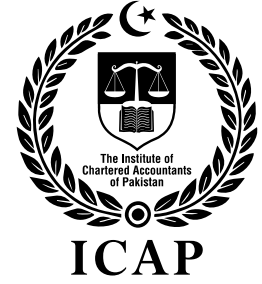


# Certified Finance and Accounting Professional Stage Examination

## Sustainability Reporting and Assurance

4 June 2026  
100 marks



CRN:

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Name: \_\_\_\_\_

### INSTRUCTIONS

Please carefully read the following instructions:

1. You are required to access your answer working area by using your Student ID and Password as mentioned on your Admit Card.
2. The overall duration of the exam is 3 hours and 30 minutes, which includes the 15-minute reading time and an extra 15 minutes of time that has been allocated due to the introduction of computer-based examinations.
3. All **six** questions are compulsory. There is no specific time allocated for individual questions.
4. An auto-save function runs every minute. Further, your answers are saved automatically when you navigate between questions or click on the > (**NEXT**) or < (**BACK**) symbols.
5. Each question provides a designated answer area with a Rich Text Format (RTF) editor for writing your answers. You must answer each question within its respective RTF editor only. **Answers written in another RTF editor instead of the designated RTF editor for the question or more than one questions answered in a single RTF editor shall not be considered for marking.**
6. Below the RTF editor, a spreadsheet is provided to facilitate examinees in doing rough calculations or other workings. **However, please note that any work performed in the spreadsheet will not be considered for marking. To ensure your work is considered, you must copy and paste it from the spreadsheet to the RTF editor.**
7. You may use MS Excel for rough working. However, please remember that any work performed in this application cannot be copied into the examination software, and vice versa. Furthermore, any such work will not be uploaded with your exam for marking.
8. You may use pen and paper for rough work, but please note that pen and paper work should only be done on the last page of the question paper that are specifically allocated for this purpose. Remember that any rough work done on this page will not be uploaded with your exam for marking.
9. In accordance with the open book policy of this paper, you are allowed to use only digital copies of the permissible study material. Keeping a hard copy of any book or notes is not permissible and will be considered a violation under the policy on the use of unfair means.
10. An external calculator can be used, provided it is included in the list of permissible calculators issued by ICAP.
11. During the exam, access to any website other than exam software website is strictly prohibited. Engaging in such activities will be considered a violation under the policy on the use of unfair means.

**QUESTION 1**

Chem Nova International (CNI) is a multinational manufacturer of specialty chemicals, operating across Asia, Africa, and South America through a network of wholly owned subsidiaries. A significant proportion of its products are classified as hazardous under internationally recognized chemical safety and regulatory standards. As part of its sustainability reporting process, CNI's management has documented its current sustainability risk identification and assessment methodology within an internal policy framework, which will be used for preparing IFRS S1 disclosures. An extract from this document is reproduced below:

**EXTRACTS FROM SUSTAINABILITY RISK IDENTIFICATION & ASSESSMENT POLICY****Scope of Risk Identification**

Operations in Asia, which are subject to relatively mature regulatory environments, provide annual structured disclosures relating to sustainability risk based on standardized reporting protocols.

In emerging markets across Africa and South America, the group relies on the localized expertise of regional operations managers, who provide flexible, ad-hoc reporting intended to capture site-specific operational considerations rather than adhering to a standardized centralized reporting protocol.

**Risk Assessment Methodology**

Sustainability risk exposures are assessed using a qualitative "Low-Medium-High" rating framework designed to facilitate consistent application across diverse operational teams. This approach allows individual subsidiaries to exercise professional judgment based on their respective operating environments and the nature, likelihood, and potential severity of localized sustainability-related risks.

To maintain emphasis on operational safety and environment protection, the methodology prioritizes qualitative risk characteristics over detailed financial modelling and prescriptive quantitative materiality thresholds.

