

Building a case for **green business** in **Pakistan**.

ACCA

ACCA AND PAKISTAN BUSINESS COUNCIL REPORT



About ACCA

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over **252,500** members and **526,000** future members in **180** countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

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About Pakistan Business Council

The Pakistan Business Council (PBC) is a research-based business advocacy platform established in 2005.

It is now supported by over 100 private sector local and multinational businesses with significant investment in, and long-term commitment to sustainable growth of the country. They come from 14 countries, have leading roles in 17 major sectors of the formal economy, generate 40% of annual exports, contribute a third of Pakistan's total tax revenues and employ three million. Their combined sales represent every 6th Rupee of Pakistan's GDP.

PBC's major objectives are to advocate policies that lead to creation of jobs, value-added exports and reduction in import reliance through improved competitiveness of manufacturing, services and the agriculture sectors. It also promotes formalization of the economy.

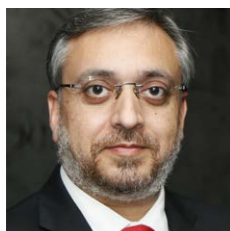
PBC's over-arching theme, "Make-in-Pakistan" consists of three pillars: "Grow More/Grow Better", "Make More/Make Better" and "Serve More/Serve Better." Its evidence-based advocacy is backed by over a hundred studies to date through its full-time research team, supplemented by collaborative research with renowned industry experts and economists. Through its Centre of Excellence in Responsible Business (CERB), PBC works to build capacity and capability of businesses beyond its membership, to adopt high environmental, social and governance standards. PBC holds conferences, seminars and webinars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan. Through its presence in Islamabad and Karachi, it works closely with relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues impacting the economy.

PBC is a pan-sectoral, not-for-profit, Section 42 entity. It is not a trade body; therefore, it does not advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers that thwart competitiveness of businesses in Pakistan.

Further information on the PBC and CERB is available on:
www.pbc.org.pk and www.cerb.pbc.org.pk



Helen Brand OBE
Chief Executive,
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Assad Hameed Khan
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ACCA Foreword

Back in 2017, we released a report titled [Sustainability reporting: the evolving landscape in Pakistan](#), exploring key themes on sustainability reporting, including the need for it and how it had evolved in Pakistan (Mirza 2017).

Sustainability reporting remains critically important, but it also points to a larger, multi-faceted discourse on sustainability in Pakistan, enabled by an ecosystem of stakeholders working towards it.

Against this backdrop and in a much-evolved context, the present report, produced in partnership with the Pakistan Business Council (PBC), builds on the previous one with a more comprehensive dialogue on sustainability in the country. By bringing various stakeholder voices to the table, the report exposes rich perspectives and insights on sustainability themes, exploring some key questions.

- What is the strategic imperative and opportunity in sustainable investing?
- Why should businesses embrace best practices in sustainability?
- How does sustainability reporting support sustainable business and investing?
- How can a conducive policy framework support the sustainability agenda broadly?

By providing a platform for engaging with these and other key questions, this report underscores the need to keep Pakistan’s sustainability agenda in focus and progressing.

We’re committed to acting as a sustainability super-connector working for the public good. We hope this report acts as a valuable contribution to the growing list of resources that influence policy, create awareness and provide education on sustainability-related themes.



Javed Kureishi
CEO, PBC

PBC Foreword

Since 2017, the Pakistan Business Council’s Centre of Excellence in Responsible Business has championed research-based advocacy to equip businesses for sustainable value creation. In today’s dynamic economy, businesses must not only manage risks but also seize new opportunities to ensure long-term, resilient growth. Embedding sustainability within business strategy is now essential for navigating emerging risks and positioning firms for the future. This report examines Pakistan’s urgent need—and strategic potential—for sustainable investment and business practices, emphasizing the nation’s priorities of climate resilience, food and water security, and social inclusion. As sustainability expectations rise, companies are called upon to look beyond financial results; robust sustainability reporting frameworks now play a vital role in helping businesses manage risks, demonstrate value, and contribute to Pakistan’s sustainable development.

As Pakistan stands at a crossroads of socio-economic growth and environmental responsibility, this report arrives at a pivotal moment. It is essential for businesses, investors, and policymakers to recognize the far-reaching benefits of sustainable practices—not just as a response to regulatory trends, but as a strategic imperative for resilience and long-term value creation. By highlighting the opportunities and challenges unique to our national context, Building a Case for Green Business in Pakistan provides a timely call to action. It brings together local and global perspectives, successful case studies, and practical recommendations to inspire meaningful progress.

The report calls on all stakeholders – corporates, investors, and regulators – to work together in mainstreaming sustainability. It urges businesses to embrace robust sustainability reporting and integrate responsible practices into core strategies; investors to direct capital toward impactful, green ventures; and policymakers to foster an enabling regulatory environment. Only through such coordinated action can Pakistan unlock its potential for inclusive, resilient, and competitive growth.

We hope this report serves as a catalyst for dialogue, collaboration, and bold leadership, advancing Pakistan toward a greener, more sustainable future for all.

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Executive summary.

This report explores the case for sustainable investing in Pakistan, and provides recommendations aimed at fostering conditions for it.

In doing so, it recognises the need for sustainable investment in areas such as climate resilience, food and water security, health and wellbeing and more, as set out in Pakistan's national agenda. The report also explores innovative funding vehicles such as green bonds and sustainable equity funds. It identifies key takeaways from success stories and recognises broader challenges at play.

Sustainability has become an increasingly popular issue in Pakistan's corporations, especially in recent years. Private sector companies are increasingly required to report on sustainability in some form. Regulation has evolved to hold companies accountable not only for their financial performance but also for their sustainability performance. This shift is significantly influenced by the widespread adoption of global sustainability reporting standards in different jurisdictions.

This report draws on surveys, interviews and a roundtable to source perspectives from various stakeholders, including investors, policymakers and businesses. It highlights important insights tailored to each stakeholder group. Below are some of the report's key findings.

The investors

The investment community provides critical resources to fund the sustainability agenda. They decide which ideas to promote by voting with their capital, a crucial role in the creation of sustainable economies and societies.

A constant challenge across the world, and especially in emerging markets, is attracting foreign direct investment (FDI). Investors' confidence is shaped by both their perception of investment risk and the overall perception of the country. Sustainable investment presents an even steeper hurdle, as investors weigh the pros and cons of traditional, profit-focused investment models, against the benefits of taking a sustainable, long-term view.

Investors often need to seek out opportunities that align with their sustainability values. This involves reviewing publicly available information contained in corporate reports. Such information is becoming increasingly accessible owing to the advent of sustainability reporting.

Our message to the investment community highlights the emerging opportunities in sustainable business models (including green energy) and sustainability reporting, while encouraging greater participation in the sustainable finance ecosystem.

The corporations

Businesses provide much needed agency to drive the sustainability agenda. They bring skills, innovations and strategies to bear on converting resources into action and desired outcomes, for both themselves and all the stakeholders they serve.

Pakistan's government has a vision for an export-led economy. This requires global competitiveness and brings

into sharp focus the need for clarity in how businesses measure success and manage performance.

Just as batting averages and run rates hardly tell the full story of performance on the cricket field, headline earnings and post-tax profits provide a limited view of how business outcomes are shaped. This being so, business leaders need to look beyond traditional measures of performance, to the drivers and factors that underpin it, and understand how those drivers and other factors affect each other.

This underscores the need for sustainability reporting, a holistic approach to understanding and communicating risks and opportunities that affect an entity's prospects. This report explores the benefits of sustainability reporting in depth, recognising the different frameworks that exist for presenting sustainability reports, and the various provisions Pakistan has made over the years to encourage organisations to prepare them, including the most recent phased implementation, by the Securities and Exchange Commission of Pakistan (SECP), of the IFRS S1 and S2 standards for listed companies, published by International Sustainability Standards Board (ISSB).

