



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
FUND MANAGEMENT DEPARTMENT

No. SCD/CIRCULAR/2026/369

June 24, 2026

Circular No. 12 of 2026

Subject: Categorization of Open-End Collective Investment Schemes

In exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with sub-regulation (2) of Regulation 55 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “**Regulations**”), the Securities and Exchange Commission of Pakistan (the “**Commission**”), is pleased to allow a new type of Collective Investment Scheme (CIS) to be categorized as "ESG Scheme" subject to compliance with the following requirements: -

- (1) An ESG Scheme shall operate within the existing categorization (e.g., Equity, Income, Balanced, Asset Allocation, Index Tracker, Shariah Compliant etc.), subject to compliance with the additional requirements specified herein.
- (2) Any scheme under the ESG category shall be launched with one of the following strategies: -
 - (i) **Negative Screening** – Exclusion of investment in certain sectors, projects or companies undertaking certain business activities or practices from a portfolio for their poor ESG performance relative to industry peers or based on specific ESG criteria (e.g., avoiding particular products, services or business practices).
 - (ii) **Integration** – Systematic assessment of quantitative and qualitative data and explicit inclusion of environmental, social and governance factors in investment analysis.
 - (iii) **Best-in-Class/Positive Screening** – Invest in top ESG performers in a sector i.e. prioritizing investment in sectors, companies or projects that demonstrate positive ESG performance relative to industry peers.
 - (iv) **Impact Investing** – Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. A CIS with an impact investing strategy, such as environmental or social impact, is required to clearly state the positive impacts that it aims to achieve.
- (3) The name of the scheme shall clearly reflect the underlying ESG strategy and may include terms such as “green”, “sustainable”, “impact”, or similar expressions in its name:

Provided that no scheme shall include such terms in its name unless the scheme demonstrably applies the corresponding ESG strategy and complies with the requirements of this Circular.

- (4) A minimum of fifty percent (50%) of the net assets under management (AUM) of an ESG Scheme shall be invested in instruments/securities aligned with the particular ESG strategy of the Scheme, as specified above. The minimum threshold prescribed above represents the initial requirement and may be enhanced by the Commission as and when it deems fit.

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A. Equity-Oriented ESG Schemes:

- (i) Investment in listed equity securities of companies that have reported alignment with SECP ESG Disclosure Guidelines or companies included in the Sustainability/ESG Index of Pakistan Stock Exchange Limited (PSX); or companies identified through an internally developed ESG assessment methodology by the Asset Management Company (AMC).
- (ii) The ESG assessment methodology shall be objective, transparent, consistently applied, and appropriate to the investment strategy of the Scheme.
- (iii) The ESG assessment methodology shall, at a minimum:
 - (a) comply with relevant provisions of the SECP's ESG Disclosure Guidelines for listed companies;
 - (b) consider sector-specific material ESG factors and may include Health, Safety and Environment (HSE) considerations;
 - (c) establish minimum ESG eligibility, scoring or screening criteria for investee companies; and
 - (d) consider material ESG controversies, regulatory actions, governance concerns, or other significant sustainability-related risks, where applicable.
- (iv) To ensure appropriate governance and oversight, ESG assessment methodology shall be:
 - (a) approved by the Board of Directors of the AMC; and
 - (b) periodically reviewed by the AMC.
- (v) For the purpose of compliance with minimum ESG-aligned investment requirement prescribed under this Circular, an Equity-Oriented ESG Scheme shall maintain such exposure on a quarterly average basis, calculated with reference to the daily net assets of the Scheme.

B. Debt-Oriented ESG Schemes:

- (i) The minimum 50% ESG-aligned portion shall be invested in green, social, sustainability or sustainability-linked bonds, sukuk, or other instruments.

Explanation: - such investments shall include debt securities issued by the Government and designated as green; instruments issued to finance or support green activities in accordance with the State Bank of Pakistan's Pakistan Green Taxonomy, or issuers that have reported alignment with the SECP ESG Disclosure Guidelines, or aligned with the SECP Green Bonds Guidelines and SECP Gender Bonds Guidelines, as applicable.

- (5) The remaining portion of the investment shall not be in contrast to the strategy of the scheme. However, minimum 10% of the net assets of the portfolio shall be invested in cash or near-cash instruments.



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- (6) ESG ratings issued by licensed credit rating agencies may be utilized as supplementary inputs within the investment decision-making process. However, reliance on such ratings shall not absolve the AMC of its obligation to undertake independent analysis, due diligence, and fiduciary oversight. The ultimate responsibility for ensuring ESG alignment and integrity of the investment strategy shall remain with the AMC.
- (7) ESG Schemes shall adequately disclose in the offering document all material information w.r.t ESG strategy, including the key principles, screening criteria and assessment approach adopted by the Scheme. The disclosure shall at least include the followings: -
- (i) **ESG Investment Strategy** - A clear description of the ESG approach adopted by the scheme (e.g., screening, integration, or impact investing), including how ESG factors are incorporated into investment decisions and portfolio construction.
 - (ii) **Screening Methodology** - Details of the screening process applied, including any exclusion criteria, ESG scoring models, use of internal or external data, and treatment of ESG controversies or non-compliant issuers.
 - (iii) **ESG-Aligned Allocation Criteria** - The criteria and thresholds used to determine ESG-aligned investments, including minimum allocation requirements, eligible instruments, and any benchmarks or indices used for alignment.
 - (iv) **ESG-Related Risks** - Disclosure of key risks associated with ESG investing, including data limitations, methodology risks, potential concentration risks.
- (8) A Fund Manager's commentary shall be included in the Annual Report of CIS, covering: -
- (i) application of ESG strategy to portfolio construction;
 - (ii) engagements with portfolio companies (voting methods, objectives, outcomes); and
 - (iii) statement from the Board of Directors of the AMC confirming, with reasonable assurance, that the scheme has been managed in accordance with its stated ESG investment strategy and requirements.
- (9) The AMC shall adhere to all other requirements applicable to CIS prescribed under NBFC Rules, Regulations, 2008 unless expressly modified or relaxed by the above-stipulated requirements.


(Imtiaz Haider)
Commissioner (SCD)

Distribution:

1. Chief Executives of All Asset Management Companies.
2. Mutual Funds Association of Pakistan.
3. Trustees of Collective Investment Schemes.