(Established under the Chartered Accountants Ordinance, 1961 - X of 1961)

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The Institute of Chartered Accountants of Pakistan
ICAP

Circular No. 03 / 2026

June 30, 2026

ALL MEMBERS OF THE INSTITUTE

Dear Member,

Request for Comments – Draft Illustrative Sustainability Report for First-Time Preparers of Sustainability-Related Financial Disclosures (Climate-First Approach) in accordance with IFRS Sustainability Disclosure Standards for an entity operating in the Apparel Industry

The Securities and Exchange Commission of Pakistan (SECP), through its Order dated December 31, 2024, has adopted IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2: Climate-related Disclosures. These standards have been made applicable through a phased implementation approach to listed companies and other Public Interest Companies licensed or registered with SECP.

In accordance with the aforesaid Order, listed companies falling within Phase I are required to prepare and report their first sustainability report, compliant with IFRS S1 and IFRS S2, for the year ended June 30, 2025, within nine months after the reporting period, i.e., by March 31, 2027.

To support this important implementation, the Sustainability Working Group of the Accounting Standards Board of the Institute is pleased to share an illustrative sustainability report designed for first-time preparers, for members' comments. This report demonstrates sustainability-related financial disclosures in accordance with IFRS Sustainability Disclosure Standards, specifically for an entity operating in the Apparel Industry.

While this illustrative report has been tailored for the apparel industry, it may also be used as a reference by entities in other manufacturing or service sectors. Such entities should refer to the Industry-Based Guidance under IFRS S2, as well as other relevant guidance cited in IFRS S1 and IFRS S2, to identify climate-related risks and opportunities applicable to their specific circumstances. Entities should ensure that their sustainability reports disclose material sustainability-related risks and opportunities that are reasonably expected to affect their prospects over the short, medium, and long term, in accordance with IFRS Sustainability Disclosure Standards.

This publication has been developed as an educational and illustrative resource to assist first-time preparers in Pakistan in understanding the presentation of climate-related financial disclosures under *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information together with IFRS S2 Climate-related Disclosures.* It aims to be simple, practical, and preparer-friendly.

It is important to note that the facts, assumptions, dates, metrics, targets, scenarios, and financial effects included in this publication are purely illustrative. They do not represent any actual entity and should not be used without appropriate modification. Each reporting entity must prepare disclosures that reflect its own business model, value chain, governance structure, risk management processes, data availability, materiality assessments, and applicable legal and regulatory requirements.

This illustration assumes a first-year, climate-only reporting approach and incorporates the transition reliefs provided under IFRS S1 and IFRS S2 for first year reporting.

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CONTINUED

Members are invited to provide their valuable feedback on this draft illustrative sustainability report by July 31, 2026, at dtscomments@icap.org.pk.

The final version will be issued after incorporating comments and suggestions received from stakeholders.

Yours truly,

Muhammad Imran Khan
Director, Technical Services

Encl: As above.

XYZ Textile Company Limited
Illustrative Sustainability Report (Climate-only)
For the year ended June 30, 2026

The Institute of Chartered Accountants of Pakistan
June 2026

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ICAP disclaimer

This publication has been prepared by The Institute of Chartered Accountants of Pakistan (ICAP) as an educational illustration to support first-time preparers in Pakistan in understanding how climate-related financial disclosures may be presented when applying IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* together with IFRS S2 *Climate-related Disclosures*. It is intended to be simple, practical and preparer-friendly.

The facts, assumptions, dates, metrics, targets, scenarios and financial effects in this publication are illustrative only. They do not describe an actual company and should not be copied into an entity's report without careful adaptation. Each reporting entity should prepare disclosures based on its own business model, value chain, governance arrangements, risk management processes, data availability, materiality judgements and applicable legal and regulatory requirements.

This illustration assumes a first-year climate-only reporting approach. It reflects the transition reliefs in IFRS S1 and IFRS S2 for first-time application and the phase-wise implementation approach introduced in Pakistan through the Securities and Exchange Commission of Pakistan Order dated 31 December 2024. The Pakistan transition requirements and the IFRS S1 and IFRS S2 transition reliefs should be considered separately because they do not serve the same purpose. This publication is not a substitute for the standards, related guidance or professional judgement. ICAP does not accept any responsibility or liability whatsoever for any loss or damage arising from the use of this publication or reliance placed on its contents.

How to use this report

This report is a learning document. It shows one possible way to organise first-year climate-related financial disclosures for a fictional textile company. It should help preparers understand the flow of the report, the type of entity-specific information needed, and the judgements involved. It is not a filing template.

- Start with the basis of preparation to understand the reporting boundary, reporting period, standards applied and transition reliefs used.
- Use the main sections—governance, strategy, risk management, and metrics and targets—to understand the structure required by IFRS S1 and IFRS S2.
- Treat all company facts, numbers, dates, targets and examples as placeholders. Replace them with entity-specific information supported by reasonable and supportable evidence.
- Apply materiality independently. A disclosure included in this illustration may not be material for every entity, and a matter not illustrated may still be material for a particular entity.
- Use the document's explanatory guidance to understand the approach taken in this illustration.
- Use only IFRS S1, IFRS S2 and the sources of guidance permitted or referred to in those standards when adapting this publication.

For first-time preparers, the most important message is to keep the report clear and entity-specific. Explain what matters to the entity, why it matters to investors, lenders and other creditors, how the entity is managing it, and what metrics or targets are used to monitor progress. Avoid generic sustainability language that does not relate to entity's facts and circumstances and as such is not connected to the entity's cash flows, access to finance or cost of capital.

The report is designed to meet the common information needs of primary users of general purpose financial reports—existing and potential investors, lenders and other creditors. It does not aim to address every specialised information need of every possible user.

Where relevant information is publicly available, that fact does not remove the need for the entity to disclose material entity-specific information about climate-related risks and opportunities that could reasonably be expected to affect its prospects.

Report roadmap

If you want to understand...	Go to
What the Company is reporting at a glance	Statement of climate-related metrics and targets
Which IFRS references apply	Standards reference guide
What the Company does and where climate matters arise	Section 1
Which boundary and transition reliefs are used	Section 2
Who oversees climate-related matters	Section 3
Which climate-related risks and opportunities matter	Section 4
How risks and opportunities are managed	Section 5
Which metrics and targets are reported	Section 6
Where detailed resilience information may be included	Appendix A

Standards reference guide

The table below provides a concise reference guide to the main IFRS S1 and IFRS S2 requirements illustrated in this report. It is intended to help users locate the relevant requirements without interrupting the flow of the illustrative disclosures.

This illustrative report has been structured to support first-year climate-only reporting by combining a primary statement of climate-related metrics and targets with supporting notes organised around governance, strategy, risk management, and metrics and targets. The structure is designed to support connected reporting while avoiding unnecessary duplication.

Report section	IFRS S1 reference	IFRS S2 reference	Industry-based guidance reference	Purpose
Basis of preparation	Paragraphs 20–24, 60–73 and E3–E6	Paragraphs C3–C5	Not applicable	Reporting entity, connected information, timing, comparatives, compliance and transition reliefs.
Governance	Paragraphs 25–27	Paragraphs 5–7	Not applicable	Oversight, management roles, information flow, skills, targets and remuneration considerations.
Strategy and financial effects	Paragraphs 28–42	Paragraphs 8–23	Apparel, Accessories & Footwear industry-based disclosure topics and metrics considered where relevant to raw materials, supply-chain exposure, business model exposure and related discussion and analysis.	Risks and opportunities, business model, value chain, financial effects, transition planning and resilience.
Risk management	Paragraphs 43–44	Paragraphs 24–26	Not applicable	Processes to identify, assess, prioritise, monitor and report climate-related risks and opportunities.
Metrics and targets	Paragraphs 45–53	Paragraphs 27–37 and B19–B31	Apparel, Accessories & Footwear industry-based disclosure topic for Raw Materials Sourcing considered for priority raw material metrics, Tier 1 and beyond Tier 1 supplier indicators and related discussion and analysis.	Scope 1 and Scope 2 emissions, energy and water metrics, targets and first-year transition relief for Scope 3.
Scenario analysis and climate resilience	Paragraphs 41–42	Paragraph 22 and paragraphs B1–B18	Not applicable	Climate resilience assessment using an approach commensurate with first-year circumstances.

Note for preparers

If an applicable law or regulation prohibits disclosure of material information, the entity would identify the type of information not disclosed and explain the source of the restriction. If the entity omits information about a sustainability-related opportunity because it is commercially sensitive, it would disclose that fact and reassess the exemption at each reporting date.

