NOTICE

TO : **PUBLICLY-LISTED COMPANIES (PLCs) AND LARGE NONLISTED ENTITIES (LNLs)**

SUBJECT :REQUEST FOR FURTHER COMMENTS ON THE DRAFT MEMORANDUM CIRCULAR ON THE ADOPTION OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) ON SUSTAINABILITY DISCLOSURES AND ISSUANCE OF REPORTING GUIDELINES FOR PUBLICLY-LISTED COMPANIES AND LARGE NON-LISTED ENTITIES

DATE : 24 OCTOBER 2025

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Pursuant to the Commission's mandate to foster good corporate governance, promote transparency, and align with international best practices in sustainability disclosure, the **Securities and Exchange Commission** is releasing for **second public comment** the revised draft Memorandum Circular on the Adoption of Philippine Financial Reporting Standards (PFRS) on Sustainability Disclosures and Issuance of Reporting Guidelines for Publicly-Listed Companies and Large Non-Listed Entities (collectively, the "**SR Guidelines and Roadmap for PLCs and LNLs**").

This **second public exposure** incorporates revisions and enhancements based on comments and inputs received from stakeholders during the first public exposure conducted in July 2025.

The SEC invites all interested parties to review the revised draft and provide further comments and proposed revisions through the following link: https://tinyurl.com/Revised-SR-Guidelines **on or before 30 October 2025.**

For additional reference, you may refer to the copies of the draft Memorandum Circular on the SR Guidelines and Roadmap for PLCs and LNLs.

This initiative forms part of the Commission's broader strategy to institutionalize sustainability reporting, strengthen ESG accountability, and enhance the quality and comparability of non-financial disclosures in the Philippines.

For information and guidance.

SEC MEMORANDUM CIRCULAR NO. ___
Series of 2025

TO:	**PUBLICLY-LISTED COMPANIES AND LARGE NON-LISTED ENTITIES**
SUBJECT:	**ADOPTION OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) ON SUSTAINABILITY DISCLOSURES AND ISSUANCE OF REPORTING GUIDELINES FOR PUBLICLY-LISTED COMPANIES AND LARGE NON-LISTED ENTITIES**

To promote sustainability reporting and enhance its relevance to Philippine publicly-listed companies (PLCs) and large non-listed entities (LNLs), the Commission, in its en banc meeting held on July 29, 2025, resolved to adopt the Philippine Financial Reporting Standards (PFRS) S1, *General Requirements for Disclosure of Sustainability-related Financial Information* and PFRS S2, *Climate-related Disclosures*. In line with this adoption, the Commission also approved the issuance of the Sustainability Reporting Guidelines for Publicly-Listed Companies and Large Non-Listed Entities (the "SR Guidelines"), which includes the PFRS Adoption Roadmap ("Roadmap").

The adoption of International Financial Reporting Standards (IFRS) S1 and S2, issued by the International Sustainability Standards Board (ISSB), was approved by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC). These standards were endorsed to the Professional Regulatory Board of Accountancy (PRBOA) for approval and were subsequently approved on 17 October 2024, through Resolution no. 61, in line with the standard-setting process for local application of these global standards.

The **SR Guidelines and Roadmap** for PLCs and LNLs ("covered companies") serve to encourage sustainable business practices and align company disclosures with international standards to attract Environmental, Social, and Governance (ESG)-focused investors in the Philippine capital market. The Guidelines support companies in evaluating and managing their non-financial performance, including Economic, Environmental, Social and Governance factors, while also monitoring contributions to global and national sustainability agendas such as the UN Sustainable Development Goals and AmBisyon Natin 2040.

The Framework adopted under this Guidelines enables companies and stakeholders to better understand the financial impacts of sustainability-related risks and opportunities, supporting long-term value creation and improved capital allocation decisions.

This Circular is issued pursuant to Section 179(d) of the Revised Corporation Code, granting the Commission authority to promote good corporate governance and investor protection through internationally aligned regulations. It also supports the Commission's mandate under Section 68 of the Securities Regulation Code on corporate financial reporting, by enhancing the transparency, comparability and interconnectivity of both financial and sustainability disclosures in the Philippine capital market.

