




Sustainability Reporting in Pakistan

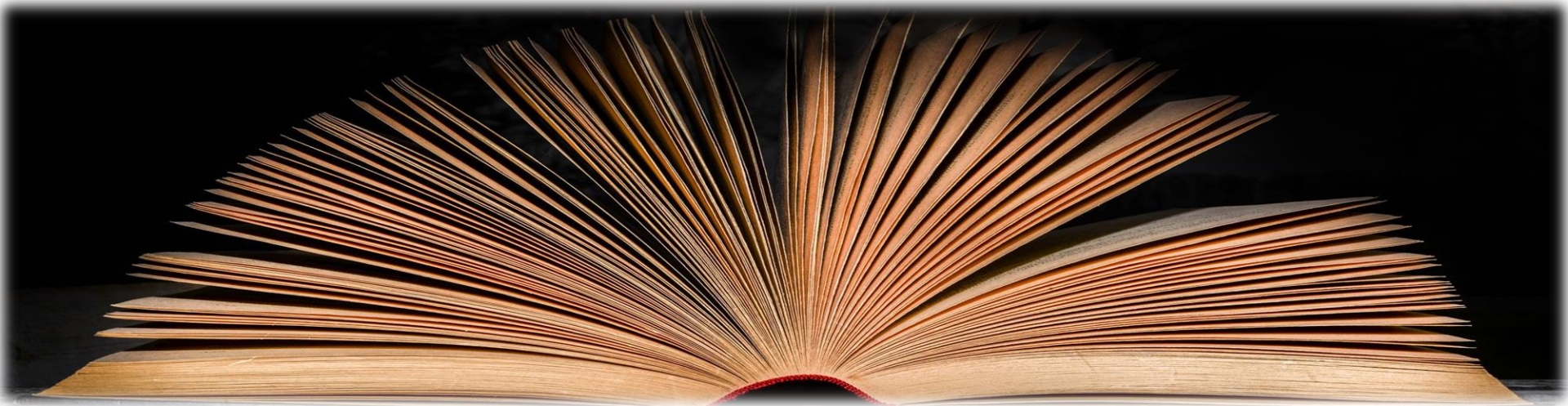
**Status, Key Challenges and Way
Forward**



November 22, 2023

Table of Contents

-  An Overview on Sustainability Standards Setting in Pakistan [03](#)
-  Sustainability Reporting Experiences of Enterprises in Pakistan [08](#)
-  Adoption of IFRS Sustainability Disclosure Standards in Pakistan [10](#)



A modern office interior with a large window overlooking the ocean. The room features a bright green wall with a clock, a glass desk with a black office chair, and a white bookshelf filled with binders. Two green armchairs are positioned near the window. The floor is a light-colored tile with a geometric pattern.

An Overview on Sustainability Standards Setting in Pakistan

Sustainability Standards Setting in Pakistan

Current Status

Companies willingly disclose their Sustainability Reports, as there is no mandated Sustainability Reporting Framework under the current legal framework.

Pakistani companies are currently aligning with various International Sustainability Frameworks for their sustainability reporting, which include:

1. Global Reporting Initiative (GRI) Standards
2. United Nations Global Compact (UNGC) “Ten Principles”
3. United Nations Sustainable Development Goals (SDGs)

New Developments

International Sustainability Standards Board (ISSB) has issued following standards on June 26, 2023:

1. IFRS S1, *General Requirements for Disclosure of Sustainability-Related Financial Information*; and
2. IFRS S2, *Climate-related Disclosures*, the adoption of these standards are being debated in Pakistan.

Consultation with stakeholders is being carried out for adoption / implementation of these standards in Pakistan.

