

# ESG REPORTING REQUIREMENTS FOR PAKISTAN'S LISTED COMPANIES

A QUICK GUIDE TO REPORTING IN ACCORDANCE  
TO SECP'S ESG GUIDELINES ON ESG DISCLOSURES

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## *ESG Criteria*

Environmental, Social, and Governance (ESG) factors represent a set of standards for a company's operations that socially conscious investors use to screen potential investments.

Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

This tipsheet serves as guidance for companies focusing on disclosing in accordance with SECP's Guidelines on ESG Disclosures. This guide also identifies the common metrics or definitions as per Global Reporting Initiative (GRI) Guidelines and UNCTAD's Proposed Core SDGs Reporting Indicators. For each metric, the document provides guidance on how to report with a view to increase consistency and comparability.

## *Introduction*

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, SECP has published Guidelines on ESG Disclosures. These are voluntary in nature, as guidance for listed companies as to how they can incorporate ESG criteria into business operations and reporting processes. Other companies are encouraged to adopt the same to encourage a culture of reporting in Pakistan.

The SECP guidelines are based on the World Federation of Exchanges' ESG Guidance & Metrics. These are designed to provide a reference point for exchanges looking to introduce, improve or require ESG reporting in their markets. The guidelines are designed to assist listed companies in Pakistan in developing effective ESG reports that meet international standards and address the needs of global investors, thereby enhancing their ability to compete in a rapidly evolving corporate world.

## *Reporting In The Public Domain*

This information should be available to all stakeholders as online content found in the public domain. Common sources include the annual report, sustainability report or website.

## E1 Energy Intensity

### Annual Disclosure Requirement

Total direct energy usage per output scaling factor

#### Guidance

Energy intensity ratios define energy consumption in the context of an organisation-specific metric (use the same metric as that identified in terms of emissions intensity).

**Will also support reporting on the SDGs: 7.3.1. Energy intensity measured in terms of primary energy and GDP.**

## E2 Energy Mix

### Annual Disclosure Requirement

Percentage: Energy usage by generation type

Disclose the energy consumption from renewable sources as a percentage of total energy consumption

#### Guidance

Total fuel consumption within the organisation from non-renewable sources, in joules or multiples, and including fuel types used

Total fuel consumption within the organisation from renewable sources, in joules or multiples, and including fuel types used

**Will also support reporting on the SDGs: 7.2.1. Renewable energy share in the total final energy consumption.**

## E3 Water Usage

### Annual Disclosure Requirement

Total amount of water consumed

Total amount of water reclaimed

#### Guidance

Water consumption measures water used by an organization such that it is no longer available for use by the ecosystem or local community in the reporting period. Reporting the volume of water consumption can help the organization understand the overall scale of its impact due to water withdrawal on downstream water availability.

Water consumption = Total water withdrawal - Total water discharge (Total water withdrawal is the sum of all water drawn into the organization's boundaries from all sources for any use during the reporting period)

In order to report on GRI - 305-2, the organisation can report the following information:

- a. Total water consumption from all facilities in megaliters.
  - b. Total water consumption from all facilities with water stress in megaliters.
  - c. Change in water storage in megaliters, if water storage has been identified as having a significant water-related impact.
  - d. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modeled, or sourced from direct measurements, and the approach taken for this, such as the use of any sector-specific factors
- (Source: GRI 303: Water and Effluents 2018)

To calculate this metric: the organization can report on the total volume of water recycled and reused in cubic meters, as well as the percentage of water recycled and reused compared to the total water withdrawal and water received from a third party.

