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CSR and ESG Reporting Regulations in Pakistan and the United States: A Regulatory Comparison

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ABSTRACT

This article examines the legally operative corporate social responsibility (CSR), environmental, social and governance (ESG), sustainability, and climate-disclosure requirements affecting listed companies in Pakistan as of 2026 and compares them with the United States federal securities-law framework and significant California climate-disclosure requirements. Using doctrinal legal research, comparative legal analysis, regulatory-document analysis, and recent academic literature, the study distinguishes binding rules from voluntary guidance, phased implementation from future obligations, and adopted rules from rules that are stayed or proposed for rescission. The analysis finds that Pakistan has developed a hybrid architecture. Amendments to the Listed Companies (Code of Corporate Governance) Regulations, 2019 impose board-level sustainability oversight and directors' report disclosures; separately, the Securities and Exchange Commission of Pakistan (SECP) has mandated IFRS S1 and IFRS S2 on a phased basis, with Phase I beginning for qualifying listed companies on 1 July 2025 and Phase II beginning on 1 July 2026. By contrast, SECP's revised ESG Disclosure Guidelines remain voluntary until June 2029. The article also corrects a significant legal-status issue concerning the Corporate Social Responsibility Bill, 2026: official parliamentary materials confirm passed texts in the National Assembly and Senate. Accordingly, the bill's proposed disclosure obligations, penalty, and recommended one-percent CSR expenditure are not treated as binding law. In the United States, the SEC's March 2024 climate-disclosure rules were stayed in April 2024; the SEC ended its defense in 2025 and proposed complete rescission in May 2026. Thus, the 2024 rules were not enforceable yet. California nevertheless provides an important state-level counterpoint through SB 253, while SB 261 remained subject to an appellate injunction. The comparison shows that Pakistan is moving toward a broader internationally aligned sustainability-reporting architecture, but its binding IFRS-based regime is still investor-focused and should not be confused with broad CSR or double materiality.

Introduction

Corporate Sustainability Reporting is no longer a domain of philanthropy, or even just of communication around corporate reputation, or even separate CSR reports and is now a domain of regulation that is increasingly linked to securities law, corporate governance and financial reporting. The underlying change is that sustainability information is no longer only a social contribution story. Regulators and investors are more and more inquiring about the effect of environmental and social dependencies, climate exposure and governance arrangements and transition strategies on enterprise prospects, financing conditions and long-term value. The International Sustainability Standards Board (ISSB) was established to meet the demand for a baseline of investor-focused sustainability information globally, with the first set of standards, IFRS S1 and IFRS S2, coming into effect for annual periods starting 1 January 2024 (IFRS Foundation, 2023a, 2023b). In 2023, IOSCO endorsed the standards, further cementing their role as a baseline standard for the capital market and urging securities regulators to consider adopting them as part of their domestic frameworks (IFRS Foundation, 2023c).

This regulatory evolution does not take away the conceptual differences between CSR and ESG, sustainability reporting and climate disclosure. The traditional CSR is about the corporation's responsibilities towards communities, employees, society and the environment, which may include corporate expenditure, philanthropy and community projects. ESG defines a wider vocabulary for an organisation and an investment to classify environmental, social and governance risks, opportunities and performance. Depending on the reporting framework, impacts, risks, opportunities or a mix are addressed in sustainability reporting. The scope of sustainability-related financial disclosure in IFRS S1 and IFRS S2 is more limited in terms of its audience and purpose: it is intended for the primary users of general purpose financial reports and is focused on sustainability-related risks and opportunities that “could reasonably be expected to affect cash flows, access to finance or cost of capital” (IFRS Foundation, 2023a, 2023b). This is a larger area of climate disclosure. Equating the four concepts helps to blur the legal basis, audience and materiality test and enforceability of specific disclosure requirements.

This difference is significant especially in a comparison between Pakistan and the United States. Pakistan has taken multiple regulatory routes at the same time. In the context of CSR, the Securities and Exchange Commission of Pakistan (SECP) initially provided voluntary guidance, followed by an ESG Regulatory Roadmap, a strengthening of listed-company board's sustainability responsibilities, voluntary ESG disclosure guidance and then the adoption of IFRS S1 and IFRS S2 through the binding phased order (SECP, 2013, 2022, 2024a, 2024b, 2024c). What emerges are not a single “ESG law”, but a layered structure where corporate-governance responsibilities and voluntary ESG measures sit alongside a new mandatory reporting standard for companies based on ISSB disclosures. The picture is further complicated by a separate Corporate Social Responsibility Bill, 2026, which has been proposed in the parliament, and requires a mandatory CSR disclosure and penalty, but still has voluntary language regarding a preferred spending benchmark of one percent (National Assembly of Pakistan 2026b; Senate of Pakistan 2026b).

The United States went down another road. Whether viewed from the side of shareholders or regulators, federal securities law has historically taken a general approach to environmental and climate issues by imposing disclosure requirements that are generally applicable, such as business description, risk factors and MD&A (management's discussion and analysis) – all of which are determined by investor materiality. In 2010, the SEC issued climate guidance that detailed how current regulations could lead to the disclosure of climate-related issues when they are material (U.S. Securities and Exchange Commission [SEC], 2010). In March 2024 the SEC took important steps to develop a far more detailed climate-disclosure regime, which would have mandated standardized disclosures for material climate risks, governance, risk management, certain Scope 1 and Scope 2 emissions, targets and financial-statement effects (SEC, 2024a). However, the Eighth Circuit litigation had been placed in abeyance, and the legal validity of the rule was quickly overturned when the SEC stayed the rule in April 2024, withdrew its defense in March 2025, and proposed rescission in May 2026. Thus, the 2024 climate rules, as of June 2026, cannot accurately be said to be “in force” federal compliance obligations.

The main research question is: What is the state of Pakistan's nascent CSR and sustainability-disclosure framework vis-à-vis the U.S. regulatory framework on corporate sustainability and climate-related disclosure as of 2026? The article does not assume but tests the hypothesis that Pakistan is increasingly moving towards a wider integration of CSR and governance and internationally oriented sustainability reporting, but U.S. federal regulation is still more closely tied to what investors find to be material, financial risk and the controversial limits of SEC jurisdiction. It is relevant for listed companies, multinational groups, institutional investors, foreign portfolio investors, exporters, regulators, boards, audit committees and sustainability professionals. It also highlights a broader regulatory dilemma: standardisation can make things easier to compare but formal disclosure requirements do not always lead to improved sustainability information, as measurement systems, assurance markets and enforcement capabilities are all still uneven (Christensen et al., 2021; Gipper et al., 2025).