Illustrative data set used in this report

The following fictional data set is used throughout this illustrative report. It is included to help users understand the assumptions behind the worked example and to demonstrate how metrics, targets and related disclosures can be presented consistently across the report.

Data area	Illustrative data used
Activity and boundary	Manufacturing sites: 4; production volume: 42,000 metric tons of finished textile and apparel products; fabric equivalent: 118 million metres; garments produced: 18.5 million pieces; Tier 1 suppliers: 126; suppliers beyond Tier 1 identified: 248.
GHG emissions	Scope 1 emissions: 28,400 tCO2e; Scope 2 emissions: 41,600 tCO2e; total Scope 1 and Scope 2 emissions: 70,000 tCO2e; emissions intensity: 1.67 tCO2e per metric ton of production.
Energy and water	Energy consumed: 1,245,000 GJ; energy intensity: 29.6 GJ per metric ton of production; renewable energy share: 18%; water withdrawn: 3,850,000 m3; water consumed: 920,000 m3; water intensity: 91.7 m3 withdrawn per metric ton of production; water withdrawn from high water-stress areas: 2,690,000 m3 or 70%; water consumed from high water-stress areas: 640,000 m3 or 70%.
Priority raw materials	Cotton purchased: 24,500 metric tons; polyester purchased: 15,200 metric tons; total priority raw materials: 39,700 metric tons; cotton as a percentage of priority raw materials: 62%; polyester as a percentage of priority raw materials: 38%; certified or lower-impact cotton: 6,800 metric tons or 28%; recycled or certified polyester: 3,100 metric tons or 20%.
Supplier indicators	Tier 1 suppliers assessed: 82 suppliers or 65%; Tier 1 suppliers assessed by procurement spend: 78%; Tier 1 suppliers in high water-stress or flood-exposed locations: 29 suppliers or 35% of assessed suppliers; suppliers beyond Tier 1 data basis: supplier declarations and management estimates.
Financial and cross-industry exposure	Transition-risk exposure: Rs 3,850 million or 22% of current operating costs; physical-risk exposure: 2 manufacturing sites or 50% of total sites, with assets exposed of Rs 4,200 million; climate-related opportunity exposure: revenue from products meeting customer climate-related requirements of Rs 2,750 million or 6% of current revenue; climate-related capital expenditure: Rs 420 million or 12% of total capital expenditure carried out during the year.
Targets and capital deployment	Scope 1 and Scope 2 emissions intensity target: 20% reduction by 2030 from 2026 baseline; renewable energy target: 35% by 2030; water intensity target: 15% reduction by 2030 from 2026 baseline; certified or lower-impact raw material target: 45% by 2030; Tier 1 supplier coverage target: 90% by 2028; Scope 3 target coverage: not included in year one because transition relief is applied.
Approval date	Illustrative approval date: 30 November 2026.

XYZ Textile Company Limited
Illustrative Sustainability Report (Climate-only)
For the year ended June 30, 2026

Statement of climate-related metrics and targets

[Standards reference: IFRS S1 paragraphs 21–24 and 45–53; IFRS S2 paragraphs 27–37, 29(a)–(g), 32–36 and C3–C5]

At a glance — first-year climate-only reporting

This statement presents the Company's key climate-related metrics, targets and industry-based apparel indicators in a financial-statement-style format. Detailed disclosures and explanatory notes are provided in the sections referenced in the Note column.

Measurement basis: "For the year" metrics represent activity during the year ended June 30, 2026. "As at" metrics represent status as at June 30, 2026.

Metric / indicator	Basis	Note	Unit of measurement	First-year amount or status
A. Reporting profile and activity metrics				
Production volume	For the year	6.5	Metric tons / million metres / garments	42,000 / 118 / 18.5
Manufacturing sites	As at	6.5	Number of sites	4
Tier 1 suppliers	As at	6.5	Number of suppliers	126
Suppliers beyond Tier 1	As at	6.5	Number of suppliers	248; data basis: supplier declarations and management estimates
B. Greenhouse gas emissions				
Scope 1 emissions	For the year	6.2	tCO_2e	28,400
Scope 2 emissions	For the year	6.2	tCO_2e	41,600
Total Scope 1 and Scope 2 emissions	For the year	6.2	tCO_2e	70,000
Scope 1 and Scope 2 emissions intensity	For the year	6.2	tCO_2e per unit of production	1.67
Transition-risk exposure	For the year	6.1, 6.6	Rs million / % of total assets or operating costs	3,850 / 22%

Metric / indicator	Basis	Note	Unit of measurement	First-year amount or status
Physical-risk exposure	As at	6.1, 6.6	Number / % / Rs million	Manufacturing sites exposed: 2 / 50%; assets exposed: Rs 4,200 million
Climate-related opportunity exposure	For the year	6.1, 6.6	Rs million / % of revenue	Revenue from products meeting customer climate-related requirements: Rs 2,750 million / 6%
Scope 3 emissions	For the year	6.3	tCO_2e	Not reported — transition relief applied
C. Energy and water				
Energy consumed	For the year	6.4	GJ	1,245,000
Energy intensity	For the year	6.4	GJ per unit of production	29.6
Renewable energy share	For the year	6.4	%	18
Water withdrawn	For the year	6.4	m^3	3,850,000
Water consumed	For the year	6.4	m^3	920,000
Water intensity	For the year	6.4	m^3 per unit of production	91.7
Water withdrawn from high water-stress areas	For the year	6.4	m^3 / %	2,690,000 / 70
Water consumed from high water-stress areas	For the year	6.4	m^3 / %	640,000 / 70
D. Apparel supply chain and priority raw materials				
Priority raw materials	For the year	6.5	Description	Cotton and polyester
Cotton as % of priority raw materials	For the year	6.5	%	62
Polyester as % of priority raw materials	For the year	6.5	%	38
Cotton purchased	For the year	6.5	Metric tons	24,500

Metric / indicator	Basis	Note	Unit of measurement	First-year amount or status
Polyester purchased	For the year	6.5	Metric tons	15,200
Certified/lower-impact cotton	For the year	6.5	Metric tons / %	6,800 / 28
Recycled/certified polyester	For the year	6.5	Metric tons / %	3,100 / 20
Tier 1 suppliers assessed	As at	6.5	Number / %	82 / 65
Tier 1 suppliers assessed by procurement spend	As at	6.5	% of Tier 1 procurement spend	78
Tier 1 suppliers in high water-stress or flood-exposed locations	As at	6.5	Number / %	29 / 35
E. Targets, progress and capital deployment				
Scope 1 and Scope 2 emissions intensity target	As at	6.5	% reduction	20 by 2030; baseline established
Renewable energy target	As at	6.5	%	35 by 2030; current share 18
Water intensity target	As at	6.5	% reduction	15 by 2030; baseline established
Certified/lower-impact raw material target	As at	6.5	%	45 by 2030; current share 25
Tier 1 supplier assessment coverage target	As at	6.5	%	90 by 2028; current coverage 65
Scope 3 target coverage	As at	6.5	Description	Not included in year one — transition relief applied
Climate-related capital expenditure	For the year	4.3, 6.5	Rs million / % of total capex	420 / 12

Note for preparers

Scope 3 emissions are not reported in the first annual reporting period because the Company applies the IFRS S2 transition relief. Tier 1 and beyond Tier 1 supplier indicators are industry-based supply-chain exposure indicators and are not Scope 3 greenhouse gas emissions data. If supplier data beyond Tier 1 is based on assumptions, estimates or other uncertainty, that fact should be disclosed.

XYZ Textile Company Limited
Illustrative Sustainability Report (Climate-only)
Notes to and forming part of the Sustainability Report
For the year ended June 30, 2026

1. Company description and operations

[Standards reference: IFRS S1 paragraphs 28–32; IFRS S2 paragraphs 9–13]

XYZ Textile Company Limited is a fictional public limited company listed in Pakistan. It operates as an integrated textile manufacturer with activities including spinning, weaving, processing, dyeing, printing, stitching and apparel manufacturing. The Company's manufacturing operations are located in Pakistan and it sells finished textile and apparel products to local and export customers.

The Company depends on energy, water, cotton, polyester, skilled employees, suppliers, logistics providers, customers and finance providers to operate its business model. Climate-related risks and opportunities could reasonably be expected to affect the availability or cost of these resources and relationships, and could therefore reasonably be expected to affect the Company's cash flows, access to finance or cost of capital over the short, medium or long term.

