



The Institute of
Chartered Accountants
of Pakistan

CA
PAKISTAN

Significant initiatives taken by ICAP in the area of Sustainability (2022 to June 2023)

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INTRODUCTION

Pakistan is one of the most affected countries of climate change. In the last few years, the need to address climate change and nature loss has gained momentum.

Corporate Sustainability reporting and assurance has gained significant attention and momentum in Pakistan. It is recognised that accountancy bodies and accountancy professionals have an important role in developing, promoting and implementing sustainability reporting and assurance regime in Pakistan.

ICAP INITIATIVES IN THE AREA OF SUSTAINABILITY

The Institute of Chartered Accountants of Pakistan (ICAP) is a statutory and autonomous body formed under the Chartered Accountants Ordinance, 1961 for the purpose of regulating the accountancy profession in Pakistan.

ICAP is always committed to promote the profession in the best public interest. ICAP plays a vital role in strengthening the regulatory framework in Pakistan through cooperation and collaboration with important policymaking institutions and regulators, including the Securities and Exchange Commission of Pakistan (SECP), State Bank of Pakistan (SBP) and Pakistan Stock Exchange (PSX) and industry associations/forums.

On the area of sustainability reporting ICAP is aware of its role and is also committed to serve the public interest by working collectively with all the relevant stakeholders to enhance awareness and improve capacity building of stakeholders on the emerging topic of sustainability.

SECP has developed an ESG Roadmap and Action Plan, and ICAP has the lead role in advocacy, capacity building and adoption of ISSB-issued IFRS Sustainability Disclosure Standards. ICAP is also actively working with SECP to support the adoption process of international sustainability disclosure standards in Pakistan.

ICAP is responsible to adopt the assurance standards on sustainability reporting (once issued by the IAASB).

Multiple initiatives taken by ICAP in the area of sustainability are as follows:

1. ICAP FORMS MULTI-STAKEHOLDER WORKING GROUP ON SUSTAINABILITY REPORTING

The Accounting Standards Board (ASB) of ICAP is looking into the sustainability reporting in Pakistan. ASB aims to develop capacity and skill set of all stakeholders in the sustainability reporting. ASB also aims to recommend adoption of ISSB standards in Pakistan.

For this purpose, the ASB has formed a dedicated working group in 2022 to consider the international developments in sustainability reporting, including the issuance of IFRS Sustainability Disclosure Standards by ISSB. The working group on Sustainability reporting is a multi-stakeholder group having representation from SECP, PSX, Pakistan Business Council, The Overseas Investors Chamber of Commerce & Industry, practitioners and other industry representatives.

2. ICAP COMMENTS ON EXPOSURE DRAFTS OF IFRS S1 AND IFRS S2

ISSB issued initial two sustainability reporting standards in March 2022. ICAP through the Sustainability Reporting Working Group carried out stakeholders' outreach for creating awareness about ISSB issued draft standards. In its outreach activity, the Work Group engaged with the ISSB and technical team of ISSB participated in the seminar conducted by ICAP.

The Working Group, through a comment letter provided feedback and comments on the draft IFRS S1 and IFRS S2 to the ISSB before the due date that is July 29, 2022.

3. ICAP COMMENTS ON SECP'S ESG ROADMAP AND ACTION PLAN

SECP has developed ESG Roadmap and ESG Action Plan.

ICAP has reviewed and shared its detailed comments on the SECP's *Position Paper on ESG Regulatory Roadmap*' (issued in 2022) with the SECP.

ICAP has formulated and submitted its comments and feedback on the SECP's *ESG Action Plan*' (issued in May 2023). In addition to the specific comments, ICAP has highlighted the need to include following aspects in the ESG Action Plan:

- Mandatory Sustainability reporting by companies;
- Framework for Sustainability reporting and disclosures;
- XBRL-based Sustainability reporting; and
- Independent assurance of Sustainability reporting.