Pakistan's Regulatory Landscape as of 2026

Historical Development of CSR and ESG Regulation in Pakistan

The journey from CSR to more formal sustainability regulation in Pakistan has been a step by step process. The earlier model, which was reflected in SECP's Voluntary Guidelines for Corporate Social Responsibility, 2013, promoted the need for a company to organize and disclosing social events, but did not provide for a general statutory obligation to spend money on socially responsible activities (SECP, 2013). The following Listed Companies (Code of Corporate Governance) Regulations, 2019, incorporated ESG governance in the governance framework of listed companies. In 2022, SECP released its ESG Regulatory Roadmap, where it explicitly identified the development of ESG as a phased reform of the capital-market, starting with awareness, followed by guidance, infrastructure for data collection and, in the future, regulatory intervention (SECP, 2022). This course follows the path of this evolution, from CSR being a mainly discretionary corporate activity to sustainability becoming a question of board responsibility, risk governance and reporting towards investors.

The amendments made to the Listed Companies (Code of Corporate Governance) Regulations, 2019 in June 2024 are significant changes. New regulation 10A mandates that the board's duties include providing governance and oversight of sustainability risks and opportunities, including environmental, social and governance (ESG) matters, and include establishing sustainability strategies, priorities and targets for long-term corporate value. The board should ensure it is aware of principal and emerging sustainability risks and opportunities, including climate risks, evaluates likely financial and operational implications and takes action to manage or mitigate them. Adequate disclosure on sustainability-risk assessment, management or mitigation, and measures on diversity, equity and inclusion (DEI) is required in the directors' report (SECP, 2024a). While the board is encouraged, not mandated, to adhere to SECP's ESG Disclosure Guidelines, the sustainability-oversight and directors' report requirements are integral to the revamped corporate-governance regulations and should not be considered aspirational.

A separate track is the ESG disclosure guidance provided by SECP. The 2024 guidelines have been explicitly stated as baseline guidance for listed companies and the ESG information can be provided in a separate sustainability report, in the annual report, or on the internet (SECP, 2024b). In December 2025, SECP released updated ESG Disclosure Guidelines that are harmonized with the Pakistan Green Taxonomy. Critically, the current stance of the SECP is that these disclosures based on the guidelines will stay voluntary till June 2029 and after that, it will become compulsory under a three-phased implementation plan (SECP, 2025b). This timetable should be maintained on its own, separately from the earlier IFRS S1/S2 adoption timetable. Therefore, as per the new announcement, a company may be subject to mandatory sustainability disclosure based on ISSB by 2026, but the separate SECP ESG Guideline framework is formally voluntary.

Corporate Social Responsibility Legislation in 2026

The given premise needs to be qualified according to the present legal status. The Corporate Social Responsibility Bill, 2026 was passed by the National Assembly on 21 January 2026 (National Assembly of Pakistan, 2026a). The text that was passed in the National Assembly covered CSR activities of the listed and non-listed large sized companies (excluding charitable/not for profit organizations) and required that such activities be disclosed on a form that must be notified by SECP. It mandated that such disclosures be added to audited financial statements submitted to SECP as well as be shared on company website. The document further recommended that the companies covered by the law should develop a CSR policy, have it approved by the board, and post the policy on the internet (National Assembly of Pakistan, 2026b).

The key term as it relates to spending is particularly significant. It has been written in the National Assembly text that "covered companies are encouraged to spend, preferably, not less than one percent of the net profit after tax" in CSR activities. The Senate retained that wording and the objects and reasons to the Bill made clear that the expenditure component was voluntary but transparency was mandatory (Senate of Pakistan, 2026b). There is no compulsory 1 per cent profit allocation in this language. Thus, it is wrong to suggest that the bill sets out a compulsory CSR expenditure floor as is done in the Indian context. But, if the company chose to make an amount under the proposed CSR policy, the bill would mandate that the board make sure that the amount so earmarked was utilized in line with the policy.

The disclosure sanction proposed in the Bill is more clear cut. In the parliamentary text, the default rate is set at PKR 500,000 for non-compliance with the disclosure requirements and a penalty of up to PKR 1,000 per day for such defaults (National Assembly of Pakistan, 2026b, Senate of Pakistan, 2026b). In April 2026, the Senate Standing Committee on Finance and Revenue announced that it had recommended the bill with amendments and in particular had endorsed the provision of mandatory disclosure of CSR activities (Senate of Pakistan, 2026a). Later, a Senate document was published as an "As Passed by the Senate" (Senate of Pakistan 2026b).

Parliamentary passage is not the same as enacted and functioning law, though. This study could only confirm that the National Assembly and Senate had passed the texts, but not that it had received presidential assent or been published in the Gazette to make it effective or that there was a draft Corporate Social Responsibility Act, 2026 in the Ministry of Law and Justice (as of the cut-off date for this research, June 2026). The Ministry's Document Retrieval System and Pakistan Code indicated the presence of several Acts for the year of 2026, but did not specify if the CSR measure was enacted as an Act at the cut-off (Ministry of Law and Justice, 2026a, 2026b). The CSR measure is not considered to be binding company law but rather parliamentary law whose enactment and commencement could not be confirmed. Thus, the proposed disclosure penalty and the suggested spending limit of one percent is not considered as an obligation for PSX-listed companies as at the cut-off date.

SECP ESG Regulatory Roadmap

It is important to note that SECP's ESG Regulatory Roadmap 2022 is best understood as a policy architecture as opposed to a source of company level obligations. It included planned steps in regulation, increase in consistency in ESG reporting, disclosure of targets, ESG dashboard, guidance and market products (SECP, 2022). The importance of the roadmap is that it was the policy that was implemented in the subsequent instruments through individual elements. The corporate-governance amendments addressed board oversight, while the Voluntary ESG Guidelines addressed disclosure practices and the adoption order of 31 December 2024, converted IFRS S1 and IFRS S2 into phased mandatory standards for specified companies (SECP, 2024a, 2024c).

This regulatory framework has been complemented by guidance from the Pakistan Stock Exchange (PSX) instead of a new, separate ESG reporting code. It has released its ESG Primer 2024 as guidance for sustainability reporting (Pakistan Stock Exchange [PSX], 2024) for listed companies that outlines reporting concepts, global frameworks and practical steps to help companies with sustainability reporting. While the Primer is relevant for implementation and capacity building, it should not be used as a tool to take voluntary recommendations and turn them into legal obligations. The determination of controlling legal status is still governed by the SECP instruments, Companies Act and the listing / governance requirements.

IFRS S1 and IFRS S2 in Pakistan

The most impactful mandatory sustainability-reporting move in Pakistan is SECP's 31 December 2024 order making IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2, Climate-related Disclosures, compulsory as per Companies Act, 2017 (SECP, 2024c). The order is based on a three-phase model. Phase I is applicable to companies that are listed and having annual turnover of more than PKR 25 billion in two consecutive financial years, having over 1,000 permanent and contractual employees on the last financial year-end, and total assets of more than PKR 12.5 billion. From 1 July 2025, compliance is required for these companies for their annual reporting periods. Phase II is used for companies that have listed and in the two preceding financial years have annual turnover exceeding PKR 12.5 billion or employed more than 500 people or total assets exceeding PKR 6.25 billion. Phase II will start from 1st July 2026 for annual reporting periods. Phase III applies to other listed companies and specified public-interest non-listed companies licensed and/or registered with SECP for periods starting from 1 July 2027 (SECP, 2024c).