Value chain area	Key relationships and resources	Climate relevance
Upstream	Cotton growers, polyester suppliers, chemical suppliers, energy providers, water resources and logistics providers.	Raw material availability, water stress, supplier resilience, input price volatility and exposure to supplier-related climate risks.
Own operations	Spinning, weaving, processing, dyeing, printing, stitching and apparel manufacturing sites in Pakistan.	Scope 1 and Scope 2 emissions, energy use, water use, heat exposure, flood exposure, operating costs and production continuity.
Downstream	Local and export customers, logistics providers and distribution channels.	Customer climate-related requirements, delivery disruption, product specifications and revenue opportunities from lower-impact products.
Finance providers	Banks, lenders and other finance providers.	Access to finance, cost of capital, climate-related data requests and potential sustainability-linked financing expectations.

1.1 Climate-related commitment

The Company's climate-related commitment is to manage the climate-related risks and opportunities that could reasonably be expected to affect its prospects. The Company seeks to reduce exposure to climate-related disruption, improve energy and resource efficiency, and respond to changing expectations of customers, investors, lenders and other creditors.

This report focuses on climate-related financial disclosures only. It does not present a broad corporate social responsibility report. Matters such as community programmes, employee initiatives or general environmental activities are included only where they are relevant to understanding climate-related risks and opportunities and their effects on the Company's prospects.

The Company is at an early stage of climate-related reporting. During the first year, management has prioritised the identification of material climate-related risks and opportunities, the governance and risk management processes used to oversee them, and the metrics and targets used to monitor progress. The Company expects its processes, data quality and disclosures to develop over time.

2. Basis of preparation

2.1 Reporting basis and transition reliefs

[Standards reference: IFRS S1 paragraphs 20–24, 60–73 and E3–E6; IFRS S2 paragraphs C3–C5]

The sustainability report has been prepared for the company and should be read in conjunction with the Company's financial statements prepared in accordance with accounting and reporting standards as applicable in Pakistan. It covers a 12-month period for the year ended June 30, 2026 which is aligned with the reporting period of the related financial statements.

The sustainability-related financial disclosures are prepared for the same reporting entity and reporting period as the related financial statements. These disclosures are prepared to present fairly the climate-related risks and opportunities that could reasonably be expected to affect the Company's prospects, including its cash flows, access to finance and cost of capital.

This first-year sustainability report contains the IFRS S1 transition reliefs for comparative information, climate-only reporting and timing of reporting, together with the applicable Pakistan transition context. It also includes application of transition relief contained in IFRS S2 whereby entities may choose not to report their scope 3 GHG emissions in their first year's sustainability report.

The Company has used consistent assumptions, units of measure and data boundaries, where possible, across sustainability-related financial disclosures and the related financial statements. Significant differences between sustainability-related information and the related financial statements would be explained where relevant.

The Company updates disclosures for information received after the reporting date but before authorization for issue if that information relates to conditions existing at the reporting date. Material events after the reporting date are disclosed if non-disclosure could reasonably be expected to influence decisions made by primary users.

> ***First-time preparer tip:*** *Keep the first-year basis of preparation simple. Explain the reporting boundary, transition reliefs, data limitations and key judgements clearly, and avoid implying precision where data is still developing.*
>
> *This illustrative publication does not include an explicit and unreserved statement of compliance with IFRS Sustainability Disclosure Standards as it is an educational illustration based on fictional facts, assumptions and placeholders.*

2.2 Time horizons

The Company defines time horizons based on when sustainability-related risks and opportunities could reasonably be expected to occur. As of the end of the reporting period, the following time horizons have been identified, which align with the timelines used for strategic decision-making:

- Short term: up to 2 years
- Medium term: 3 to 7 years
- Long term: beyond 7 years up to 25 years

These time horizons are applied consistently across the identification, assessment and disclosure of climate-related risks and opportunities, including scenario analysis, financial effects and target setting.

2.3 Reporting boundary

[Standards reference: IFRS S1 paragraphs 20, 22–24 and 60–68; IFRS S2 paragraph 29(a) and paragraphs B19–B31]

The sustainability-related financial disclosures use the same reporting entity and reporting period as the related financial statements. Own operations and relevant value-chain relationships are considered when identifying climate-related risks and opportunities. Scope 1 and Scope 2 greenhouse gas emissions are measured using an operational control boundary. Scope 3 greenhouse gas emissions are not reported in this first-year sustainability report because the Company applies the IFRS S2 transition relief.

The following table summarises the boundaries applied in preparing this sustainability report, including how different components of the reporting entity and value chain have been treated.

Boundary component	Treatment in this illustrative sustainability report
Parent and controlled operations	Only parent included in the reporting entity and its operations considered for climate-related risks, opportunities, metrics and targets. *[**Note for preparers**: Group level sustainability report may be prepared by a parent entity, however, in such a case, the sustainability report should reflect group-level sustainability-related risks and opportunities]*
Leased assets controlled by the Company	Included where the Company has operational control and relevant data is available.
Associates, joint ventures and other investees	Not illustrated in this first-year example.
Value chain	Considered for identifying and assessing climate-related risks and opportunities, including priority raw materials and supplier exposure.
Scope 3 greenhouse gas emissions	Not reported in year one because IFRS S2 transition relief is applied.
Acquisitions, disposals and changes in group structure	Not illustrated in this first-year example.

2.4 Judgements and measurement uncertainty

[Standards reference: IFRS S1 paragraphs 74 and 77–82]

Significant judgements exercised by management in relation to this first year sustainability report include determining material climate-related risks and opportunities, selecting applicable industry-based guidance, identifying the Raw Materials Sourcing disclosure topic, defining time horizons, determining which metrics are useful to primary users and deciding whether quantitative financial effects can be presented without undue measurement uncertainty.

Key assumptions used in relation to this first year sustainability report are with respect to the use of available emission factors, supplier declarations, water-stress classification methodologies, climate scenario assumptions and management estimates relating to potential financial effects. These assumptions may change as methodologies, data quality and external climate information evolve.

The most significant sources of measurement uncertainty in context of this first-year sustainability report relate to emissions estimates, emission factors, water-stress exposure, supplier information, raw material quantities and certification data, and the qualitative or estimated assessment of financial effects. The Company expects data quality and internal controls to improve over time.

2.5 Materiality assessment

[Standards reference: IFRS S1 paragraphs 17–19 and B13–B37] **Step**	**Steps carried out by management of the Company**
1. Identify climate-related matters	Management identified climate-related physical risks, transition risks and opportunities that could reasonably be expected to affect the Company's prospects.
2. Determine material information	Management decided what information to disclose based on whether omitting, misstating or obscuring that information could reasonably be expected to influence decisions of primary users of general-purpose financial reports (investors, lenders and other creditors).
3. Sources and governance review	Management considered internal risk processes, operational information, supplier and customer information, industry-based guidance and external climate information. The results were reviewed through management and governance processes.
4. Reassess and update	Materiality judgements are reassessed at each reporting date and when significant events or changes in circumstances affect the Company or its value chain.

First-year workflow: The Company mapped its business model and value chain, identified climate-related physical risks, transition risks and opportunities, assessed whether each matter could affect cash flows, access to finance or cost of capital, determined the material information needed by primary users, and connected the disclosures to governance, strategy, risk management, metrics and targets.

The Company also considered other external sources of information to identify whether there were any additional risks and opportunities. The sources consulted included the following:

- disclosure topics in the IFRS S2 industry-based guidance for the Apparel industry
- climate-related risks and opportunities identified by entities that operate in the same industries as the company

2.6 Presentation currency

The presentation currency of the sustainability-related financial disclosures is the Pak Rupees (Rs.), which aligns to the presentation currency used in the financial statements, and amounts disclosed are rounded to the nearest thousand unless otherwise stated.

3. Governance

3.1 Governance overview

[Standards reference: IFRS S1 paragraphs 25–27; IFRS S2 paragraphs 5–7]

The Company’s climate governance disclosures focus on the bodies and management roles responsible for oversight of climate-related risks and opportunities, how information flows to the Board, and how climate-related matters are considered in strategy, risk management, financial planning, targets and reporting.

3.2 Board and management responsibilities

The Board has ultimate oversight responsibility for climate-related risks and opportunities and monitors management's processes for identifying, assessing, prioritising and managing those risks and opportunities as per its terms of reference, which include responsibility for reviewing sustainability-related reports, climate-related targets and progress, and the integration of climate considerations into the Company's strategy and risk management framework.

Board committees support that oversight through review of risk management, data quality, targets, remuneration considerations and climate-related reporting. Management (and more specifically cross functional sustainability committee formed by the Board) is responsible for day-to-day execution, reporting and control activities relating to climate-related matters. The Board committees together with management identify sustainability-related risks and opportunities including climate-related risks and opportunities.

