



PAKISTAN  
STOCK EXCHANGE



# PSX ESG Primer

## Reporting Guidance for Companies

Introduction @ Launch

April 16, 2024



## Importance of ESG

01

Global ESG assets are expected to reach \$50 trillion before 2025

02

1/3<sup>rd</sup> of the total assets under management globally flowing into ESG

03

As per a KPMG survey, mostly public companies in many countries are reporting on ESG e.g., over 95% of public companies in India

04

Help Pakistan meet its Nationally Determined Contribution (NDC) roadmap in line with UN Sustainable Development Goals (SDGs)

05

**ESG Compliance/Reporting can help attract investment/capital given:**

- Pakistan's low ranking on the Global Competitiveness Index (GCI)
- Limited public finances

06

**Business Essential** – Companies in the value chain (imports / exports)



**ESG at  
Stock Exchanges  
Globally**

# UN Sustainable Stock Exchanges Initiative:

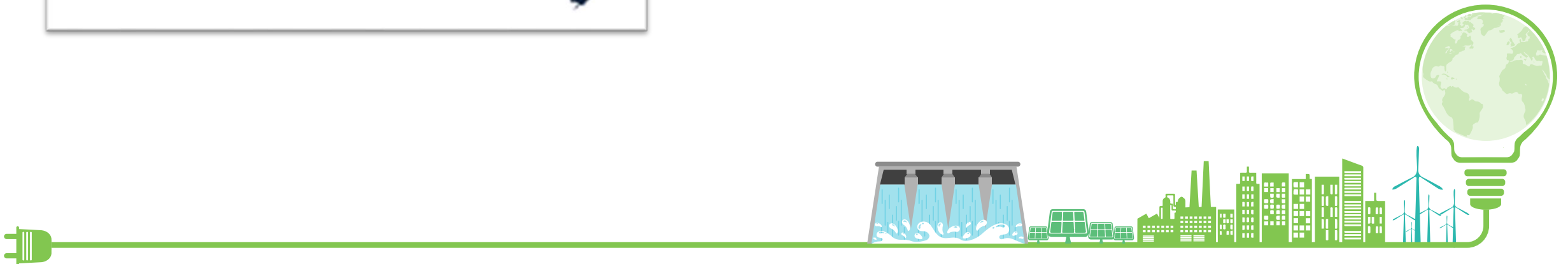


- ▶ 119 Stock exchanges are partnering with SSE (~98%)
- ▶ 61 have their own sustainability report (~50%)
- ▶ 38 require ESG reporting for listing (~31%)
- ▶ 71 have written guidance for ESG reporting (~59%)
- ▶ 92 offer ESG related training (~76%)
- ▶ 49 have a local ESG index covering their market (~40%)
- ▶ 53 maintain a sustainability bond listing segment (~44%)



## According to KPMG Pakistan,

Asia Pacific region leads in sustainability reporting, with **89%** of its companies undertaking sustainability reporting. Seven Asia Pacific countries, territories and jurisdictions have sustainability reporting rates higher than **90%** with **Pakistan** being the **7<sup>th</sup>** with **91%**. It makes a good business case for all the companies to report ESG data and be in line with peers.



# ESG Initiatives



PSX formed an ESG Task Force, under the leadership of Dr. Shamshad Akhter (Chairperson PSX Board, ex Federal Minister for Finance) that included Pakistan Institute of Corporate Governance (PICG), representatives from Securities and Exchange Commission of Pakistan (SECP) i.e., the apex regulator and other stakeholders (late 2021)

PSX joined the United Nations' Sustainable Stock Exchanges (SSE) Initiative in 2021

Arranged a series of consultations through roundtables with companies in three key sectors (i.e., Automobile, Textile Composite, and Banking)

SECP issued “Draft Guidelines on ESG Disclosures for Listed Companies, 2023” following up on 2022’s “ESG Regulatory Roadmap”

PSX conducted various awareness sessions

PSX envisages to integrate sustainability into its own operations & publishes its first sustainability report in 2023

PSX has initiated collaboration with London Stock Exchange Group’s (LSEG) (details in tomorrow’s session)

# ESG Initiatives



01

In line with peer Exchanges:

a guiding resource for companies at various stages of their ESG journey

02

This primer aims to explain the relevant concepts by providing case studies from Pakistan's listed companies

03

## Highlights

- Benefits of Transparency
- ESG risks and opportunities
- potential of ESG innovation
- provides practical guidance for producing a sustainability report, and
- educates stakeholders including Investors for informed decision making

04

Not Exhaustive

Non-Prescriptive



## Quick Preview

# ESG Frameworks and Standards



**In 1990s that ESG frameworks and standards started to evolve**

- assessing ESG risks and opportunities
- provide guidance on reporting
- a consistent and decision-useful manner



**PSX Primer provides a good background on different frameworks and standards e.g.,**

- Global Reporting Initiative (GRI)
- Climate Disclosure Standards Board Framework (CDSB)
- Sustainability Accounting Standards Board (SASB),
- Task Force on Climate-related Financial Disclosures (TCFD)
- Carbon Disclosure Project (CDP)
- Etc



**At present, companies must at least be familiar with:**

- SECP Reporting Guidelines
- International Sustainability Standards Board (ISSB) (which aims to harmonize/consolidate various frameworks / standards)





# ESG Ecosystem



Corporates (Reporting Entities)

ESG data providers

ESG Assurers

ESG ratings and rankings  
• Refinitiv (LSEG), Bloomberg, FTSE etc

Multilateral / Governments /  
Regulators

ESG Products (Mutual Funds, Exchange  
Traded Funds (ETFs), and Indices etc.)