4. ICAP CARRIES OUT AWARENESS & CAPACITY BUILDING SESSIONS ON SUSTAINABILITY REPORTING

a. AWARENESS SEMINAR ON SUSTAINABILITY REPORTING

The ASB organized its first seminar on 'Sustainability Reporting' on July 22, 2022, in Karachi. The seminar aimed to raise awareness of members, regulators, businesses and other stakeholders about the two draft IFRS Sustainability Disclosure Standards.

Mr. Sohail Malik, Senior Director Technical ICAP and Syed Fahim ul Hasan (Member ASB Working Group on Sustainability Reporting) delivered presentations on the draft IFRS S1 and IFRS S2. In the panel discussion panelists from industry, practice and business associations shared their views and experiences regarding sustainability reporting in Pakistan. The seminar also provided an opportunity to participants to engage with the ISSB team and share their views and concerns on the draft sustainability standards.

The Chief guest of the event, Dr. Shamshad Akhtar, Chairperson Pakistan Stock Exchange emphasized the businesses need to develop, implement environmental standards and promote green financial reporting as it is important for public and private sector to embrace sustainability reporting for survival in the global arena.



b. ICAP-SECP AWARENESS & CAPACITY BUILDING SESSIONS ON SUSTAINABILITY REPORTING

ICAP in partnership with the SECP has organized awareness and capacity building sessions on sustainability disclosures and reporting.

Awareness Seminar for industry on sustainability reporting in May 2023

ICAP and SECP jointly organized the first awareness seminar on May 08, 2023 at Lahore for industry participants. The session aimed at creating awareness to industry participants about the international framework for corporate sustainability reporting and initiating a conversation on a synergized action plan for corporate sustainability reporting in Pakistan. The session brought together key stakeholders of the ESG ecosystem, including SECP, ICAP, industry, practitioners, IFRS Foundation, PSX, Pakistan Business Council, Pakistan Institute of Corporate Governance, International Finance Corporation, Asian Development Bank, United Nations Development Program, and UN Women.

Mr. Sohail Malik, ICAP Senior Director Technical and ICAP Sustainability Reporting Working Group member, Mr. Fahim ul Hassan, provided a comprehensive overview of the ISSB sustainability disclosure standards and also shared insights about sustainability reporting practices.

IFRS Foundation also participated in the event. Mr. Ravi Abeywardana, Director of IFRS Strategic Affairs and Capacity Building, provided an overview of the ISSB and various

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initiatives and future plans of the IFRS Foundation on the capacity building of all stakeholders regarding sustainability reporting.

Representatives of various companies presented their sustainability-related disclosure practices and provided feedback for improving reporting requirements and mechanisms. Fireside chat involved a panel discussion on the draft ESG action plan of SECP. Mr. Asad Feroze, ICAP Council member, moderated the session. The panel included Mr. Farrukh Rehman (ICAP Council member), Mr. Farrukh Khan (PSX), Mr. Andrew C. McCartney (Asian Development Bank), Mr. Ephyro Luis B. Amatong (Internal Finance Corporation), Mr. Memosh Khawaja (Pakistan Institute of Corporate Governance), Ms. Nazish Shekha (Pakistan Business Council), Mr. Shahzad Ashraf (UN Women, Pakistan) and Mr. Muhammad Kamran (UNDP), which discussed the critical role and initiatives of their institutions in promoting sustainable business practices, transition challenges, and areas of collaboration emerging from the SECP's draft action plan, giving strategic direction to the ESG roadmap for regulated sectors.

Mr. Akif Saeed, Chairman of SECP and Ms. Musarat Jabeen, Executive Director (SECP) highlighted SECP's role in promoting a sustainability reporting framework to facilitate economic growth and working actively on the national ESG action plan with all stakeholders.



Webinar for Capacity-building of SECP, PSX and CDC on sustainability reporting in June 2023

The Institute in collaboration with SECP organized a webinar on June 14, 2023 for the capacity-building of the officers of SECP, PSX and CDC on sustainability disclosures and reporting.