Management reports material climate-related matters to the relevant Board committee at least quarterly, and climate-related targets and progress are reviewed at least annually.

In overseeing climate-related risks and opportunities, the Board and management committee have considered trade-offs between different risks and opportunities: for example, the trade-off between the cost of early investment in energy transition and the risk of increased exposure to carbon regulation and customer requirements if action is delayed. These trade-offs are considered in the context of the Company's broader strategic planning and capital allocation decisions.

3.3 Climate-related skills and competencies

The Board periodically evaluates whether sufficient competencies and expertise are available to oversee climate-related risks and opportunities. The relevant areas of management activities together with how those areas are linked to climate oversight are explained below.

Management Skill area	Why it matters for climate oversight
Strategy and business leadership	Supports oversight of climate-related risks and opportunities in strategic decisions, capital allocation and business model resilience.
Financial reporting and assurance	Supports review of climate-related financial disclosures, data quality, controls and links to the related financial statements.
Risk management and controls	Supports oversight of identification, assessment, prioritisation and monitoring of climate-related physical and transition risks.
Operations and supply chain	Supports understanding of climate-related effects on manufacturing sites, energy, water, logistics and priority raw materials.
Climate and sustainability reporting	Supports understanding of IFRS S1, IFRS S2, climate-related metrics, targets and transition planning.

Tip for preparers

This report presents above a concise summary of the skills and competencies relevant to climate-related oversight. Additional detail may be included in another report or appendix if it provides material information to users.

3.4 Remuneration systems

[Standards reference: IFRS S2 paragraphs 6(a)(v) and 29(g)]

The Human Resource and Remuneration Committee oversees whether and how climate-related performance metrics are included in executive remuneration arrangements. This includes oversight of the alignment between climate-related objectives, performance assessment and incentive structures, where relevant.

The Company describes the nature of any linkage between executive remuneration and climate-related considerations, rather than the detailed design or weighting of remuneration outcomes. The Committee periodically reviews whether climate-related metrics remain appropriate, measurable and decision-useful for inclusion in remuneration frameworks as the Company's climate governance, data quality and targets mature. The Company policy determines that a portion of long-term incentive awards may vest based on the achievement of specified reductions in Scope 1 and Scope 2 greenhouse gas emissions relative to a defined baseline year. The example table is provided to demonstrate how climate-related performance metrics are incorporated into remuneration arrangements, where applicable.

Remuneration element	Climate-related metric (illustrative)	Assessment basis	Purpose of linkage
Long-term incentive awards	Reduction in Scope 1 and Scope 2 greenhouse gas emissions	Performance measured against a defined baseline year and approved targets	To align executive incentives with progress toward emissions-reduction objectives and climate-related risk management
Long-term incentive awards	Improvement in emissions intensity	Assessment of emissions per unit of production over the performance period	To encourage operational efficiency and emissions-intensity improvements
Long-term incentive awards	Progress toward climate-related targets approved by the Board	Qualitative and quantitative assessment of progress against disclosed targets	To reinforce accountability for delivery of climate-related objectives

Tip for preparers

In this first-year illustration, climate-related remuneration disclosures are presented at a high level, including the nature of any linkage between executive remuneration and climate-related considerations.

In this example, the above matrix is provided for illustrative purposes only. It demonstrates how climate-related performance metrics could be reflected in executive remuneration arrangements and does not imply that such metrics are currently determinative of remuneration outcomes or subject to specific weightings.

4. Strategy

Strategy — material climate-related risks and opportunities

Climate-related risks and opportunities disclosed in this section are those that could reasonably be expected to affect the Company's prospects.

[Standards reference: IFRS S1 paragraphs 28–42; IFRS S2 paragraphs 8–23]

Climate-related risk or opportunity	Type	Affected component of reporting boundary	Management approach	Time horizon of impact (Short / Medium / Long term)	Related notes
Carbon regulation and energy cost exposure	Transition risk	Own operations; purchased energy; financial planning	Energy-efficiency projects, renewable energy assessment, fuel mix review and climate screening of capital expenditure.	Short to medium term	Sections 4.3, 5, 6.1, 6.3 and 6.5
Changing customer demand due to preference to green products	Transition risk	Downstream customers; product specifications; revenue	Customer engagement, improved climate data, product and process efficiency initiatives and review of customer requirements.	Medium term	Sections 4.2, 5, 6.1 and 6.5
Water stress and material availability	Physical risk	Upstream cotton sourcing; own operations; water-dependent processing	Supplier engagement, water-stress monitoring, sourcing concentration review and water-efficiency projects.	Medium to long term	Sections 4.2, 5, 6.3 and 6.4
Flood exposure of assets and logistics routes	Physical risk	Manufacturing sites; storage; logistics routes; working capital	Site flood assessment, drainage and protective infrastructure, emergency response planning and logistics contingency planning.	Short to medium term	Sections 4.4, 5, 6.1 and 6.5
Extreme heat conditions impacting	Physical risk	Labour-intensive production; cooling systems; production schedules	Heat protocols, ventilation and cooling improvements, maintenance	Short term (increasing into medium term)	Sections 4.4, 5 and 6.3

Climate-related risk or opportunity	Type	Affected component of reporting boundary	Management approach	Time horizon of impact (Short / Medium / Long term)	Related notes
workforce productivity			planning and shift-scheduling review during high-temperature periods.		
Energy and resource efficiency	Opportunity	Own operations; capital expenditure; operating costs	Prioritise energy- and resource-efficiency initiatives and renewable energy opportunities that enhance operational efficiency, reduce cost exposure and support long-term operational resilience.	Short to long term	Sections 4.3, 5, 6.1, 6.3 and 6.5

How to read this section: Section 4 explains how climate-related risks and opportunities could affect the Company's strategy, business model, value chain, financial position, financial performance and cash flows. It first summarises the material matters identified, then explains their financial effects, management response, transition-related actions and resilience under two climate scenarios. Related metrics and targets are presented in Section 6.

4.1 Summary of material risks and opportunities

- **Carbon regulation and energy cost exposure:** transition risk (arising due to carbon regulations) affecting energy-intensive operations, purchased energy and capital allocation; monitored through emissions, energy use and climate-related capital expenditure metrics.
- **Changing customer demand due to preference to green products:** transition risk affecting export customers, product specifications, climate-related data requests and revenue opportunities from lower-impact products.
- **Water stress and raw material availability:** physical risk affecting cotton sourcing, water-dependent processing, supplier resilience, production continuity and input costs.
- **Flood exposure of assets and logistics routes:** physical risk affecting manufacturing sites, storage, logistics, inventory, working capital and business continuity.
- **Extreme heat conditions may impact workforce productivity:** physical risk affecting labour-intensive production, cooling requirements, maintenance planning and production schedules.
- **Energy and resource efficiency:** climate-related opportunity affecting operating costs, emissions intensity, resource efficiency and operational resilience.

4.2 Current and anticipated financial effects

[Standards reference: IFRS S1 paragraphs 34–40; IFRS S2 paragraphs 15–21]

The table below distinguishes between effects already reflected in the current reporting period and anticipated effects that may arise over future periods. In this first-year illustrative sustainability report, most effects are assessed qualitatively because the Company does not yet have sufficiently reliable data to quantify each financial effect without undue measurement uncertainty.

Risk or opportunity	Current period effect	Anticipated financial effect	Likely affected financial statement area
Decarbonisation policy measures	No material quantified current-period effect is illustrated.	Potential increase in energy costs, compliance expenditure and capital expenditure over the short and medium term. Longer-term effects may reduce if efficiency, renewable energy and transition actions are implemented successfully.	Operating costs, capital expenditure, property, plant and equipment, cash flows and cost of sales.
Changing customer demand	No material quantified current-period effect is illustrated.	Potential effects on revenue, margins, customer retention and product mix arising from increased customer requirements for climate-related data, emissions performance, or sourcing practices.	Revenue, gross margin, cost of sales, inventory and cash flows.
Water stress and raw material availability	No material quantified current-period effect is illustrated.	Potential effects on raw material costs, sourcing resilience, production continuity and margins over the medium and long term.	Inventory, cost of sales, operating costs, working capital and cash flows.
Flood exposure of assets and logistics routes	No material quantified current-period effect is illustrated; exposure has been assessed qualitatively and through site and asset indicators.	Potential effects on production downtime, repair costs, inventory losses, insurance, working capital and cash flows over the short, medium and long term.	Property, plant and equipment, inventory, operating costs, insurance, working capital and cash flows.
Extreme heat risk	No material quantified current-period effect is illustrated; potential additional operating costs and productivity effects are considered qualitatively.	Potential effects on labour productivity, cooling costs, maintenance and production schedules over the medium and long term.	Operating costs, cost of sales, production efficiency, margins and cash flows.