New Development

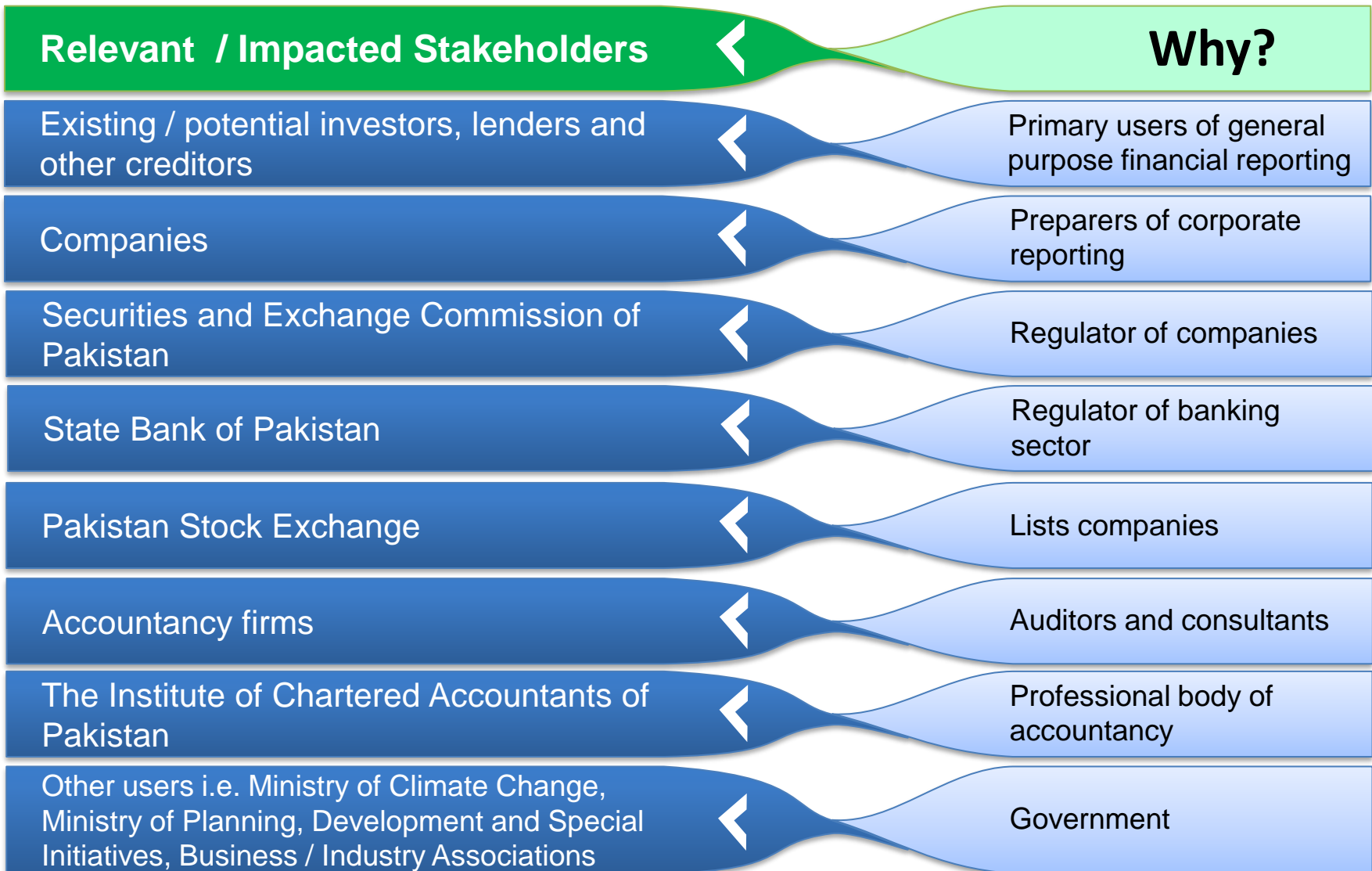
ISSB Standards have also referred to:

- **Sustainability Accounting Standards Board (SASB) Industry Standards**, the sustainability disclosure requirements relevant to 77 industries; and
- **Climate Disclosure Standards Board (CDSB) Framework Application Guidance for Biodiversity and Water-related Disclosures.**