Technical presentation was given by Mr. Sohail Malik, ICAP Senior Director Technical on the ISSB's sustainability reporting standards. Mr. Farrukh Rehman (ICAP Council member) and Mr. Sohail Malik responded to the questions of the participants in the Questions &

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Answers session relating to the transition and implementation challenges of the sustainability reporting standards in Pakistan.

The recordings and presentations of above events and sessions are available on ICAP website and can be accessed using the link: <https://www.icap.net.pk/consultative-sessions>



5. ICAP's OTHER INITIATIVES AND EVENTS ON ESG/ SUSTAINABILITY

a. 'All Pakistan CA Conference 2022 on Sustainability, Technology & Transformation'

The 'All Pakistan CA Conference 2022' was held on the topic *Sustainability, Technology & Transformation* on October 19, 2022 simultaneously in Islamabad, Karachi & Lahore. 'Sustainability' was one of the themes of the conference. The conference has provided a platform to members & finance fraternity to discuss, debate and seek pragmatic solutions of emerging business & finance opportunities.

The Chief Guest of the event, Mr. Ishaq Dar, Federal Minister, Finance & Revenue appreciated the role of chartered accountants by virtue of their skills and competencies reinforced by ethics, trust, integrity and also recognizing the public interest responsibility. The Conference brought together different stakeholders, and a range of sustainability-related topics were discussed including the evolving global landscape, role of accountancy profession in sustainability reporting and assurance and key challenges in adopting global sustainability standards.





b. Webinar on ‘ESG, Sustainability, Responsible Investing & ESG Reporting’ by ICAP Bahrain Chapter

On October 26, 2022, the Managing Committee of Bahrain Chapter of ICAP Members also organized a hybrid event of ‘ESG, Sustainability, Responsible Investing & ESG Reporting’ in collaboration with CFA Society Bahrain. The speakers and panelist discussed the increasing demand for sustainability reporting requirements globally and how an accountant or practitioner can better understand and report ESG performance of their reported entities.



c. Presentation on Sustainability Reporting at International Conference on IFRS in Nepal

In November 2022, ICAP representatives participated in the AOSSG annual meeting (The Asian-Oceanian Standard-Setters Group) and IFRS Conference organized by Accounting Standards Board of Nepal. Mr. Sohail Malik (ICAP Senior Director Technical) made the presentation on the topic of Sustainability Reporting – Need and Challenges, in which he explained latest international developments, Pakistan specific experiences, and challenges relating to the implementation of sustainability reporting standards.



d. 'Sustainability Taskforce of CA Worldwide'

ICAP, has also taken a proactive stance in promoting sustainability worldwide. As a testament to its commitment, ICAP has become an active member of the 'Sustainability Taskforce of CA Worldwide.'

e. ICAP presents in SAFA on Sustainability Assurance

ICAP gave a presentation on the Assurance on Sustainability reporting in the 23rd SAFA 'Committee on Auditing Standards and Quality Control'. The presentation was based on the study on the sustainability assurance practices prevalent in various jurisdictions including SAFA region.

Brief Update on Sustainability Assurance

With recent international developments in sustainability reporting, the International Auditing and Assurance Standards Board (IAASB) bear the need for a global sustainability assurance standards solution. The IAASB is committed to collaborate with and supporting the ISSB, as well as with the International Ethics Standards Board for Accountants (IESBA), to strengthen the connectivity among sustainability reporting, external sustainability assurance, and ethical standards. The IAASB is committed to enhance the assurance of sustainability/ ESG reporting and is actively working to develop new sustainability assurance standard, International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, expected to be issued by the end of 2023 for public comments.