I. Sustainability Reporting Format and Frameworks to be used

1. PLCs and LNLs that are reporting entities under Section 17.2 of the Securities Regulation Code shall submit a Sustainability Report as an **attachment to the annual report.**

2. LNLs not falling under paragraph 1 shall submit a Sustainability Report together with their Audited Financial Statements.

3. All PLCs and LNLs are required to have their Sustainability Reports reviewed and approved by the Board of Directors prior to issuance.

4. From the effectivity of this Circular until the Fiscal Year (FY) immediately preceding the year of their mandatory adoption of PFRS S1 and PFRS S2, PLCs shall continue to comply with the Sustainability Reporting Guidelines prescribed under SEC Memorandum Circular No. 4, Series of 2019. These PLCs are, however, encouraged to commence transitioning to PFRS S1 and PFRS S2 during the intervening FYs prior to mandatory adoption.

   Beginning **FY 2026**, covered companies shall start adopting **PFRS S1 and PFRS S2** with limited extensions of transition standard reliefs, under a tiered approach: (refer to Table 1)

   FY beginning on or after January 1, 2026 (reporting in 2027)

   Tier 1 – PLCs (listed in the Philippine Stock Exchange Inc. or "PSE") with **market capitalization of more than PHP 50 billion** as of December 31, 2025, or at the date of its listing after December 31, 2025.

   FY beginning on or after January 1, 2027 (reporting in 2028)

   Tier 2 – PLCs (listed in PSE) with **market capitalization of more than PHP 3 billion up to PHP 50 billion** as of December 31, 2025, or at the date of its listing after December 31, 2025.

   FY beginning on or after January 1, 2028 (reporting in 2029)

   Tier 3 – PLCs and LNLs as indicated below:

   (a) PLCs (listed in PSE) with **market capitalization of PHP 3 billion or less** as of December 31, 2025, or at the date of its listing after December 31, 2025;

   (b) PLCs whose debt securities are listed solely on the Philippine Dealing & Exchange Corp. (PDEx) and have no equity securities listed in PSE; and

   (c) LNLs with **annual revenue of more than PHP 15 billion** for the immediately preceding FY. Revenue is income arising in the course of an entity's ordinary activities, as defined by the applicable PFRS Accounting Standards. The threshold shall be based on the consolidated or group-level revenues if the company is a parent, otherwise, it shall be at the company-level.

   Market capitalization shall refer to the market value of a PLC's outstanding equity securities, calculated as the total number of outstanding shares multiplied by their respective closing or last traded prices as of December 31, 2025, regardless of the end of the FY. For companies listed in the PSE after December 31, 2025, the market capitalization shall be based on the price on the date of listing.

For purposes of determining whether a company qualifies as an LNL, the basis shall be the annual revenue for the FY ending on or after December 31, 2027. Companies that do not meet the revenue threshold in that FY shall continue to be evaluated in each succeeding FY thereafter to determine if they subsequently qualify as LNLs. Should the annual revenue be denominated in a foreign currency, such amount shall be translated using the closing rate at the measurement date. The closing rate is the spot exchange rate at which one currency can be exchanged into PHP for immediate delivery, as defined by the applicable PFRS Accounting Standards.

The tier classification of a PLC or LNL shall be determined as of the relevant measurement date. Once classified under a tier, the entity shall be required to prepare and submit an annual sustainability report on an **ongoing basis.** The tiered approach is intended solely to determine the timing of the first adoption of PFRS S1 and S2.

5. Other disclosures that are aligned with other international standards and frameworks may be included within the same report, as an addition to PFRS S1 and S2, as long as the following conditions are met:
   (a) the framework applied does not conflict with PFRS S1 and S2;
   (b) the disclosure does not obscure material information in the sustainability reports; and
   (c) the framework applied is disclosed in the report.