The reporting procedures are also of legal importance. The sustainability report shall be approved in the same way as the financial statements are approved in accordance with section 232 of the Companies Act, and be included after the directors' report in the annual report. Reporting can be done up to 9 months after the end of the financial year for the initial year of compliance. Disclosure of Scope 3 emissions is also postponed till the second year of reporting for each company, auditor assurance is also started from the second year of reporting in a format to be notified by the Securities and Exchange Commission of Pakistan (SECP, 2024c) and in accordance with the relevant international auditing standards adopted by the Institute of Chartered Accountants of Pakistan (ICAP). These transition provisions have a material impact on the quantity of a Phase I or Phase II company's output during a specific year.

IFRS S1 and IFRS S2 is investor-focused. IFRS S1 requires information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital and organizes disclosures around governance, strategy, risk management, and metrics and targets (IFRS Foundation, 2023a). IFRS S2 adopts the same architecture for the assessment of climate-related physical and transition risks and opportunities and leverages on TCFD concepts and industry-based materials developed by the TCFD, which were based on SASB (IFRS Foundation, 2023b). IFRS S2 contains disclosures related to greenhouse-gas (GHG) emissions and, provided they meet the applicable requirements and relief, covers Scope 1, Scope 2 and Scope 3 emissions. The changes for greenhouse-gas disclosure aspects in the ISSB's December 2025 amendments were aimed at streamlining the complexity of implementation, such as related to financed emissions and measurement approaches (IFRS Foundation, 2025).

Two qualifications follow. First, IFRS S1/S2 are not a double-materiality regime in the sense of the European double-materiality principles. They are primarily based on financial materiality to the primary users of general-purpose financial reporting. The standards do not establish a standalone reporting requirement for material impacts on society or the environment, whether they relate to a risk or opportunity for the entity, or are purely material impacts on society or the environment (IFRS Foundation, 2023a; Abhayawansa, 2022). Secondly, standards will not apply to all PSX issuers in 2026. The phase I companies are already under the ambit of the regime, while Phase II will start from reporting periods of 1 July 2026 onwards, and Phase III will be applicable from 1 July 2027 onwards (SECP, 2024c).

Nature of Pakistan's Emerging Model

Overall, Pakistan's architecture in 2026 can be described as hybrid. This consists of a historical CSR tradition, mandatory corporate-governance process monitoring of sustainability, voluntary reporting of sustainability information in line with guidelines and a gradual progression of compulsory sustainability-related financial information reporting on the basis of ISSB standards. They are different components and each have a specific function. CSR is about corporate contribution and community oriented responsibility. Corporate-governance rules divvy up oversight duties among boards. The ESG Guidelines outlined by SECP offer a wide metrics and reporting framework and are voluntarily to be followed till 2029. According to the phased schedule, the IFRS S1/S2 are mandatory for investor-focused global reporting by specified companies (SECP, 2024a, 2024c, 2025b).

The bottom line is that any statements around a single "mandatory ESG regime" in Pakistan are over-arching. Some ESG related governance requirements are mandatory, while some ESG guideline disclosures are still voluntary and IFRS S1/S2 are mandatory only for companies whose phase has begun. Same applies for CSR. Progress is made in 2026 towards statutory CSR transparency in the form of Parliamentary proposals. Thus, there should be a degree of instrument-by-instrument analysis, rather than labels.

United States Regulatory Landscape

Traditional SEC Disclosure Philosophy

The U.S. federal securities-disclosure system has always been directed toward information that is material to investors, and not at a broad statutory obligation to engage in corporate social responsibility. Narrative and financial disclosure is organized via Regulation S-K and Regulation S-X, periodic reports and risk factors and MD&A require registrants to discuss material risks, trends and financial effects. In the 2010 guidance, the SEC did not establish a specific code of disclosure relating to climate change, but rather discussed how existing codes of disclosure may be relevant to climate issues, such as legislation and regulation; indirect impact of legislation or business trends; and physical impact of climate change (SEC, 2010). The method was modeled on the traditional U.S. model that asks if the climate information is "material" under the current definition of materiality in U.S. securities law.

This is an investor-materiality orientation which is conceptually closer to ISSB orientation than broad stakeholder oriented CSR. Both pose the question of relevance of information relevant to capital providers and enterprise prospects yet differ in their architectures. In the United States, materiality is drawn from securities-law doctrine and Commission rules; IFRS S1/S2 has explicitly formulated the reporting objective in the context of sustainability-related risks and opportunities that could impact the cash flows or access to finance/cost of capital of the reporting company (IFRS Foundation, 2023a). So, it is not correct to say that Pakistan is stakeholder based and the United States is investor based, unqualified; Pakistan's binding IFRS layer is also investor based.

SEC 2024 Climate Disclosure Rules: What Was Adopted

The SEC adopted The Enhancement and Standardization of Climate-Related Disclosures for Investors, Release Nos. 33-11275 and 34-99678 (SEC, 2024a). The final rules added new climate-related provisions to Regulation S-K and Regulation S-X. They include disclosure of climate-related risks that had had or are reasonably likely to have a material impact on a registrant's strategy, results of operations or financial condition; disclosure of the mechanism of oversight of climate-related risks by the board of directors and the role of management in the identification, assessment and management of material climate-related risks; and certain information on material climate targets and goals. They also developed financial-statement disclosures, for specified costs and expenditures, charges and losses arising from severe weather events and other natural conditions, which would only be disclosed if they had a threshold, and information regarding carbon offsets or renewable-energy certificates, if they were material to the climate target disclosed in the financial-statement.

The final rules were more limited than the SEC's proposed rules in 2022. The adopted regime didn't mandate the disclosure of Scope 3 emissions. Scope 1 and Scope 2 disclosure was restricted to large accelerated filers (LAFs) and also for accelerated filers (AFs) that were not otherwise exempt and which were material (SEC, 2024a). This design was a response to issues related to legal authority, reliability, availability of data, compliance costs and compliance burden on companies and value chain actors. The final release saw solid support for comparable emissions data, but also significant push-back on Scope 3 as data might not be within the control of the registrant, methodologies were less developed and collection and validation could be expensive (SEC, 2024a).

Scope 1 and Scope 2 GHG Emissions and Attestation

The rules adopted in 2024 stipulate that a covered LAF or non-exempt AF would have reported gross emissions in Scope 1 and/or 2, and methodology, significant inputs and assumptions, organizational and operational boundaries and protocol or standard used (SEC, 2024a). The emissions-disclosure requirement for smaller reporting companies, emerging growth companies and non-accelerated filers did not apply. It was therefore wrong to say that all U.S. public companies would be subject to the same greenhouse-gas reporting requirement, even prior to the stay.