**Will also support reporting on the SDGs: 6.3.1 Proportion of wastewater safely treated.**

## E4 Environmental Operations

### Annual Disclosure Requirement

<p>Does your company follow a formal Environmental Policy? Yes, No</p>	<p>Does your company follow specific waste, water, energy, and/or recycling polices? Yes/No</p>	<p>Specify the quantity of waste recycled or re-used as a percentage of total waste for the current and comparative waste.</p>	<p>Does your company use a recognized energy management system? Yes/No</p>
<b>Guidance</b>			
<p>Environmental Policy: Group-wide, public policy that describes the intentions and directions related to environmental impacts and performance defined by top management. To ensure a successful implementation of a reliable and robust Environmental Management System (EMS), key organisational elements as well as high level commitments need to be defined in a public policy.</p>	<p>In relation to waste management, it is good practice to report on the company's waste management programs and share the following information publicly:</p> <ul style="list-style-type: none"> <li>- Waste audits to identify opportunities for improving waste performance</li> <li>- Action plans to reduce waste generation</li> <li>- Quantified targets to minimize waste</li> <li>- Investment in innovation or R&amp;D to minimize waste</li> <li>- Waste reduction training provided to employees</li> <li>- Integration of recycling programs to reduce the waste sent to landfill</li> <li>- Waste diversion from landfill is certified by an independent accredited body</li> </ul> <p><b><u>In order report for GRI Disclosure 306-2 Management of Significant Waste Related Impacts:</u></b></p> <p>Actions, including circularity measures, taken to prevent waste generation in the organization's own activities and upstream and downstream in its value chain, and to manage significant impacts from waste generated.</p> <p>a. If the waste generated by the organization in its own activities is managed by a third party,</p> <p>b.a description of the processes used to determine whether the third party manages the waste in line with contractual or legislative obligations.</p> <p>c. The processes used to collect and monitor waste-related data. (Source: GRI 306: Waste 2020)</p>	<p>For this specific metric the organisation needs to first calculate the total waste. Total waste generated during a reporting period is defined as the sum of the amounts of all mineral, non-mineral and/or hazardous waste treated by any waste treatment technology. (Note: metric tons is referred to 1000kg)</p> <p>First, requirements, GRI 306-3 Waste Generated: The reporting organization shall report the following information: Total weight of waste generated in metric tons, and a breakdown of this total by composition of the waste (exclude effluents).</p> <p><u>Second, identify the recycled waste by GRI 306-4 Waste Diverted from disposal, total weight of waste diverted from disposal in metric tons, and a breakdown of this total by composition of the waste.</u></p> <p>a. Total weight of hazardous waste diverted from disposal in metric tons, and a breakdown of this total by the following recovery operations:</p> <ol style="list-style-type: none"> <li>i. Preparation for reuse;</li> <li>ii. Recycling;</li> <li>iii. Other recovery operations.</li> </ol> <p>b.Total weight of non-hazardous waste diverted from disposal in metric tons, and a breakdown of this total by the following recovery operations:</p> <ol style="list-style-type: none"> <li>i. Preparation for reuse;</li> <li>ii. Recycling;</li> <li>iii. Other recovery operations.</li> </ol> <p>c. For each recovery operation listed in Disclosures 306-4-b and 306-4-c, a breakdown of the total weight in metric tons of hazardous waste and of non-hazardous waste diverted from disposal:</p> <ol style="list-style-type: none"> <li>i. onsite;</li> <li>ii. offsite.</li> </ol> <p>Third, calculate the percentage of recycled hazardous and non hazardous waste as a percentage of the total waste generated. Will also support reporting on the SDGs: SDG 12.5.1. National recycling rate</p>	<p>Companies can report if they are following the requirements of ISO 50001 for the energy management system and reporting it publicly. As per ISO 50001 certification requirements, the company must have the following procedures:</p> <ul style="list-style-type: none"> <li>- Energy audits to identify opportunities for improving energy performance</li> <li>- Quantified targets to address energy savings</li> <li>- Actions to reduce the amount of energy use</li> <li>- Evaluation of progress in reducing energy consumption</li> <li>- Use of clean or green energy</li> <li>- Investments in innovation or R&amp;D to decrease energy consumption</li> <li>- Energy efficiency training provided to employees to raise awareness of energy consumption reduction</li> </ul>

## E5 Environmental Oversight

### Annual Disclosure Requirement

Does your Board/Management Team oversee and/or manage climate-related risks? Yes/No

#### Guidance

This metric is an important as it will also be required for reporting as per the IFRS S2 requirements: IFRS S2 requires companies to report:

- How the Board and Management bodies or committees are responsible for climate-related risks and opportunities?
- What are their skills and competencies?
- What processes and controls do board/management use for managing risks and opportunities?
- How and when do board/management get informed about risks and opportunities?
- What are board/management roles and responsibilities?
- What sort of decisions do the board/management make and what targets they set based on risks and opportunities?

(Source: Sustainable Stock Exchange Initiative)



## E6 Sustainable Sourcing

### Annual Disclosure Requirement

Does your company has a policy and procedures in place for sustainable sourcing?

