

# Making Way for the New Sustainability Disclosure Requirements in the Philippines: Adapting to Achieve Creating Shared Stakeholder Value

## Introduction

The implementation of the nationalized versions of the International Financial Reporting Standards Foundation's (IFRS) Sustainability Reporting Standards as Philippine Sustainability Reporting Standards (PFRS) S1 (General Sustainability) and S2 (Climate) through Securities and Exchange Commission Memorandum Circular (SEC MC) 16-2025, issued last 23 December 2025, represents a continued shift in Philippine corporate reporting and governance to include more sustainability-related disclosures. Sustainability-related risks and opportunities are now deemed no longer discretionary or reputational disclosures. They are now regulated, investor-focused, and financially material information that must be governed, managed, disclosed, and assured with rigor comparable to financial reporting, while ensuring that impact reporting on environmental and social-related performance of companies should be examined in equivalent measures.

This shift is reinforced by the introduction of mandatory limited assurance on Scope 1 (Direct Emissions) and Scope 2 (Indirect emissions from purchases of electricity, heat, steam, and/or cooling) greenhouse gas (GHG) emissions, to be conducted in accordance with the localized edition of the International Standard on Sustainability Assurance (ISSA) 5000. Together, these requirements elevate sustainability information into the field of governance-based, strategy-driven, and auditable corporate reporting.

At the same time, global sustainability reporting continues to evolve that integrates both financial and impact materiality that is permitted under the requirements set by SEC MC 16-2025. Institutionalizing the concept of double materiality that embraces both the PFRS' idea of financial materiality and the idea of impact materiality that is adopted by existing reporting frameworks in the Philippines such as the ones coming from the Global Reporting Initiative (GRI) and the European Sustainability Reporting Standards (ESRS). Companies in the Philippines that are impacted by the updated regulations should strongly consider adapting to this multi-framework environment that is necessary to provide a clearer picture of a company's sustainability-related performance.

This article assesses how companies can implement an integrated framework and strategy that aligns financial materiality under PFRS S1 and S2 part of the legal disclosure requirement, double materiality as a governance and risk management approach, effective use of existing sustainability reporting standards such as GRI for impact identification and supplementary disclosure, and ISSA 5000 assurance as the credibility backbone. In addition, the team proposes further alignment for Board members, executives, and management for them to work on the latest changes to the sustainability reporting requirements.

## Why the Changes in Sustainability Disclosure Regulation?

Sustainability-related risks and opportunities in recent years, particularly on nature, climate, labor, community, customer or consumer, and even supplier, increasingly influence asset values, operating costs, insurance availability, regulatory exposure, and access to capital. The events of the past three years show that in a climate and nature-vulnerable Philippines, there is much good sense in looking into these items and see how it can lead to not just quick wins but also into long term value. Investors and regulators in the Asia-Pacific and European markets, such as Australia, Japan, Hong Kong and Singapore, are now warming up to the idea that such risks need to be addressed with a similar attitude as traditional financial risks. The adoption of IFRS S1 and S2 as PFRS S1 and S2 means that the Philippine regulatory authorities recognize these risks as material to viability of companies that operate in the country and urge them to move forward in ensuring that they too become sustainable for both the short and long term.

Philippine companies are also faced with growing expectations from international investors, lenders, and value chain partners regarding impact accountability and sustainability performance. This is true especially from markets that are continuing their commitment to sustainable business such as in Europe, even though there is a scaling back of the level of implementation.

## What Are the Changes in Sustainability Regulations All About?

In response to changing trends in sustainability disclosures and regulations, the SEC issued MC 16-2025 that aims to further commit to sustainability reporting aligned with the latest movements in this type of disclosure. It also seeks to move sustainability reporting beyond the usual narratives linked with Environmental, Social, and Governance (ESG) requirements toward disclosures that are directly linked to enterprise value, further integrating financial performance in sustainability-related measures, and long-term resilience in terms of economic, environmental, social, and corporate governance indicators.