The SEC also implemented a phased attestation process for registrants that are otherwise required to provide information on emissions. A previous compliance timeline had LAFs starting to perform limited assurance in fiscal start dates beginning in 2029 and reasonable assurance in fiscal start dates beginning in 2033. Affected AFs would have moved to the path of limited assurance in fiscal years starting in 2031, but would not have been on a path to reasonable assurance under the rule (SEC, 2024a). The general climate disclosures have also been phased in by filer status: LAFs (2025), non-exempt AFs (2026) and smaller reporting companies, emerging growth companies and non-accelerated filers (2027) (SEC, 2024a). These dates do not reflect the legally binding obligations in 2026, but the adoption of the rule.

Exclusion of Scope 3 Emissions

It's interesting that Scope 3 was not included in the final rule. A proposed rule also included scope 3 disclosure in certain situations, but was deleted in the face of extensive comments. But, supporters said, value-chain emissions are sometimes critical to understanding transition exposure, outsourcing incentives and progress on climate commitments. Opponents highlighted the challenge of confidently getting accurate information from suppliers and customers, methodological uncertainty, and costs (SEC, 2024a). The final rule thus signaled both technical limitations and politics/law as they related to the authority of the Commission.

In contrast, while IFRS S2 defines Scope 3 as part of its climate metrics regime, Scope 3 is also deferred to the second year of climate reporting for each company subject to the order in Pakistan (IFRS Foundation, 2023b; SECP, 2024c). California's SB 253 also creates a statutory path for large business entities in California to move towards Scope 3 reporting (CARB, 2026a). The federal position is thus by no means equivalent to the entire U.S. regulatory system.

Litigation, Stay and Legal Status as of 2026

Current-status analysis is a key determinant. Multiple petitions contesting the 2024 SEC climate rules have been filed in federal court of appeals and merged in the U.S. Court of Appeals for the Eighth Circuit. On 4 April 2024, the SEC issued an order pursuant to the stay of the final rules, pending the completion of the judicial review. The order explicitly indicated that the stay was not intended to impact any other SEC rules, nor the SEC's 2010 climate guidance (SEC, 2024b). The net result was that the new regime was put on hold until the compliance deadlines.

After the change of administration, the regulatory stance changed once more. On 27 March 2025 the SEC voted to end its defense of the climate rules in the consolidated litigation (SEC, 2025). On 12 September 2025 the Eighth Circuit placed the petitions on hold pending the Commission's rulemaking with notice and comment or reaffirmation of its defense. The 2026 proposed-rescission release from the SEC provides background on the procedural history and affirms the stay of the final rules, with no court having ruled on the merits of the challenges (SEC, 2026a).

On 29 May 2026, the SEC proposed to withdraw all of the climate-disclosure rules in 2024. The proposal, Release Nos. 33-11421 and 34-105572, stated that comments were due by 3 August 2026 (SEC, 2026a). The Commission's current majority contended that the rules were beyond the scope of the statute, and on their own, inconsistent with the registrant-specific materiality approach and overly burdensome. Those propositions constitute the policy and legal stance of the 2026 Commission, and are not a judicial ruling as the Eighth Circuit had not ruled on the merits. Similarly, a proposed rescission does not constitute a final rescission. The legally accurate description at the June 2026 research cut-off was therefore: the 2024 rules had been adopted but were not currently in effect, had been stayed, and the SEC defense had been withdrawn, with a judicial review in abeyance, and with full rescission proposed but not finalized (SEC, 2024b, 2025, 2026a).

The federal compliance baseline therefore continued to be the existing securities-law framework, which includes Regulation S-K, Regulation S-X, materiality principles and SEC's 2010 climate guidance, if it applied (SEC, 2010, 2024b). There may be other legal regimes and voluntary investor demands, but these are not obligations under the stayed 2024 federal rule.

Other U.S. Sustainability Disclosure Requirements: California

As an example, California enacted SB 253, the Climate Corporate Data Accountability Act, which is codified in California Health and Safety Code section 38532, and which applies to "qualifying U.S.-formed business entities doing business in California with annual revenues exceeding USD 1 billion." The current CARB implementation page states that reporting entities "should report GHGs for Scope 1 and Scope 2" and that the deadline for Scope 1 and Scope 2 reporting is "10 November 2026". CARB has also issued enforcement discretion for the initial reporting cycle and is working on drafting enforcement discretion for the next cycle in 2027 and for any reporting cycle thereafter (CARB, 2026a). The later implementation of the statutory programme involves scope 3 reporting.

Health and Safety Code section 38533, as created by SB 261, requires certain covered entities (with statutory exemptions) to report on climate-related financial risks for entities over USD 500 million in revenue. However, litigation was to impact its legal status. CARB's December 2025 enforcement advisory covers that the U.S. Court of Appeals for the Ninth Circuit issued an injunction barring enforcement of SB 261 pending the appeal in the case, Chamber of Commerce v. Sanchez, No. 25-5327, and that CARB will not enforce the January 2026 deadline for reporting while the injunction is in effect (CARB, 2025). So there are operative and judicially constrained elements in California.

The distinction between the federal and state is significant. That many SEC registrants may be covered by SB 253 does not make it an SEC rule, and that SB 261 doesn't do that doesn't mean the SEC's 2024 rules don't either. For multinational and multi-state companies, a separate mapping is required on a territory, entity, income and date basis.

Critical Comparative Analysis

Regulatory Philosophy

The financial logic behind the core investor-facing standards is, in fact, not that different, between Pakistan and the United States; regulatory architecture, however, is different. The framework in Pakistan is a mix of corporate-governance sustainability obligations, broad ESG guidelines (voluntary) and mandatory IFRS S1/S2 reporting. Sustainable development, climate resilience, and social responsibility and capital-market modernization are part of the broader policy agenda (SECP, 2022, 2024a, 2025b). However, the legally binding IFRS S1/S2 layer is specifically geared towards capital providers and the material it covers is sustainability-related risks and opportunities that impact an entity's prospects (IFRS Foundation, 2023a, 2023b). Hence, it would be wrong to describe the compulsory sustainability reporting system in Pakistan as an unqualified stakeholder-accountability system.

Federal securities law is more expressly rooted in protection of investors, materiality, disclosure duty and agency power. While the SEC's 2024 rule was said to be a response to investors' demand for consistent and comparable information on climate, the regulatory body's stay and defense withdrawal and proposed rescission show the boundaries of a highly prescriptive federal climate regime (SEC, 2024a, 2024b, 2025, 2026a). The Commission's rescission proposal in the 2026 case returns to the concepts of materiality and statutory limits on a registrant-by-registrant basis. Political and administrative stability of rule is thus a part of the substantive comparison.

