**Proposed Roadmap for the Adoption of the IFRS Sustainability DisclosureStandards – IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures**

Consistent with the Professional Regulatory Board of Accountancy's Resolution No. 11 dated 12 March 2024 (Annex A), the Financial and Sustainability Reporting Standards Council (FSRSC) in its commitment to enhance the quality and consistency of sustainability-related financial information disclosed to investors and other stakeholders, hereby provides the details of the adoption of the IFRS Sustainability Disclosure Standards (ISSB Standards), currently comprising IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, which are the first two standards issued by the International Sustainability Standards Board (ISSB)[1] in June 2023.

In line with the global movement towards more transparent, consistent and comparable sustainability reporting, the appropriate regulatory authority will issue regulations following this roadmap for the adoption of the ISSB Standards by their supervised entities.

**Section I. Anticipated and Desired Benefits**

The adoption of the ISSB Standards brings many benefits to various stakeholders, including reporting entities, investors, regulators, and society. Here are some of the key benefits:

**For reporting entities:**

1. ***Enhanced credibility****:* Adopting internationally recognized standards for sustainability reporting can enhance the credibility of an entity's disclosures, and build trust to aid stakeholders' decision-making.
2. ***Improved risk management****:* The ISSB Standards encourage entities to identify and assess sustainability and climate-related risks, leading to better risk management and strategic decision-making.
3. ***Access to capital****:* High-quality sustainability reporting can attract socially responsible investors and potentially lead to improved access to capital and more favorable borrowing terms.
4. ***Operational efficiency****:* The process of collecting and analyzing sustainability data can uncover opportunities for operational improvements and cost savings.
5. ***Benchmarking and performance****:* Standardized disclosures allow entities to benchmark their performance against peers, driving improvements, and innovation.

**For investors and financial markets:**

1. ***Informed decision-making****:* Investors gain access to reliable and comparable information on sustainability-related risks, which is critical for making informed investment decisions.
2. ***Market confidence****:* Standardized reporting reduces information asymmetry and enhances market confidence, contributing to more stable and efficient financial markets.

[1] Created by the Trustees of the IFRS Foundation at the United Nations Climate Change Conference (COP26) in November 2021, ISSB's remit is to issue standards that establish a comprehensive global baseline of sustainability-related financial disclosures for capital markets. The ISSB operates alongside the International Accounting Standards Board (IASB). Both boards are overseen by the Trustees.

3. ***Portfolio management****:* Investors can better assess the long-term value and sustainability of their investments, allowing for more effective portfolio management and alignment with Economic, Environmental, Social, and Governance (EESG) objectives.

**For regulators and policymakers:**

1. ***Market oversight****:* Regulators can more effectively monitor market practices and enforce compliance with sustainability reporting requirements, ensuring a level playing field.
2. ***Policy development****:* Access to standardized sustainability information can inform the development of policies aimed at promoting sustainable economic growth and addressing climate change.
3. ***International alignment****:* Adoption of the ISSB Standards aligns local reporting standards with global practices, facilitating cross-border regulatory cooperation and reducing the burden on multinational entities.

**For society and the environment:**

1. ***Transparency and accountability****:* Enhanced disclosures promote transparency and hold entities accountable for their impact on society and the environment.
2. ***Progress tracking****:* Standardized reporting supports the tracking of progress towards sustainable development goals such as the transition to a low-carbon economy.
3. ***Stakeholder engagement****:* Comprehensive sustainability reporting fosters better engagement with stakeholders, including customers, employees, and communities, leading to more responsible business practices.

**Overall benefits:**

1. ***Harmonization of reporting****:* The ISSB Standards contribute to the harmonization of sustainability reporting standards, reducing complexity, and reporting burden for entities.
2. ***Resilience and adaptation****:* Entities are encouraged to develop strategies for resilience and adaptation to sustainability-related challenges, securing their long-term viability.
3. ***Driving positive change****:* By embedding sustainability considerations into financial reporting, entities can play a pivotal role in driving positive environmental and social change by accounting for the financial implications of managing sustainability-related risks and pursuing sustainability-related opportunities that likewise create value for the organization.

In summary, the adoption of the ISSB Standards is a significant step towards integrating sustainability considerations into the core of financial reporting and management decisions. It provides a framework for entities to disclose relevant and material information, enabling all stakeholders to make more informed decisions and contributing to the overall sustainability and resilience of the economy.

The FSRSC will continue assessing and endorsing each ISSB Standard to be issued in the future, with the recommendation of the Professional Regulatory Board of Accountancy.

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**Section II. Applicability**

This roadmap intends to cover reporting entities which include all public interest entities[2] (such as publicly listed companies, entities in the process of issuing securities for trading in a public market, public companies, banks and IC-regulated entities), as well as large non-listed corporations, government corporations classified as Commercial Public Sector Entities (CPSEs) and other entities (herein collectively referred to as "companies" or "entities") as may be determined by the appropriate regulatory authority following a phased-in approach for companies with due regard to the principle of proportionality considering their size, nature and complexity of operations.