**Risk Monitoring & Review**

The Sustainability Risk Register is subject to an annual internal review process in December each year to ensure consistency and continuity in risk monitoring practices. The group maintains a relatively stable policy environment, with the core principles of this framework remaining largely unchanged since inception in order to facilitate year-on-year comparability.

Although the group continues to expand into geographically diverse regions, including areas with differing water resource conditions, the sustainability risk register continues to focus primarily on high-level and strategically significant sustainability risks in order to preserve the conciseness and manageability of the reporting framework, with limited emphasis being placed on detailed site-specific or regional sustainability exposures.

**Required:**

In the light of IFRS S1, critically evaluate CNI's sustainability risk identification and assessment policy in the above extract and recommend appropriate improvements to the policy. **(15 marks)**

**QUESTION 2**

Global Grain Solutions (GGS) is a large-scale processor and distributor of agricultural commodities operating across Pakistan. Its business model depends on sourcing raw crops from contract growers, processing them at owned facilities, and distributing finished products through regional distributors.

GGS's operations are governed by three distinct business and strategic planning cycles, whose time horizons are explained as follows:

- (i) The crop procurement and processing cycle, covering 0 to 2 years;
- (ii) The capital investment planning cycle for processing infrastructure, covering 3 to 7 years; and
- (iii) The strategic sourcing planning cycle, covering 8 years and beyond.

The following matters have arisen during the preparation of GGS's sustainability-related financial disclosures:

**Water Stress**

GGS initiated operations in a new crop processing facility in a region classified as 'High Baseline Water Stress'. Water is the primary operational input in crop processing. The facility accounts for approximately 35% of GGS's total annual processing capacity. Regulators have issued a notice requiring all industrial users in the region to reduce water withdrawal by 20% within the next 18 months. Failure to comply may result in the suspension of operating permits. GGS has not yet developed a mitigation or water-efficiency plan for this facility.

**Crop Yield Volatility**

GGS's internal analysis projects a 15–25% reduction in crop yields across its primary sourcing hubs by 2035, driven by accelerating decline of natural pollinators and soil degradation in key agricultural regions. In the current year, an unexpected collapse in pollinator populations in a key sourcing region destroyed approximately 8% of the contracted crops, forcing GGS to procure replacement crop from spot markets at a 40% price premium. Management notes that such events were previously considered low probability; however, three similar disruption events have occurred during the last five years.

**Required:**

For each of the matters described above, conduct a materiality assessment in accordance with IFRS S1. Your assessment should specifically address:

- the nature and magnitude of the potential effect;
- the likelihood of occurrence;
- the relevant time horizon, assessed in the context of GGS's business and strategic planning cycles; and
- the impact on GGS's prospects, including its cash flows, access to finance, and cost of capital, where relevant.

Also, conclude, on each matter, whether it is material to GGS's sustainability-related financial disclosures. **(15 marks)**

**QUESTION 3**

Harvest Chain Foods Limited (HCFL) is a listed company engaged in the sourcing, processing, and distribution of agricultural commodities, primarily rice, wheat, and edible oils. It operates four processing facilities in Pakistan and maintains sourcing relationships with more than 450 independent contract farmers, who are classified as Tier-1 suppliers, across Punjab and Sindh.

HCFL has decided to publish its first sustainability report for the year ended 31 March 2026, prepared in accordance with a recognized sustainability reporting framework. HCFL has appointed Hameed & Company to provide reasonable assurance on the sustainability report.

During preliminary engagement activities the engagement team has identified that the disclosure on Scope 3 GHG emissions and supplier labour practices are derived from data collected through an annual self-assessment questionnaire sent to HCFL's Tier-1 contract farmers. Of the 450 farmers in the Tier-1 network, 312 returned completed questionnaires.

HCFL used sector-average benchmarks from a 2021 industry publication to estimate Scope 3 emissions and to fill data gaps for the 138 non-responding farmers. None of the 450 farmers has been subject to any independent verification of their reported data through the questionnaire.