Our study reveals significant interest in sustainability reporting. Our message to corporate leaders is aimed at fostering sustainable business practices and strengthening their sustainability reporting capabilities.

The regulators

Regulators perform a crucial oversight role, ensuring that conditions are maintained for an economic playing field that is conducive to business. This includes a mandate for economic stability and protections for both investors and consumers. In this context, regulators also set the

tone for handling priorities around sustainability, including sustainable investing and sustainability reporting. A well-regulated sustainable finance ecosystem ensures capital flows efficiently toward real impact, greenwashing is minimised, and financial stability is protected.

This report explores some policy priorities for promoting sustainable investing, sustainable business practice and sustainability reporting. It also acknowledges challenges and significant policy provisions that have been made in this area.

There is clear regulatory intent to drive sustainable impact. This tone and posture are necessary to infuse sustainable values into Pakistan's economic and social apparatus, for best results.

Our key message to regulators and policymakers supports the broader goal of creating a regulatory environment conducive to sustainable business practice and investment through various policies, including those promoting sustainability reporting.

As we explore the options for leveraging ideas on sustainability at this opportune moment, we hope that this report contributes positively towards shaping a constructive dialogue on sustainable value creation in Pakistan.



**ACCA Report
Chief Value Officer –
the Important Evolution
of the CFO (Webb 2023)**



**‘Our study reveals
significant interest
in sustainability
reporting’**





According to the World Bank Group, Pakistan is one of the countries most vulnerable to climate change.

1. Introduction: the need and the opportunity.

The need

An analysis of 193 speeches delivered by world leaders at the United Nations Conference on Trade and Development (UNCTAD) in 2024 revealed that climate crisis was the most frequently addressed theme (Secretary General of UNCTAD 2024).

Climate change is a critical issue on the global development agenda. We can understand why. A study by the Boston Consulting Group (BCG) estimates that by 2050 a significant portion of global gross domestic product (GDP) will be at risk if current climate policies remain unchanged, with South Asia facing the highest risk exposure at 15% of GDP (Tansan et al. 2023). And changes to the climate have a cascading effect on the environment, including plant and animal biodiversity. Over 4.3 billion people (more than half the world's population) depend on biodiversity for their livelihoods (UNCTAD 2022).

According to the World Bank Group, Pakistan is one of the countries most vulnerable to climate change. This is owing to factors such as geographical diversity and exposure to a wide range of climate-related hazards, coupled with strong dependency on agriculture and water resources (World Bank Group 2024).

Table 1.1: Pakistan’s economic transformation plan

EXPORTS	E-PAKISTAN	ENVIRONMENT AND CLIMATE CHANGE	ENERGY AND INFRASTRUCTURE	EQUITY, ETHICS AND EMPOWERMENT
Implement macroeconomic reforms, mobilize resources, and promote public financial management for an export-led growth economy	Improve digital infrastructure and services to support a techno-economy	Build a water-secure future for Pakistan	Transition into green energy solutions	Improve and expand access to education
Augment productivity, quality and innovation for global competitiveness	Develop start-up and funding ecosystem	Enhance food security	Develop an efficient and affordable energy infrastructure	Increase health coverage and improve health quality
Improve the investment climate	Develop training, skill building and promote freelancing	Combat climate change	Promote multimodal regional connectivity	Achieve sustainable population growth and management
Expand and diversify product mix and market access	Develop an artificial intelligence framework	Mitigate and adapt to climate change	Harness Pakistan’s mining potential	Ensure social protection
Promote SMEs, entrepreneurship, and specialisation	Enhance cybersecurity capability	Develop an integrated and coordinated disaster risk management framework	Promote the blue economy	Promote a values-based society
Enhance Pakistan’s national brand	Reorient science, technology, and engineering to the economy	Promote reforestation and protection of wild fauna	Drive innovative financing for infrastructure projects	Empower youth, women, and vulnerable groups

Source: URAAN Pakistan 2024

The climate crisis accentuates the need for targeted measures to promote climate resilience. In addition to the need for this, the government’s National Economic Transformation Plan highlights other sustainable development areas (URAAN Pakistan 2024). It includes plans for a diverse and skilled workforce, which is important in driving innovative and transformative solutions to sustainability challenges (Table 1.1). This underscores the critical role of education for sustainability.

The opportunity

Just as the climate crisis has far-reaching implications, the benefits that stem from implementing solutions are also extensive, compounding with time. So the right action can have lasting positive impact.

For example, a move to clean energy reduces greenhouse gas (GHG) emissions and benefits the natural environment, allowing communities that depend on it for their livelihoods to thrive. But the positive effects do not

end there. It also creates economic opportunity for families and communities through employment. Furthermore, the resulting energy security improves the quality of life for the people, while enabling other sectors such as information and communications technology (ICT), education and healthcare to function better.

These benefits help make human rights more achievable. For example, improvements in the economy, education and healthcare support the rights to work, education, and health (UN n.d.). This all illustrates the deep complexity of both the sustainability challenge and its potential solutions.

The good news is that there is a clear opportunity to change the trajectory and build better. The green energy sector provides a clear example of this. According to the International Energy Agency, the global market for green energy could exceed USD 2 trillion by 2035, equalling the crude oil market valuation (IEA 2024/2025). This illustrates the extent of the opportunity in clean energy.

Efforts to attract investments to areas of high impact are already under way. Pakistan’s SDG Investor Map (UNDP and SDG Impact 2023), the result of a collaboration between the government of Pakistan and the United Nations Development Programme (UNDP), presents a blended financing value proposition worth USD 2.84bn. The document highlights investment opportunities in the sectors of food and beverages, transport, renewable and alternative energy, healthcare, infrastructure, consumer goods, and services. All these opportunities are aligned with the country’s policy priorities for economic and social impact.



The Roadmap

Solving sustainability issues is not going to arise from a unilateral effort, but rather the result of a healthy collaboration between key stakeholders, including the private sector and policymakers. Making progress on the SDGs will require partnership, collaboration and alignment on shared goals. A statement that best captures this alignment was made during our roundtable session.

‘No one can do everything, but everyone can do something’

Helen Brand – Chief Executive, ACCA



2. The sustainable investment prospectus.

A business case for sustainable investing

A McKinsey study finds that ‘products making ESG-related claims (ie claims about environmental, social and/or governance practices related to the product) averaged 28 per cent cumulative growth over the [previous] five-year period, versus 20 per cent for products that made no such claims’ (McKinsey & Company and NielsenIQ 2023). This study, conducted in the consumer packaged goods sector in the United States, indicates that consumers are increasingly making sustainable buying decisions. Other studies suggest even stronger consumer leanings towards sustainable products in emerging markets (Tansan et al. 2023). This high level of acceptance for sustainably produced consumer products indicates that there is an addressable market for sustainable business models, presenting new and existing businesses with new, sustainable growth options.

As previously mentioned, the green energy market is estimated to exceed a valuation of USD 2 trillion by 2035. For added context, the size of the global fashion industry in 2023 was estimated at USD 1.7 trillion (Ariella 2023).

A McKinsey value-at-stake analysis reveals that significant value could be lost by not responding to sustainability trends. Some of this loss can be

minimised through defensive risk mitigating, yet even greater gains are available for businesses that play offence, and swing for the stands (Granscog et al. 2024). These strategic options include new green products and business models, green growth, efficiency gains and improved employee productivity.

Each strategic option comes with its own set of implications. For businesses to make informed decisions, they need to understand the risks and opportunities at a deeper level. This underscores the need for sustainability reporting.

Sustainable business presents an opportunity for businesses, and investors are taking notice.

Sustainable investment trends

Almost one-third (32%) of the businesses we surveyed report disclosing ESG information to their institutional investors or financiers. Investors have significant influence on business strategies and decisions, making them a critical player in the sustainability agenda. And many investors are playing this role.