# Significance of ESG Reporting

Important for companies to embed ESG into their operations, strategy, and governance:

- business essentials – customers/suppliers, import/export
- transition towards sustainability by assessing risks (improved risk management)
- drive growth through innovation by recognizing opportunities
- attracting and retaining customers
- establish transparency, trust, and accountability with investors and stakeholders
- address local regulatory requirements
- build corporate reputation and branding
- attract investment capital
- reduced volatility in corporate profitability, and
- better alignment with peer practices, etc.

PSX also takes sustainability related factors into account when evaluating its Top 25 listed companies award recognizing companies' efforts toward ESG



# Drafting ESG Report



Drafting an ESG report involves several crucial steps



# Drafting ESG Report



Finally, making the recommended disclosures in the prescribed formats e.g.,

IFRS ISSB's recent two standards  
S1 (sustainability in general) &  
S2 (climate-related)



SECP Reporting Guidelines

Any other framework / standard  
e.g., GRI



Sustainability Report 2021

## Stakeholder Engagement Strategy

The Company has defined a stakeholder engagement strategy for various stakeholder groups, which is stewarded along with the results of engagement on a quarterly basis by the Company's Management Committee. A summary of key developments are shared

with the Board of Directors.

The Company's engagement strategy and the processes and measures taken against the strategy are reported below.

STAKEHOLDERS	FREQUENCY OF ENGAGEMENT
Customers and suppliers	Regularly
Shareholders	Regularly
Employees	Regularly
Bank / Lenders	Regularly
Investment community / Analysts	Quarterly
Regulators	Regularly
Local communities	Regularly
Media	Occasionally

# Case Study: Integrating Sustainability in Vision and Mission



## Vision

To be a world class and leading organization continuously providing high quality diversified environment friendly energy resources and petrochemicals.

## Mission

We will utilize best blend of state-of-the-art technologies, high performing people, excellent business processes and synergetic organizational culture thus exceeding expectations of all stakeholders.

## Core Values

Our success will not be a matter of chance, but a commitment to the following enduring beliefs and values that are engrained in the way we think and take actions to pursue a climate of excellence:

# Case Study: Materiality Assessment

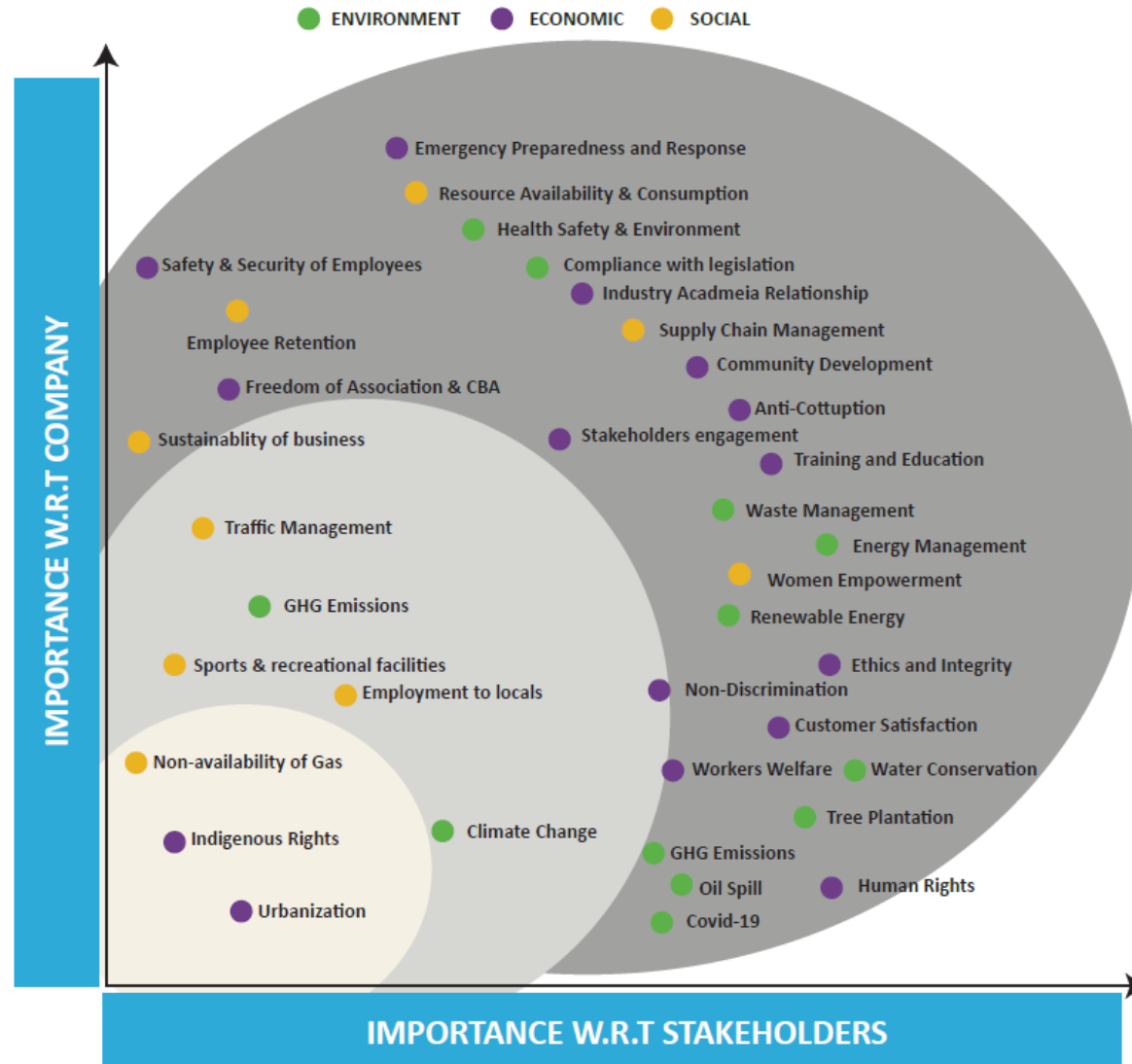
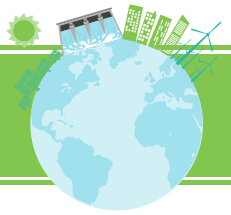