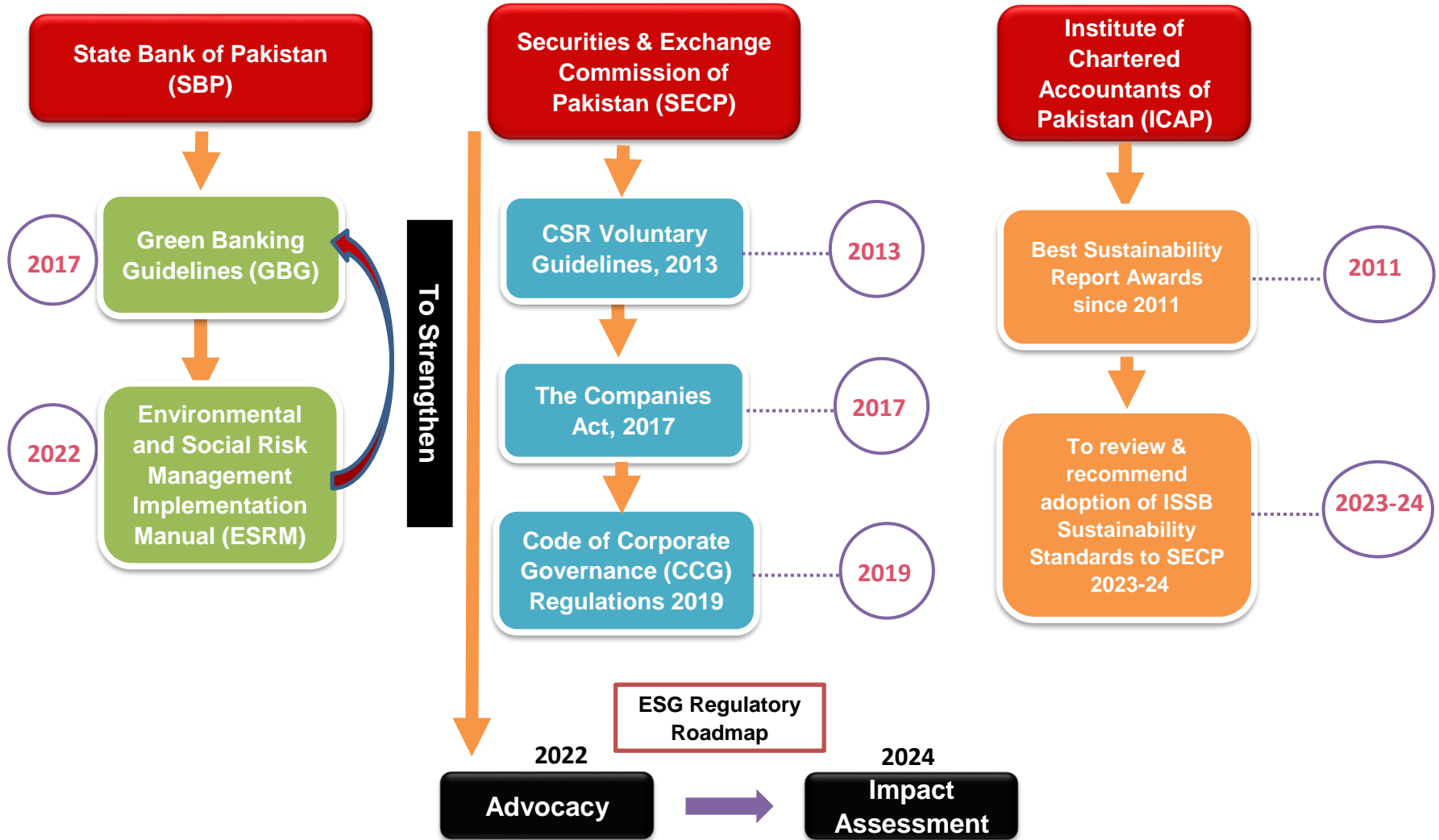
The Securities and Exchange Commission of Pakistan (SECP), as the corporate regulator, has introduced an ESG Roadmap. This Roadmap focuses on enhancing organizational capabilities in sustainability areas and outlines the way forward for adoption of ISSB standards.

During the release of exposure draft of S1 and S2, comprehensive feedback was submitted to ISSB. Presently, the final standards are undergoing a comprehensive review to assess their suitability for adoption in the Pakistan.