Regardless of industry sector, coverage of implementation of this Memorandum Circular includes publicly-listed companies (PLCs) and large non-listed entities (LNLs). PLCs are defined in this case to be entities with equity or debt securities listed on the Philippine Stock Exchange (PSE), as well as certain entities whose securities are listed solely on the Philippine Dealing & Exchange Corporation (PDEX). LNLs are primarily identified based on revenue thresholds, capturing economically significant private entities.

Once a particular entity falls within the scope of the Memorandum Circular and classified under a particular tier, that entity is required to prepare and submit a sustainability report on an annual basis moving forward from the time of initial adoption.

This also means that the existing regulation on sustainability reporting (SEC MC 4-2019) first introduced in September 2019 is repealed. Although PLCs are encouraged to transition to the new set of regulations, they must comply with the previous Memorandum Circular if they have not fully done so.

## What constitutes as being covered by the MC?

SEC MC 16-2025 uses market capitalization to determine which tier for PLCs or revenue threshold for LNLs to be covered by its provisions.

The Memorandum Circular provides detailed rules for determining market capitalization and revenue thresholds. Market capitalization is calculated based on outstanding shares multiplied by the closing or last traded prices as of a specified date, regardless of the company's fiscal year-end, with 31 December 2025 as the specified date for those that are already listed. For newly listed companies, market capitalization is determined based on the listing date.

For large non-listed entities, revenue thresholds are assessed at the consolidated or company level, depending on group structure, and are evaluated annually to determine whether an entity qualifies as an LNL.

## What are the Thresholds for Each Tier?

The Memorandum Circular includes a three-tier implementation roadmap that reflects differences in company size, complexity, and market impact. This staggered implementation reflects a proportional and risk-based regulatory approach, ensuring that the largest and most systemically important companies lead the transition.

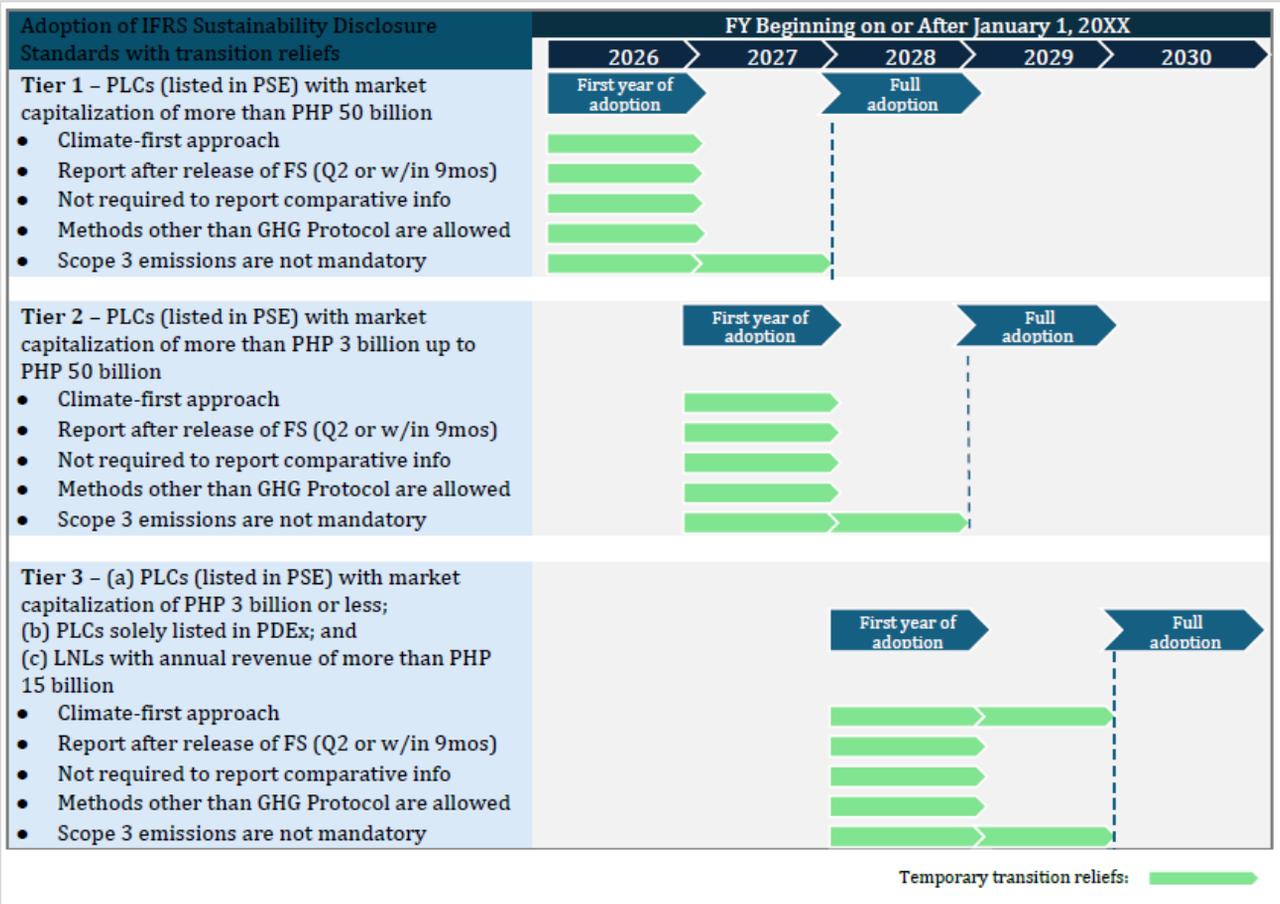
**Tier 1** includes PLCs with market capitalization exceeding PHP 50 billion. These companies are required to adopt the new standards starting fiscal year (FY) 2026, with reporting commencing in FY 2027.