Private equity

We see the influence of investors on investee companies clearly in the private equity (PE) sector. A BCG study finds that in 2024 PE firms significantly



improved the performance of their portfolio companies on metrics for green energy, diversity, safety and employee engagement (Enraygues and Shandal 2024). The study further revealed that two-thirds of general partners saw the value of sustainability in reducing overall portfolio risk, supporting the belief that sustainability is important for value creation.

With many investors preparing to respond to new sustainability reporting standard requirements at investee organisations, the report also highlights the significance of reporting and transparency, noted by partners at PE firms.

‘Capital markets are an important conduit for connecting investments to businesses’

Foreign direct investment (FDI)

Another perspective from which to observe investor interest in sustainability is in FDI trends. OECD reports indicate that 6.4 million new jobs were created in developing and emerging economies through greenfield FDI from 2019 – 2023, with much of this job creation in the renewable energy market. The growing popularity of green energy as an investment destination is best seen in greenfield FDI made in developing economies, specifically in the renewable energy sector: USD 3.3bn in 2003 (0.8% of total greenfield FDI) compared with USD 175bn in 2023 (24.3% of total greenfield FDI) (OECD 2025).

Sustainability and capital markets

Capital markets are an important conduit for connecting investments to businesses. Over time, the capital marketplace has also evolved to accommodate sustainable investment through instruments such as green bonds and sustainability-linked funds.

According to an UNCTAD report, the value of publicly traded sustainable finance products in the global market was USD 7 trillion in 2023. For context, this is four times its valuation in 2018 and represents 5% of the global bond market (UNCTAD 2024). This signals the growing importance of sustainable instruments as an asset class.

The case for sustainable business also creates the need for sustainability reporting, which we explore in the next section.

Climate tech and AI for sustainability



Climate technology isn't a future concept – it's a current advantage. With the right conditions, climate tech adoption is poised to scale rapidly. The opportunity has never been brighter for organisations ready to lead.

As organisations pursue ambitious net-zero and sustainability objectives, climate technology is becoming central to strategy and operations. Artificial intelligence (AI)-powered energy tools and carbon reporting platforms are becoming key to cutting emissions, improving efficiency and meeting regulations. But even with growing awareness, many organisations are still slow to adopt them.

ACCA's current climate technology research, to be published in October 2025, reveals a variety of factors contributing to the adoption gap. A key barrier is data fragmentation. Many organisations continue to rely on spreadsheets or disconnected systems, limiting their ability to track emissions consistently, analyse progress, or report reliably to stakeholders.

Cost is another concern. While climate technologies often provide long-term benefits, the initial investment can be significant, making it difficult for organisations to justify expenditure without a clearly defined financial return.

Capability gaps further hinder implementation. Many organisations lack in-house expertise to evaluate climate technology options, integrate them effectively, or use insights for strategic planning. This is especially challenging for smaller organisations without dedicated sustainability teams.

Nevertheless, momentum is growing. Leading organisations are directing investment towards high-impact areas such as regulatory carbon reporting (eg ISSB, Task Force on Climate-related Financial Disclosures (TCFD), Corporate Sustainability Reporting Directive (CSRD)), energy efficiency through AI, climate risk modelling, Scope 3 emissions management, and sustainable finance.

ACCA's research also highlights the potential of targeted public policy – such as tax incentives and skills development – to accelerate uptake.

While challenges remain, climate technology presents a significant opportunity. Businesses that invest in internal capacity and adopt these tools strategically will be best positioned to thrive in a rapidly evolving sustainability landscape.

Emmeline Skelton – Head of Sustainability, ACCA



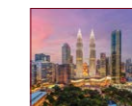
3. A case for sustainability reporting.

Sustainability reporting

'Sustainability reporting is the practice of publicly disclosing an organisation's most significant economic, environmental and/or social impacts, and hence its contributions – positive or negative – toward the goal of sustainable development' (GRI n.d.).

Sustainability reporting provides businesses (and investors) with valuable insights on how key risks and opportunities affect their prospects. It can help businesses to reduce risk and embrace sustainable practices, including sustainable business models (**Figure 3.1**). ACCA's report, [Sustainability Reporting – The Guide to Preparation](#), outlines some important benefits (Machado et al. 2023).

Sustainability reporting also provides trusted frameworks and language for communicating critical information on ESG impacts to wider stakeholders. Notably, there are several sustainability reporting frameworks available, each one addressing a specific set of information needs that were prevailing at the time of its formation (**Figure 3.2**).



Sustainability Reporting in ASEAN
(Martin, S 2025)



6 **The value [that] transparent and standardised reporting brings to these companies is something which they have to realise as a business case for themselves.**

Policymaker at a roundtable session

Common frameworks for preparing sustainability reports

We discuss the five main frameworks here (Figure 3.2).

Global Reporting Initiative (GRI)

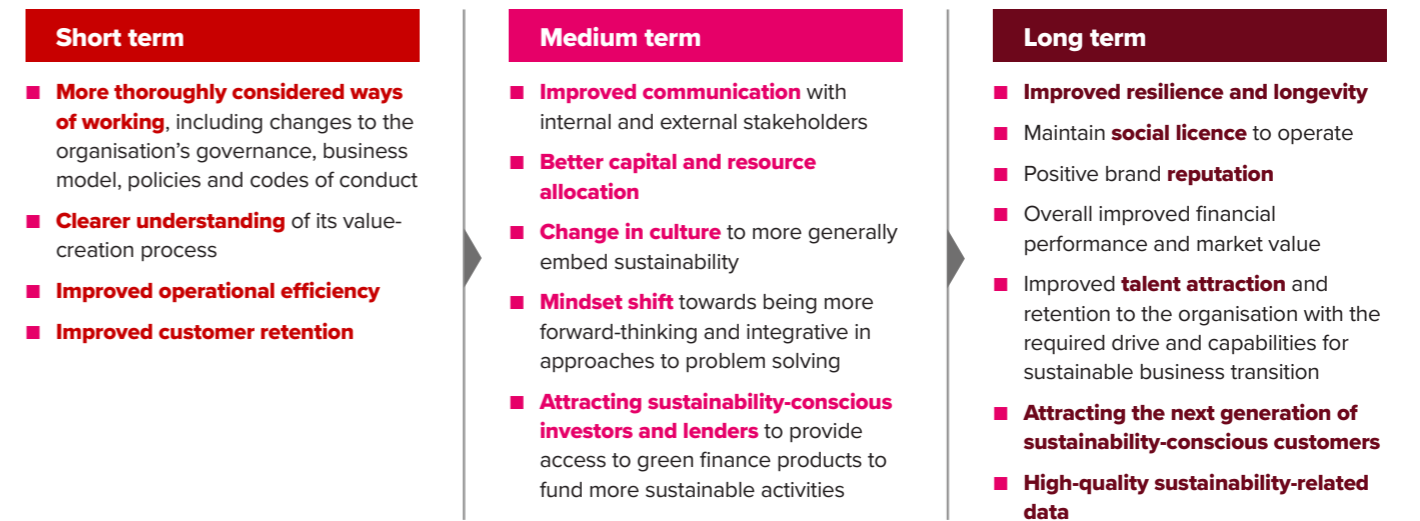
The GRI is an independent organisation that aims to help all organisations ‘take responsibility for their impacts’ and ‘create a sustainable future’ (GRI 2025). Established in 1997, GRI standards are among the oldest sustainability reporting frameworks (Thompson 2023). Reportedly the most widely used framework (KPMG 2024), the standards are voluntary, and comprise three sections:

universal standards (applicable for all GRI reporting), sector standards (applicable to specific sectors) and topic standards (applicable to specific topics such as climate change or emissions). The first standards were released in the year 2000.

