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ALL MEMBERS OF THE INSTITUTE

Dear Member

Comments on Adoption and Implementation of IFRS Sustainability Disclosure Standards [IFRS S1 and IFRS S2] in Pakistan

As communicated earlier, International Sustainability Standards Board (ISSB) issued following two standards on June 26, 2023, (which are effective for annual reporting periods beginning on or after January 1, 2024):

- IFRS S1 - *General Requirements for Disclosure of Sustainability-related Financial Information*
- IFRS S2 - *Climate-related Disclosures*

The IFRS S1 requires companies to disclose information about all of their significant sustainability-related risks and opportunities. The IFRS S2 focuses on climate-related risks and opportunities. IFRS S1 and IFRS S2 can be accessed by first registering with www.ifrs.org and then using following links which are available at this website.

<https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf>

<https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf>

As set out in IFRS S1, an entity is required to refer to and consider the applicability of the disclosure topics in the SASB Standards in identifying sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. SASB Standards cover disclosure guidance for 77 industries and are available on: <https://www.ifrs.org/issued-standards/sasb-standards/>

Further, the International Organization of Securities Commissions (IOSCO) has, on July 25, 2023, announced its endorsement of the above IFRS S1 and IFRS 2 standards. IOSCO's endorsement sends a strong signal to jurisdictions around the world that the ISSB Standards are fit for purpose for capital market use, enabling pricing in of sustainability-related risks and opportunities, and facilitate enhanced data collection and analysis.

In view of above, these standards will soon become the globally recognized framework of sustainability disclosures [Similar to the way in which IFRS Standards issued by the International Accounting Standards Board (IASB) have become global accounting standards and are used by more than 140 jurisdictions]. The information under the IFRS Sustainability Disclosure Standards is to be disclosed as part of an entity's general purpose financial reporting, therefore, to be reported at the same time as financial statements are issued.

In Pakistan, the Institute of Chartered Accountants of Pakistan (the Institute) is cognizant of international developments in sustainability reporting. The Institute through various initiatives has been promoting the relevance of sustainability, climate change, and related advances to business strategy and the chartered accountant's role in advancing these agendas. Institute is committed to perform a pivotal role in timely adoption and implementation of these standards in Pakistan.

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In line with above developments, the Accounting Standards Board (ASB) of the Institute is taking steps with the purpose to promote awareness, adoption and implementation of aforementioned IFRS Sustainability Disclosure Standards in Pakistan.

As a critical step to the process of adoption/ implementation of above-referred standards, ASB is looking forward to comments and feedback from members.

ASB requests you to be a part of aforementioned consultation process and provide valuable and insightful views and comments on adoption / implementation of aforementioned IFRS Sustainability Disclosure Standards. ASB welcomes written comments and feedback in this respect, at dtscomments@icap.org.pk by September 15, 2023.

We thank you in advance for your contribution to this important and significant initiative.

Yours truly

Muhammad Imran Khan
Director Technical