



Sustainability Reporting

The Securities and Exchange Commission of Pakistan (SECP) issued an **Order** for **phase-wise** adoption in Pakistan of **Sustainability Disclosure Standards (IFRS S1 and IFRS S2)** issued by **International Sustainability Standards Board (ISSB)**. These standards were issued by ISSB in June 2023.

IFRS S1 Sets out the general requirements for a company to disclose information about its sustainability-related risks and opportunities that are useful to users of general-purpose financial statements and reports. **IFRS S2** Sets out the requirements for a company to disclose information about its climate-related risks and opportunities. Disclosures under both S1 and S2 are broadly categorized under four core considerations: governance, strategy, risk management, and information on metrics and targets.

SECP and ICAP have been working for devising a practical approach for the adoption of these standards in Pakistan. In this respect earlier ESG Disclosures Guidelines for Listed Companies were notified by the SECP on June 12, 2024 to encourage adoption of Listed Companies are encouraged to adopt IFRS Sustainability Standards on a voluntary basis.

The aforesaid Order has been issued by the SECP under Section 238 of the Companies Act, 2017 read with Section 249 of the Act, vide its notification dated December 31, 2024, for mandatory adoption of Sustainability Disclosure Standards in a phase-wise manner.

Phase-Wise Adoption of Standards:

Earlier adoption of the Sustainability Disclosure Standards by all Companies is encouraged. However, Phase-wise adoption of Sustainability Disclosure Standards have been made mandatory for companies falling within respective phases as follows:

PHASE	MANDATORY ADOPTION FOR	CRITERIA		
		(i)	(ii)	(iii)
		Annual Turn Over in the last two consecutive financial years as their financial statements;	Number of Employees (permanent and contractual)	Total assets
PHASE-I Applicability from Annual Reporting Periods beginning on or after July 1, 2025	Listed Companies fulfilling any two criteria from (i) to (iii)	> Rs. 25 billion	> 1,000	> Rs.12.5 billion
PHASE-II Applicability from Annual Reporting Periods beginning on or after July 1, 2026	Listed Companies fulfilling any two criteria from (i) to (iii)	>Rs. 12.5 billion	> 500	> Rs.6.25 billion
PHASE-III Applicability from Annual Reporting Periods beginning on or after July 1, 2027	Listed Companies other than those falling in Phase-I and Phase-II <u>and</u> Non-listed public sector companies which are licensed or registered with the SECP			

Location of the Report:

The sustainability report shall be located in the annual report after directors' report except where it is made within nine months from the close of financial year, as applicable.

Scope 3 emissions shall be applicable from the second year of reporting by respective companies.

Approval of the Report:

The report containing disclosure under Sustainability Standards shall be approved in the manner in the manner of financial statements as per Section 232 of the Companies Act, 2017.

Assurance of sustainability-related financial information:

Assurance by the auditors of the company shall be effective from the second year of reporting in accordance with the format of report notified by the Commission.

It will be the responsibility of the auditor of the company to provide assurance in accordance with the requirements of the International Standards on Auditing as adopted by the Institute of Chartered Accountants of Pakistan.

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