#### Guidance

Company can choose to report this in two ways:

1. It is good practice to ensure the Supplier Code of Conduct covering the following issues on the website or in public reporting:
  - a. Human Rights and Labor: Forced labor, Child labor, Working conditions (e.g., working hours, physical/ mental demands of the workplace, wages, benefits, Occupational health and safety, Discrimination and harassment, Freedom of associations and collective bargaining
  - b. Environment: Greenhouse gas emissions and energy consumption, Pollution prevention and waste management, Resource efficiency, Biodiversity, no deforestation, or land conservation
2. As per reporting requirements of GRI: It is recommended companies:
  - Number of suppliers assessed for social/environmental impacts.
  - Number of suppliers identified as having significant actual and potential negative social/environmental impacts.
  - c. Significant actual and potential negative social/environmental impacts identified in the supply chain.
  - d. Percentage of suppliers identified as having significant actual and potential negative social/environmental impacts with which improvements were agreed upon as a result of assessment.
  - e. Percentage of suppliers identified as having significant actual and potential negative social/environmental impacts with which relationships were terminated as a result of assessment, and why

308-1 New suppliers that were screened using environmental criteria  
 308-2 Negative environmental impacts in the supply chain and actions taken  
 GRI 414-1 New suppliers that were screened using social criteria  
 GRI 414-2 Negative social impacts in the supply chain and actions taken  
 (Source: GRI 308: Supplier Environmental Assessment; GRI 414: Supplier Social Assessment 2016)

## E7 Climate Risk Mitigation

### Annual Disclosure Requirement

Climate related transition and physical risks, climate related opportunities, capital deployment, internal carbon policies

#### Guidance

- The IFRS S2 required companies report the following about the climate risks and opportunities:
- How the entity plans to achieve climate-related targets
  - Current and anticipated changes to the business model
  - Current and anticipated direct mitigation and adaptation efforts
  - Current and anticipated indirect mitigation and adaptation efforts
  - Progress against any plans previously disclosed
  - Trade-offs between sustainability-related risks and opportunities
- (Source:)

## S1 CEO Pay Ratio

### Annual Disclosure Requirement

CEO total compensation to median Full-time Equivalent(FTE) total compensation  
Does your company report this metric in regulatory filings? Yes/No

### Guidance

Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO:

In order to report as per GRI Guidelines, the organization can report the following information:

- a. report the ratio of the annual total compensation for the organization’s highest-paid individual to the median annual total compensation for all employees(excluding the highest-paid individual);
  - b. report the ratio of the percentage increase in annual total compensation for the organization’s highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual);
  - b. report contextual information necessary to understand the data and how the data has been compiled
- (Source: GRI Disclosure 2-21 Annual total compensation ratio)

## S2 Gender Pay Ratio

### Annual Disclosure Requirement

Ratio: Median male compensation to median female compensation

### Guidance

The company needs to report the ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men

As per GRI requirements: The reporting organization shall report the following information:

- a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.
- b. The definition used for ‘significant locations of operation’ (GRI Disclosure 405 Diversity and Equal Opportunity 2016.)

## S3 Employee Turnover

### Annual Disclosure Requirement

Percentage: Year-over-year change for full-time employees  
Percentage: Year-over-year change for part-time employees

Percentage: Year-over-year change for contractors and/or consultants

### Guidance

As per reporting requirements for GRI Disclosure 401-1, companies should report the following:

- New employee hires and employee turnover
  - Total number and rate of new employee hires during the reporting period, by age group, gender and region.
  - Total number and rate of employee turnover during the reporting period, by age group, gender and region.
- (Source: GRI 401: Employment 2016)

Total number and rate of employee turnover during the reporting period by gender for contractual employees

**S4 Gender Diversity**

**Annual Disclosure Requirement**

Percentage: Total enterprise headcount held by men and women  
 Percentage: Entry- and mid-level positions held by men and women  
 Percentage: Senior- and executive-level positions held by men and women

**Guidance**

As per the reporting requirements of the GRI: The entity is required to report gender segregated data on the percentage of employees per employee category (GRI Disclosure 405 Diversity and Equal Opportunity 2016.)

**S5 Temporary Worker Ratio**

**Annual Disclosure Requirement**

Percentage: Total enterprise headcount held by contractors and/or consultants

Percentage: Total enterprise headcount held by part-time employees

Percentage: Total enterprise headcount held by full-time employees

**Guidance**

It is good practice to report total number of employees as calculated as: Full Time Employees + 0.5 \* Part Time Employees. For the metrics: calculate the percentage of part time employees as part of the Total number of Employees.  
 For the metrics: calculate the percentage of contracted employees as part of the Total number of Employees.  
 It is recommended that companies also disclose the method of calculating this approach.

Percentage of employees held by part time employees

Percentage of employees held by full time employees

**S6 Non-Discrimination**

**Annual Disclosure Requirement**

Does your company have a sexual harassment and/or non-discrimination policy? Yes/No 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

Percentage: Women and men promoted during the year

**Guidance**

In 2010 the Protection against Harassment of Women at the Workplace Act was promulgated which was expanded in 2020. This requires all companies to have an anti harrasment mechanism in place. System consisting of specific procedures, roles and rules for receiving complaints and providing remedy. It should be specifically specified in the company's public domain that discrimination and harassmt incidents are to be reported through the defined escalation process.

