

# GUIDELINES ON ESG DISCLOSURES FOR LISTED COMPANIES, 2023



SECP

SECURITIES AND EXCHANGE  
COMMISSION OF PAKISTAN

# NAVIGATION GUIDE

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# 1. PREAMBLE

“ESG” refers to environmental, social and governance factors that can impact company value and investor decision-making:

## E



Environmental factors include financially material risks and opportunities such as climate change, water, land, air use.

## S



Social factors relate to society, the rights of individuals and the well-being of the communities within which a company operates, such as human capital management, diversity, health and safety.

## G



Governance factors include board quality, independence, and accountability; board oversight of executive performance and compensation; and the board’s oversight of company strategy, risk management, performance, and disclosure, including disclosure of E&S factors

The ESG (Environmental, Social and Governance) considerations have become increasingly important for companies in recent years as awareness among investors and stakeholders have been on the rise owing to the significant impact of E, S and G factors on the climate, society, and corporate governance.

It is pertinent to mention that governance disclosures are already focus of regulatory disclosure requirements and predominately covered under the Listed Companies (Code of Corporate Governance) Regulations, 2019 subject to regulatory filings. There is also increasing investor expectations for disclosure on Environmental & Social(E&S) governance, including how the board provides oversight of material E&S factors, how E&S factors are integrated into company strategy, how E&S is taken into account in the board skills matrix and director education, and the linkage of executive compensation to E&S metrics and targets.

Integrating sustainability considerations into business operations can assist businesses in mitigating risks, improving reputation, offering sustainable products/services and creating long-term value for stakeholders.

The Securities and Exchange Commission of Pakistan issued an ESG Regulatory Roadmap in June 2022 outlining actions ranging from creating awareness, discussing disclosures needs, development of ESG focused products leading to an overall impact assessment in a phased manner.

As part of the SECP’s ESG Roadmap, these guidelines have been prepared for listed companies as to how they can incorporate ESG factors into business operations and reporting processes.

## 2. SECP AND SUSTAINABILITY

The Securities and Exchange Commission of Pakistan (SECP) is aware of the expanding significance of Environmental, Social, and Governance aspects on businesses and, therefore, places a significant emphasis on integrating ESG principles into its regulatory framework.

Owing to significant impact of ESG factors on investor confidence, financial stability, and overall business viability, the SECP has been actively trying to include ESG considerations into the prevalent regulatory framework to create synergies.

As part of the SECP's ESG Roadmap issued in June 2022, these Guidelines on ESG Disclosures, 2023 (Guidelines), voluntary in nature, is guidance for listed companies. Other companies are encouraged to adopt the same on voluntary basis.

The ESG disclosure guidelines for listed companies are voluntary in nature serving as a recommendatory baseline disclosure framework.

In view of the evolving ESG considerations, these Guidelines shall be periodically updated in consultation with relevant stakeholders to ensure its relevance and effectiveness.

**Disclaimer:** These Guidelines do not set aside, replace or substitute any existing regulatory requirements applicable to listed companies under the prevalent laws and regulations.



### 3. WHY ESG REPORTING IS IMPORTANT?

- ESG reporting can help companies attain a competitive advantage by attracting and retaining investors, customers, and employees who are increasingly interested in doing business with companies that are committed to sustainability.
- ESG reporting can assist in improving the transparency of a company's operations and performance to build trust with stakeholders and make it easier for investors to make informed decisions about whether or not to invest in the company.
- ESG reporting can help companies to identify new opportunities for innovation and growth by developing new products and services that meet the needs of a growing sustainable market, or by improving the efficiency of operations in order to reduce costs and company's impact on environment.
- Lastly, companies can use ESG reporting to identify and mitigate risks related to environmental, social, and governance issues to protect the company's reputation, financial performance, and long-term sustainability.



## 4. HOW TO REPORT ESG INFORMATION?

Companies can report their ESG performance voluntarily on annual basis using any of the following formats and metrics given in Appendix-A of these guidelines:



- **Sustainability report:** A sustainability report is a comprehensive document on standalone basis to provide information on a company's environmental impact, social initiatives, and corporate governance practices.



- **Integrated within Annual Report:** The company's ESG performance is presented along with financial statements in the Annual Report of the company.



- **Online Disclosures:** Companies may also choose to disclose their ESG information using other means, such as website, social media platforms etc.

While the format and content of ESG performance report may vary depending on the size, industry and stakeholders of the company, the ESG reports need to be accurate, transparent, and comprehensive. The listed companies can further take assistance from different globally recognized standards/frameworks regarding sustainability reporting, attached as an Appendix-B to these guidelines.