Task Force on Climate-related Financial Disclosures (TCFD)

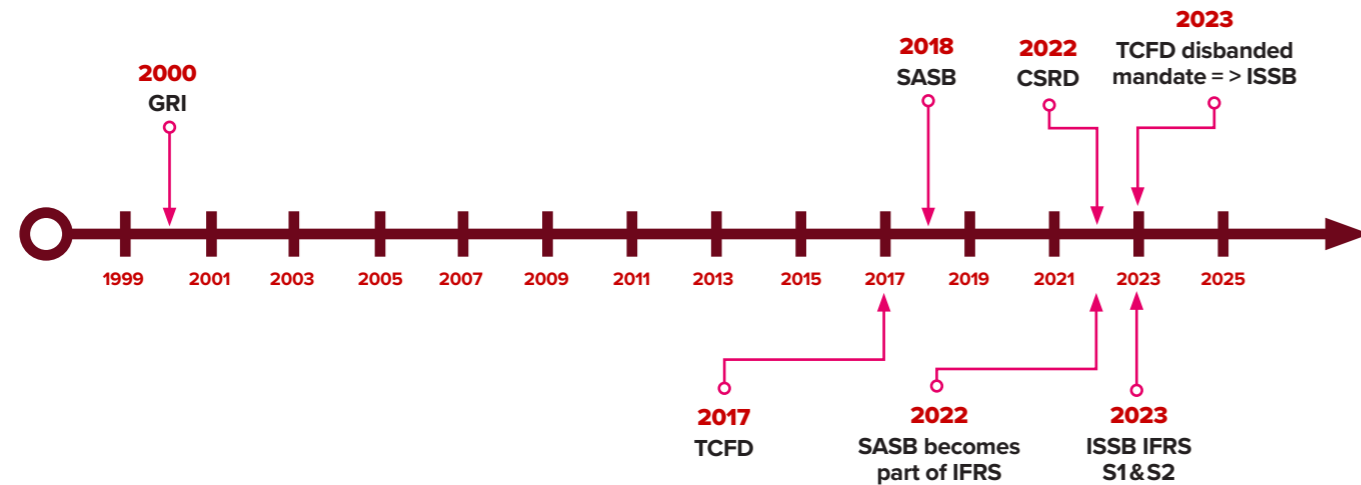
The TCFD was established in 2015 by the Financial Stability Board (FSB) in response to the growing urgency of climate risks (TCFD 2023). In 2017, it published its recommendations, which cover four core elements of recommended climate-related financial disclosures:

Fig 3.1: Potential synergies from sustainability reporting



Source: ACCA report Sustainability Reporting – The Guide to Preparation. These potential synergies might not always emerge in this order, as the pace at which they emerge will depend on the organisations unique circumstances. Some benefits may be realised concurrently, others may carry through across different periods. List of potential synergies is not exhaustive.

Fig 3.2: Five sustainability reporting frameworks



governance, strategy, risk management, and metrics and targets. Like those of the GRI, TCFD recommendations are voluntary and free for all to adopt.

Having fulfilled its mandate, the TCFD disbanded in 2023 and the IFRS Foundation is now tasked with monitoring the progress of companies' climate-related disclosures.

Sustainability Accounting Standards Board (SASB)

Established in 2011, the SASB issued its standards in 2018 to help organisations prepare industry-based disclosures about sustainability-related risks and opportunities (SASB 2025). The voluntary standards, aimed at supporting investor information needs, identify the sustainability-related issues in 77 industries across five dimensions: the environment, human capital, social capital, business model and innovation, and leadership and governance.

The ISSB assumed responsibility for the SASB Standards in 2022.

Corporate Sustainability Reporting Directive (CSRD)

The CSRD was adopted by the European Commission in 2022, replacing the Non-Financial Reporting Directive (NFRD) (European Parliament 2022). The new rules introduce more detailed reporting requirements for companies' impact on the environment, human rights and social standards, based on common criteria in line with the EU's climate goals. It is set to apply to an expanded 50,000 companies, – compared with the NFRD's 11,700 – including qualifying non-EU companies with EU operations.

The CSRD is mandatory and is being implemented in a phased manner with the first compliant reports coming out in 2025.

Recent regulatory changes are set to alter how the CSRD is implemented. In February 2025, the European Commission adopted a simplification package in response to concerns over increasing administrative burdens (EC 2025). Known as the 'Omnibus' package, it affects several EU legislations. The implications for CSRD include:

- reduced scope of companies falling within CSRD by around 80%
- rules that ensure that sustainability-reporting requirements for large companies will not burden smaller companies in their value chains
- postponed reporting requirements for certain companies currently in scope of CSRD by two years.

Although this may seem like a rollback of the CSRD, it highlights the tension between the need for strong sustainability reporting and the compliance cost to companies. The Omnibus initiative is part of the Commission's commitment to reducing administrative burdens by 25% for all businesses and 35% for small and medium-sized enterprises (SMEs).

At the time of writing, Omnibus is still a proposal and must go through the regulatory approval process before it can become law.

International Sustainability Standards Board (ISSB)

The ISSB was formed in 2021 amid calls from several stakeholders for:

- decision-useful, comparable information
- ending the 'alphabet soup' of voluntary initiatives
- an efficient reporting landscape.





of Securities Commissions (IOSCO), the Financial Stability Board, African finance ministers, together with finance ministers and central bank governors from over 40 jurisdictions. This widespread backing has paved the way for jurisdictions to adopt ISSB standards and several have already announced phased adoption, while others have current adoption consultations (IFRS Foundation 2024a).

ISSB adoption globally and in APAC

A November 2024 update from the IFRS Foundation noted that as of September 2024, 30 jurisdictions had decided to use or were taking steps to introduce ISSB standards in their legal or regulatory frameworks. Collectively, these jurisdictions represent 57% of global GDP, 40% of global market capitalisation and over half of global GHG emissions (IFRS Foundation 2024b). This all signals the demand (and momentum) for a global standard on sustainability reporting that investors and all stakeholders can support.

ACCA fully supports the adoption of ISSB standards as a global baseline for consistent sustainability reporting across the world and welcomes the publication of ISSB's IFRS S1 and IFRS S2 standards as a significant step forward in sustainability reporting.

There is a growing interest in the ISSB standards among policymakers across the Asia Pacific region. This is reflected in the increasing number of jurisdictions that have either completed or initiated public consultations on the standards. Consultations have been undertaken or announced by regulators in several Asia Pacific countries, including Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand and Pakistan (IFRS Foundation 2025b).

These stakeholders included investors, companies and international policymakers (IFRS Foundation 2025a).

The ISSB builds on the work of other initiatives, including the TCFD and SASB, while working closely with GRI towards interoperability with GRI standards.

In 2023 ISSB issued its first two standards, IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures). The standards derive much from TCFD architecture, requiring disclosures on core elements of governance, strategy, risk management, and metrics and targets.

ISSB standards enjoy the backing of several institutions, including the G7, the G20, the International Organization

Sustainability reporting in Pakistan

Like many jurisdictions, Pakistan has come a long way in its progression towards sustainability reporting over the last two decades. **Our survey reveals that 71% of businesses (almost three in four) disclose ESG information in some form.**

Here, we explore some significant regulatory developments in Pakistan's sustainability reporting landscape.