Quantitative estimates of anticipated financial effects have not been presented because the Company does not yet have sufficient data, modelling capability or estimation certainty to provide reliable quantitative information without undue measurement uncertainty. Management expects to enhance quantification methodologies in future reporting periods.

Tip for preparers — Connection with financial statements, referencing and cross-referencing

Disclosures should clearly explain the connection between sustainability-related financial information and the related financial statements. This includes linking narrative disclosures (such as strategy, risks and opportunities, and metrics) with relevant line items, amounts or assumptions presented in the financial statements. Cross-references should be used where appropriate to avoid duplication while ensuring that users can easily locate related information across the report.

4.3 Climate transition plan and decarbonisation actions

[Standards reference: IFRS S2 paragraphs 14(a)–(c), 29(e)–(f) and 33–36]

As this is first year of implementing sustainability reporting, the Company has set climate-related strategic objectives and is developing related actions. It has not yet developed or approved a formal climate-related transition plan as described in IFRS S2; however, the Company has disclosed climate-related targets and actions that contribute to transition in this report. The disclosures below therefore describe the actions currently being developed or implemented to address transition risks, physical risks and climate-related opportunities.

The Company's first-year strategic focus is to improve operational resilience, reduce Scope 1 and Scope 2 emissions intensity and maintain reliable access to priority raw materials. The actions are subject to commercial viability, funding availability, data quality, supplier capability and Board approval where capital expenditure is required.

The key assumptions and dependencies considered by the Company in planning its measures against climate-related transition and physical risks are as follows:

Area	Time horizon	First-year assumption or dependency
Policy and regulation	Medium term	Future climate related uncertainties, energy usage and customer requirements for green products may increase over the medium term.
Energy transition	Medium to long term	Renewable electricity and lower-emission fuel alternatives may become more available over time.
Technology	Short to medium term	Energy-efficiency and process-improvement technologies remain commercially viable.
Data reliability	Short term (improving over medium term)	Scope 1 and Scope 2 data is more mature than supplier and wider value-chain data.
Supplier capability	Medium term	Supplier engagement and supplier data quality are expected to improve over future periods.
Finance	Short to medium term	Climate-related capital expenditure depends on project economics, funding availability and Board approval.
Physical climate conditions	Medium to long term	Flood, heat and water-stress exposure may increase under higher-warming scenarios.

The Company has considered following areas for mitigation and adaptation actions while planning its actions in respect of material climate-related risks and opportunities disclosed in this report.

Type of effort	Areas for mitigation or adaptation actions	Related climate-related risk(s)
Direct mitigation	Energy efficiency, renewable electricity assessment, fuel mix review and process optimisation.	Carbon regulation and energy cost exposure; changing customer demand due to preference for green products
Direct adaptation	Flood protection, drainage improvements, cooling, heat protocols and water-efficiency measures.	Flood exposure of assets and logistics routes; extreme heat conditions impacting workforce productivity; water stress and material availability
Indirect mitigation and adaptation	Supplier engagement, customer engagement, procurement review and logistics contingency planning.	Water stress and material availability; changing customer demand due to preference for green products; flood exposure affecting supply chain and logistics

Climate-related actions are resourced through operating budgets, approved capital expenditure and management time. Capital deployment is monitored through climate-related capital expenditure, disclosed in the primary statement and Section 6.5.

As this is the first year of climate-related reporting, the Company does not present progress against previously disclosed transition plans or targets. The actions and targets disclosed in this report form the initial basis for monitoring and reporting progress in future periods, subject to ongoing governance review and data availability. Relevant processes have been put in place to ensure that climate-related targets and actions are reviewed through management and relevant Board committee.

As this is first year when the Company has formally considered, planned and acted in respect of climate-related risks and opportunities, the Company has not yet carried out following activities in this year:

- third-party validation of targets has not been obtained, carbon credits are not used to achieve the targets, and the latest international agreement on climate change has been considered qualitatively rather than used to derive the targets.

- The Company has not applied an internal carbon price while planning actions against climate-related risks and opportunities. Management may consider whether an internal carbon price is useful for capital expenditure screening and scenario analysis in future reporting periods.

Decarbonisation action areas: The Company’s first-year transition actions focus on energy efficiency, renewable electricity, process optimisation, fuel mix review and capital expenditure screening. More detailed value-chain actions will be developed as supplier engagement, data collection and reporting processes mature.

4.4 Scenario analysis and climate resilience

[Standards reference: IFRS S1 paragraphs 41–42; IFRS S2 paragraph 22 and paragraphs B1–B18]

The Company uses climate-related scenario analysis to assess whether its strategy and business model remain resilient under different climate-related conditions.

The Company has undertaken climate scenario analysis using two contrasting scenarios—a low-warming scenario and a high-warming scenario—informed by pathways developed by the Intergovernmental Panel on Climate Change (IPCC) and aligned with the government's commitment with objectives of the Paris Agreement. The low-warming scenario reflects that policy and market transition occurs more quickly which result in a transition pathway consistent with limiting global temperature rise to well below 2°C, while the high-warming scenario represents a delayed or insufficient global response to climate change, resulting in higher physical climate risks.

In this first-year report, the analysis is qualitative and proportionate to the Company's current data and modelling capability.

Time horizons used in this analysis are consistent with those defined in Section 2.2.

First-time preparer tip: Scenario analysis in the first year does not need to be complex modelling. It should explain the scenarios considered, the key assumptions, the affected parts of the business and how management would respond.

The summarised details of scenario analysis performed is provided below:

Required scenario disclosure	What has been considered while preparing disclosures presented in this First-year report
Scenarios used	Lower-warming and higher-warming qualitative scenarios.
Scenario sources	Publicly available climate and policy information, together with entity-specific operational and value-chain information.
Diverse range of scenarios	Yes. One scenario emphasises faster transition risk and the other emphasises more severe physical risk.
Latest international agreement on climate change	Considered qualitatively in selecting a lower-warming scenario.
Time horizons	Short, medium and long term, consistent with the Company's planning horizons.
Scope of operations	Manufacturing operations in Pakistan and priority value-chain exposures, including cotton sourcing, energy, water and logistics.
Reporting period in which analysis was carried out	Year ended June 30, 2026.

The key assumptions underlying each scenario and the corresponding climate-related risk profile are summarised below:

Scenario	What is assumed	Expected risk profile
Lower-warming scenario	Climate policies strengthen earlier, customer demand shifts more quickly towards lower-emission products and energy transition accelerates.	Transition risk is higher in the short and medium term; physical risk is comparatively lower over the longer term.
Higher-warming scenario	Climate policy action is delayed, transition pressure is slower, and physical climate impacts become more frequent and severe.	Physical risk increases significantly over the medium and long term; transition risk is lower initially but may remain uncertain.

The lower-warming scenario reflects assumptions broadly consistent with the temperature goals of the Paris Agreement and related government commitments to transition towards a lower-carbon economy, with pathways aimed at limiting the increase in global average temperature to well below 2°C above pre-industrial levels.

Under this scenario, the Company expects greater transition pressure from regulation, customers, lenders and technology change. Management would respond by accelerating energy-efficiency projects, renewable energy procurement, product and process improvements, and climate screening of capital expenditure.

The table below summarises the Company's assessment of climate-related risk exposure and the corresponding management priorities across the short, medium and long term under the lower-warming scenario.

Time horizon	Risk exposure	Management focus
Short term	Transition risk is medium to high; physical risk is low to medium.	Improve emissions data, monitor regulatory and customer requirements, and prioritise energy-efficiency projects.
Medium term	Transition risk remains material; physical risk remains manageable with adaptation planning.	Increase renewable energy use, review fuel mix, invest in efficiency and strengthen supplier engagement.
Long term	Transition risk reduces if the business model adapts; physical risk is lower than in a high-warming scenario.	Maintain low-emission production capabilities and align capital allocation with the long-term transition plan.

The higher-warming scenario reflects assumptions consistent with a delayed transition and higher physical climate impacts associated with temperature increases exceeding 3°C. Under this scenario, delayed climate action results in more severe physical risks. Management would place greater emphasis on adaptation, flood protection, water efficiency, heat management, supplier resilience, logistics continuity and insurance considerations.