It is good practice to disclose disseggregated data for men and women promoted divided by the total promotions.  
 The United Nation's Women Empowerment Principles (WEPs) recommends the following methodology to calculate percent of promotions and career opportunities for women and men, refer to the definitions of employees and senior management above. Then divide the ratio of FTE women in senior management by the ratio of FTE women employees; and then divide the ratio of FTE men in senior management by the ratio of FTE men employees.

(Source: WEPs GUIDANCE How to report progress? Please see: [https://www.weps.org/sites/default/files/2021-03/WEPs\\_GUIDANCE\\_How\\_to\\_report\\_progress\\_0.pdf](https://www.weps.org/sites/default/files/2021-03/WEPs_GUIDANCE_How_to_report_progress_0.pdf))



## S7 Injury Rate

### Annual Disclosure Requirement

Percentage: Frequency of injury events relative to total workforce time

### Guidance

A basic injury rate can be calculated for employees can be calculated from: Number of recordable work related injuries/Number of hours worked annually

Work-related injuries and ill health are those that arise from exposure to hazards at work. Other types of incidents can occur that are not connected with the work itself.

In order to report according to GRI, it is important to report on:

1. The number and rate of fatalities as a result of work-related injury;
2. The number and rate of high-consequence work-related injuries (excluding fatalities);
3. The number and rate of recordable work-related injuries;
4. The main types of work-related injury;
5. The number of hours worked.

GRI defines work-related injuries and ill health are those that arise from exposure to hazards at work. Other types of incident can occur that are not connected with the work itself.

(Source: GRI 403: Occupational Health and Safety 2018)

## S8 Global Health & Safety

### Annual Disclosure Requirement

Does your company follow an occupational health and/or global health & safety policy? Yes/No

### Guidance

It is good practice for a company to have a policy or commitment on occupational Health and Safety (OHS) available on website or in public reporting.

In order to report as per the GRI Guidelines:

The reporting organization shall report the following information for employees and for workers who are not employees but whose work and/or workplace is controlled by the organization:

1. A statement of whether an occupational health and safety management system has been implemented, including whether:
  - a. the system has been implemented because of legal requirements and, if so, a list of the requirements;
  - b. the system has been implemented based on recognized risk management and/or management system standards/guidelines and, if so, a list of the standards/guidelines.
- c. A description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.

## S9 Child & Forced Labour Annual Disclosure Requirement

Does your company follow a child and/or forced labor policy? Yes/No  
 If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No

### Guidance

It is good practice to include a statement of commitment in the human rights/ Code of Conduct policy to prevent child labor. The policy should also cover the following:

- Requirements for own operations (employees, direct activities, products, or services)
- Requirements for suppliers
- Requirements for partners

Reporting in accordance to the GRI will also require the organisation gives:

1. An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to:

- a) type of operation (such as manufacturing plant) and type of supplier
- b) countries or geographic areas with operations and suppliers considered at risk

2. Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor

## S10 Human Rights Annual Disclosure Requirement

Does your company follow a human rights policy? Yes/No  
 If yes, does your human rights policy also cover suppliers and vendors? Yes/No

### Guidance

A policy commitment refers to any one or more publicly available statements of the company's responsibilities, commitments or expectations with regard to respect for labour rights across its activities and business relationships. The commitment may take the form of a single, stand-alone public policy regarding respect for labour rights, or be included in a broader document, such as a code of ethics or business principles. It is recommended the commitment

- (a) Is approved at the most senior level of the business enterprise;
- (b) Is informed by relevant internal and/or external expertise;
- (c) Stipulates the enterprise's human rights expectations of personnel, business partners and other parties directly linked to its operations, products or services;
- (d) Is publicly available and communicated internally and externally to all personnel, business partners and other relevant parties;
- (e) Is reflected in operational policies and procedures necessary to embed it throughout the business enterprise.

It is good practice to ensure a statement of commitment to prevent/respect at least:

- Human trafficking
- Forced labor
- Child labor
- Freedom of association
- The right to collective bargaining
- Equal remuneration
- Discrimination

The policy also covers the following:

- Requirements for companies own operations (employees, direct activities, products, or services)
- Requirements for the suppliers
- Requirements for the partners

# SOCIAL

## *S11 Marketing*

### *Annual Disclosure Requirement*

Do you have responsible gender sensitive marketing communication policy or a commitment embedded in larger corporate policy?  
Yes/No

### *Guidance*

To mainstream gender, the UNWEPs recommends genders are equally, fairly and respectfully in all marketing communication and advertising products.  
The commitment could include using gender sensitive language and using diverse and inclusive visuals of people from all backgrounds, ethnicities, religions, etc.