**Tier 2** covers PLCs with market capitalization exceeding PHP 3 billion up to PHP 50 billion. Mandatory adoption for this tier begins on FY 2027, with full reporting in FY 2028.

**Tier 3** includes smaller PLCs, PLCs listed solely on PDEX, and LNLs with annual revenues exceeding PHP 15 billion. These entities are required to adopt the standards starting FY 2028 with full reporting in FY 2029.

The Memorandum Circular acknowledges as well that implementing the latest requirements will be a challenge for those impacted by it. As such, a defined set of time-bound transition reliefs are provided. These include the ability to adopt a climate-first reporting approach focusing initially on climate-related risks and opportunities, flexibility in the timing of sustainability report submission relative to financial statements, exemption from comparative disclosures in the initial year, temporary flexibility in GHG measurement methodologies, and deferred disclosure of Scope 3 emissions. The duration of these reliefs varies slightly by tier, reflecting proportionality while maintaining a clear path toward full compliance.

A summary of the requirements for each tier can be found below based on the details directly from the Memorandum Circular:



Source: SEC MC 16-2025

## How Should Impacted Companies Report Their Sustainability Disclosures with the New Standards?

SEC MC 16-2025 formally integrates sustainability reporting into regulated corporate disclosures.

For PLCs, the sustainability report must be submitted as an attachment to the annual report. This ensures that sustainability information is presented alongside financial statements and other statutory disclosures reviewed by investors and regulators.

For LNLs, the sustainability report must be submitted together with their Audited Financial Statements, making sustainability disclosures become as equal footing in nature to financial information.

In addition, all sustainability reports must be reviewed and approved by the Board of Directors prior to issuance. This means that, in the view of the regulator, sustainability reporting at the highest level of corporate governance signals that disclosures concerning sustainability-related risks and opportunities are matters of board accountability. It also encourages deeper integration of sustainability considerations into strategic decision-making and enterprise risk management.

While the nationalized versions of IFRS S1 and S2 form the mandatory baseline under the Memorandum Circular, it allows companies to include disclosures aligned with other international sustainability frameworks such as the latest versions of the Global Reporting Initiative (GRI) Standards, the GHG Protocol, and sections of the ASEAN Corporate Governance Scorecard (ACGS) linked to sustainability-related disclosures, provided certain conditions are met. These include additional disclosures must not conflict with the new requirements, must not obscure material information, and must clearly disclose the frameworks applied.