II. External Assurance

Mandatory external limited assurance on Scope 1 and 2 Greenhouse Gas (GHG) emissions by an independent assurance practitioner shall be required **two (2) years** after the initial implementation of PFRS S1 and S2 for each Tier (refer to Table 2). An independent assurance practitioner may be either a Certified Public Accountant or a qualified non-accountant.

Over time, the requirement will progress towards reasonable assurance. Companies are also encouraged to voluntarily obtain reasonable assurance over their full sustainability report.

To ensure a consistent and high-quality sustainability assurance engagement, such external assurance shall be conducted in accordance with the International Standard on Sustainability Assurance (ISSA) 5000, which is designed to be profession agnostic, provided that they meet the quality management and ethical requirements of ISSA 5000. **Additional rules and guidelines on external assurance shall subsequently be issued by the Commission**.

III. Transition Reliefs

To address the challenges identified from public consultations, there are limited extensions to the transition standard reliefs provided in the Standards. There are no additional reliefs other than those described below because companies are allowed to use "reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort" on certain disclosure requirements (refer to Tables 1-3):

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- Permitted to disclose information on only climate-related risks and opportunities: 1 year for Tiers 1 & 2, 2 years for Tier 3;
- Permitted to submit its Sustainability Report after it publishes its related financial statements at the same time as its next second-quarter or half-year interim financial statements or within 9 months if there is no interim financial statements: 1 year for all tiers;
- Not required to disclose comparative information: 1 year for all tiers;
- Use method other than GHG Protocol: A Corporate Accounting and Reporting Standard (2004): 1 year for all tiers; and
- Scope 3 GHG emissions are not required: 2 years for all tiers.

IV. Exemptions to Mandatory Reporting

To ease reporting compliance, an LNL may opt to be exempted to submit a Sustainability Report when all the following conditions are met:

(a) its immediate, intermediate or ultimate parent, as defined by the applicable PFRS Accounting Standards, is already preparing and filing the prescribed Sustainability Report in accordance with the sustainability reporting framework prescribed in the jurisdiction where such parent company submits its corporate reports—for example, the PFRS S1 and S2 in the Philippines, or the applicable sustainability disclosure framework required in its home country (e.g., ESRS as mandated in the European Union, IFRS Sustainability Disclosure Standards as prescribed in other jurisdictions);

(b) its sustainability-related disclosures are included in that parent's report, which is publicly available; and

(c) it submits a duly accomplished **“Certificate of Exemption from Mandatory Sustainability Reporting” (Annex A)** as an attachment to the Annual Financial Statements.

The Commission may consider other cases as valid exceptions from the mandatory submission of Sustainability Reports.

V. Compliance with the Attachment of Sustainability Report

For PLCs, **non-attachment of the Sustainability Report** to the Annual Report and non-compliance with PFRS S1 and S2 shall be subject to the penalty for **Incomplete Annual Report** provided under SEC Memorandum Circular No. 6, Series of 2005 (Consolidated Scale of Fines) and SEC Resolution no. 581, series of 2021 which provides that the penalties for non-submission or late submission of Sustainability Reports shall be subject to a separate scaling of penalties.

For purposes of applying the scaling of penalties, the count of offenses under this circular shall commence as first offense, and shall not be considered a continuation of any prior offenses related to SEC Memorandum Circular No. 4, Series of 2019.

For LNLs, penalties shall be subject to subsequent issuances of the Commission.

VI. Repealing Clause

This Memorandum Circular repeals SEC Memorandum Circular No. 4, Series of 2019, and all other circulars, rules, regulations, or parts thereof that are inconsistent with the provisions of this Circular.

VII. Guidance Materials

The Commission shall issue subsequent guidance materials to assist covered entities in the effective implementation of this Circular.

VIII. Effectivity

This Memorandum Circular shall take effect fifteen (15) days after publication in two (2) newspapers of general circulation.

Issued this ___ day of _______, 2025 in Makati City, Philippines.

