

Media Release

25th March 2019

A Coalition of Stakeholders urged to contribute to Gender Diversity Initiatives - SEC Chairman, Ranel T. Wijesinha

Against the backdrop of the 7th March 2019 CSE event “RING THE BELL FOR GENDER EQUALITY” to commemorate International Women’s Day (on 8th March), Ranel Wijesinha, Chairman of the Securities and Exchange Commission of Sri Lanka (SEC), shared the following, on the role that the SEC Sri Lanka has played and will play, to encourage the implementation of the budget proposals presented in Parliament by the Minister of Finance Hon. Mangala Samaraweera, on March 5th on the participation of women on the Boards of listed entities.

SEC’s GDI Task Force

Several months ago, under a broad series of other initiatives, which the SEC titles Chairman’s Office Initiatives, Wijesinha had established a task force entitled SEC-GDI (Gender Diversity Initiative), resourced with persons from among a cross section of women professionals of the SEC. The SEC is thus, in a state of readiness to implement programmes to encourage Board Diversity. The women professionals were selected based on their knowledge and experience working in key divisions of the Capital Market Regulator, their qualifications in economics, law, accounting and business management as well as personal characteristics such as belief in multi - disciplinary approaches/ different perspectives to issues and positive and proactive attitudes. The task force has inter-alia conducted research on the merits and demerits of quotas, mandatory provisions and successes in other jurisdictions, in encouraging women’s participation on Boards.



The picture shows the SEC- GDI Task Force. From left: Sheena Goonaratna (Economics), Prabashini Samarakoon (Law), Manjula Chandraratne (Management), Ranel Wijesinha (SEC, Chairman), Saumi Kodippily (Finance), Manuri Weerasinghe (Finance) and Madhugayani Balapitiya (Law)

Call to Boards to respond to Budget Proposals

The 2019 budget proposals of the Government encourage women's participation on Boards. The Chairman, SEC calls on Boards of Directors whose prerogative is to invite persons to the Boards of Listed Companies, to identify with the merits of "Board Diversity", and to set in motion progressive measures, incorporating eligibility and qualifying criteria, fit and proper tests and other methods to develop a rich resource of potential women candidates. In doing so he said that he has no doubt in his mind that the large number of available women professionals will certainly surface.

Call to Professional Associations, Chambers and SLID

The SEC Chairman also called upon professional associations such as CA Sri Lanka the National body of Chartered Accountants of Sri Lanka as well as the Association of Chartered Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA), Certified Management Accountants (CMA), Chartered Secretaries and associations of a wide variety of other professionals such as Legal, Medical, Engineering etc and the Organisation of Professional Associations (OPA), Chambers of Commerce, bodies such as the Sri Lanka Institute of Directors (SLID) to build databases of eligible persons from among its members, to be candidates for potential Board directors and to conduct board room governance programmes and work together in partnership with the corporate community.



Discussions with CA Sri Lanka women professionals

Beyond Comfort Zones

Having served on many Boards including large and diversified corporates for well over three decades Wijesinha expressed a personal view that Boards should now come of age and think "Beyond their traditional or conventional, Comfort Zones." While many corporates, large medium or small have attracted and worked with a number of both men and women who are clearly worthy of holding Board positions, there yet are many corporates and enterprises, who are reluctant to invite independent professionals on to Boards. This may lead to the perpetuation of mediocrity in enterprise performance and Board Room and corporate governance by attracting only friends and relatives, or those who they believe will not "rock the boat." However sometimes the boat may be either simply drifting or heading towards an iceberg and course correction and realization of the full potential of corporates and enterprises, can only be achieved through the participation of "independent" Board members whose honesty and integrity is an inherent expectation, but who are simultaneously, active rather than passive, independent in thought and deed, and also constructive and supportive, objective, creative, diligent, committed and much more.

A Sequenced Approach

An extract of the Budget speech of the Hon. Minister states “whilst constituting over 50% of the population, the presence of women in senior positions in business is very limited. This has come about, due to numerous social structural and business practices, that result in the exclusion of women from important decision-making roles in society. As such, I propose a sequenced approach to enable greater participation of women in Boards of Listed Companies. The SEC will be encouraged to implement this proposal” the Minister stated.

