



# Philippines Mandatory Sustainability Reporting

## Regulatory Update

The Philippines is taking a significant step forward in aligning its sustainability reporting regime with global standards, reinforcing the growing importance of ESG and climate-related disclosures across capital markets. Key regulatory bodies – including the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP), Insurance Commission (IC), and the Department of Environment and Natural Resources (DENR) – continue to play a central role in advancing the country's sustainability agenda.



These agencies are working toward a coordinated regulatory strategy that integrates sustainability reporting, sustainable finance, and circular economy principles, with the objective of strengthening economic resilience while balancing growth, environmental stewardship and social responsibility.

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## Sustainability Reporting Framework

In December, the SEC issued a memorandum circular that formally adopted the **Philippine Financial Reporting Standards (PFRS) on Sustainability Disclosures**. This represents a shift from the previous "comply or explain" regime under **SEC Memorandum Circular No. 4, Series of 2019**.

## The SEC has adopted:

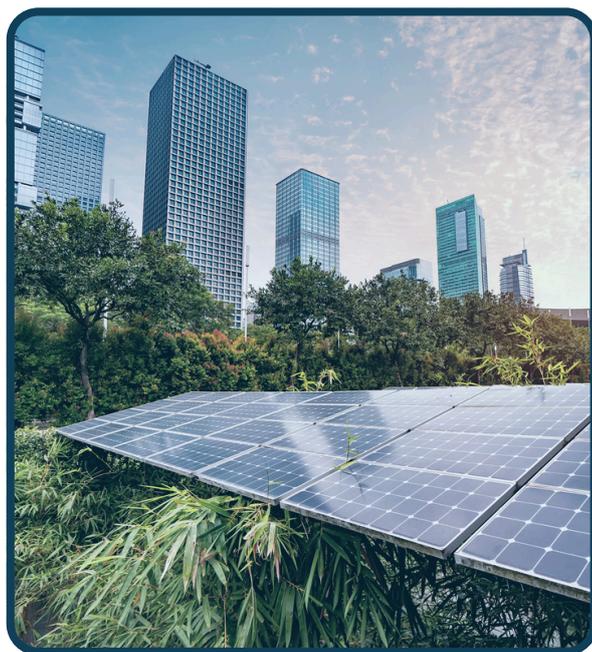
- ✦ **PFRS S1 – General Sustainability-related Financial Disclosures**, and
- ✦ **PFRS S2 – Climate-related Disclosures**,

bringing Philippine sustainability reporting into alignment with **IFRS S1** and **IFRS S2** issued by the International Sustainability Standards Board (ISSB).

## Under the new framework:

- ✦ **Listed companies and large non-listed entities** are required to submit **board-approved sustainability reports** as part of their annual reports or audited financial statements.
- ✦ Entities may apply other international sustainability frameworks, provided these **do not conflict with PFRS S1 and S2**.

SEC Chair Francis E. Lim has noted that the adoption aims to improve the **quality, consistency and comparability** of sustainability disclosures, enabling investors and stakeholders to better assess sustainability-related risks and opportunities.



## Phased Mandatory Adoption

The mandatory adoption of PFRS S1 and S2 will be **phased in starting in 2026**, based on entity size and market significance:

- ✦ **Tier 1:** Listed companies with a market capitalization exceeding **PHP 50 billion**
- ✦ **Tier 2:** Listed companies with a market capitalization between **PHP 3 billion and PHP 50 billion**

### ✦ Tier 3:

- Publicly listed companies with less than **PHP 3 billion in market capitalization**
- Certain debt-listed entities
- Large non-listed companies with annual revenues above **PHP 15 billion**

TIER	COVERED ENTITIES	ADOPTION YEAR (FY)	REPORT DUE YEAR
1	PLCs with market capitalization > ₱ 50 billion	2026	2027
2	PLCs with market capitalization ₱ 3 billion to ₱50 billion	2027	2028
3	PLCs with market cap ≤ ₱ 3 billion; firms with listed debt only; and <b>Large Non-Listed Entities (LNLs)</b> with annual revenue > ₱ 15 billion	2028	2029

This phased approach supports capacity-building while progressively raising the overall standard of sustainability and climate-related reporting across the market.

## Assurance and Emissions Disclosure



The new requirements introduce a pathway toward **independent assurance**:

Entities must obtain **limited independent assurance over Scope 1 and Scope 2 greenhouse gas emissions**, commencing **two years after implementation for each respective tier**.

This crucial shift towards audit-ready sustainability information indicates rising expectations regarding data governance, controls, and evidence retention.

# Strategic Direction and Broader ESG Focus

The adoption of PFRS S1 and S2 reflects a broader regulatory shift toward **decision-useful, investor-focused sustainability information**, closely integrated with financial reporting. The framework places stronger emphasis on:

- ✦ Climate-related risks and opportunities
- ✦ Governance, strategy and risk management integration
- ✦ Consistent metrics, targets and emissions data
- ✦ Clear board and management accountability

While climate disclosures are a core focus under PFRS S2, the framework also supports a more holistic ESG approach, reinforcing expectations around social inclusion, governance, and corporate responsibility.

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## What does this mean for companies operating in the Philippines?

The SEC's adoption of **PFRS S1 and PFRS S2** represents a fundamental shift from narrative-based sustainability reporting to **investor-grade, decision-useful disclosures** that are closely integrated with financial reporting.



### For companies operating in the Philippines, this means:

- ✦ **Mandatory sustainability and climate reporting is now confirmed**, with a phased start from **2026** based on entity size and market significance.
- ✦ **Boards and senior management will be directly accountable**, as sustainability reports must be formally board-approved and lodged with annual reports or audited financial statements.

- ✦ **Climate-related financial disclosures will move to the foreground**, requiring entities to identify, assess and disclose climate risks and opportunities, governance arrangements, strategy impacts, metrics and targets in line with PFRS S2.
- ✦ **Greenhouse gas emissions data must be audit-ready**, with limited independent assurance over Scope 1 and Scope 2 emissions required two years after implementation for each tier.
- ✦ **Data governance, controls and documentation will become critical**, particularly where sustainability information is relied upon by investors, lenders and regulators.
- ✦ **Alignment with global frameworks is reinforced**, enabling multinational groups to leverage existing IFRS S1/S2, ISSB, or other international reporting processes, provided there is no conflict with PFRS requirements.
- ✦ **Early preparation will be key**, especially for Tier 1 and Tier 2 entities, given the lead time required to embed governance, establish emissions baselines, and integrate sustainability considerations into enterprise risk management and financial decision-making.



Overall, the new standards elevate sustainability reporting from a compliance exercise to a core component of corporate reporting, risk management and capital allocation in the Philippines.

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