

POLICY BRIEF PB-2026-04

From ESG Commitment to Implementation: Choosing Pakistan's Legal and Institutional Pathway

**A policy brief on the Pakistan ESG Policy Report launch,
Islamabad, 5 October 2026**

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Executive Summary

Pakistan has ESG guidelines, green finance standards and a business community that is aware of ESG risk. It does not yet have a national, unified ESG law, or a single body responsible for ESG across the country. The launch of the Pakistan ESG Policy Report 2026 brought together policymakers, a senior member of the judiciary, regulators, legal and policy experts and the business community. Most speakers agreed that the main gap is implementation, not intent, but they disagreed on how to fix it.

This brief sets out where the speakers agreed and disagreed and weighs the options. It concludes with a step-by-step approach that creates value without establishing a new regulator before one is needed. The plan has four stages: a gap analysis and regulatory impact assessment; soft law through existing regulators; a coordinating ESG body; and then a proper law with audit rules, rewards for good performance and fair penalties.

RECOMMENDED CITATION

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1. Background

On 5 October 2026, the Pakistan ESG Policy Report, titled *From Framework to Law: Building National ESG Architecture*, was launched at the Pakistan Institute of Parliamentary Services in Islamabad. The event was partnered by SECMC, Jubilee Life Insurance, Packages Limited and OGDC, and supported by the SECP, the Pakistan Banks Association and the Pakistan Textile Council. The organizers positioned the launch as a first step toward legislation rather than a ceremonial occasion, and speakers described work under way on a dedicated ESG committee. It would bring on-the-ground stakeholders, government officials and regulators to the same table, giving stakeholders' concerns a structured route to the regulators. The Global Peace Summit organizes this symposium series. By its own account, the earlier 2026 symposium ended with a collective call for a National Committee on ESG Frameworks (Global Peace Summit, 2026).

The core implementation problem is familiar: Pakistan already has many laws, including the Pakistan Environmental Protection Act 1997, and the repeating weakness lies in enforcing them, not in writing them.

2. What the Event Established

2.1 The evidence gap

The chief guest, Senator Sherry Rehman, cited survey data from 2023, the most recent available to her (Associated Press of Pakistan [APP], 2026):

- 86% of businesses were aware of ESG risks and 81% of the opportunities.
- Only 18% had an ESG-certified director on the board.
- Only 11% issued sustainability reports.

- Of the roughly 537 companies listed on the Pakistan Stock Exchange, only a small fraction discloses ESG data that would withstand audit (APP, 2026).

Her conclusion was that awareness is high, but implementation is low, and that a glossy report is not proof of sustainability. She also warned about greenwashing, particularly among large exporters preparing for the EU's carbon border adjustment mechanism (CBAM).

2.2 Where speakers agreed

1. **Policy before law.** Researched, consulted policy should come first, and legislation should follow it.
2. **Law needs a mechanism.** The chief guest argued that a law without rules and an audit mechanism is pointless, and that consequential legislation should accompany any standard.
3. **Consequences matter.** One panelist argued that obligations without consequences will not be followed. The chief guest agreed that laws carry penalties but argued for minimum penalties alongside real incentives.
4. **Monitoring and evaluation.** A panelist urged that every policy end with monitoring and evaluation chapters with clear KPIs, and stressed that investors cannot wait indefinitely for complaints to be resolved.
5. **Data is the foundation.** Several speakers noted there is little reliable disclosure data, and none newer than 2023.

2.3 Where speakers disagreed

New regulator?

Position A. A single dedicated regulator is needed because the State Bank, SECP and NEPRA overlap, and none is designated for ESG.

Position B. Pakistan is over-regulated, and a new body adds cost and delay. Strengthen or simplify what exists.

Evidence for a new body

Position A. Decide now, because the overlap is already visible.

Position B. No view is possible until a technical needs assessment and regulatory impact assessment show where the 1997 and 2017 laws fail.

Federal or provincial?

Position A. ESG is a national subject. Each province issuing its own policy would fragment it.