Scope of Mandatory Disclosure

For companies already in the IFRS S1/S2 stages, Pakistan's mandatory sustainability architecture is wider in scope when compared to the rules that are currently in effect at the cut-off. IFRS S1 is not only one about climate; sustainability-related risks and opportunities across environmental, social and governance topics are covered where these may impact enterprise prospects. IFRS S2 adds detailed climate requirements. The corporate-governance amendments that came into force in 2024 also mandate that the boards of listed companies supervise sustainability risks, and that the directors' reports include a statement on the assessment and management of sustainability risks (SECP, 2024a, 2024c; IFRS Foundation, 2023a, 2023b).

In contrast, the specialized 2024 climate regime of the SEC was not enforceable at the cut-off. The existing federal framework was still lacking a thorough mandatory taxonomy for ESG (SEC, 2010, 2024b) and material climate information was still needed to be provided through ordinary securities-disclosure rules. California's SB 253 expands the U.S. landscape on covered entity emissions reporting by requiring the reporting of emissions, yet it is state law and not a federally mandated ESG regime (CARB, 2026a). In this sense, it is defensible to argue that the existing structure is more systematically oriented towards a holistic sustainability principle, while for uncovered phases it is not defensible to say that the same could be said for voluntary ESG guidelines and unverified CSR legislation.

CSR versus ESG versus Climate Disclosure

The CSR and IFRS sustainability tracks should continue to be conceptually separate in Pakistan. 2026 CSR bill is about the policy formulation, disclosure of CSR activity, corporate contribution to CSR activity in the specified areas. It has established its benchmark as 1%, which is not a minimum in the passed text but as encouraged expenditure (Senate of Pakistan, 2026b). IFRS S1/S2, however, do not mandate a company to allocate a portion of its profits towards social or environmental initiatives. They need financially relevant sustainability and climate risks and opportunities to be disclosed (IFRS Foundation, 2023a, 2023b).

Likewise, the SEC's 2024 rules are not fully ESG. These were climate related securities-disclosure regulation. They did not institute wide-spread mandatory reporting on all the governance and social factors typically linked to ESG, or on labor. This conceptual discipline is relevant, as expansive terminologies can give the appearance that two jurisdictions have laws on the same topic, but their legal objects are different.

Global Standardization versus Domestic Customization

With the adoption of IFRS S1/S2, Pakistan has not created a completely local sustainability code, but has rather incorporated an international one that is regulated. The benefit is that it will be comparable. For multinational counterparties, investors and lenders, companies with a globally recognized baseline could potentially mitigate the requirement for translation and conversion of idiosyncratic local disclosures. IOSCO's endorsement adds weight to the standards' relevance to securities markets, and the case for Pakistan's approach to be conducive for integration with cross-border capital-market expectations (IFRS Foundation, 2023c).

Limited implementation capacity and local fit represent the disadvantages. Global standards assume that the data systems, governance processes, emissions measurement and professional expertise exists and is the same throughout an emerging market. Mandatory disclosure can result in high fixed costs, and the economic consequences of disclosure regulations are more closely tied to the enforcement, standardisation, assurance and institutional context than to the mere enactment of disclosure regulations (Christensen et al., 2021). Thus, the phasing and delayed Scope 3 and assurance requirements in Pakistan can be interpreted as proportionality mechanisms.

The SEC chose to go with a customized U.S. climate rule instead of IFRS S1/S2. That option enabled a fit to U.S. filer categories, the concepts of materiality and securities-law liability. It also made the rule the subject of wrangling in the areas of statutory power, administrative law and cost-benefit logic. The following procedural history demonstrates how specific measures, while potentially better attuned to the local law, can be more contestable from the regulatory perspective.

Materiality

One of the key points of convergence and divergence is materiality. The basis of IFRS S1 and IFRS S2 is on information that is useful to the primary users of general purpose financial reports and risks and opportunities that could reasonably be expected to impact the prospects of the entity. It is a financial-materiality (Investor-oriented) model and NOT a double materiality (IFRS Foundation, 2023a; Abhayawansa, 2022). When a company forms a dependency, a risk or opportunity that impacts cash flows, financing or cost of capital, it can be relevant to the environmental or social impact, but does not necessarily meet the reporting objective of the ISSB.

The U.S. federal securities law takes a similar doctrinal approach to materiality, as it also emphasizes the importance of materiality to investors. The SEC's 2010 guidance to ordinary disclosure requirements use materiality qualifiers for climate matters, and in the 2024 climate rule, materiality qualifiers for major categories such as climate risk and Scope 1/2 emissions, despite criticism that parts of the rule were too prescriptive (SEC, 2010, 2024a, 2026a). The 2026 rescission proposal clearly outlines that the preferred approach is a registrant-specific materiality standard (SEC, 2026a).

The broader ESG Guidelines in Pakistan might include metrics that when disclosed on a voluntary basis, address stakeholder groups other than just capital providers, but this does not equate to "double materiality" for IFRS S1/S2. Preserving this boundary enhances comparability and helps to avoid borrowing of concepts for sustainability law from Europe without legal basis.

Enforcement Mechanisms

This enforcement architecture in Pakistan has a mix of corporate-governance compliance, regulatory authority of SECP, and Company Law. The IFRS adoption order is taken under the statutory powers of the Companies Act and it employs mandatory language for every phase of companies (SECP, 2024c). The corporate-governance changes include board obligations and directors' report disclosures (SECP, 2024a). The second reporting year brings to the table an external credibility mechanism — assurance — but its real-life effectiveness will rely on detailed formats, capacity of the professionals and supervisory follow-through.

The proposed CSR bill, if enacted in the verified form, would impose a fixed monetary penalty in case of failure to disclose; although the bill was not verified by the cut-off, it is considered as a proposed sanction (National Assembly of Pakistan, 2026b; Ministry of Law and Justice, 2026a). This is a good illustration of the difference between a penalty stated in a bill and a penalty in force for the purposes of the enforcement analysis.

Commission enforcement, securities-law liability, and internal-control systems and securities market scrutiny are all tools that can help support SEC reporting requirements in the United States. The climate rule for 2024 would also have introduced GHG attestation, however, this is not in force due to the stay (SEC, 2024b). One area where judicial review has a special role is in the challenge of Commission rules, under the securities statutes and under administrative law. That capability can enhance legislation and accountability and add to regulatory uncertainty. The 2024-2026 climate-rule trajectory clearly demonstrates that enforcement law is being influenced by institutional checks before the compliance is even set to become mandatory.

Political and Legal Pushback

Climate disclosure in the U.S. has been quite contentious. Some challenge by parties suggested that the SEC had overstepped its bounds and imposed costly, politically motivated requirements, while other challengers suggested the final rule was not sufficiently protective, since it failed to include stronger disclosures. The litigation was consolidated and the rule was stayed and the SEC subsequently modified its litigating stance (SEC, 2024b, 2025, 2026a). This opposition is indicative of the federalism, administrative-law limitations, business lobbying and investor advocacy and general political polarization regarding ESG.