## 5. KEY DISCLOSURE CONSIDERATIONS

The internationally recognized sustainability reporting standards, particularly the IFRS standards, guide companies to disclose information on the following key considerations:

### i. GOVERNANCE



Processes, controls and procedures to monitor and manage sustainability-related risks and opportunities of the company as to:

- How the company's board oversee the company's sustainability risks and opportunities, focusing on responsibilities, expertise, information flow, and strategic integration; and
- How the company's management ensures responsible action on sustainability by delineating tasks and implementing comprehensive controls integrated with overall governance systems.

### ii. STRATEGY



Approach for addressing sustainability-related risks and opportunities that could:

- Affect the company's business model, value chain, strategy, decision making, financial position, performance and cash flows; and
- The resilience of the company's strategy and business model to the effect of those risks and opportunities.

### iii. RISK MANAGEMENT



Processes of the company:

- To identify, assess, prioritize, monitor and manage sustainability-related risks and opportunities of the company considering the qualitative/quantitative factors, potentially using scenario analysis; and
- The extent to which and how sustainability-related risk and opportunity identification, assessment, prioritization and monitoring processes have been integrated into the company's overall risk management process

### iv. METRICS AND TARGETS



Information used to assess, manage, and monitor performance of sustainability-related risks and opportunities of the company through:

- Use of specific metrics that are relevant, industry-specific, consistent over time, and clearly explained, following specific disclosure standards and best practices
- Setting of specific targets including objective (mitigation, adaptation, conformance), metrics, progress, milestones, explanations for any changes and how these targets will be measured.

## Key ESG Performance Indicators

The Key ESG Performance metrics are presented below for guidance of listed companies. The listed companies are encouraged to disclose their ESG performance using the following metrics, in addition to the existing mandatory disclosure requirements as stipulated under various laws:

# E



Category	Metric	Measurement Annual, unless specified
ENVIRONMENT	GHG Emissions	<ul style="list-style-type: none"> <li>Total amount of Carbon and Green House Gas emissions in metric tons</li> <li>Total amount, in CO2 equivalents, for Scope 1, Scope 2 and Scope 3 (if applicable)</li> </ul>
	Emissions Intensity	<ul style="list-style-type: none"> <li>Total GHG emissions per output scaling factor (e.g. revenues, sales, units produced)</li> <li>Total non-GHG emissions per output scaling factor</li> </ul>
	Energy Usage	<ul style="list-style-type: none"> <li>Total amount of energy <i>directly</i> consumed</li> <li>Total amount of energy <i>indirectly</i> consumed</li> </ul>
	Energy Intensity	Total direct energy usage per output scaling factor
	Energy Mix	<ul style="list-style-type: none"> <li>Percentage: Energy usage by generation type</li> <li>Disclose the energy consumption from renewable sources as a percentage of total energy consumption</li> </ul>
	Water Usage	<ul style="list-style-type: none"> <li>Total amount of water consumed</li> <li>Total amount of water reclaimed</li> </ul>
	Environmental Operations	<ul style="list-style-type: none"> <li>Does your company follow a formal Environmental Policy? Yes, No</li> <li>Does your company follow specific waste, water, energy, and/or recycling policies? Yes/No</li> <li>Specify the quantity of waste recycled or re-used as a percentage of total waste for the current and comparative period.</li> <li>Does your company use a recognized energy management system? Yes/No</li> </ul>
	Environmental Oversight	Does your Board/Management Team oversee and/or manage climate-related risks? Yes/No
	Environmental Oversight	Does your Board/Management Team oversee and/or manage other sustainability issues? Yes/No
	Sustainable Sourcing	<ul style="list-style-type: none"> <li>Does your company has a policy and procedures in place for sustainable sourcing? (Yes/No)</li> </ul>
Climate Risk Mitigation and adaptation	Climate related transition and physical risks, climate related opportunities, capital deployment, internal carbon prices.	