Code of Corporate Governance

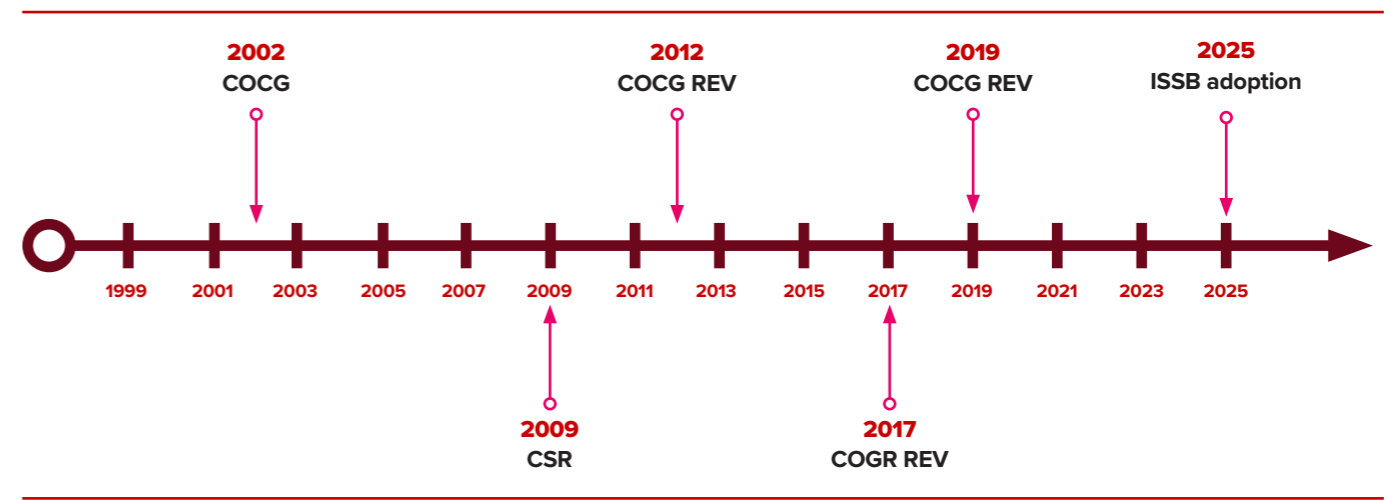
Initially introduced in 2002, the Code of Corporate Governance (CoCG) has been updated over the years, most recently in 2019 (PwC and A F Ferguson & Co 2019), to strengthen governance and stakeholder reporting. It applies to listed companies, requiring them to have a

strategy on several themes, including governance, risk management, corporate social responsibility (CSR) and the environment. It also mandates at least one female director on the board.

Corporate social responsibility disclosure

In 2009, the Securities and Exchange Commission of Pakistan (SECP) introduced a mandate for reporting CSR activities, applicable to all public companies (SECP 2009). Disclosure categories include corporate philanthropy, environmental protection measures and energy conservation, among others. In a bid to strengthen and support CSR reporting, aligning it with best practice, the SECP published voluntary reporting guidelines in 2013. The document identified climate change as a priority area (SECP 2013). Over half the businesses we surveyed (51%) report making CSR disclosures.

Fig 3.3: Timeline of sustainability reporting developments in Pakistan



IFRS S1 and S2

In January 2025, the SECP announced the adoption of the IFRS S1 and S2 standards, applicable to exchange-listed companies in a phased manner, with the first phase applying to reporting periods beginning on or after 1 July 2025 (SECP 2025). This marks an important step in aligning Pakistan's capital markets with global best practices and fosters greater participation in the global finance ecosystem. Reporting efforts are also supported by the sector-agnostic Primer on ESG created by the Pakistan Stock Exchange (PSX), which provides guidance to listed companies (PSX n.d.). Notably, PSX is a member of the UN Sustainable Stock Exchanges (SSE), a body that aims to promote responsible investment in sustainable development and advance corporate performance on ESG issues (SSE 2025).

Preparing for sustainability reporting

With mandatory sustainability reporting set to take effect in various regions, including Pakistan, businesses must strengthen their capabilities to comply with new rules. This entails reshaping

‘Digital technology can complement sustainability reporting in several ways’

performance management and reporting systems in line with broader sustainable goals and metrics, necessitating a comprehensive, organisation-wide strategy. **Our conversation with an investor revealed different levels of preparedness for sustainability reporting at investee businesses, ranging from those who are at the policy-setting stage on one end, to those that have aligned their systems and processes, and are ready to report.**

In this section, we examine four key enablers for sustainability reporting:

1. Digital technology and artificial intelligence (AI)
2. Accountancy and finance professionals
3. Capacity building
4. Collaboration.

Digital technology and AI

Our roundtable session revealed widespread support for digital technology as an enabler of sustainability reporting, underlining the need for it to be integrated in the reporting process.

Digital technology can complement sustainability reporting in several ways. For example, data analytics could be used to pull vast amounts of unstructured data from disparate systems into a helpful format to support sustainability reporting. And generative AI technology can provide highly contextualised recommendations to support compliance with the requirements of new and existing sustainability reporting standards. These are just two of several possibilities.



‘Organisations should seek to leverage and maximise the value of their accountancy and finance professionals and teams as they prepare for sustainability reporting’



Nonetheless, several factors contribute to how effectively digital technologies can be leveraged for sustainability reporting. Data quality, for example, has a direct impact on how reliable the resulting reports will be. Additionally, without a culture that encourages innovation and cross-functional collaboration, organisations may struggle to fully realise the benefits of these technologies.

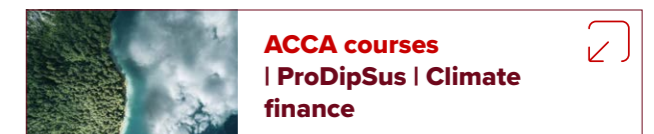
Accountancy and finance professionals

While professionals from various backgrounds can support the preparation of sustainability

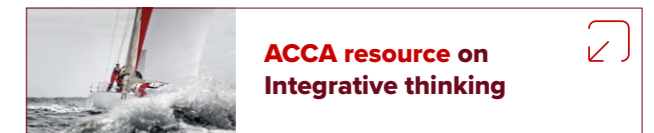
reports, accountancy and finance professionals are especially well placed to add value. Their business acumen contributes to a high level of strategic thinking, and their experience with ad hoc management reporting fosters the type of creative thinking needed to formulate new metrics for sustainability reports. Also, finance and accountancy professionals are already familiar with the reporting workflow, and have experience of interrogating systems and processes to gather and streamline data into high-value reports.

Additionally, professional accountants adhere to a robust code of ethics. This commitment is supported by rigorous training and reinforced through continuing professional development provided by their respective bodies, ensuring they maintain high standards of integrity and accountability.

For these reasons, finance and accountancy professionals can play a central role in collaborating with other professionals to build the sustainability reporting workflow across different departments and functions. As a result, organisations should



ACCA courses
| ProDipSus | Climate
finance



ACCA resource on
Integrative thinking



seek to leverage and maximise the value of their accountancy and finance professionals and teams as they prepare for sustainability reporting.

Capacity building

The need to build capacity for sustainability reporting was emphasised multiple times during the roundtable session. This stems from a growing recognition that sustainability reporting should be an organisation-wide effort, not driven from the back office.

Several competencies are needed for sustainability reporting. These include but are not limited to the following.

- **Strategic thinking** is required to identify and manage material sustainability-related risks and opportunities to which a business is exposed.
- **Systems thinking** is required to understand the complex web of dependencies in which sustainability-related risks and opportunities are situated, and to understand how these dependencies interact with each other and with the business model. This provides the basis

‘The roundtable session highlighted the continuing importance of training and development at all levels’

for assessing and reporting impacts. Systems thinking is also required to initiate and manage the information systems that underpin sustainability reporting.

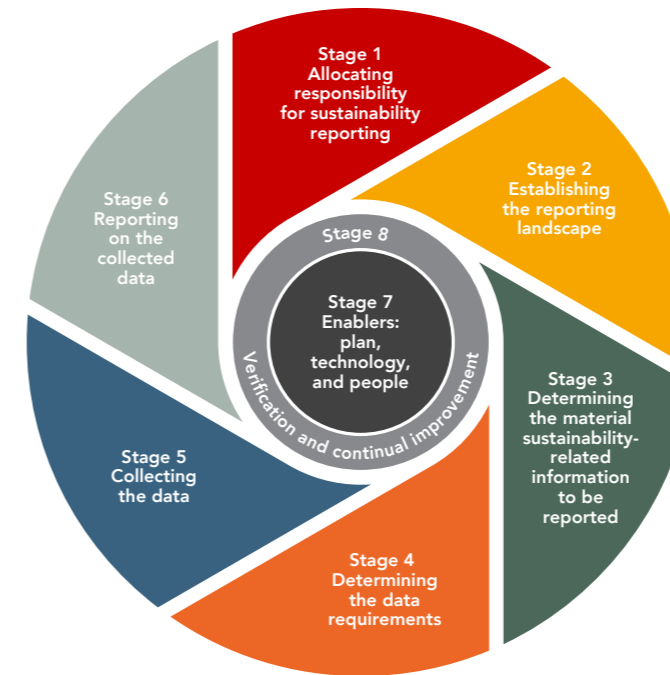
- **Creative and abstract thinking** is required to simplify and distil, into understandable reports, the complex, multidimensional considerations contributing to sustainability-related risks and opportunities. It is also important when formulating metrics and targets that realistically capture those risks and opportunities.