**Section III. Reporting Requirements and Timeline**

The Philippine Financial Reporting Standards (PFRS) is intended to align with the International Financial Reporting Standards (IFRS) to ensure consistent and comparable financial reporting within the Philippines and globally, both for accounting standards and sustainability disclosure standards. Proportionate to their capacities and capabilities, the reporting entities are expected to prepare and present sustainability-related financial disclosures in accordance with the PFRS, subject to the adoption timeline and transition reliefs described in this roadmap.

The FSRSC is recommending the adoption of the Standards for reporting entities following the timeline and details outlined below. The FSRSC would defer to the appropriate regulatory authority for any adjustments as it deems necessary or suited to its supervisory jurisdiction.

- ***Tier 1. Publicly listed companies, and universal and commercial banks (including government-owned banks)[3]*** – Mandatory annual reporting will be required covering data for the year 2025 with reporting due the following year or in 2026.

- ***Tier 2. Large corporations with revenue equal to or greater than [Php 10-15 billion], and other types of banks (including government-owned banks)[3]*** – Mandatory annual reporting will be required covering data for the year 2027 with reporting due the following year or in 2028. Large non-bank corporations which are subsidiaries of a Tier 1 or Tier 2 company will be exempt from preparing and issuing a separate report.

- ***Tier 3. Government corporations classified as CPSEs and other IC-regulated entities*** – Mandatory reporting will commence following separate guidelines and timeline.

Companies are expected to disclose sustainability-related financial disclosures following the PFRS for the same reporting entity for which its related general purpose financial statements are prepared. Entities may also provide information on, or may choose voluntarily to report on, sustainability matters intended to meet the information needs of stakeholders other than investors. Such additional disclosures are permitted if the disclosures do not obscure information required by the PFRS to meet the needs of investors.[4]

Furthermore, companies are encouraged to begin early adoption of the Standards. For commercial public sector entities under Tiers 1 and 2 which opted for early adoption of the Standards, alignment with the

[2] Corporations vested with public interest as identified under Sec. 22 of R.A. No. 11232 or the Revised Corporation Code of the Philippines and Part I(2)(A)(i) of the Revised Securities Regulation Code Rule 68.
[3] Tier 1 and Tier 2 exclude other CPSEs.
[4] IFRS S1, paragraphs 62, B27 and B31; Inaugural Jurisdictional Guide for the adoption or other use of the ISSB Standards, May 2024, IFRS Foundation, paragraphs 39 to 40.

guidelines to be issued by the concerned regulator shall be observed. A transition period commencing from the issuance of this roadmap until the mandatory reporting date is recommended to allow entities to prepare for full compliance.

*Table 1. General Timeline*

## PFRS S1 and S2 Adoption Timeline

| Fiscal year[1] | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| **Tier 1** – Publicly listed companies, and universal and commercial banks (including government-owned banks) | **1st year of adoption** | | **Full compliance** | | |
| Mechanisms for proportionality[2] | ✓ | ✓ | ✓ | ✓ | ✓ |
| Transition reliefs[2] | 1-5 | 5 | | | |
| **Tier 2** – Large corporations with revenue equal to or greater than **[Php 10-15 billion]**, and other types of banks (including government-owned banks) | | | **1st year of adoption** | | **Full compliance** |
| Mechanisms for proportionality[2] | | | ✓ | ✓ | ✓ |
| Transition reliefs[2] | | | 1-5 | 5 | |

*Notes:*
*[1] Using data for the fiscal year (FY) and for submission in the following year.*
*[2] Refer to Table 2 & 3 for the detailed description of proportionality mechanisms and transition reliefs.*

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***Table 2. Mechanisms for proportionality***

## Mechanisms for proportionality

| Information used limited to what is reasonable, supportable, and available without undue cost or effort[3] |
|---|
| a. Determination of anticipated financial effects<br>b. Climate-related scenario analysis<br>c. Measurement of Scope 3 greenhouse gas (GHG) emissions<br>d. Identification of risks and opportunities<br>e. Determination of the scope of the value chain<br>f. Calculation of metrics in some cross-industry categories |

| Qualitative approaches allowed if an entity lacks skills, capabilities, or resources[4] |
|---|
| a. Determination of anticipated financial effects<br>b. Climate-related scenario analysis |

Notes:
[3] The ISSB has introduced in IFRS S1 and IFRS S2 the concept of *'reasonable and supportable information that is available at the reporting date without undue cost or effort'*. This concept applies to the information required to be used to prepare disclosures and is intended to help entities provide the disclosures required by the Standards in areas in which there is a high level of measurement or outcome uncertainty. The concept, which has previously been used by the IASB, will support entities by guiding them to consider information that is reasonably available and by clarifying that they need not carry out an exhaustive search for information.