6. ICAP PUBLICATIONS ON SUSTAINABILITY REPORTING

Recently ICAP has also issued various publications on sustainability reporting including:

a. **Article on 'sustainability reporting and enterprise value – why it is relevant for industry and profession' by Mr. Farrukh Rehman (ICAP Council Member and Chairman ASB)**

The article was published in the ICAP journal 'Pakistan Accountant', summarized the matters from the rational and formation of ISSB, issuance of the IFRS Sustainability Disclosure Standards, the sustainability-related risks and opportunities and its impacts on resources, the core content of the 'Sustainability related financial information' to the impacts of business activities on the environment, social and governance (ESG) aspects mainly the climate change, natural

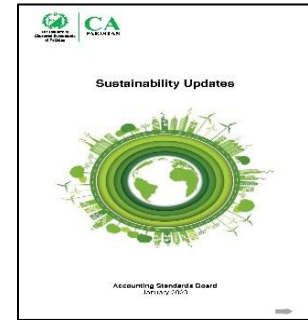


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resources, pollution, waste, human capital, product safety and quality, access to finance, diversity, anti-corruption, anti-competitive, etc. To download the article, click on the above image.

b. Publication of Update on Sustainability

ICAP issued a publication to update its members and other stakeholders about key local and international developments and initiatives in the area of sustainability including, regulatory regimes, corporate sustainability reporting standards, assurance standards on sustainability, carbon trading schemes, and endorsement of the work of ISSB. To download the article, click the image given.



c. Publication on Sustainability Disclosures – SASB Industry Standards

The publication was issued by ICAP in June 2023. The publication provides a complete and comprehensive disclosure guide of SASB Standards, covering all 77-industries with their descriptions, sustainability disclosure topics and accounting metric tables. The guide will help members to identify and understand the disclosures, and focus effectively and efficiently on the sustainability disclosure requirements relevant to their industry and business. To download the article, click the image given.



ICAP publication and resources can also be accessed at the ICAP website using link: <http://www.icap.net.pk/publication-guidance>

7. ICAP-ICMA BEST SUSTAINABILITY REPORT AWARDS

The Best Sustainability Report Awards was first launched in 2011 by ICAP and ICMA International. The aim of the sustainability report awards is to create awareness in the corporate sector about sustainability/ environmental, social and governance (ESG) reporting and to promote the companies' reporting and disclosure on the ESG goals. With the increase in focus on the sustainability report, the companies are now focusing on the sustainability reporting as an imperative part of corporate reporting. It has been noted that over the period number of participation in the Sustainability Report Awards has been increased. The evaluation of BSR reports/section is done based on the BSR criteria developed by the relevant committee.

The BSR criteria is based on G4 Guidelines issued by the Global Reporting Initiative (GRI) and comprises of the following areas:

1. Organizational Profile;
2. Sustainability strategy with specific and measurable objectives / targets / goals / action plan;
3. Stakeholder's Engagement;
4. Report Parameters and Attributes (Reporting period/reporting cycle, boundary of the report, material aspects and key components etc.)

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5. Reporting on Economic, Environmental and Social Performance (Management approach, initiatives and Key Performance Indicators;
6. Linkage between Strategy, Stakeholder Engagement, Materiality Matrix and KPIs;
7. Report Presentation;
8. Adherence to Internationally Recognized Reporting – compliance of "G4 Guidelines" issued by GRI is required;
9. Assurance on the Sustainability Report (by ICAP/ICMAP member).



The BSR criteria is available on ICAP website and can be accessed at:

<http://www.icap.net.pk/bcsra/bsr-criteria>

A list of BSR 2021 winners from Pakistan can also be viewed at the link:

<http://www.icap.net.pk/wp-content/uploads/bcr/Winners-list-of-BCSR-Awards-2021.pdf>

A list of companies who are preparing sustainability reports in Pakistan are list down below:

- Fauji Fertilizer Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Pak Arab Refinery Limited
- Sadaqat Limited
- Security Papers Limited
- Lucky Core Industries Limited
- Attock Refinery Limited
- Oil & Gas Development Company Limited
- Atlas Honda Limited
- Image Pakistan Limited
- Indus Motor Company Limited
- Gul Ahmed Textile Mills Limited
- Feroze1888 Mills Limited
- K-Electric Limited
- Bank Alfalah Limited

1st Position - Fauji Fertilizer Company Limited



Joint 2nd Position - Atlas Honda Limited



Joint 2nd Position - ICI Pakistan Limited



3rd Position - Engro Fertilizers Limited



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4th Position - Security Papers Limited



5th Position – Sadaqat Limited



Committee Members