The roundtable session highlighted the continuing importance of training and development at all levels. This is necessary to ensure that the type of thinking required to support high-value sustainability reporting is fostered in the organisation. Pakistan is already making provisions to embed sustainable principles in organisations. **A regulator noted that sustainability education has now been incorporated into the director training programme for listed companies. While leadership at the top is crucial in setting the agenda, the roundtable also underscored the importance of building capacity at the middle-management level, where much of the support for sustainability reporting happens.** This underscores the need for capacity building at all levels.

Collaboration

Sustainability reporting cannot be done in isolation because the competencies required for it span several domains. As a result, collaboration is necessary across departments and functions to ensure that reports reflect complete and accurate information.

Fig 3.4: The sustainability reporting cycle



Note: An organisation's main engagement with the cycle will usually follow the clockwise flow suggested. In practice, when engaging with a particular stage, the organisation may find it necessary to return to an earlier stage or one of the earlier underpinning activities detailed within a previous stage.



ACCA's Sustainability Reporting: The guide to preparation (Machado et al. 2023) provides detailed guidance to support accountancy and finance teams in preparing for sustainability reporting





4.Challenges to sustainability reporting.

With interest in sustainability reporting at its highest yet, there are wider considerations that are necessary to get the best value from sustainability disclosures.

Limited comparability

One such consideration is the need for standard and consistent reports to enhance comparability across sectors and borders.

A study by the Asian Development Bank revealed that a majority (two-thirds) of financial regulators surveyed plan to mandate application of ISSB standards (Shirai 2025). Notably, only one-quarter of regulators looking to mandate the ISSB standards are willing to do so without any modification. While it is understandable that policymakers in different countries would set policies based on contextual needs, there is also an opportunity to reflect collectively on how best to align on shared interests

when setting policies, giving standard and consistent reports the best chance of materialising.

Reporting costs

Sustainability reports have a preparation cost. As mentioned earlier, this can be a significant administrative burden, especially for smaller organisations. As a result, several reporting frameworks, including ISSB, allow for proportionality in preparing sustainability reports. The proportionality principle allows entities to prepare reports and disclosures to the extent that their resources can reasonably permit. This provision helps frameworks adapt to the varying capabilities and circumstances of different organisations.

‘There is growing demand for assurance of sustainability reports, which further reinforces their reliability and stakeholder confidence’

Greenwashing and unreliable disclosures

Greenwashing is the practice of making misleading or false environmental claims about a product, service, or company to portray it as more environmentally friendly than it is.

Greenwashing, along with other unreliable sustainability reporting disclosures, undermines stakeholder trust in sustainability-related disclosures in general. In this way, such practices also undermine efforts to achieve sustainable improvements.

This challenge underscores the need for transparency and consistency in how sustainability information is both gathered and disclosed. As a result, increasing numbers of jurisdictions are mandating sustainability reporting standards to promote standardised, comparable disclosures. While recognising that established sustainability reporting frameworks, such as the IFRS Sustainability Disclosures, promote credibility and trust, there is growing demand for assurance of sustainability reports, which further reinforces their reliability and stakeholder confidence.

During the roundtable session, policymakers emphasised the need to structure sustainability reporting in a way that facilitates assurance.

Assurance can serve as a means of building trust in published sustainability information as well as managing the risk of greenwashing and unreliable disclosures.

Audit and assurance of sustainability reports

In considering assurance over sustainability information, it is important to acknowledge that international standard setters such as the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) have adopted a profession-agnostic approach. This means that assurance engagements can be conducted by practitioners from different professions and are not restricted to professional accountants. To safeguard the public interest, it is imperative that all such assurance engagements are conducted with consistently high quality. This includes compliance with applicable ethical and independence requirements, as well as the implementation of an effective system of quality management within the firms.

To support this objective, regulators have a critical role to play. Their responsibilities include developing accreditation processes to accredit assurance providers, ensuring that they possess the requisite expertise and experience to perform assurance engagements on sustainability information. There should also be a robust oversight mechanism in place, empowering the relevant regulatory body to inspect the quality of these engagements on a regular basis. Such a framework will help build trust and contribute to the credibility and reliability of the sustainability-related information provided to investors and other stakeholders.

Antonis Diolas – Head of Audit and Assurance, ACCA

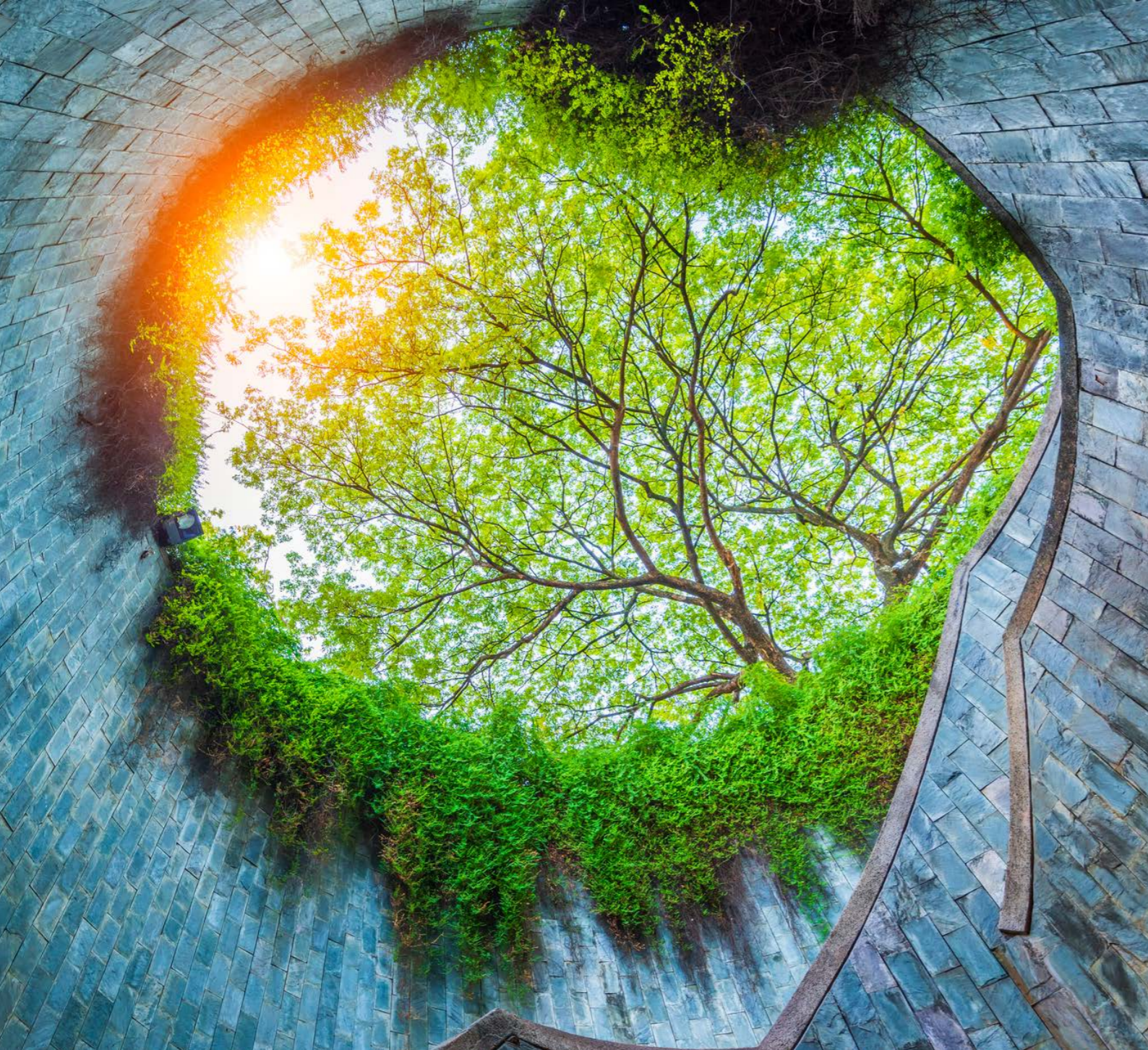


ACCA's Principles of Good Corporate Reporting
(Chow 2024)