The proposed sequencing in introducing mandatory representation of women on corporate Boards was described in the Budget Proposals as follows:

- i) SEC will introduce a voluntary target of 30% of women in director Boards of companies listed on the CSE. All listed companies shall disclose the percentage of women on their Boards in their Annual Reports.**
- ii) By December 31st 2020 all listed companies that are unable to meet the 30% voluntary target will be required to disclose reasons for being unable to do so.**
- iii) By December 31st 2022 all listed companies shall have at least 20% of Board seats occupied by women.**
- iv) By December 31st 2024 all listed companies shall have at least 30% of Board seats occupied by women.**

Corporate Governance Requirements and Continuing Listing Rules

Since the new Commission was constituted in June 2018 the SEC launched a series of new initiatives to strengthen the scope coverage and effectiveness of regulation, which the SEC Chairman regards as an inherent expectation of any Capital Market Regulator whilst simultaneously focusing on capital market development. Against the background of effective regulation, the SEC began reviewing continuing Listing Rules with specific reference to corporate governance, within which Board Diversity is embedded.

SLID’s Initiative

Towards that end, in the latter part of 2018 the SEC Chairman entertained a visit from key officials of the Sri Lanka Institute of Directors (SLID) who sought the SEC’s support to help implement a programme to encourage women’s participation on Boards. Pledging the support of SEC, SLID was encouraged to develop a database of “Board Ready Women.” Wijesinha then commissioned the SEC GDI Task Force, to research comparative jurisdictions of member countries of the International Organization of Securities Commissions (IOSCO). IOSCO is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector, of which SEC Sri Lanka is a member. SEC Commissioner Deshal de Mel, Economic Advisor, Ministry of Finance was invited to join in the discussion to develop a joint paper with SEC and SLID. Our draft paper was ready on October 25th, 2018! I am happy it saw the light of day finally.



Meeting with Sri Lanka Institute of Directors (SLID) representatives

Personal Perspectives on quotas and mandatory provisions

In Wijesinha's view "there are jurisdictions where the percentage participation of women on Board's is mandatory and based on quotas which listed entities are required to achieve in order to comply with continuous listing requirements. Several countries in Europe are examples."

However, sharing his personal experiences Chairman Wijesinha said "I do not believe in quotas and mandatory provisions to encourage wider participation of women on Boards. As far back as in 2011 or so, while at the Global Economic Symposium (GES) held in Rio, Brazil and attended by a large cross section of corporate, academic and political leaders from continental Europe, including former Prime Ministers of European Union countries, there was a session on Board Diversity. The session Chairwoman a professional, an American Chairperson of a Fortune 500 company made a compelling case for the United State of America and the SEC of the USA to introduce quotas and mandatory provisions to enable women to have opportunities to serve on Boards of Directors."

Wijesinha says "I took strong objection to this proposal, stating that even in a nation as small as Sri Lanka our women representatives of professional bodies, business enterprises, academia and civil society were empowered and a few who were invited to Boards perform their roles very well and that in my view having quotas and mandatory provisions take away from the dignity of a potential woman director. This may lead to introducing mediocrity rather than meritocracy in nominating persons to Boards. I said that I found it rather strange that the Chairperson who undoubtedly had got to the pinnacle of the corporate ladder was not encouraging women to take her as an example of having broken the glass ceiling. I closed with the comment that having lived and studied in the USA and having worked with a wide cross section of women professionals from across Deloitte member firms in various parts of North America, who had achieved positions of Partner or Director, I found this proposal from the "land of the free and home of the brave" (words from the American National Anthem), quite surprising. I must say in lighter vein that the tough talking Chairwoman did not speak to me for the next few days. We reconnected and engaged in warm and constructive discussions at a similar symposium a few years later."

SEC's Commitment to Budget - Proposals

"We at the SEC are deeply committed to help implement the progressive Budget proposals which become mandatory only by 2022. However, I do not encourage ensuring compliance with a percentage or quota for womens' representation on Boards, in a static sense, but rather in a dynamic sense. Aware and progressive corporates should not simply invite women to Boards alone, to be passively compliant, but rather should be proactive perhaps via "Talent Sourcing, Evaluation and Nominations Committees" to identify potential candidates for Boards. In parallel, Human Resource or Talent Management policies and strategies should be designed and implemented and regularly upgraded to attract "potential

executive women directors” as employees in the first instance and ensure that, strategies to build skill, competence and capacity to equip, empower, promote and retain them, are in place, such that they become candidates for internal admission to Boards of Directors. A multi pronged approach will lead to superior long term corporate profitability, and sustainability, which is the real, tangible wholesome reason for Gender Diversity rather than to simply comply to achieve the Gender “Parity” or “Balance” or “Equality” targets that have now become faddish or stylish” Wijesinha concluded.

Issued by

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