Compliance Burden

Compliance burden can be measured by the relative extent of legislation and preparedness of markets. A key hurdle for a new IFRS S1/S2 adopter in Pakistan may be the development of systems that were not previously available at financial-reporting quality. The company needs to understand what potential sustainability-related risks exist in the various functions, identify governance and risk-management controls, tie GHG metrics to financial impacts, create GHG inventories, establish data ownership, formalize assumptions and plan for data assurance. Scope 3 is added from the second year of reporting and brings supply-chain complexity. As such, the burden is not simply putting more words in the report (SECP, 2024c; IFRS Foundation, 2023a, 2023b), but organizational, technological and professional.

While a U.S. SEC registrant might have more mature disclosure controls and access to specialized advisers, the rule for 2024 would have required highly specific climate systems, financial statement tracking and potentially attested emissions. The SEC admitted that the compliance cost is substantial for it and also phased the original compliance schedule according to filer size (SEC, 2024a). However, as of 2026, these incremental federal-rule costs are not current costs of legal compliance as the rule is still stayed. Investor expectations, voluntary reporting, California law and foreign requirements may still result in significant company spend.

This disparity illustrates the reasons why counting disclosure items is not a good indicator of burden. For example, a narrower road might be hard to enforce in a country where the emissions data infrastructure is not very developed, and a more expansive road could be easier to enforce for a company that is already reporting on a global level. The true cost of compliance can be eclipsed by enterprise-resource-planning integration, environmental measurement, audit trails, legal review, sustainability expertise and board oversight.

Reporting Quality and Greenwashing Risk

Mandatory disclosure is not a recipe for quality sustainability information. Standardization can help to improve comparability and lower search costs, however, the impact of these depends on reporting incentives, quality of measurement, assurance, enforcement and the maturity of data systems (Christensen et al., 2021). ESG reports may still be subject to selective disclosure and boilerplate language, or even greenwashing, where a company highlights the positive aspects and actions and, in the background, performance turns out to be suboptimal. There is empirical evidence that reporting greenwashing is related to the information asymmetry and decreased shared value outcomes (Xu et al., 2023), which argues for credible controls and verification, not just more disclosures.

Assurance can enhance the credibility, but it is not uniform. Empirical evidence from S&P 500 companies in the United States reveals significant differences in terms of which ESG metrics are assured, the quality of the assurance and who provides it, with limited assurance being prevalent, and only a portion of ESG information, for specific metrics, being historically subject to voluntary assurance (Gipper et al., 2025). However, auditor assurance required from the second year of IFRS reporting may result in discipline in Pakistan, but quality of implementation will be dependent on professional standards, auditor competence and the format prescribed by SECP. A major policy danger is to have formal compliance with not strong enough underlying data.

Foreign Investment and Export Competitiveness

Pakistan's linkage with ISSB standards can help make corporate sustainability information more accessible for foreign investors and lenders as the users will not have to decipher a distinctly Pakistani disclosure language. Standardized governance, risk and metrics disclosures can help investors with due diligence, credit analysis and benchmarking across borders, particularly in the case of companies that fundraise in foreign markets or operate in multinational value chains (IFRS Foundation, 2023c). But that doesn't mean more disclosure equals more investment. Reliability, assurance, governance quality, enforcement and the underlying sustainability performance of the company will still be evaluated by investors.

Comparative Table

The legal position was verified at the research cut-off, and the results are summarized in the table below. It distinguishes between what was made mandatory in Pakistan's adoption of the ISSB and what was not, as well as between the SEC's adopted rule for 2024 and what was enforceable in 2026, and between the SEC's voluntary ESG Guidelines and unverified CSR legislation.

Table 1

Dimension	Pakistan	United States	Critical Assessment
Primary regulator	SECP; PSX provides complementary guidance and listing-market infrastructure.	SEC at federal level; CARB for the California climate statutes discussed here.	Pakistan has a more centralized corporate/securities regulator role for ISSB adoption; U.S. obligations are divided across federal and state authorities.
Legal foundation	Companies Act, 2017; Listed Companies (Code of Corporate Governance) Regulations, 2019; SECP 31 Dec. 2024 ISSB adoption order.	Securities Act of 1933, Exchange Act of 1934, Regulation S-K/S-X and SEC interpretive guidance; separate California Health & Safety Code provisions.	Both use securities/corporate law, but Pakistan directly incorporates ISSB standards while the SEC designed a bespoke climate rule.
CSR expenditure requirement	No verified binding general 1% requirement at cut-off. 2026 bill says companies are encouraged to spend preferably at least 1% if enacted.	No general federal SEC requirement to spend a percentage of profit on CSR.	Neither jurisdiction had a binding general CSR profit-allocation rule on the verified cut-off facts.
CSR disclosure	No verified enacted CSR Act at cut-off; proposed bill would mandate CSR activity disclosure, audited-financial-statement annexure and website publication.	No general federal CSR disclosure code; material social matters may be disclosed under ordinary securities rules where required.	Pakistan's parliamentary proposal is more explicit on CSR transparency, but it cannot be counted as current law without enactment.
Sustainability disclosure	IFRS S1 mandatory by phased SECP order for covered companies; Phase I from 1 Jul. 2025, Phase II from 1 Jul. 2026, Phase III from 1 Jul. 2027.	No comprehensive federal sustainability-reporting standard equivalent to IFRS S1.	Pakistan has the broader operative investor-oriented sustainability baseline for covered issuers.
Climate disclosure	IFRS S2 mandatory according to same phases; board sustainability-risk disclosure also required under corporate-governance regulations.	Existing materiality-based requirements remain; detailed 2024 SEC climate rules are stayed and proposed for rescission.	The legal 2026 federal U.S. position is narrower than the text of the adopted 2024 rule.
IFRS S1/S2 use	Formally adopted and phased as mandatory by SECP.	Not adopted as SEC reporting standards.	Pakistan favors international standardization; U.S. federal regulation is domestically customized.

Dimension	Pakistan	United States	Critical Assessment
Scope 1 disclosure	IFRS S2 applies for covered companies, subject to standard requirements and Pakistan's phase-in.	2024 SEC rule would require only material Scope 1 for LAFs/non-exempt AFs; rule is stayed. California SB 253 requires Scope 1 for covered entities.	Scope depends on jurisdiction and company status; U.S. state law cannot be conflated with SEC rules.
Scope 2 disclosure	IFRS S2 applies for covered companies, subject to standard requirements and phase-in.	Same federal limitation as Scope 1 under stayed 2024 rule; California SB 253 separately requires Scope 2.	Pakistan's ISSB model is structurally comprehensive for covered issuers; U.S. federal obligation under the new rule is non-operative.
Scope 3 disclosure	SECP adoption order defers Scope 3 until the second year of reporting for each company.	Excluded from SEC 2024 final rule. California SB 253 provides for Scope 3 in its statutory program.	Pakistan's mandatory ISSB pathway reaches Scope 3; SEC deliberately removed it from the final federal rule.
Materiality test	IFRS S1/S2 investor-oriented sustainability-related financial materiality; not double materiality.	Federal securities-law investor materiality; 2024 rule also used materiality for key climate and emissions disclosures.	Both core investor-facing systems are closer in materiality philosophy than broad ESG rhetoric suggests.
Board governance	Regulation 10A makes board responsible for sustainability governance, strategy, priorities, targets and risk oversight.	2024 SEC rule included climate-governance disclosure, but it is stayed; ordinary governance/risk disclosures remain under existing law where applicable.	Pakistan has an operative explicit board-sustainability provision in listed-company governance rules.
Financial statement effects	IFRS sustainability disclosures must be connected with general-purpose financial reporting; report location and approval are specified by SECP.	2024 rule added Article 14 severe-weather and related financial-statement disclosures, but the rule is stayed.	Pakistan's mandatory regime is currently operative for covered phases; U.S. specialized financial-statement rule is not.
Assurance requirements	Auditor assurance from second reporting year under SECP-prescribed format and relevant international auditing standards adopted by ICAP.	2024 rule would phase limited/reasonable GHG attestation for specified filers; stayed. California has separate assurance implementation.	Pakistan's assurance obligation is on an active phased path; U.S. federal climate attestation is non-operative.