ACCA's Sustainability Reporting – SME Guide
(Machado and Saw 2024)





5. The policy plumbing.

Policy priorities

This report identifies two policy priorities to support ESG impact and progress with the Sustainable Development Goals (SDGs):

1. The need for businesses to adopt sustainable practices as a core part of their operations;
2. The need for investors to prioritise and direct capital towards sustainable investments.

Sustainability reporting can also provide the critical tooling and language needed to connect these policy priorities to real-world efforts in a transparent and meaningful way, while maintaining alignment with Pakistan's sustainability goals.

Key challenges

Setting the right policy framework is not without its challenges. We explore two of them here.

Finance

A 2025 UN report estimated the global investment gap that needs to be bridged to achieve the UN SDGs in developing markets at USD 4 trillion annually to 2030 (UNCTAD 2025). This translates to about 3.8% of global GDP in 2023 (O'Neill 2025) and illustrates the magnitude of the challenge. For Pakistan, the estimated funding gap was 16.1% of GDP in 2023, an even steeper challenge (Brollo et al. 2021).

In low-income countries, the fiscal context presents unique vulnerabilities. High levels of public debt pose an additional strain on limited resources, while generally low buffers limit resilience to economic shocks such as those caused by natural disaster. Furthermore, strengthening domestic resource mobilisation in these markets remains a priority, with tax-to-GDP ratio of 11%, below the recommended 15% (Enraygues and Shandal 2024).

These challenges underscore the need for policies that incentivise investment (both foreign and local) in the areas where impact is needed most.

Policy uncertainty

In a globalised and connected world, policies in one region unavoidably have ripple effects elsewhere. Coupled with increasing geopolitical tensions and the prospect of geo-economic confrontation (WEF 2025), leaders are having to navigate extremely high levels of uncertainty today.

Through its trading relations, Pakistan is significantly exposed to these policy risks, adding a layer of complexity to development efforts.

This level of uncertainty underscores the relevance of international collaborations through vehicles such as bilateral trade agreements and trading block memberships. Such arrangements allow for greater (collective) leverage in global policy and trade negotiations.

A top-down approach

‘Sustainable development objectives should be incorporated in the terms of reference of those cabinet and legislative committees dealing with national economic policy and planning as well as those dealing with key sectoral and international policies...’ (World Commission on Environment and Development 1987)

This extract from the ‘Brundtland Report’ of 1987 captures the need for sustainable ideas to be embedded in the national policy and planning agenda, giving them the best opportunity of having desired impacts. In keeping with this idea, Pakistan adopted the SDGs as part of its national development agenda through a National Assembly Resolution in February 2016 (IFRS Foundation 2024a), becoming the first country in the world to do so. Since then, significant effort has been made towards achieving the desired impacts.

Funding a sustainable future

A 2023 Pakistan policy brief by the UNDP highlighted the importance of green finance systems (GFS) in transforming traditional industries into green industries (Wijeweera and Rashid 2023). Noting the limited representation of South Asia in the global climate finance market (USD 45bn – later reported at approximately 3.46% share of the global USD 1.3 trillion market (Naran et al. 2024)), Wijeweera and Rashid explore how a robust GFS can assist in achieving

Pakistan’s 2030 climate targets, which include 60% renewable energy, 30% electric vehicles, and a ban on imported coal.

Islamic (and sustainable) finance innovations

Conceptual links between Islamic finance principles and sustainability are increasingly being recognised. A joint study between the CFA Institute and Principles for Responsible Investment showed that Islamic finance promotes ideas that reflect priorities in the UN Sustainable Development Goals (SDGs), including equality, social justice and inclusion, and shared economic prosperity (Orsagh et al. 2019).

The similarity between investing under Islamic finance principles and sustainable investing was also noted by members of both the investment and regulatory communities in our interviews and roundtable session.

We observed clear interest in investments that comply with Islamic finance principles, also known as Shariah-compliant investments. Over half the businesses we surveyed (51%) cite Shariah compliance as a factor in identifying investments for employee-related funds.

This suggests that there is an opportunity to mobilise sustainable investment capital through a unique brand of funding instruments that are aligned with both sustainable ideas and Islamic finance principles.

‘In 2017 the State Bank of Pakistan issued the Green Banking Guidelines to embed environmental and social risk considerations in the banking sector’



Policy developments in Pakistan

The policy legwork to support green finance systems has already begun. In 2017 the State Bank of Pakistan issued the *Green Banking Guidelines* to embed environmental and social risk considerations in the banking sector (State Bank of Pakistan 2017). The mandatory guidelines cover practical topics such as environmental risk management and green business facilitation.

Also, in 2021 the SECP issued Guidelines for Green Bonds (Green Sukuks) issuance in Pakistan (SECP 2021). The guidelines aim to promote sustainable and environmentally responsible investment practices by providing a framework for issuing and managing green bonds. Qualifying criteria for the use of bond proceeds cover a range of themes including renewable energy, energy efficiency, climate change adaptation and green buildings.

Details on some additional policy developments in Pakistan are provided below.

Climate (and green) policies

- National Climate Change Policy (2012 updated 2021)
- State Bank of Pakistan Financing Scheme for Renewable Energy (2016)
- State Bank of Pakistan Green Banking Guidelines (2017)
- National Electric Vehicle Policy (2019)
- SECP Guidelines for Green Bonds Issuance in Pakistan (2021)
- Pakistan Policy Guidelines for Trading in Carbon Markets (2024)

Other sustainable policies

- Code of Corporate Governance (initially introduced 2002)
- National Financial Inclusion Strategy (2015)
- SECP Adoption of IFRS Sustainability Disclosure Standards (2025)

These policy measures provide the critical support structure needed to drive the sustainability agenda forward and are a basis from which to build. For best results, it is necessary to ensure that policies are integrated with each other, and with existing frameworks.

Green finance in action: real stories from Pakistan

We are already seeing examples of policies that are having desired effects.

In 2021, the Water and Power Development Authority (WAPDA) issued Pakistan's first ever Green Eurobond (Hasnain 2021). The 10-year bond issue raised USD 500m for hydroelectric power projects at a 7.5% interest rate. Called the Indus bond, the issue was very popular with investors, with reports of subscriptions reaching USD 3bn, six times the ask.

More recently, 2025 marked the year of Pakistan's first ever PKR-denominated green bond issue (Business Recorder 2025). The Parwaaz Green Action Bond, which is also the first green bond to be listed on the Pakistan Stock Exchange (PSX), is aimed at mobilising PKR 1bn (approx. USD 3.5m) in investment for environmentally sustainable projects and strengthening Pakistan's green investment ecosystem. The issue has been subscribed by leading financial institutions.

These green bonds illustrate how funds can flow towards sustainable causes when the right systems for trust, transparency and accountability are in place. They also showcase the critical role of capital markets in mobilising private and public funds for green development and other sustainable projects.



Gender Responsive Budgeting: Unlocking the Potential (Fitzsimons, J. 2025)



PFM Performance in Africa (Isioye, E 2024)



Calls to action...