## G1 Board Diversity

### Annual Disclosure Requirement

Percentage: Total board seats occupied by men and women

Percentage: Committee chairs occupied by men and women

### Guidance

With greater emphasis on board diversity, it is good practice to include women in decision making positions at senior leadership. Whilst legally, SECP's Code of Corporate Governance requires at the minimum of one woman on the board of a listed company, this metric recognises that increased diversity has a positive impact.

It is good practice to indicate the number of committees where women serve as a committee chair and specify where this information is available publicly or on websites.

## G2 Board Independence

### Annual Disclosure Requirement

Does company prohibit CEO from serving as board chair? Yes/No  
 Percentage: Total board seats occupied by independents

## G3 Incentivised Pay

### Annual Disclosure Requirement

Are executives formally incentivized to perform on sustainability? Yes/No

### Guidance

Executive pay refers to salary, bonuses, and any other compensation of senior management.

As per the GRI guidelines 2-19: the organisation is required to describe how the remuneration policies for members of the highest governance body and senior executives relate to their objectives and performance in relation to the management of the organization's impacts on the economy, environment, and people.  
 (Source: GRI 2: General Disclosures 2021)

## G4 Collective Bargaining

### Annual Disclosure Requirement

Percentage: Total enterprise headcount covered by collective bargaining agreement(s)

### Guidance

In order to report as per the GRI guidelines, the organisation is required to report the percentage of total employees covered by collective bargaining agreements;  
 employees not covered by collective bargaining agreements,  
 report whether the organization determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other organizations  
 (Source GRI 2: General Disclosures 2021)



## *G5 Supplier Code Of Conduct Annual Disclosure Requirement*

Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No  
If yes, what percentage of your suppliers have formally certified their compliance with the code?

### *Guidance*

This metric refers to an organisation's policy commitments for responsible business conduct in the value chain. It is good practice to publicly disclose the mechanisms in place to ensure effective implementation of its code of conduct.

In order to report referring to the GRI 2-23:

The organization is required to describe its policy commitments for responsible business conduct. These commitments can be set out in a stand-alone policy document or be included within one or more other policy documents, such as codes of conduct. It can also describe how the policy commitments are communicated to workers, business partners, and other relevant parties, its procurement or investment policies and practices, and its engagement with those with which it has business relationships, including: whether and how it applies pre-qualification processes, bidding criteria, or screening criteria consistent with the expectations stipulated in the policy commitments for responsible business conduct; - whether and how it considers the policy commitments in contracting or investment agreements, or in specific policies or codes of conduct for suppliers.

## *G6 Ethics & Anti-Corruption Annual Disclosure Requirement*

Does your company follow an Ethics and/or Anti-Corruption policy? Yes/No  
If yes, what percentage of your workforce has formally certified its compliance with the policy?

### *Guidance*

It is good practice to have an anti- corruption policy and can help organizations prevent and detect risks and carry out sanctions if needed.

In order to report in reference to GRI:

To report in accordance with the GRI 205-2, GRI 205-3, companies need to report:

Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.

Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region

(Source: GRI 205: ANTI-CORRUPTION 2016)

Companies implementing anti-corruption policies and practices contribute directly towards the vision of SDG 16.5 to "substantially reduce corruption and bribery in all their forms"

## *G7 Data Privacy Annual Disclosure Requirement*

Does your company follow a Data Privacy policy? Yes/No  
Does your company taken steps to comply with general data protection rules/ framework? Yes/No

### *Guidance*

It is good practice to publicly the measures in place to ensure effective implementation of a privacy policy.

In order to report in reference/accordance with the GRI: 418-1, the organisation needs to disclose the Substantiated complaints concerning breaches of customer privacy and losses of customer data

(GRI 418: CUSTOMER PRIVACY 2016)

## *G8 Sustainability Reporting Disclosure Practice*

### *Annual Disclosure Requirement*

Does your company publish a sustainability report? Yes/No Does your company provide sustainability data in line with any sustainability reporting frameworks? Yes/No

Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No

Does your company set targets and report progress on the UN SDGs? Yes/No

Is sustainability data included in your regulatory filings? Yes/No

### *Guidance*

It is good practice to use frameworks to increase the comparability of sustainability data. It is good practice to publicly disclose sustainability data.

## *G9 External Assurance*

### *Annual Disclosure Requirement*

Are your sustainability disclosures assured or validated by a third party? Yes/No

### *Guidance*

It is good practice to identify sustainability reporting is externally assured and is available in public reporting.