In a higher-warming scenario, more frequent flooding, heat and water stress could affect production continuity, input costs, workforce productivity, insurance, logistics and working capital.

The table below summarises the Company's assessment of climate-related risk exposure and the corresponding management priorities across the short, medium and long term under the higher-warming scenario.

Time horizon	Risk exposure	Management focus
Short term	Physical risk begins to increase; transition risk is comparatively lower.	Assess exposed sites, strengthen emergency response plans and monitor water and heat exposure.
Medium term	Physical risk becomes medium to high; transition pressure remains uncertain.	Invest in flood protection, water-efficiency measures, heat management and supplier contingency planning.
Long term	Physical risk may become very high for exposed sites and value-chain locations.	Consider asset upgrades, relocation, supplier diversification, insurance strategy and resilience-focused capital allocation.

These two scenarios are considered sufficient to assess the resilience of the Company's strategy, as they represent materially different but plausible future climate outcomes and capture the key transition and physical risk drivers relevant to the Company's operations and markets. Strategic resilience is evaluated by analysing the potential impacts of each scenario on revenue, operating costs, asset values, supply-chain continuity, and access to finance.

The use of a limited number of well-established scenarios ensures that the analysis remains proportionate, decision-useful, and aligned with current data availability and modelling capabilities, while still providing meaningful insight into the Company's ability to adapt its strategy under climate futures consistent with both the Paris-aligned transition pathway and higher-warming outcomes identified by the IPCC.

4.5 Key uncertainties and resilience assessment

The Company's assessment of climate resilience is subject to uncertainties relating to future regulatory developments, market conditions, resource availability, physical climate impacts and stakeholder expectations. These uncertainties may influence the nature, timing and magnitude of climate-related risks and opportunities and, consequently, the resilience of the Company's strategy and business model.

The table below summarises the key uncertainties that could influence the Company's climate resilience, together with their potential effects and the corresponding management responses:

Area of uncertainty	Why it matters	Company response
Climate policy and regulation	May affect energy costs, emissions-related compliance, customer requirements and capital expenditure.	Monitor regulatory developments and include climate considerations in capital expenditure approvals.
Energy availability and cost	May affect operating costs, emissions intensity and resilience of production.	Assess energy efficiency, renewable energy procurement and fuel mix options.
Water stress and flooding	May affect production continuity, raw material sourcing, logistics and asset resilience.	Monitor exposed locations, invest in site resilience and review supplier concentration.
Customer and lender expectations	May affect revenue, access to finance, financing terms and data requirements.	Improve climate-related data, engage customers and lenders, and align metrics with Section 6 disclosures.

Overall, the Company's resilience depends on available operating cash flows, committed financing facilities, the ability to phase capital expenditure, supplier diversification options and the extent to which existing manufacturing assets can be upgraded, repurposed or protected against physical climate hazards. In this first-year illustrative sustainability report, the Company concludes that its strategy remains adaptable, but that continued investment in data, supplier engagement, site resilience and capital allocation processes will be needed as climate-related risks and opportunities evolve.

5. Risk management

[Standards reference: IFRS S1 paragraphs 43–44; IFRS S2 paragraphs 24–26]

The Company manages climate-related risks and opportunities through its existing enterprise risk management process. Management identifies, assesses, prioritises, monitors and reports climate-related physical risks, transition risks and opportunities that could reasonably be expected to affect the Company's prospects.

The process uses internal information, site-level information, energy and water data, supplier information, customer requirements, operational incidents, capital expenditure plans and reasonable and supportable external information. Prioritised risks and opportunities are linked to response plans, financial planning implications, metrics and governance oversight.

Scenario analysis is used qualitatively to support identification and prioritisation of physical and transition risks (refer section 4.4 above). As this is the first year of climate-related reporting, no prior-period changes to climate-related risk management processes are presented. The following table explains activities which Company's management perform for management of climate-related risks and opportunities.

Process step	First-year disclosure summary (what management does)
Identify	Identify physical risks, transition risks and opportunities using internal and external information available without undue cost or effort.
Assess	Assess nature, likelihood and magnitude, including potential effects on operations, costs, revenue, assets, capital expenditure and financing.
Prioritise	Prioritise matters using the Company's risk matrix and risk appetite.
Respond	Prepare response plans for prioritised matters, including owners, timing, resource needs and financial planning implications.
Monitor and report	Monitor progress using relevant metrics and report material matters to management, committees and the Board.

The Company acknowledges that climate-related risks are drivers of other existing financial and non-financial risks and should not only be a standalone risk type. The decision to identify climate-related risks as principal risk helps to evaluate both the likelihood and magnitude of these risk compared to other principal risks. Risk management is embedded in throughout the decision-making processes and captured within our policies, operating procedures and delegated authorities, with ongoing review by the relevant Board Committee.

The internal control system of the Company aims to provide the accuracy, reliability, and integrity of financial and non-financial information, as well as compliance with laws, regulations, and policies. The Company quarterly monitors and reviews its control environment to reduce deficiencies, address weaknesses, and identify new risks early. The Company notes changes in how it manages the process used to identify, assess, prioritise and manage climate-related risks. Climate-related risks compared to the prior period have been detailed in Continuous improvement and re-assessment.

6. Metrics and targets

This section presents a first-year reporting format focused on Scope 1 and Scope 2 greenhouse gas emissions, energy and water metrics, priority raw materials, targets and data limitations. Scope 3 greenhouse gas emissions are not reported in this first-year illustration because the Company applies the IFRS S2 transition relief.

First-time preparer tip: Start with metrics that are supportable in year one, clearly label placeholders and limitations, and explain any transition reliefs applied. Do not present supplier exposure indicators as Scope 3 emissions data.

6.1 Cross-industry and industry-based metric mapping

[Standards reference: IFRS S2 paragraphs 29(b)–(g), 32 and accompanying guidance on industry-based metric categories]

The following table shows how the first-year metrics in this report relate to the cross-industry metric categories in IFRS S2 and the industry-based guidance considered by the Company. This mapping is included to help users understand how the selected metrics support fair presentation of the Company's climate-related risks and opportunities.

IFRS S2 metric category or guidance area	How reflected in this illustrative report
Greenhouse gases	Scope 1 and Scope 2 greenhouse gas emissions are presented separately in the primary statement and Section 6.2. Scope 3 emissions are not reported in the first annual reporting period because the IFRS S2 transition relief is applied.
Climate-related transition risks	Reflected through carbon regulation and energy cost exposure, emissions intensity, renewable energy share, customer demand indicators, transition-risk exposure by amount or percentage, and transition-related target monitoring.
Climate-related physical risks	Reflected through water-stress exposure, flood exposure, heat exposure, supplier location exposure, manufacturing sites or assets exposed to physical risk, and related risk management indicators.
Climate-related opportunities	Reflected through energy and resource efficiency, renewable energy use, lower-impact materials, customer or lender benefits, and revenue from products meeting customer climate-related requirements where quantified.
Capital deployment	Reflected through climate-related capital expenditure in rupees and as a percentage of total capital expenditure. This is the Company's first-year capital deployment indicator for climate-related risks and opportunities.
Industry-based disclosure topic and metrics	Reflected through Volume 1 — Apparel, Accessories & Footwear (CG-AA), Raw Materials Sourcing disclosure topic, CG-AA-440a.3, CG-AA-440a.4 and CG-AA-000.A.

The Company disaggregates information where aggregation would obscure material information. In this first-year illustrative sustainability report, separate presentation is provided for Scope 1 and Scope 2 emissions, water-stress exposure, priority raw materials, certified or lower-impact materials, Tier 1 suppliers and suppliers beyond Tier 1.

Entity-developed metrics, including supplier assessment coverage by procurement spend, transition-risk exposure, physical-risk exposure, climate-related opportunity exposure and climate-related capital expenditure as a percentage of total capital expenditure, are labelled and defined in the relevant sections. They are designed as first-year indicators to monitor exposure, progress or resource allocation. Where these metrics are not validated by a third party, that fact is disclosed.

[Standards reference: IFRS S1 paragraphs 45–53; IFRS S2 paragraphs 27–37, B19–B31 and C3–C5]

6.2 Scope 1 and Scope 2 greenhouse gas emissions

[Standards reference: IFRS S2 paragraphs 29(a)(i), 29(a)(iii)–(v) and B19–B31]

Operational GHG emissions

The Company reports Scope 1 and Scope 2 greenhouse gas emissions on a gross basis before offsets, credits or similar instruments. Scope 1 emissions include direct emissions from sources owned or controlled by the Company. Scope 2 emissions include indirect emissions from purchased electricity consumed in manufacturing sites and offices.