HCFL's management has also confirmed that its contractual arrangements with the farmers do not include any right-of-access provisions that would allow HCFL or Hameed & Company to inspect farm-level records directly or conduct site visits.

**Required:**

Evaluate whether the preconditions for a reasonable assurance engagement on the above specific sustainability disclosures have been met in accordance with ISSA 5000. Where the preconditions have not been met, state the course of action available to Hameed & Company. **(15 marks)**

**QUESTION 4**

Volt Edge Motors (VEM) is a large automobile manufacturer. Approximately 85% of the vehicles it sells are powered by internal combustion engines, while the remaining 15% are electric vehicles.

VEM's Sustainability Disclosure Committee (SDC) has identified a list of emission sources that it is considering for inclusion in the company's greenhouse gas (GHG) emissions disclosures in the sustainability report. For each source, the SDC has documented management's stated position regarding whether the related emission should be included or excluded from the company's GHG emissions disclosure.

The emission sources identified by the SDC, along with management's stated position on each source, are presented in the table below:

No.	Emission Source Description	Management's Stated Position
(i)	Purchased electricity used for assembly lines and factory lighting.	Electricity is a direct cost of VEM's manufacturing activities. Accordingly, these emissions will be included together with VEM's other direct factory emissions.
(ii)	Emissions from vehicles sold to and operated by customers.	Once a vehicle is sold, legal ownership and operational control are transferred to the customer. The resulting emissions arise from the customer's use of the vehicle and are therefore the customer's responsibility to report, not VEM's.
(iii)	Emissions generated by blast furnaces operated by independent raw material suppliers.	As VEM neither owns nor controls its suppliers' facilities, these emissions fall outside the reporting boundary and will therefore not be included.
(iv)	Emissions from third-party logistics providers transporting vehicles for distribution.	VEM neither owns nor operates the logistics vehicles. Emissions from assets outside VEM's control are not required to be reported.
(v)	Natural gas used in manufacturing furnaces and kilns.	These are direct emissions from VEM's own facilities and will be included in the GHG emissions disclosure.
(vi)	HFC refrigerant leaks from air conditioning systems within the manufacturing plants.	Refrigerant leaks do not involve CO <sub>2</sub> emissions, and the quantities involved are insignificant compared to the overall CO <sub>2</sub> emissions. As such, these emissions are considered immaterial and will not be included in the disclosure.
(vii)	Emission arising from end-of-life vehicle scrapping, dismantling, and battery disposal.	VEM has no contractual relationship with scrapping operators, and obtaining reliable emission data from them would be impracticable. Any disclosure would therefore be highly uncertain and potentially misleading to investors.

**Required:**

In the light of IFRS S2, classify each source according to the appropriate GHG emission scope. Also, critically evaluate management's stated position for each emission source and explain the appropriate GHG emission scope classification in accordance with IFRS S2.

Where relevant, clearly identify whether the emission source falls within:

- Scope 1, Scope 2, or Scope 3 emissions.
- The relevant Scope 3 category under the GHG Protocol.

**(15 marks)**

**QUESTION 5**

Steel Mill International (SMI) is an integrated steel producer with blast furnace facilities. SMI exports most of its products to European countries. It is a major industrial greenhouse gas emitter, and its operations are subject to emissions limiting regulation.

SMI is preparing its sustainability disclosures in accordance with IFRS S2 and the SASB Iron & Steel Producers Standard (EM-IS). Extracts from the prepared disclosures are presented below:

**EXHIBIT 1: EXTRACT FROM SMI’S IFRS S2 RELATED DISCLOSURES**

**Management Accountability and Oversight**

SMI adopts a cross-functional approach to climate-related responsibilities. Climate-related risks are managed by relevant departmental heads as part of their existing responsibilities. Management believes this approach embeds climate considerations within existing reporting lines, rather than isolating them within a single management-level role.