Key stakeholders for Sustainability Reporting in Pakistan



Regulatory Landscape - Key milestones



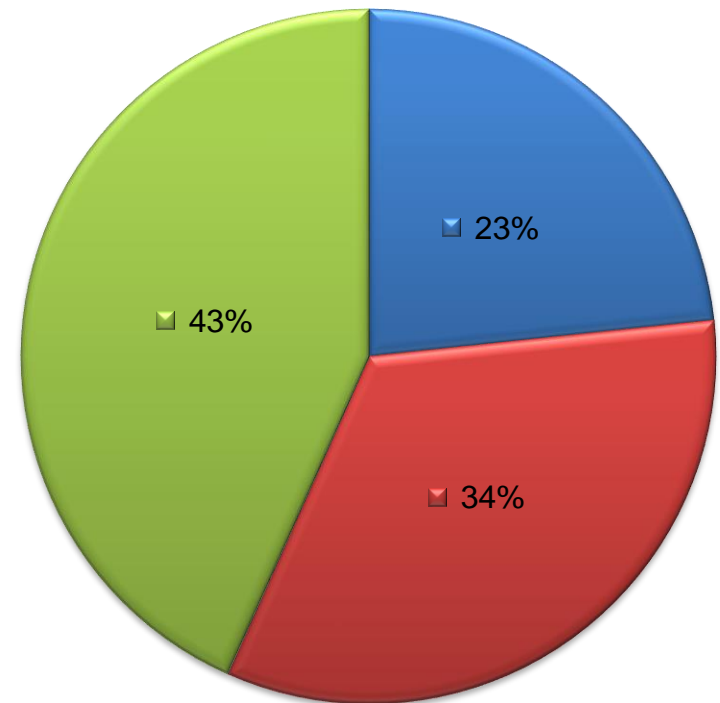
A modern office interior featuring a large window on the left side that offers a view of the ocean. The room is furnished with two bright green armchairs, a glass desk with a black office chair, and a white shelving unit filled with binders. A green wall with a clock is visible in the background. The floor is made of large, light-colored tiles.

Sustainability Reporting Experiences of Enterprises in Pakistan

Sustainability Reporting Experiences of Enterprises in Pakistan

- Out of 550 listed companies in Pakistan, around 80 companies are disclosing sustainability related information in their annual reports.
- **International Sustainability Frameworks** being currently followed by Pakistani companies for sustainability reporting includes:
 - a. Global Reporting Initiative (GRI) Standards
 - b. United Nations Global Compact (UNGC) “Ten Principles”
 - c. United Nations Sustainable Development Goals (SDGs)
- **Sustainability Assurance:** Very few companies are obtaining assurance from audit or other practitioners on sustainability.

Sustainability Reporting Frameworks followed by Companies in Pakistan



- United Nations Global Compact (UNGC) “Ten Principles”
- Global Reporting Initiative (GRI) Standards
- United Nations Sustainable Development Goals (SDGs)



Adoption of IFRS Sustainability Disclosure Standards in Pakistan

The approach for adopting IFRS Sustainability Disclosure Standards in Pakistan



Awareness Creation

through possible seminars, publications and roundtables.