ICI Pakistan Limited

## List of Material Topics and their Boundaries

Area	Material Topic	Boundary
<b>Economic</b>	Economic Performance	ICI Pakistan Limited
	Indirect Economic Impacts	Local community
	Market Presence	ICI Pakistan Limited
	Compliance	ICI Pakistan Limited
	Anti-Competitive Behaviour	ICI Pakistan Limited
<b>Environmental</b>	Energy	ICI Pakistan Limited, customers
	Water	ICI Pakistan Limited, local communities, customers
	Emissions	ICI Pakistan Limited, suppliers, and local communities
	Effluents & Waste	ICI Pakistan Limited, suppliers, and local communities

# Case Study: Materiality Assessment





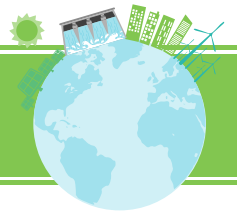
# Case Study: Provision of Quantitative Data



Green House Gas	Chemical Formula	Anthropogenic Source	Anthropogenic Lifetime (years)	GWP (100 Year Time Horizon)
<b>Carbon Dioxide</b>	CO <sub>2</sub>	Fossil-fuel combustion, Land-use conversion, Cement Production	~100	1
<b>Methane</b>	CH <sub>4</sub>	Fossil fuels, Rice paddies, Waste dumps	12	25
<b>Nitrous Oxide</b>	N <sub>2</sub> O	Fertilizer, Industrial processes, Combustion	114	298

Scope-I emission (M. Ton/year)			
Distillation Units	CO <sub>2</sub> emissions	CH <sub>4</sub> emission	N <sub>2</sub> O emission
<b>HCU</b>	10033	0.47	0.09
<b>HBU-I</b>	53814	2.56	0.51
<b>HBU-II</b>	6900	0.33	0.07
<b>Lummus</b>	8431	0.39	0.08
<b>Total</b>	79178	3.76	0.75

# ESG Key Performance Indicators

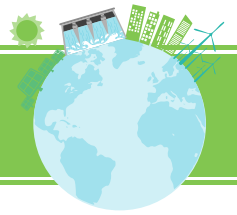


- There are some ESG Key Performance Indicators focal for the ESG reporting

***This list is not exhaustive and only includes typical examples***

Environmental	Social	Governance
Environmental Policy	Full time Employees	Gender diversity on Board
Environmental Impacts	Benefits for employees	Board -Independence
Energy Intensity	Attrition Rate	Board - Separation of Powers
Carbon/GHG Emissions	Training and development Hours	Voting Results
Energy Consumption	Health care benefits	Gender Pay Ratio
Primary Energy Source	Human Rights Policy	Incentivized Pay
Renewable Energy Intensity	Human Rights Violations	Business Ethics and Code
Water management	Child & Forced Labour	Supplier Code of Conduct
Waste Management	Gender parity ratio at Workforce	Bribery/Anti-Corruption Code
	Community and social Work	Corporate Governance
	Local Procurement	

# What's Next



## Continued Awareness Drive

### ESG Products

- Indices
- ETFs

### Sector Based Guidance



### Collaboration with Refinitiv of LSEG

- International Visibility
- Awareness and Capacity Building
- Help Prepare and Provide Data to SECP ESG Sustain

**Companies should create capacity and awareness among employees**



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# Thank You