Position B. Federal legislation on provincial subjects has precedents, using Article 144 (Parliament legislating for provinces by consent) and Articles 146 and 147 (federal and provincial governments entrusting executive functions to each other by consent) (Constitution of the Islamic Republic of Pakistan, 1973, arts. 144, 146, 147), or a law split between federal and provincial parts.

Can regulators act without a statute?

Position A. No. ESG is not mentioned in statutes, so regulators cannot adopt international ESG policy without legislation.

Position B. Yes, for now. Federal and provincial departments and regulators can issue policy as soft law under their existing mandates, and amendments follow.

Penalties or incentives?

Position A. Without punishment, no one complies with it.

Position B. Incentives drive disclosure. Penalties alone produce checkbox reporting.

2.4 The judicial perspective

A senior member of the judiciary outlined an incremental route. In the short term, treat the report as a policy report and structure it as numbered principles. Ask the Ministry of Climate Change, which holds the national policy mandate under the Rules of Business, to adopt it, and ask provincial environment departments and Environmental Protection Agencies to do likewise. Over about six months, this has become a soft law. In the long term, amend the Environmental Protection Acts and the labor laws, for example by adding a duty on companies to adopt the ESG policy issued by the Climate Change Division (a natural place is next to Section 11 of the Punjab Environmental Protection Act 1997, which prohibits discharges and emissions beyond the set standards; Punjab Environmental Protection Act, 1997, § 11).

The judge also described a court-supported route. Once policies exist and are not followed, courts can direct compliance. Company law remedies for mismanagement, oppression and, in extreme cases, winding up provide further leverage (Section 286 of the Companies Act 2017 covers petitions for oppression and mismanagement, and Section 301 sets the grounds for winding up; Companies Act, 2017, §§ 286, 301; see Qureshi v. Asif, 2019; Ahmed v. M/s. Ideal Industries (Pvt.) Ltd., 2026).

2.5 Other remarks

- **Energy and the economy.** The chief guest noted that decarbonization is already happening through net metering, cheaper solar panels and, increasingly, battery storage, driven by policy and prices rather than mandates. She argued that distributed systems reduce pressure on the grid and circular debt.
- **Businesses must lead.** She urged companies to convene, bring at least three acceptable options to regulators, negotiate incentives and penalties, propose a transparent audit framework, and commit capital and political will. The compliance journey for listed companies is already mapped out to 2031. She expects a law in 2026-27, and said an imperfect law is likely if business does not engage.
- **Parliamentary engagement.** She suggested that companies filing sustainability reports be prepared to appear before the relevant parliamentary committee.

2.6 Panel 1 theme: ESG, energy security and growth

This section is analysis of the panel's theme, not a record of the panelists' remarks. The panel's title, From Commitment to Implementation: ESG, Energy Security and Sustainable Economic Growth, points to four linked arguments.

1. **ESG and energy security are one agenda.** Cutting dependence on imported fuel lowers exposure to foreign exchange shocks and price swings, and it also cuts emissions. A company moving to cleaner power is managing a business risk, not only reporting a sustainability metric.
2. **The shift is already market driven.** As the chief guest noted, solar uptake is driven by net metering and falling panel prices, not mandates. The next stage is storage and distributed generation, which can ease pressure on the grid and on the circular debt. The policy task is to stop penalizing this shift and help it scale.
3. **The commitment is ahead of implementation.** Pakistan has an SECP disclosure framework and green finance standards, and a Pakistan Green Taxonomy, developed with the State Bank, the Min-

istry of Climate Change and international partners, which the State Bank has advised banks to use as a reference (State Bank of Pakistan, 2025). What is missing is verifying corporate data, affordable capital for resilient energy projects, and coordination between energy, finance and climate regulators.

4. ESG supports growth through exports and capital. Exporters facing the EU's carbon border adjustment need credible emissions data. Banks and investors need a shared definition of "green" to lend at better rates. Without these, ESG stays at a cost and is not a growth tool.

Three questions follow for policymakers:

- Who owns the data on corporate energy use and emissions?
- How is green energy investment financed in the near term?
- Which regulator resolves conflicts between energy rules and ESG rules?