# S



Category	Metric	Measurement Annual, unless specified
<b>SOCIAL</b>	CEO Pay Ratio	<ul style="list-style-type: none"> <li>CEO total compensation to median Full-time Equivalent (FTE) total compensation</li> <li>Does your company report this metric in regulatory filings? Yes/No</li> </ul>
	Gender Pay Ratio	Ratio: Median male compensation to median female compensation
	Employee Turnover	<ul style="list-style-type: none"> <li>Percentage: Year-over-year change for full-time employees</li> <li>Percentage: Year-over-year change for part-time employees</li> <li>Percentage: Year-over-year change for contractors and/or consultants</li> </ul>
	Gender Diversity	<ul style="list-style-type: none"> <li>Percentage: Total enterprise headcount held by men and women</li> <li>Percentage: Entry- and mid-level positions held by men and women</li> <li>Percentage: Senior- and executive-level positions held by men and women</li> </ul>
	Temporary Worker Ratio	<ul style="list-style-type: none"> <li>Percentage: Total enterprise headcount held by part-time employees</li> <li>Percentage: Total enterprise headcount held by contractors and/or consultants</li> </ul>
	Non-Discrimination	<ul style="list-style-type: none"> <li>Does your company have a sexual harassment and/or non-discrimination, diversity, inclusion policy? Yes/No</li> <li>Is there a confidential grievance, resolution, reporting and non-retaliation mechanism and procedure to address and respond to incidence of harassment and violence? Yes/ No</li> <li>Percentage: differently-abled Women and men in the workforce</li> </ul>
	Global Health & Safety	Does your company follow an occupational health and/or global health & safety policy? Yes/No
	Child & Forced Labor	<ul style="list-style-type: none"> <li>Does your company follow a child and/or forced labor policy? Yes/No</li> <li>If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No</li> </ul>
	Corporate Social Responsibility	<ul style="list-style-type: none"> <li>Please share a list of CSR activities undertaken along with total time spent on these and amounts (PKR) allocated to these</li> </ul>
	Employee training and Succession Planning	<ul style="list-style-type: none"> <li>Number of training sessions held on the following. Please also mention the Number of employees and workers trained on these:                             <ul style="list-style-type: none"> <li>-Skill Upgradation</li> <li>-Soft Skills</li> <li>- Health and Safety Measures</li> </ul> </li> <li>Percentage: Women and men promoted during the year</li> </ul>
	Human Rights	<ul style="list-style-type: none"> <li>Does your company follow a human rights policy? Yes/No</li> <li>If yes, does your human rights policy also cover suppliers and vendors? Yes/No</li> </ul>
	Working Conditions	<ul style="list-style-type: none"> <li>Number of complaints made by employees regarding working conditions during the reporting period.</li> <li>Number of complaints regarding working conditions resolved.</li> </ul>
	Injury Rate	<ul style="list-style-type: none"> <li>Percentage: Frequency of injury events relative to total workforce time</li> <li>Number of safety-related incidents during the reporting year and Number of lost production hours as a result</li> <li>Disclose the percentage of employees/workers covered with Health and Safety Insurance</li> </ul>
Marketing	<ul style="list-style-type: none"> <li>Do you have responsible gender sensitive marketing communication policy or a commitment embedded in larger corporate policy? Yes/No</li> </ul>	

## G



Category	Metric	Measurement Annual, unless specified
<b>GOVERNANCE</b>	Board Diversity	<ul style="list-style-type: none"> <li>Percentage: Total board seats occupied by men and women</li> <li>Percentage: Committee chairs occupied by men and women</li> </ul>
	Board Independence	<ul style="list-style-type: none"> <li>Does company prohibit CEO from serving as board chair? Yes/No</li> <li>Percentage: Total board seats occupied by independents</li> </ul>
	Board competence	<ul style="list-style-type: none"> <li>Percentage of ESG-certified board members.</li> </ul>
	Incentivized Pay	Are executives formally incentivized to perform on sustainability? Yes/No
	Collective Bargaining	Percentage: Total enterprise headcount covered by collective bargaining agreement(s)
	Supplier Code of Conduct	<ul style="list-style-type: none"> <li>Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No</li> <li>If yes, what percentage of your suppliers have formally certified their compliance with the code?</li> </ul>
	Ethics & Anti-Corruption	<ul style="list-style-type: none"> <li>Does your company follow an Ethics and/or Anti-Corruption policy? If yes, what percentage of your workforce has formally certified its compliance with the policy?</li> </ul>
	Data Privacy	<ul style="list-style-type: none"> <li>Does your company follow a Data Privacy policy? Yes/No</li> <li>Does your company taken steps to comply with general data protection rules/ framework? Yes/No</li> </ul>
	Sustainability Reporting	<ul style="list-style-type: none"> <li>Does your company publish a sustainability report? Yes/No</li> <li>Is sustainability data included in your regulatory filings? Yes/No</li> </ul>
	Disclosure Practices	<ul style="list-style-type: none"> <li>Does your company provide sustainability data in line with any sustainability reporting frameworks? Yes/No</li> <li>Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No</li> <li>Does your company set targets and report progress on the UN SDGs? Yes/No</li> </ul>
	External Assurance	Are your sustainability disclosures assured or validated by a third party? Yes/No