Development of a roadmap for adoption

through consultative approach with the stakeholders



Education and capacity building

through education courses, conducting members workshops and E-learnings

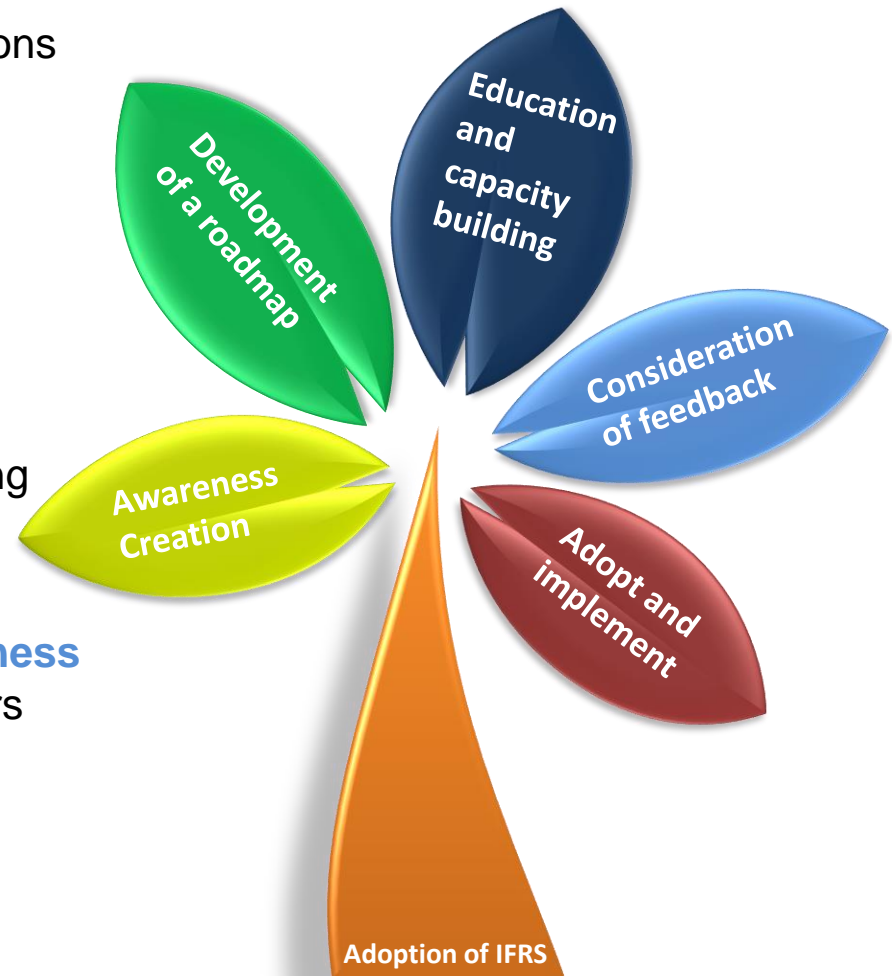


Consideration of feedback / readiness of industry, regulator and practitioners



Adopt and implement

the ISSB's Sustainability Disclosure Standards



Consultative sessions held on adoption of IFRS Sustainability Disclosure Standards in Pakistan

Activity	Approach Undertaken
Consultative Sessions	ICAP recently conducted interactive consultative sessions with companies and audit firms operating in Pakistan on adoption of IFRS Sustainability Disclosure Standards.
Phase-wise Approach	ICAP proposed a phase-wise approach for adoption and applicability of these standards on companies operating in Pakistan. This approach encompassed applicability of these standards with a focus on companies characterized by substantial revenue, assets, and a significant number of employees. The most significant companies will be prioritized in the initial phase of implementation.
Applicability Slot	It was proposed to apply these standards effective from January 1, 2024 on first set of companies falling in proposed applicability criteria. However, based on feedback received, it appears that companies would require additional time to adequately prepare for the application of these standards.
Adoption through SECP	ICAP is in process of forming its recommendations as to adoption of these standards in Pakistan, which will formally be communicated to Corporate Regulator (SECP) in due course.

Implementation Challenges for Pakistani Enterprises

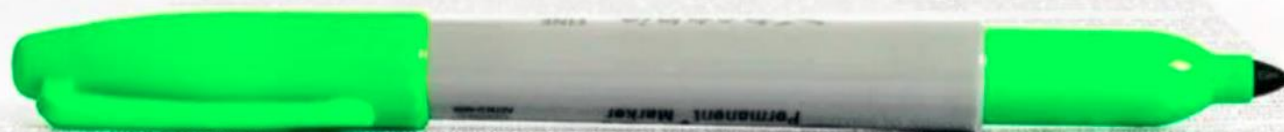
1. Lack of **awareness and understanding** among companies as to what sustainability reporting entails. This may be due to the fact that sustainability reporting is a relatively new concept in Pakistan, and more guidance is required.
2. Sustainability reporting requires **commitment of resources, including time, money, and expertise**. Many companies in Pakistan may not have the necessary resources to undertake sustainability reporting, particularly smaller and medium-sized enterprises (SMEs). Additionally, there is a need to enhance expertise in providing assurance on sustainability-related financial information
3. Big challenge around the **availability of data**. Sustainability reporting requires the collection and analysis of data on environmental, social, and governance factors. In Pakistan, there is limited availability of data on these factors.



Implementation Challenges for Pakistani Enterprises

Cont...

4. Sustainability reporting requires engagement with stakeholders, including investors, employees, customers, and suppliers. Many entities in Pakistan may **not have a culture of stakeholder engagement**, which could make it challenging to collect relevant information and ensure that stakeholders are aware of sustainability issues.





1. Guidance for stakeholders

Through Directors Guide (which we expect to release sometime this year) spreading to members, awareness sessions, e-learnings by ISSB itself (expected to be launched this year).

2. Interaction with Stakeholders

Interaction with stakeholders and persuasion on adoption and implementation of standards

3. SECP's ESG Sustain Website

The SECP is in the process of developing its own ESG Sustain Website, which is expected to be launched this year and will include data / studies focused on ESG factors.

4. Additional Sessions

We are actively engaging in stakeholder consultations and conducting additional sessions to raise awareness and deepen the stakeholders' understanding of the benefits to be derived from sustainability-related initiatives and reporting.

Questions and Answers



Thank you