This provision therefore encourages interoperability and acknowledges that many Filipino and Philippine-based multinational companies that already report under multiple frameworks should continue to do so while integrating the new standards. It will also allow companies to meet a wider net in the conducting of stakeholder engagements while maintaining a consistent regulatory baseline, with standards such as GRI playing a complementary role from the PFRS S1 and S2 by supporting systematic impact identification and stakeholder engagement. Lastly, integrating other standards greatly enhances the quality of disclosures under the Metrics and Targets pillar, followed by Strategy and Risk Management.

### Will External Assurance be Required for Sustainability-related Disclosures?

The Memorandum Circular introduces mandatory external assurance on sustainability information, beginning with limited assurance over Scope 1 and Scope 2 GHG emissions. This requirement applies two years after initial adoption for each tier, providing companies with time to strengthen data collection, internal controls, and documentation.

Assurance engagements may be performed by certified public accountants or qualified non-accountant practitioners if they comply with the ISSA 5000 Standard. ISSA 5000 is designed to be profession-agnostic while imposing rigorous quality management and ethical requirements. Over time, the SEC envisions a progression toward reasonable assurance, and companies are encouraged to voluntarily obtain broader assurance coverage over future sustainability report submissions.

A summary of timelines for mandatory limited assurance is found below, based on the details from the Memorandum Circular.



Source: SEC MC 16-2025

### Will there be Penalties for Non-compliance?

Failure of PLCs to comply with sustainability reporting requirements is treated as an incomplete annual report and is subject to existing SEC penalty frameworks (e.g., SEC MC 6-2005, SEC Resolution 581-2021), with sustainability reporting-specific scaling. Violations under the new Circular are treated as first offenses and are not cumulative with violations under the rules under SEC MC 4-2019. Penalties applicable to LNLs will be addressed in subsequent SEC issuances.

## Are there Exemptions Attached to this Memorandum Circular?

An LNL may be exempt from submitting its own Sustainability Report under the following conditions:

1. The LNL's parent company already prepares sustainability disclosures under PFRS S1/S2, or through other acceptable jurisdictional frameworks (e.g., ESRS)
2. the LNL's sustainability disclosures are fully included in the parent's public report; and
3. The LNL submits a Certificate of Exemption attached in the Memorandum Circular, which needs to be signed by the Chief Sustainability Officer and the Chairman of the LNL's Board.

## Shifting the Focus on Sustainability on Financial Materiality

At the core of the changes in sustainability-related disclosures under PFRS S1 and S2 lies the concept of Financial Materiality, considered to be a non-negotiable legal threshold for mandatory sustainability disclosure. Sustainability matters are now supposed be disclosed when they may reasonably affect the organization's financial performance, position, or prospects over the short, medium, or long term.

This means that future disclosures include structured identification and assessment of sustainability-related risks and opportunities, documented judgment supporting disclosure decisions, and alignment between sustainability disclosures, strategy, and financial planning. This also includes the idea that sustainability reporting would become a corporate governance priority as sustainability reporting is now integrated into operations and value chain as a core enterprise risk and governance function.

## Double Materiality as the Next Step to Creating Better and Shared Values

As a step higher than either the current practice of impact materiality under SEC MC 4-2019, and the potential practice of impact materiality under SEC MC 16-2025, double materiality becomes strategically valuable as an internal governance tool and would therefore lead to creating better value through better decision-making by Board Directors, Executives, and Managers.

One major challenge that is identified by companies that report on sustainability-related matters is that sustainability impacts initially appear non-financial, but later translate into financial exposure through regulatory, legal, market, or reputational impacts that may be negative or positive.

It is also important to stress that double materiality internally does not alter the financial materiality disclosure as required by PFRS S1 and S2. Rather, it strengthens governance foresight while preserving regulatory clarity. Using double materiality therefore enables earlier identification of emerging risks and supports long-term strategic resilience.

