009_fortune_500_census_women_board_directors.pdf

29 Equal Opportunity for Women in the Workplace Agency 2008 *EOWA Australian Census of Women in Leadership, 2008* Rachel Soares, Nancy M Carter and Jan Combopiano 2009 *Catalyst Census: Fortune 500 Women Executive Officers and Top Earners* (Catalyst, 2009) Laura Jenner and Rhonda Ferguson 2008 *Catalyst Census of Women Corporate Officers and Top Earners of the FP500* (Catalyst, 2009) http://assets.bizjournals.com/cms_media/stlouis/catalyst.pdf

30 'Pipeline's Broken Promise', Nancy M. Carter, Ph.D. and Christine Silva, Catalyst Research http://www.catalyst.org/file/320/2009_fortune_500_census_women_board_directors.pdf

Section IV – roadmap to gender-diverse boards: conclusions and recommendations

Development and advocacy of a business case for gender diversity on boards

As 69% of surveyed companies do not have a woman on the board, it appears there is a need for greater understanding of the potential business case for gender diversity. Gender diversity has a positive impact by enabling inclusive decision making, responsiveness to diverse customer needs and a diversity of perspectives. The survey concludes that the value of mixed-group decision making for the reputation, calculated risk-taking appetite and possibly enhanced financial performance of the business needs to be documented and advocated. Business leaders who are already championing gender diversity on boards within their organisations may be encouraged to assume an ambassadorial role, promoting the benefits of gender diversity on boards at public forums. Women respondents considered that the development and dissemination of the profiles of women who have reached board level or the CEO position on their own merit may also be useful for promoting the business case for gender diversity on boards. A conclusion of the survey is that the largest companies of Pakistan may take a lead by considering greater representation of qualified, experienced and professionally competent women on boards. This may compel other businesses (including family-owned ones) to evaluate the benefits of having qualified and experienced women on boards.

Developing Pakistan's resource of competent women directors

It can be concluded from the survey that there is a perception of a dearth of appropriately qualified, skilled and experienced women directors. A database of existing and prospective women directors could be developed in Pakistan. Such a database could serve as a search engine for finding appropriately qualified and experienced women to recruit as board directors.

Corporate culture promoting gender diversity on boards

One of the conclusions of the survey is that women's ascent to board positions may be facilitated by organisational support and an environment conducive to career progression. A corporate culture supporting workplace diversity can recognise that employees at all levels of the company may have family responsibilities; thus corporate culture should support the work-life balance of all employees, not just women employees. Career breaks and flexible hours do not necessarily need to

impede progression to board positions. Organisations may like to build support programmes and provide access to role models (men and women), networks and mentors (men and women) to help women middle and senior-level managers to overcome perceived obstacles and to succeed in reaching board positions. Women could be provided with targeted training in leadership, negotiating skills and networking skills to help equip them for board positions. Targeted coaching could also be used to assist women in building confidence and identifying higher goals.

Women senior and middle managers may be encouraged to attend corporate governance training workshops so as to make them aware of best board practices and procedures. Women may consider joining professional networks and associations as well as creating formal and informal networks that include men and women. These networks can support the career development of senior-level women managers and provide an opportunity for women directors to share experiences and forge new business relationships. Such networks can also drive gender diversity on boards' agenda.

Governance culture supporting gender diversity on boards

Appreciation of gender diversity on boards as an element of good corporate governance may result in the nurturing by top management of a governance culture. Board committees may also play a role in promoting gender diversity on boards. For example, a nomination committee³¹ could improve factoring-in of such diversity criteria to their selection and nomination processes. Women are a largely untapped source of talent for boards as non-executive and independent directors. In an environment with a shortage of independent non-executive directors with appropriate skills, the business need for tapping this source may be explored.

Transparency in disclosure of gender-diverse board practices

As voluntary sustainability reporting encompassing reporting of economic, environmental and social performance in annual reports or stand-alone sustainability reports gains momentum in Pakistan,³² businesses may be more compelled to address reporting the diversity issue. Global Reporting Initiative (GRI) guidelines³³ are already becoming a best practice for environmental and sustainability reporting in Pakistan and could provide the framework for reporting board diversity policies and practice (including on gender).³⁴

It may be concluded from the survey that a number of respondents believe that as more and more women join the workforce, women with the right skills, knowledge, professional attitude and expertise will reach the boards on their own merit. This may be optimistic but development and advocacy of a business case for board diversity may genuinely facilitate representation of qualified, experienced and professionally competent women on boards.

31 ACCA, 2009. An Exploratory Paper by ACCA Pakistan – *Looking Beyond Audit Committees* www.accaglobal.com/pubs/pakistan/general/technical/cg/3251220

32 ACCA-WWF Pakistan Environmental Reporting Awards *Judges Report 2009* www.accaglobal.com/pubs/pakistan/general/sustainability/archive/09.pdf

33 *Global Reporting Initiative Guidelines* www.globalreporting.org/ReportingFramework/G3Guidelines/

34 GRI and IFC. "Embedding Gender in Sustainability Reporting: A Practitioner's Guide." 2009. [http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/web_GenderReporting_EmbeddingGender/\\$FILE/GRI-IFC_Full_Gender.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/web_GenderReporting_EmbeddingGender/$FILE/GRI-IFC_Full_Gender.pdf)

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