[4] The ISSB has also introduced the concept of *'the skills, capabilities and resources available to the entity'* to address proportionality. This concept allows entities to apply qualitative approaches (instead of quantitative approaches) in several instances in IFRS S1 and IFRS S2. This concept was introduced to ensure that entities are able to apply the requirements in a way that is proportionate to their circumstances while still providing useful information for investors.

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***Table 3. Transition reliefs***

## Transition reliefs

| Available reliefs |
| --- |
| 1. **Comparative information is not required** in the first annual reporting period in which an entity applies PFRS S1 and PFRS S2. |
| 2. **Climate-first reporting:** PFRS S1 enables disclosure of information on only climate-related risks and opportunities in accordance with PFRS S2 in the first annual reporting period. |
| 3. Report or issue sustainability-related financial disclosures **at the same time as its next second-quarter** or half-year interim general purpose financial report. |
| 4. Instead of using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), **companies are allowed to continue using their existing measurement method** to measure GHG emissions in the first annual reporting period. |
| 5. **PFRS S2 allows non-disclosure of Scope 3 GHG emissions** in the first and second annual reporting periods which includes, if the entity participates in asset management, commercial banking or insurance activities, the additional information about financed emissions. |

**Section IV. Location and Timing of Disclosures**

Entities will be required to disclose the sustainability-related financial disclosures as part of their general-purpose financial reports[5] (e.g., annual reports, audited financial statements, or management's discussion and analysis), provided that the disclosures are found in a dedicated "Sustainability Report" section, clearly identifiable and not obscured by other disclosures, and is easily accessible to stakeholders through publication in the entity's corporate website.

The disclosures are to be made publicly available within the period prescribed by the appropriate regulatory authority subject to the additional transition reliefs.

**Section V. Reliefs**

To support the 'phasing and scaling' of requirements and application by companies with limited capabilities or experience, reporting entities may avail themselves of the transition reliefs for the initial year of reporting described in Table 3. Transition Reliefs. Table 2. Mechanisms for proportionality contains the permanent reliefs (referred to as "proportionality mechanisms" in the ISSB Inaugural Jurisdictional Guide) and Table 3 contains additional transition reliefs briefly described below.

- ***Permanent reliefs*** – Introduces the concept of 'reasonable and supportable information that is available at the reporting date without undue cost or effort' to help entities provide the disclosures required by the Standards in areas in which there is a high level of measurement or outcome uncertainty. It also includes the concept of 'the skills, capabilities and resources available to the entity' to address proportionality and to ensure that entities can apply the requirements in a way that is proportionate to their circumstances while still providing useful information for investors. These reliefs from the ISSB Standards are adopted locally without modification.
- ***Additional transition reliefs*** – Allows companies relief from some disclosure requirements in PFRS S1 and PFRS S2 for the first two (2) annual reporting periods in which an entity applies the Standards. The additional transition reliefs are consistent with the reliefs as described in the ISSB Standards but the applicability of relief no. 5 on Scope 3 GHG (greenhouse gas) emissions is extended locally by one (1) year compared to its applicability under the ISSB Standards.

Companies may claim compliance with the PFRS if all applicable requirements are fulfilled, notwithstanding those subjects to transition reliefs in line with this roadmap.

**Prohibition of Abuse of Reliefs**

The introduction of mechanisms to address proportionality in PFRS S1 and PFRS S2 is intended to assist entities, particularly when the Standards are initially applied. Guidance on key requirements (including illustrative examples) is provided in the Standards to aid application. The mechanisms are likely to be helpful for entities that might be less able to comply with the Standards' disclosure requirements.

To ensure that entities do not exploit the transition reliefs to circumvent the obligation of full and transparent disclosure of sustainability-related financial disclosures, reporting entities are prohibited from engaging in practices that undermine the spirit and intent of proportionality as provided for within the PFRS. Proportionality mechanisms are intended to allow entities to report sustainability-related information in a manner that is appropriate to their size, complexity, and the nature of their activities, while maintaining the

[5] Reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. (PFRS S1, Appendix A)

quality and completeness of the information reported. Entities are expected to apply proportionality mechanisms based on legitimate criteria such as size, sector, and the actual burden of reporting, ensuring that no material information is omitted or misrepresented.
For the purposes of this clause, "abuse" is defined as any action or inaction by a reporting entity that contravenes the objectives of proportionality, including but not limited to, deliberate misapplication, manipulation, or evasion of reporting requirements.

**Section VI. Compliance Monitoring**

The appropriate regulatory authority will monitor compliance of supervised entities with the reporting requirements within the specified deadline.

**Section VII. Capacity Building and Support**

The appropriate regulatory authority in collaboration with the PSRC, will provide training programs, guidelines, and other support resources to help entities understand and implement the PFRS requirements.

**Section VIII. Amendments**

The FSRSC may, from time to time, issue amendments to this roadmap as it may be necessary to improve the implementation of the PFRS.

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