# Implications of the Integration of New Sustainability Standards

With the changes in sustainability disclosure regulations comes with changes on how companies need to see sustainability in terms of responsibilities, points of view, and the links of environmental and social issues with financial impact. In some cases locally and globally, sustainability as a task or responsibility has been limited to reporting for compliance with few links to enterprise-wide impacts that include financial value, wider operational implications, and stronger leadership across a company's operations and value chain.

## a. Corporate Governance Taking Bigger Roles

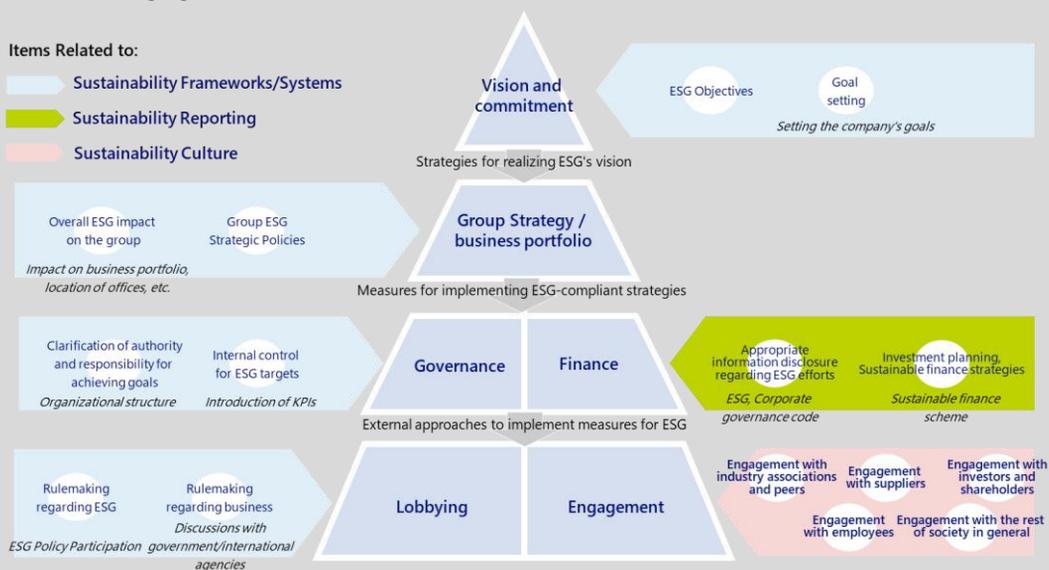
As both PFRS S1 and S2 emphasizes the role of corporate governance in sustainability-related impacts, it is deemed important to understand how it will affect the roles of Board Directors, Executives, and Management.

For Board Directors, the new standards strengthen oversight by providing clearer visibility into sustainability-related risks that may affect enterprise value. It reduces potential governance weak points, enhances vulnerabilities in potential regulatory and investor scrutiny, and supports informed decision-making on strategy and capital allocation.

Executives should look forward to such changes as they seek to deliver more clarity, alignment, and efficiency. It reduces the potential risks of separating financial and non-financial impacts across functions, makes clearer the ownership of decisions, aligns sustainability disclosures with strategy and financial planning, and strengthens credibility with investors as part of the wider stakeholder network.

The standards, for management committees, will provide structure and predictability when implemented properly. This is due to the idea that there are methodologies set on the financial impacts of sustainability, more defined roles for company management, and potentially having better auditable processes to enable sustainability reporting to become a stable, embedded business process.

We can envision this through this model from NRI on which roles are played by leaders in identified company levels of engagement:



Source: NRI

## **b. Unlocking Enterprise-Wide Advantages**

Further integrating sustainability standards into enterprise-wide processes by linking the financial and non-financial impacts of sustainability to operations and value chain over short, medium, and long term supports long-term resilience and competitive positioning. Entities that would eventually be more effective in the creation, analysis, and eventual oversight and management are seen to be better positioned to respond to evolving regulation, investor expectations, and market transitions. Over time, this enables sustainability to function not merely as a compliance obligation, but as a source of strategic insight, reputational strength, and sustainable value creation.