For the Commission

FRANCIS ED. LIM
Chairperson

Table 1

Adoption of IFRS Sustainability Disclosure Standards with transition reliefs	FY Beginning on or After January 1, 20XX				
	2026	2027	2028	2029	2030
Tier 1 – PLCs (listed in PSE) with market capitalization of more than PHP 50 billion	First year of adoption		Full adoption		
• Climate-first approach					
• Report after release of FS (Q2 or w/in 9mos)					
• Not required to report comparative info					
• Methods other than GHG Protocol are allowed					
• Scope 3 emissions are not mandatory					
Tier 2 – PLCs (listed in PSE) with market capitalization of more than PHP 3 billion up to PHP 50 billion		First year of adoption		Full adoption	
• Climate-first approach					
• Report after release of FS (Q2 or w/in 9mos)					
• Not required to report comparative info					
• Methods other than GHG Protocol are allowed					
• Scope 3 emissions are not mandatory					
Tier 3 – (a) PLCs (listed in PSE) with market capitalization of PHP 3 billion or less; (b) PLCs solely listed in PDEx; and (c) LNLs with annual revenue of more than PHP 15 billion			First year of adoption		Full adoption
• Climate-first approach					
• Report after release of FS (Q2 or w/in 9mos)					
• Not required to report comparative info					
• Methods other than GHG Protocol are allowed					
• Scope 3 emissions are not mandatory					

Temporary transition reliefs:

Table 2

Mandatory limited assurance by accountant or non-accountant assurance practitioners	FY Beginning on or After January 1, 20XX				
	2026	2027	2028	2029	2030
Tier 1 PLCs (listed in PSE)			Scopes 1 and 2 only		
Tier 2 PLCs (listed in PSE)				Scopes 1 and 2 only	
Tier 3 PLCs (listed in PSE), PLCs solely listed in PDEx, and LNLs					Scopes 1 and 2 only

Table 3

Transition Reliefs	Description	Tiers 1 and 2	Tier 3
Climate-first approach	Permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2).	1 year	2 years
Report after release of FS (Q2 or w/in 9mos)	Permitted to report its sustainability reports after it publishes its related financial statements. Sustainability reports should be filed: • At the same time as half-year interim (Q2) financial statements; • Within 9 months if not required or does not voluntarily provide interim financial statements.	1 year	1 year
Not required to report comparative info.	Not required to disclose comparative information in the sustainability reports	1 year	1 year
Methods other than GHG Protocol are allowed	Permitted to continue using a method for measuring GHG emissions other than the GHG Protocol: A Corporate Accounting and Reporting Standard (2004).	1 year	1 year
Scope 3 emissions are not mandatory	Not required to disclose its Scope 3 GHG emissions.	2 years	2 years

Annex A

CERTIFICATE OF EXEMPTION FROM
MANDATORY SUSTAINABILITY REPORTING

This is to certify that **[Name of the Corporation]** is exempt from the mandatory sustainability reporting requirement, in compliance with the SEC Memorandum Circular No. __, Series of ___.

The exemption is based on the following conditions, which have been duly met:

(a) The company's **[immediate/intermediate/ultimate]** parent, **[Parent Company's Name]**, is already preparing the prescribed sustainability-related disclosures in accordance with PFRS S1 and S2 or **[any other Standards acceptable in the home jurisdiction of the Parent Company]**; and
(b) The company's sustainability-related disclosures are fully included in that parent's report.

A copy of the Parent Company's report filed on **[filing date]** is publicly accessible at **[insert link].**

A copy of the conglomerate map or proof or parent-subsidiary relationship is attached herein **[insert link].**

This certification is executed for the purpose of complying with the abovementioned reporting requirement of the Securities and Exchange Commission and for all other purposes it may serve.

Done, this _____ of ____________, at ____________, Philippines.

____
Chief Sustainability Officer[1]

____
Chairperson

[1] If the company does not have a designated Chief Sustainability Officer, the Certification shall be signed by an officer holding an equivalent position who is responsible for sustainability-related matters of the company.