...for Investors

1. Demand policy and regulatory support for green investment

Advocate stronger green finance policies, ensuring long-term regulatory stability that facilitates sustainable investments. For example, Pakistan's Green Taxonomy is a step toward classifying sustainable investments. Investors can demand clear guidelines to promote consistent understanding and implementation. They can also advocate government-backed incentives to support green investments.

2. Prioritise green investments with tangible impact

Actively allocate capital to sectors with direct sustainability benefits, such as renewable energy, sustainable agriculture and water management. For example, Pakistan's solar and wind energy sector offers investment opportunities aligned with the government's Alternative & Renewable Energy Policy (ARE 2019), which aims for 30% renewable energy by 2030.

3. Embed sustainability in risk assessment and valuation models

Move beyond traditional financial analysis by integrating climate risk and ESG factors into investment decisions. For instance, investors can follow the Environmental & Social Risk Management (ESRM) framework of the State Bank of Pakistan (SBP), which helps financial institutions assess climate-related financial risks.

4. Hold businesses accountable for sustainability reporting

Require investee companies to prepare sustainability reports using global standards such as IFRS S1 and S2 (supported by SECP for phased implementation from July 2025). Investors should engage with corporate boards to push for greater transparency and divest from companies failing to meet minimum sustainability criteria.

5. Leverage the Pakistan Green Taxonomy for smarter investment decisions

Align portfolios with Pakistan's Green Taxonomy, which defines sectors eligible for green finance, such as clean energy, sustainable agriculture, and climate-resilient infrastructure. For example, investing in water conservation projects aligns with Pakistan's National Water Policy (2018), which seeks to combat extreme water scarcity.

6. Champion innovation in sustainable finance

Support the development of new financial instruments such as sustainability-linked bonds (SLBs), carbon trading platforms, and impact investment funds. For instance, Pakistan's first Green Bond issuance by the WAPDA in 2021 (USD 500m Eurobond) shows the demand for green financial products. Investors should work with Pakistan's central bank and private sector lenders to create more localised green finance solutions tailored to SMEs and climate startups.

7. Drive market-wide adoption of sustainable investment practices

Collaborate with institutional investors, development banks, commercial banks and other financiers to mainstream sustainability in Pakistan's financial markets. For example, encouraging pension funds to integrate climate risk stress testing will create a stronger, more resilient investment landscape. Pakistan can look to models such as India's Green Finance Initiative or Malaysia's Green Sukuk programme to structure financing for net-zero investment portfolios.

...for Businesses and Corporations

1. Prepare for sustainability reporting through capacity building and risk assessment

Engage in capacity building to prepare for mandatory sustainability reporting under IFRS S1 and S2. Further, organisations should assess the readiness of their IT systems to support the data requirements of sustainability reporting and procure the necessary system upgrades where necessary.

2. Align operating and growth strategies with sustainable business practices

Leverage Pakistan's Green Taxonomy and other policies to identify sustainable business priorities with which to align, for an overall greener business model. Sustainability reporting can assist this outcome by enabling businesses to track their progress on ESG dimensions, while providing the transparency needed to signal to and attract sustainable investors.

3. Engage with investors and policymakers to strengthen alignment with sustainable business practices

Engage with policymakers through existing forums to enhance regulatory frameworks (such as the Code of Corporate Governance and exchange listing requirements) to support sustainable business policies and incentives. Also, where appropriate, engage with sustainability-conscious investors such as the SBP Financing Scheme for Renewable Energy, to access growth finance for sustainable impacts.

4. Strengthen internal collaboration to foster sustainable business practices and sustainability reporting

Internal collaboration helps organisations bring together skills from different departments, leading to co-creation and synergy. Organisations that encourage collaboration are better positioned to build sustainable businesses and processes. It also improves sustainability reporting, as collaboration enables a more complete view of ESG issues (and opportunities) by leveraging data that would otherwise be hidden in siloed teams and workflows.

...for Regulators and Policymakers

1. Support capacity building for sustainability (including climate risk) reporting

- Support public companies preparing to report on climate risks and sustainability efforts under IFRS S1 and S2, through education and training. ACCA's [Sustainability Reporting – The Guide to Preparation](#) (Machado et al. 2023) provides helpful resourcing to help with this.

- Focus on high-risk industries such as textiles, agriculture, energy, and finance, ensuring clear and transparent disclosures.

2. Ensure independent assurance of sustainability reports

- Introduce mandatory third-party assurance (external review) of sustainability reports for large companies to enhance the credibility of, and trust in, sustainability reporting and to safeguard the integrity of disclosures.
- Strengthen oversight of sustainability assurance practitioners to foster reliable ESG reporting for green bonds and sustainable investments.

3. Give financial incentives for green investment

- Consider a measured reduction of taxes for companies that meet sustainability targets or invest in clean energy and climate projects. This should be balanced against other public interest priorities, including the need to avoid unduly eroding the tax base.

'Tax reform will be key to tackle the climate crisis. This study [Groothuis 2019] connects the dots and demonstrates that climate policy can be social policy' (Femke Groothuis, President of the Ex'tax Project)

4. Expand and regulate green bonds

- Strengthen rules for green bonds, making sure that investments truly benefit the environment.
- Facilitate a Green Bond Listing Category on the exchange to attract international climate investment for listed companies.

5. Improve corporate governance and diversity

- Improve diversity on boards by requiring wider gender representation, as well as inclusion on other dimensions including age, disability and socioeconomic status, for example.
- Mandate linking executive pay to climate and ESG performance, encouraging businesses to act responsibly.



Appendix.

Methodology

This report combines insights from **close to 90 survey responses, mainly from businesses**. These included a mix of listed and non-listed businesses across a range of sectors. Many of the businesses surveyed operate internationally.

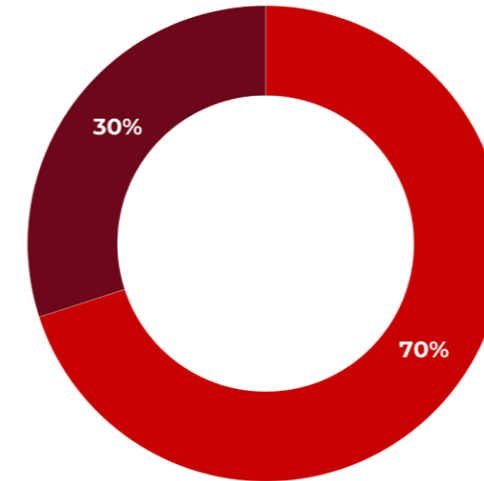
We also **interviewed several investment and banking professionals** to source perspectives from the

investment community on themes related to sustainable investing and sustainability reporting.

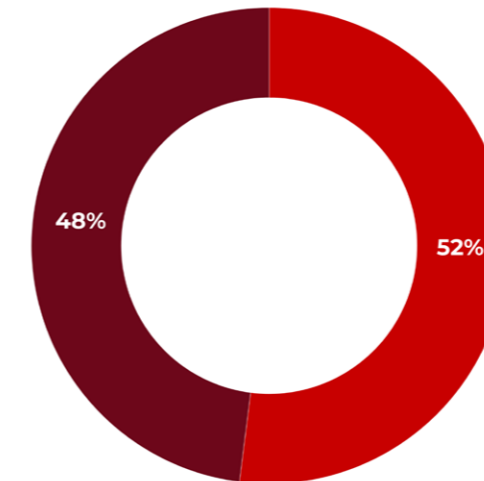
Finally, a **roundtable of public sector and practice leaders in Pakistan** was convened in April 2025 at the Pakistan Stock Exchange. The event was attended by ACCA Chief Executive, Helen Brand, and former PBC CEO, Ehsan Malik.

Survey

Local/multinational



Listed/non-listed



Sector



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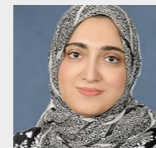
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