Dimension	Pakistan	United States	Critical Assessment
Enforcement	SECP statutory and regulatory supervision; corporate-governance compliance; company-law consequences. Proposed CSR penalty not current law unless enacted.	SEC enforcement and securities liability under operative rules; courts review agency action. California separately enforced by CARB subject to litigation.	U.S. judicial review is a more visible constraint on rule durability; Pakistan's challenge is enforcement capacity and implementation maturity.
Penalties	Instrument-specific; the proposed CSR bill states PKR 500,000 plus up to PKR 1,000/day for disclosure default, but enactment was not verified.	No operative penalty under the stayed 2024 rule; violations of existing SEC disclosure laws can trigger ordinary securities-law enforcement.	Proposed or stayed sanctions should not be reported as current penalties.
Litigation exposure	Lower visible volume of ESG rule litigation; ordinary company/securities law enforcement remains relevant.	High: consolidated Eighth Circuit challenges to SEC rule; SB 261 subject to Ninth Circuit injunction.	Judicial review materially shapes U.S. regulatory timing and certainty.
Implementation timetable	Phase I: periods from 1 Jul. 2025; Phase II: 1 Jul. 2026; Phase III: 1 Jul. 2027; ESG Guidelines voluntary until Jun. 2029.	SEC 2024 phase-in schedule superseded in practical effect by stay; rescission proposed May 2026. SB 253 Scope 1/2 deadline 10 Nov. 2026.	Current status matters more than original nominal compliance dates.
Current status in 2026	Mandatory governance duties + Phase I/II IFRS S1/S2; separate ESG Guidelines voluntary; CSR bill enactment not verified.	2010/materiality-based federal framework operative; 2024 climate rule stayed and proposed for rescission; California SB 253 proceeding; SB 261 enjoined.	Pakistan has more operative dedicated sustainability reporting for covered listed companies; U.S. federal climate specialization is procedurally suspended.
Main compliance challenge	Data maturity, Scope 3, cross-functional controls, assurance capacity and avoiding overlap among multiple SECP frameworks.	Regulatory uncertainty, multi-jurisdictional fragmentation, state/federal overlap and managing voluntary/foreign reporting expectations.	Pakistan faces implementation-capacity risk; U.S. issuers face legal fragmentation and policy volatility.

Practical Corporate Implications

The use of a single jurisdiction label, like "ESG compliance," in the reporting program of a multinational operating in Pakistan and the United States is unsafe. It requires an entity level requirements matrix. The first step for a Pakistani subsidiary that is listed on PSX is to find out if it belongs to Phase I, Phase II or Phase III of the SECP IFRS adoption order. The classification is the determinant for the start date of mandatory IFRS S1/S2 reporting. If the group chooses to voluntarily disclose environmental, social, and governance (ESG) metrics, it should separately identify the listed-company corporate-governance requirements and identify the metrics required by the IFRS Sustainability-related Disclosures Standards (SECP, 2024a, 2024c, 2025b).

The group should not create its legal compliance calendar based on the assumption that the 2024 SEC climate rule is in effect for a U.S. SEC registrant. The rule continues to be stayed at the cut-off, and the usual materiality-based reporting standards of the SEC in 2010 and 2024b, and 2026a, apply. The entity might be a reporting entity in California under SB 253 or, may be bound to foreign sustainability regulations through another group entity. Compliance architecture needs then to be source-specific and needs to be adaptable to various reporting boundaries, materiality tests, assurance obligations and time lines.

Governance should reflect the rigour of financial reporting. Boards and audit/sustainability committees should have documented oversight responsibilities, management should designate data owners, internal audit should test controls, legal should review materiality and liability, and finance should align sustainability narrative to financial statements and capital allocation. Pakistan mandating the sustainability report approval in a similar manner as financial statements further supports the thought of embedding sustainability reporting within the reporting cycle (SECP, 2024c).

A ‘highest common standard' approach may be appropriate when it is in fact possible to implement. For instance, a group could decide to keep a complete IFRS S1/S2-compliant data system regardless of whether they are legally required to report, as it can be used for investor requests, California emissions reporting and internal risk management. However, legal disclosures should still be customized. The SEC’s materiality doctrine, California’s entity and revenue tests, Pakistan’s phased thresholds and any local filing-location requirements cannot be replaced by a generic global sustainability report.

Implications for Investors

Disclosure availability should not be confused with disclosure reliability and legal enforceability when investors are trying to compare disclosure of Pakistani issuers and U.S. issuers. For a Pakistani Phase I or Phase II company reporting under IFRS S1/S2, the framework is a standardised one oriented towards the investor, with the quality of the data potentially being impacted by the maturity of the internal systems and when the assurance is provided. Assurance process starts from the second reporting year, so that the report of the initial year may include the information required under the mandatory process which has not yet undergone the required assurance process (SECP, 2024c). Investors should thus pay attention to the reporting year, phase, statement of assurance and scope, and not assume that all sustainability metrics have the same degree of verification.

Investors should not assume that the fact that the SEC has provided a rule text for 2024 means that the issuer has an immediate obligation to follow those new requirements. The rule continues to be stayed at the cut-off (SEC, 2024b, 2026a). Even if no additional material climate information is required under California's SEC rules, or the 2010 guidance, broader sustainability reports may be required under conventional SEC rules, and many companies may choose to report voluntarily on broader sustainability information, which may be distinct in scope, controls, and liability from material information that may be required for SEC filings (CARB, 2026a).

Investors should also consider the underlying controls quality. The state of sustainability assurance in the U.S. has been found to be historically unequal; different metrics were covered and different levels of assurance were provided (Gipper et al., 2025). In any new mandatory regime, similar problems can occur. Definitions should be consistent, methodologies should be transparent, where relevant, there should be reconciliation with financial information, boundaries should be clearly reported, explanations of estimates and changes should be reported, and where required, independent assurance should be provided in a credible sustainability report. The term mandatory status is significant but not a replacement for professional skepticism.