The Company presents Scope 1 and Scope 2 emissions separately because aggregation would reduce users' understanding of the source and nature of the Company's emissions. No further disaggregation by greenhouse gas, business unit or facility is illustrated because the Company has not identified such disaggregation as material in this first-year report.

The table below presents the Company's Scope 1 and Scope 2 greenhouse gas emissions for the reporting period, disaggregated by emissions reporting boundary.

Boundary	Scope 1	Scope 2
Company operations under operational control	28,400 tCO2e	41,600 tCO2e
Other investees outside the emissions reporting boundary	Not applicable in this illustration	Not applicable in this illustration
Total reported emissions	28,400 tCO2e	41,600 tCO2e

6.3 Scope 3 transition relief and future reporting plan

[Standards reference: IFRS S2 paragraphs C3–C5]

The Company has applied the IFRS S2 transition relief that permits an entity not to disclose Scope 3 greenhouse gas emissions in the first annual reporting period. Accordingly, this first-year illustrative sustainability report does not present Scope 3 emissions, Scope 3 categories or Scope 3 measurement methods.

The Company plans to develop Scope 3 reporting capability in future periods by mapping relevant value-chain categories, engaging priority suppliers and logistics providers, improving procurement and activity data, selecting appropriate estimation methods and emission factors, and strengthening review controls before Scope 3 information is reported.

6.4 Methodology for calculating Scope 1 and Scope 2 emissions

[Standards reference: IFRS S2 paragraphs B26–B31]

The Company measures greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), as required by IFRS S2. Emissions are reported in metric tonnes of carbon dioxide equivalent (tCO_2e).

The Company calculates Scope 1 emissions using activity data derived from fuel purchase records, meter readings, generator logs, and other operational records. Emission factors are selected to best represent the Company's activities and operating locations.

Scope 2 greenhouse gas emissions are measured using the location-based method in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). The Company has not entered into any contractual instruments that would require presentation of market-based Scope 2 emissions information.

Calculation approach

There were no changes in the measurement approach in the current period.

Basis of measurement and data quality considerations

The Company calculates Scope 1 and Scope 2 emissions using activity data from fuel purchase records, utility invoices, meter readings, generator logs and operational records. Emission factors are selected to best represent the Company's activities and locations. The Company will continue to improve data quality and internal controls over emissions reporting in future periods.

Energy and water intensity metrics are calculated using the same production denominator used for emissions intensity where available. Water-stress exposure is assessed using site-level information and available water-risk information for the locations in which the Company operates.

6.5 Priority raw material metrics

The Company has considered Volume 1 — Apparel, Accessories & Footwear (CG-AA) of the IFRS S2 Industry-based Guidance in identifying useful first-year industry-based disclosure topics and metrics. In IFRS S1, a disclosure topic is a specific sustainability-related risk or opportunity based on the activities conducted by entities within a particular industry as set out in an IFRS Sustainability Disclosure Standard or a SASB Standard. For this illustrative sustainability report, the relevant industry-based disclosure topic is Raw Materials Sourcing. The Company separately presents: (i) the priority raw materials for the entity, being cotton and polyester; (ii) discussion and analysis of environmental or social factors that may threaten sourcing, related business risks or opportunities and management strategy; and (iii) supplier activity metrics, including Tier 1 suppliers and suppliers beyond Tier 1. These indicators are presented as industry-based supply-chain exposure indicators and raw material sourcing metrics, not as Scope 3 greenhouse gas emissions data.

What this section illustrates This section covers three practical IBG items for first-year preparers: (1) discussion and analysis of priority raw materials; (2) quantities purchased and amounts certified by standard; and (3) Tier 1 and beyond Tier 1 supplier activity metrics.

The Company's business model and activities most closely align with the Apparel, Accessories & Footwear industry description for purposes of considering industry-based disclosure topics, associated metrics, technical protocols and activity metrics. Management has applied judgement in determining that the Raw Materials Sourcing disclosure topic is relevant to the illustrative Company's facts and circumstances.

Activity metrics such as production volume, manufacturing sites, Tier 1 suppliers and suppliers beyond Tier 1 are included to help users normalise data and compare emissions, energy, water and raw-material information across reporting entities.

The related discussion and analysis is addressed across Sections 4, 5 and 6.5. Section 4 explains why priority raw materials and supplier exposure are relevant to the Company's strategy and value chain. Section 5 explains how these matters are identified, assessed, prioritised and monitored through risk management. This section presents the related industry-based metrics and management response.

The Company has considered the applicable industry-based disclosure topic, metrics and discussion-and-analysis guidance in the IFRS S2 Industry-based Guidance for Apparel, Accessories & Footwear. Where an industry-based metric is not presented in this first-year illustrative sustainability report, the Company has either determined that the metric is not applicable to the Company's facts and circumstances or has provided an alternative indicator that better reflects first-year data availability, without obscuring material information.

The table below summarises how the Company has considered and incorporated the applicable industry-based disclosure topics, metrics, and related guidance in this first-year illustrative sustainability report.

IBG disclosure topic or area considered	How covered in this illustrative report
Raw Materials Sourcing disclosure topic — CG-AA-440a.3 priority raw material discussion and analysis	Covered in Sections 4, 5, 6.5 and Table 6.5A through the list of priority raw materials, environmental or social factors, business risks or opportunities and management strategy.
Raw Materials Sourcing disclosure topic — cotton water-stress and price variability discussion	Covered in Section 6.5 through the specific discussion of vulnerability to cotton-growing regions with water stress and management of price variability.
Raw Materials Sourcing disclosure topic — CG-AA-440a.4 amount of priority raw materials purchased	Covered in the primary statement and Table 6.5B through cotton and polyester amounts purchased in metric tons.
Raw Materials Sourcing disclosure topic — CG-AA-440a.4 amount certified by third-party standard	Covered in Table 6.5B through certification-by-standard rows for cotton and polyester and related discussion of why standards are selected and how they support risk management.
CG-AA-000.A — number of Tier 1 suppliers and suppliers beyond Tier 1	Covered in the primary statement and Table 6.5C. Where supplier data beyond Tier 1 is based on assumptions, estimates or uncertainty, that fact is disclosed.
Targets and progress linked to industry-based metrics	Covered in Section 6.5 through targets for certified/lower-impact raw materials and Tier 1 supplier assessment coverage.
Scope 3-related value-chain information	Scope 3 emissions are not reported in year one because the Company applies the IFRS S2 transition relief. Supplier indicators are presented as exposure indicators, not Scope 3 greenhouse gas emissions data.

[Standards Reference: IFRS S1 definition of disclosure topic; IFRS S2 paragraphs 12, 23 and 32; IFRS S2 Industry-based Guidance — Apparel, Accessories & Footwear, Raw Materials Sourcing disclosure topic, including CG-AA-440a.3, CG-AA-440a.4 and CG-AA-000.A]

6.5A Priority raw material discussion and analysis — CG-AA-440a.3

Priority raw material	Environmental or social factors most likely to threaten sourcing	Business risks or opportunities	Management strategy
Cotton	Climate change impacts, including water stress, flooding and heat in cotton-growing regions; land-use practices; production methods that may affect water quality, soil quality or biodiversity; and supplier social practices where relevant to sourcing.	Reduced availability, price volatility, sourcing disruption, difficulty tracing sources, customer demand for responsibly sourced cotton, regulatory or market expectations, and potential effects on brand value and reputation.	Monitor sourcing concentration, engage suppliers, review water-stress exposure in known cotton-growing regions, use certification or traceability information where available, assess alternative or lower-impact sourcing options and monitor price variability through procurement planning.
Polyester	Exposure to fossil fuel-based inputs, regulation on greenhouse gas emissions, environmental regulation affecting suppliers, customer demand for recycled or lower-impact materials, and potential supply constraints for recycled feedstock.	Input price volatility, reputational exposure, customer demand for recycled or certified materials, opportunity to develop lower-impact products and potential changes in margins or sourcing costs.	Review recycled polyester options, engage suppliers, monitor availability and price of recycled or certified polyester, assess customer demand for lower-impact products and consider product or process changes where commercially viable.

Because cotton is identified as a priority raw material, the Company considers vulnerability to cotton-growing regions with water stress and the risk of price variability arising from sourcing cotton from those regions. Management addresses this risk through supplier engagement, monitoring of sourcing concentration, procurement planning, assessment of water-stress exposure where source information is available, and increased use of certified or lower-impact cotton where commercially available.