**Executive Remuneration and Performance**

The Board assesses executive performance using a broad set of strategic objectives. Although no standalone climate-related metrics are included in executive remuneration, the incentive arrangements are designed to support long-term sustainability and regulatory resilience. Executive remuneration is primarily driven by total shareholder return and operational excellence.

**Strategic Decarbonisation and Capital Allocation**

The Board has approved a long-term programme to develop Direct Reduced Iron (DRI) technology using green hydrogen, with the objective of achieving a significant reduction in Scope 1 emissions by 2040. At the same time, it has authorised the expansion of coal-based furnace infrastructure to support existing blast-furnace operations during the transition period.

**EXHIBIT 2: EXTRACTS FROM SASB DISCLOSURE TABLE**

Disclosure Topic	SMI’s Metrics and Disclosure
GHG Emissions – Scope 1	Total gross Scope 1 GHG emissions of 22.4 Mt CO <sub>2</sub> -e.
Energy	Total energy consumed of 175,000,000 GJ.
Water	Total water withdrawal of 48,200 thousand cubic metres (m <sup>3</sup> ) and total water consumed of 12,600 thousand cubic metres (m <sup>3</sup> ). Two facilities are in regions of High Baseline Water Stress.
Workforce Safety	Total Recordable Incident Rate of 4.8, with an industry average of 2.1. One fatality occurred during the year at the Karachi facility.

**Required:**

- (a) With reference to Exhibit 1, critically evaluate SMI’s IFRS S2 disclosures. **(10 marks)**
- (b) With reference to Exhibit 2, identify the mandatory disclosure metrics missing from the four disclosure topics presented in the table, using the SASB Standard. Also, explain the financial significance of the identified disclosure gaps for stakeholders. **(10 marks)**

**QUESTION 6**

- (a) Connect Telecom Limited (CTL) is a large listed telecommunication company providing mobile network services, broadband connectivity, and cloud-hosted enterprise IT services.

CTL's sustainability report includes a section titled "Our Path to Net Zero", in which CTL reinforces its previous commitment to reduce its absolute Scope 1 and Scope 2 greenhouse gas emissions by 50% by 2035, aligned with a 1.5°C pathway.

The section explains that CTL intends to achieve this target through a programme of direct mitigation actions, including phased replacement of legacy network equipment with more energy-efficient alternatives and the installation of on-site renewable energy systems at its data centres. CTL also states that it is engaging with its key hardware suppliers to prioritise lower-emissions procurement across its supply chain.

However, CTL's approved capital expenditure programme for the next three financial years has been allocated in line with its current commercial and network expansion priorities, with no specific allocation identified for the emissions reduction initiatives described in the sustainability report.

**Required:**

Evaluate whether CTL's "Path to Net Zero" section provides a compliant transition plan disclosure under IFRS S2. Also, explain the implications of the disclosure deficiencies, if any, for the primary users of CTL's general-purpose financial report. **(10 marks)**

- (b) Agha & Co. has been approached to perform an assurance engagement on the sustainability disclosures of Sphere Telecom Limited (STL), a listed technology and data services company. During the pre-engagement risk assessment, the following matters were identified:
- (i) In the previous fiscal year, a senior manager from Agha & Co.'s Sustainability Advisory practice completed a project for STL relating to enhancement of STL's environmental data architecture. As part of this project, Agha & Co. facilitated a series of internal awareness sessions for STL's procurement and logistics teams. These sessions explained the ambit of Scope 3 emissions, the categories of Scope 3 emissions that are typically material for a data centre business, and the data collection approaches adopted by peer companies in the sector. The sessions were only informational in nature.
- (ii) Agha & Co. was also engaged to develop a customised Emission Factor Selection Matrix for STL to support the calculation of its greenhouse gas emissions.

**Required:**

Identify and evaluate the ethical issues arising from the above matters in accordance with the International Ethics Standards for Sustainability Assurance, and determine the safeguard(s) that Agha & Co. should adopt. **(10 marks)**

**(THE END)**