Policy Recommendations

Recommendations for Pakistan

In the first place, SECP should have a single page on its website which clearly states the current status of implementation of IFRS S1/S2, the Listed Companies (Code of Corporate Governance) Regulations and the ESG Disclosure Guidelines and any future laws on CSR. Having a compulsory ISSB timetable and ESG Guidelines that are still voluntary until 2029 is a very real risk of confusion. Compliance error would be minimized through a single regulatory map (legal basis, covered entities, phase, reporting location, assurance status and effective dates).

Secondly, phased implementation should not be without respect to evidence of market readiness. Phase I and Phase II companies are better positioned to have access to data systems or professional advice, but even large companies may struggle to measure Scope 3 emissions and to tie sustainability risks to financial impacts. SECP should provide illustrative examples of sector specific implementation for high impact sectors and clarity around the interaction between the 2025 IFRS S2 amendments to IFRS Standards and Pakistan's adoption order (SECP, 2024c, IFRS Foundation, 2025).

Third, any future CSR statute should explicitly distinguish between the expenditure policy and disclosure policy. The 2026 bill's language suggests a desired 1% expenditure, accompanied by disclosure requirements, but such disclosure requirements may be easily misunderstood in the light of public discussion (Senate of Pakistan, 2026b). The final law should clearly specify that spending is to be voluntary. Where it wants to include a compulsory allocation, its percentage, profit base, loss treatment, group entities, non-spent amounts and tax treatment and enforcement features should be carefully drafted, and an impact assessment of its implementation should be provided.

Fourth, Pakistan should not be involved in duplicate Sustainability Reporting. The IFRS S1/S2, ESG Guidelines and corporate-governance directors' report disclosures and potential CSR disclosures should be interoperable. If the same verified data item could be used to meet more than one requirement/regulation, then cross-reference or incorporate the item rather than duplicate it. A structured digital taxonomy could over time enhance the comparability and manual filing costs.

Finally, enforcement power needs to grow in line with disclosure scope. Box-ticking is a risk with mandatory reporting without review, data-quality supervision and credible sanctions. SECP could adopt a phased supervisory approach: first with thematic reviews and remediation, and then with increasingly stringent penalties for material misstatements and for continued non-compliance and ambiguous sustainability statements. The literature indicates that disclosure mandates are most effective in combination with credible institutions and enforcement (Christensen et al., 2021; Pantazi, 2024).

Recommendations for the United States

The main federal request is for regulatory certainty. The SEC should wrap up the 2026 notice-and-comment process and definitively announce what the legal effects are of the 2024 rules, instead of taking a long time until adopted rules are stayed while rescission is offered. Regardless of the policy choices made, registrants and investors should benefit from a statement of the policy in force and the time period when it is in effect.

Cooperation between states and federal is also needed. California's SB 253 could demand emissions reporting from businesses that may also be SEC registrants, and the federal climate rules might go one way. Although harmonisation cannot be achieved in its entirety, due to the various sources of authority, duplication can be minimised by recognising comparable emissions methodology and compatible assurance evidence, where legally possible, by regulators.

Recommendations for Multinational Companies

Multinationals should seek to have a group-wide controlled sustainability data; have a regulatory inventory jointly owned by legal and finance and sustainability functions; document differences in entity boundaries; and have a calendar of differences between reporting periods and filing deadlines. Another important reason for an annual legal-status review is that a rule can be adopted and then be stayed, or it can be proposed and not final, or it can be in effect for only a subset of subsidiaries.

A cross-jurisdictional dashboard should be provided to boards, in a concise format, that identifies the requirements that are mandatory, voluntary, pending, or stayed. Publisher's sustainability statements in investor communications, websites and annual reports should be linked to common source data. When reporting is more than the minimum required legislatively, companies should indicate frameworks used and explain level of assurance. This minimizes the threat of greenwashing and of voluntary disclosures being inconsistent with securities filings.

Conclusion and Future Outlook

The comparison is a good argument for the proposition that Pakistan is adopting a wider and internationally oriented sustainability-reporting architecture with significant caveats. Not a general CSR mandate is the glue of that architecture. Sustainability-oversight over the listed-company boards and directors' report requirements exist as of June 2026 and IFRS S1/S2 is required for companies that have entered the SECP implementation phase. The start of Phase I for qualifying listed companies is 1 July 2025 and for reporting periods 1 July 2026, and Phase III only begins on 1 July 2027. The revised ESG Disclosure Guidelines are still voluntary and will continue to be so until June 2029 (SECP, 2024a, 2024c, 2025b).

The Corporate Social Responsibility Bill, 2026 is an example of the importance of legal status discipline. The mandatory disclosure of CSR, publication of CSR on websites, adoption of CSR policy, and a daily disclosure penalty are proposed in parliamentary passed texts, whereas the operativet expenditure clause suggests a preferred allocation of one per cent (National Assembly of Pakistan, 2026b; Senate of Pakistan, 2026b). Those provisions can thus not be regarded as existing binding CSR law.

Procedurally, the U.S. situation is nearly the opposite. In March 2024, the SEC adopted a detailed climate-specific rule, which, however, never developed into operative compliance obligations as it was stayed in April 2024. In 2025 the SEC discontinued its defense efforts, in 2026 a litigating court in the Eighth Circuit placed the litigation on hold, and in May of 2026 the SEC issued a proposal to fully rescind the action (SEC, 2024a, 2024b, 2025, 2026a). Thus, the 2024 rule is significant not only as one of the most important records of regulatory design and political contestation, but also as a contemporary non-enforceable federal disclosure regime at the time of the research cut-off. The current materiality-based securities disclosure is still relevant, and California SB 253 establishes a state-level emissions disclosure system, but California SB 261 is still under judicial restriction (SEC, 2010; CARB, 2025, 2026a).

But the two systems merge more than in the general ESG narrative. IFRS S1/S2 are investor-oriented and material in a financial sense, the federal framework is also investor-materiality oriented. The difference is in the standard architecture, scope and institutional pathway. Pakistan has adopted a world-wide sustainability standard that extends beyond climate for the companies it covers, while the United States has kept its securities-law standard domestic and has faced stiff legal opposition to a climate-specific rule.

The number of published frameworks will count less in future developments, the quality of implementation will be more important. The key challenges in Pakistan are phased-ness of readiness, Scope 3 data, capacity in assurance, and regulatory interoperability and enforcement. The immediate question in the United States is what effect will the SEC's rescission have, and what will be the ongoing dynamics between federal materiality-based disclosure and state climate laws. The take-away for multinationals and investors, in practice, is that regulatory labels are not enough. To ensure efficient compliance it is necessary to have ongoing verification of legal status, entity coverage, materiality, assurance and effective dates. Sustainability reporting is increasingly gaining traction as part of mainstream corporate reporting, but the legal aspects of it are politically volatile and vary from jurisdiction to jurisdiction.

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