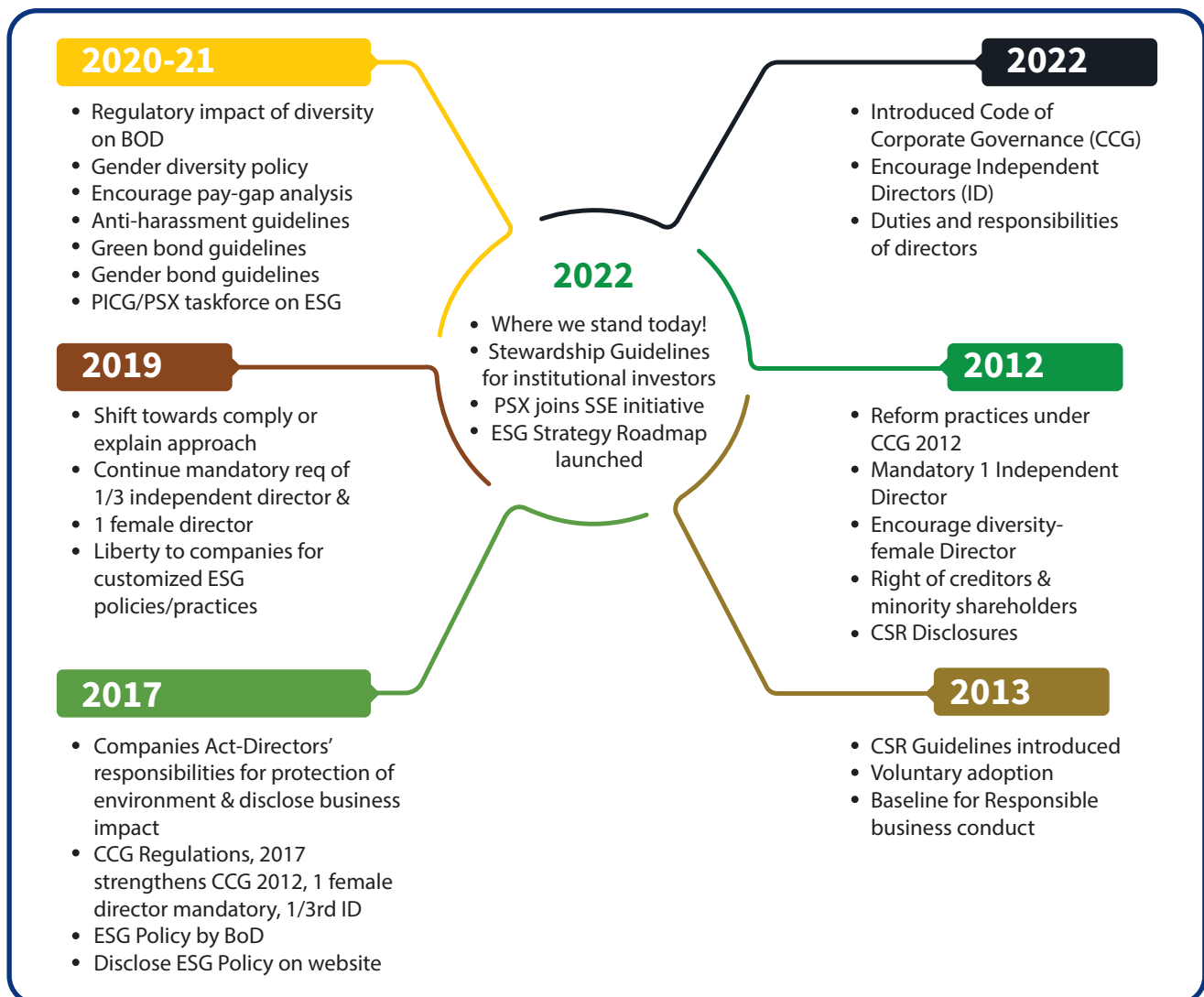
## Globally Recognized Standards/Frameworks in Reporting Sustainability

- **GRI Standards:** The Global Reporting Initiative (GRI) is a non-profit organization that develops sustainability reporting standards. The GRI Standards are used by companies to report on their environmental, social, and governance (ESG) performance. <https://www.globalreporting.org/>
- **Women Empowerment Principles:** The Women's Empowerment Principles (WEPs) are a set of Principles offering guidance to business on how to advance gender equality and women's empowerment in the workplace, marketplace and community. Established by UN Women and UN Global Compact, the WEPs are informed by international labour and human rights standards and grounded in the recognition that businesses have a stake in, and a responsibility for, gender equality and women's empowerment. <https://www.weps.org/about>
- **International Sustainability Standards Board (ISSB):** The ISSB established by International Financial Reporting Standards(IFRS) Foundation in 2021 to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs. In this regard, IFRS has issued the first two Sustainability Disclosure Standards S1 and S2 in June 2023. <https://www.ifrs.org/groups/international-sustainability-standards-board/>

It is pertinent to mention that the ISSB builds on and consolidates the work of market-led investor-focused reporting initiatives, including Sustainability Accounting Standards Board(SASB) Standards, Task Force on Climate related Financial Disclosures(TCFD) Recommendations, International Integrated Reporting Framework and Carbon Disclosure Standards Board(CDSB) Framework. The listed companies are encouraged to adopt IFRS Sustainability Disclosure Standards using the industry specific SASB/IFRS Foundation guidance to disclose their ESG related financial performance.



## Sustainability Initiatives Undertaken by SECP





SECP

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