6.5B Priority raw material quantities and certification by standard — CG-AA-440a.4

Priority raw material	Amount purchased	Certification or standard	Amount certified	Associated discussion
Cotton	24,500 metric tons	Better Cotton / Organic / other third-party environmental or social standard	6,800 metric tons	The selected standards are used as indicators of lower sourcing risk because they typically incorporate requirements related to environmental management, water use, farming practices and, where applicable, social conditions in cotton-growing regions. These factors are relevant to the reliability and resilience of cotton supply, particularly in regions exposed to climate-related physical risks such as water stress and extreme weather. The use of certified or lower-impact cotton contributes to managing sourcing risk by supporting more resilient agricultural practices, improving supply-chain transparency and responding to customer and market expectations. It may also help mitigate potential reputational exposure associated with environmental or social practices in cotton sourcing. Quantitative targets for certified or lower-impact raw materials are presented in Section 6.5.
Polyester	15,200 metric tons	Global Recycled Standard / Recycled Claim Standard / other third-party recycled-content standard	3,100 metric tons	The selected standards are used as indicators of recycled or lower-impact content because they provide assurance over recycled material claims and supply-chain traceability, which supports resource efficiency, responds to customer demand for lower-emission products and helps manage transition risk arising from changing market expectations and regulatory pressures. Certified or recycled polyester also supports market opportunities associated with lower-impact products. Quantitative targets are presented in Section 6.5.

Amounts purchased are presented in metric tons for the reporting period. The scope includes priority raw materials contained in finished goods, as these materials represent the most significant inputs to the Company's products and the primary sources of climate-related sourcing and transition risk. Raw materials used in packaging and ancillary manufacturing processes are excluded because they are not considered priority raw materials for the purposes of this disclosure and are not expected to materially affect the Company's climate-related risks and opportunities.

Where estimation was required in determining amounts purchased, the Company applied estimation methods based on available information and disclosed the related key assumptions. In limited cases where weight-based information was not available, the Company used alternative units of measurement and explained the basis for their use.

6.5C Supplier activity metrics — CG-AA-000.A

Activity metric	Unit	Illustrative first-year amount	Data basis and uncertainty
Number of Tier 1 suppliers	Number	126	Based on suppliers transacting directly with the Company during the reporting period.
Number of suppliers beyond Tier 1	Number	248	Based on suppliers transacting directly with the Company during the reporting period. *[Data may be based on supplier declarations, estimates or mapping exercises. If assumptions, estimates or uncertainty are involved, the Company discloses that fact.]*

6.5D Production activity metrics

Metric area	First-year metric	Illustrative value	Management's use of these metrics
Activity metrics	Production volume and manufacturing footprint	Production volume: 42,000 metric tons / 118 million metres / 18.5 million garments; manufacturing sites: 4	Management uses these activity metrics to provide context for emissions, energy, water and raw material intensity.
Priority raw materials	Entity's priority raw materials	Cotton and polyester	Management focuses on these materials because they are significant inputs and may be exposed to climate-related sourcing risks and opportunities.
Raw material mix	Cotton and polyester as a percentage of priority raw materials	Cotton: 62%; polyester: 38%	Monitor exposure to cotton-related physical risks and polyester-related transition risks.
Priority raw materials	Raw materials purchased	Cotton: 24,500 metric tons; polyester: 15,200 metric tons	Monitor sourcing concentration, supplier availability, quality, price volatility and customer expectations.
Certified or lower-impact materials	Certified/lower-impact cotton and recycled/certified polyester	Cotton: 6,800 metric tons or 28%; polyester: 3,100 metric tons or 20%	Increase use of certified or lower-impact materials where commercially available and relevant to customer demand.
Tier 1 supplier information	Total Tier 1 suppliers and Tier 1 suppliers assessed	Total Tier 1 suppliers: 126; assessed: 82 suppliers or 65%	Prioritise supplier engagement, data collection and exposure screening for

Metric area	First-year metric	Illustrative value	Management's use of these metrics
			suppliers most relevant to production continuity.
Supplier assessment coverage by spend	Tier 1 suppliers assessed as a percentage of procurement spend	Assessed suppliers represent 78% of Tier 1 procurement spend	Use procurement spend coverage to ensure supplier assessment focuses on suppliers most relevant to production and sourcing exposure.
Tier 1 supplier exposure	Tier 1 suppliers in high water-stress or flood-exposed locations	29 suppliers; 35% of assessed Tier 1 suppliers	Use supplier location information to inform sourcing concentration, contingency planning and resilience discussions.

6.6 Climate-related targets

As this is first year of implementing sustainability reporting, the Company's climate-related targets focused on reducing Scope 1 and Scope 2 emissions intensity, improving energy and water efficiency, increasing renewable energy use and increasing the share of certified or lower-impact priority raw materials. The table below presents Company's climate-related targets with information on base year, target year, current progress and linkage to management actions.

Target area	Illustrative target	Coverage and target type	Base year	Target year	Current progress	Management actions
Scope 1 and Scope 2 emissions intensity	Reduce Scope 1 and Scope 2 emissions intensity by 20% per metric ton of production	Scope 1 and Scope 2 only; gross emissions intensity target	2026-	2030	Baseline established in the current reporting period	Energy efficiency, fuel mix review, renewable electricity and capital expenditure screening.
Renewable energy	Increase renewable energy share to 35% of total energy consumed	Operational energy; percentage-based target	2026	2030	Current renewable energy share: 18%	Renewable electricity procurement, solar feasibility assessment and energy procurement review.
Water intensity	Reduce water withdrawal intensity by 15% per	Manufacturing sites; intensity-based target	2026	2030	Baseline established in the current	Water-efficiency projects, process

Target area	Illustrative target	Coverage and target type	Base year	Target year	Current progress	Management actions
	metric ton of production				reporting period	optimisation, metering improvements and site-level water monitoring.
Certified or lower-impact raw materials	Increase certified or lower-impact priority raw materials to 45% of cotton and polyester purchased	Cotton and polyester; percentage-based target	2026	2030	Current share: 25%	Supplier engagement, sourcing review and assessment of certified or recycled material availability.
Tier 1 supplier assessment coverage	Assess 90% of Tier 1 suppliers for climate or resource exposure	Tier 1 suppliers; coverage target by number and procurement spend	2026	2028	Assessment coverage: 65% of suppliers and 78% of procurement spend	Supplier mapping, supplier data requests and prioritisation of high-exposure suppliers.
Climate-related capital expenditure	Identify and monitor capital expenditure deployed towards climate-related risks and opportunities	Capital expenditure; absolute amount and percentage of total capex	2026	Annual monitoring	Rs 420 million identified, representing 12% of total capex	Capital expenditure screening and Board/committee review of material climate-related investment proposals.
Scope 3 target coverage	No Scope 3 emissions target is presented in the first-year illustrative report	Scope 3 excluded in year one due to transition relief	Not applicable	Not applicable	Not applicable	Develop Scope 3 reporting capability before considering Scope 3 target coverage.

Targets are reviewed annually by management and reported to the relevant Board committee. [No target revisions are illustrated in the first year sustainability report as this is first year of reporting]. The Scope 1 and Scope 2 emissions intensity target is a gross emissions intensity target. Carbon credits are not used to achieve the targets. Third-party validation has not been obtained during the year as this is first-year of implementing climate-relating reporting. The latest international agreement on climate change has been considered qualitatively in setting the first-year targets.

7. Events after the reporting period

[Standards reference: IFRS S1 paragraphs 67–68]

No material events after the reporting period are illustrated in this first-year example. In an entity-specific report, disclosures should be updated for information received after the reporting date but before authorization for issue if that information relates to conditions existing at the reporting date. Material events after the reporting date should be disclosed if non-disclosure could reasonably be expected to influence decisions made by primary users.

8. Approval and authorization for issue

[Standards reference: IFRS S1 paragraph 68]

This illustrative report was approved and authorized for issue by the Board of Directors of the Company on 30 November 2026.

Chief Sustainability Officer	**Chief Executive Officer**	**Director**

Appendix A — Detailed climate resilience content

This appendix contains optional detailed climate resilience content. It may be used to provide additional information about scenario inputs, assumptions, time horizons and management responses where that information is material and helpful to users. The main body of the report contains the concise scenario and resilience summaries in Section 4.4.

Tip for preparers

The above illustrates how an entity may provide detailed climate resilience content through an Appendix attached to main sustainability report. The detailed contents of climate resilience assessment have not been illustrated above. Entities may present information on their climate-related resilience assessment based on their own facts and circumstances.