3. Analysis

The debate is less divided than it appears. Both sides want enforceable obligations, a single point of accountability, and fewer overlapping demands on companies. They disagree on the sequence. The sensible resolution is to establish facts first, coordinate immediately, and legislate once the design is clear.

The legal question needs a clear answer. The claim that regulators cannot act without ESG legislation conflicts with existing practice. SECP has already introduced a phased disclosure framework, which the chief guest described as moving toward mandatory ESG disclosure: Phase I starts on 1 July 2029, Phase II on 1 July 2030 and Phase III on 1 July 2031 (APP, 2026). The SECP Act 1997 sets out the Commission's powers in Section 20 and creates the Policy Board in Section 12 (Securities and Exchange Commission of Pakistan Act, 1997, §§ 12, 20). The State Bank has issued green financing standards: its Green Banking Guidelines of 2017 are voluntary (State Bank of Pakistan, n.d.), but it has since advised banks to use the Pakistan Green Taxonomy as a reference (State Bank of Pakistan, 2025). The practical distinction is between what regulators can already require within their own mandates and what needs a national statute.

New institutions carry real risks. A panelist described how repeated institution-building in the past multiplied costs and human resources without improving outcomes. The ESG committee proposed at the launch avoids this by coordinating existing bodies rather than adding a regulator.

Timing matters. The chief guest expects legislation in 2026-27, and the EU's CBAM and disclosure requirements are advancing regardless of Pakistan's pace. Engagement before drafting is far cheaper than amendment afterward, since amendments can take a year or more.

4. Recommendations

Stage 1: Establish the facts (months 0-6)

Lead: Ministry of Climate Change, with the SECP

1. Commission a gap analysis and regulatory impact assessment of the 1997 and 2017 laws and the SECP and State Bank frameworks, to show what exists, what fails and where regulators overlap.
2. Update the baseline data on ESG disclosure, since nothing newer than 2023 is available.
3. Get a short legal opinion on which regulators can issue binding rules today and which actions need a statute.

Decision point (month 6): the findings decide whether a new body or a new law is needed, or whether better coordination is enough.

Stage 2: Coordinate and pilot (months 3-18)

Lead: a lead agency named by the federal government, with a small secretariat

1. Form a time-limited ESG coordination committee of regulators, federal and provincial officials, business and civil society. Its deliverables are a common reporting template, a list of regulatory overlaps, and a channel for stakeholder grievances.
2. Align SECP, State Bank and sectoral guidance to that one template, so companies face one set of expectations.
3. Run pilots in one export sector, such as textiles, and in one or two provinces, such as Punjab and Sindh, where EU carbon rules give companies a commercial reason to take part.
4. Offer non-fiscal incentives, such as faster approvals, preferred access to green finance and public recognition, paired with light penalties for false claims.
5. Build capacity by training verification and enforcement staff, since weak implementation was the speakers' core concern.

Stage 3: Legislate with evidence (months 18-36)

Lead: the Ministry of Law and Justice, with the lead agency

1. Draft a narrow law covering standards, verification and proportionate penalties for listed and large companies, using the pilot results.
2. Build provincial consent from the start through Article 144 for any provincial subject and use Articles 146 and 147 for shared administration.
3. Include monitoring and evaluation with clear KPIs.
4. Brief parliamentary committees early, so the law is not drafted without business and provincial input.

Stage 4: Consolidate (to 2030-31)

Lead: the SECP and the committee

1. Extend coverage in line with the SECP phases, from listed to non-listed public companies.
2. Review whether a dedicated body is needed, using evidence from the first years of operation.

5. Risks

- Provincial coordination: start consultations in Stage 1 and use the pilot to build trust.
- A committee with no owner: give it a named lead, a secretariat and a deadline for deliverables.
- Rushing a law because one is expected in 2026-27: a later, better-designed law is preferable to a rushed one.
- Greenwashing: use independent verification and spot checks.

- Capacity gaps: fund training and data systems before enforcement starts.

6. Next Steps

- Share this brief and the report with the Ministry of Climate Change, SECP, the State Bank, and provincial environment departments.
- Propose the ESG committee's terms of reference at the next stakeholder roundtable.
- Seek a parliamentary briefing in line with the chief guest's expected 2026-27 legislative window.

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