## **c. Unlocking Potential Financial Opportunities Locally and Globally**

In capital-intensive sectors, sustainability-related risks and opportunities increasingly influence investment returns and financing conditions. Management can use the disclosure requirements under PFRS S1 and S2 systematically identify climate and sustainability risks that may affect future cash flows, asset values, or cost of capital. When evaluating competing capital projects, for example, climate transition risks such as carbon pricing exposure, energy efficiency requirements, or technology shifts can be assessed alongside traditional financial metrics. Projects that demonstrate stronger resilience under transition scenarios may be prioritized, while investments with high transition or physical risk exposure may be redesigned, deferred, or rejected. Over time, this leads to more resilient capital allocation decisions and improved long-term returns.

As PFRS S2 requires disclosure of climate-related risks, opportunities, and, where applicable, transition plans, this requirement can be leveraged as a structured transition planning exercise moving forward. Management can use scenario analysis to test the resilience of the business model under various science-based and identified climate and policy pathways, leading to the identification of pressure points such as supply chain dependencies, energy intensity, or regulatory exposure. Further transitioning to Double Materiality further highlights impacts that may lead to future transition risks. This enables the organization to better develop phased transition plans, align capital expenditures with strategic decarbonization pathways, and communicate credible transition narratives to investors, lenders, and regulators.

Applying the new sustainability standards in due diligence and mergers & acquisitions allows potential acquirers to identify financially material sustainability risks and opportunities associated with target companies, such as exposure to climate regulation, stranded asset risk, or legacy environmental liabilities. Combining impact assessments with financial assessments may connect significant social or environmental impacts and potential rise to future costs or reputational risks. Integrating these insights into valuation models and transaction structures improves pricing accuracy and reduces the risk of post-acquisition value erosion.

Applying both financial and impact perspectives of sustainability through Double Materiality can be used to strengthen supply chain resilience. Identifying environmental or social impacts in critical supplier relationships may reveal dependencies on regions vulnerable to climate hazards or regulatory change. Having a proactive management look into such things can prevent future disruptions that would later become financially material. This eventually supports more resilient sourcing strategies, improved supplier engagement, and reduced operational risk.

Lastly, investors and lenders in many parts of the world, especially those that are either adopting or have already adopted IFRS S1 and S2 in their respective jurisdictions, are increasingly incorporating sustainability disclosures into credit assessments and pricing decisions. By producing credible, assured sustainability information entities in the Philippines have the potential to improve transparency and confidence among capital providers. Beyond compliance, this enables management to engage more effectively with sustainability-linked financing instruments from the banks and insurance providers locally and internationally, negotiate favorable terms on items that achieve financial, environmental, and social impacts, and demonstrate alignment between sustainability strategy and financial performance. Clear, assured disclosures reduce information irregularities and support long-term access to capital.

## How NRI Supports Companies in Shifting to the New Sustainability Standard Requirements

NRI Manila Branch continues to be committed to companies that want to be more sustainable in their business operations and value chain through our Sustainability Service Offerings, having helped companies in the Philippines with both technical and skills development collaboration since 2022. NRI seeks to help companies in the Philippines integrate sustainability into governance and management frameworks that includes compliance, strategic risk oversight, and operational execution that can eventually lead to shared value across a company’s operations and value chain.

NRI Manila Branch sees through this with the use of its own Sustainability Maturity model, anchored on three major components as shown below.



Source: NRI Manila Sustainability Service

Based on the model, Branch team members seek to provide sustainability-related solutions to companies through:

- **Sustainability Systems Development:** Assess sustainability performance and integrate ESG-based principles to business strategy and risk management
- **Sustainability Metrics & Reporting Standards Integration:** Integrating ESG-related reporting metrics and targets into sustainability management
- **Industry Research in Sustainability:** Providing industry-wide perspectives on sustainability through sector-based research
- **Corporate Human Rights Due Diligence:** Strengthening stakeholder value and resilience by identifying and avoiding negative impacts of companies to people and environment
- **Values Creation Development:** Shifting the mindset of companies from traditional models of business growth from a purely financial perspective to one that creates value for both the company and its surrounding stakeholders
- **Sustainability Culture Building:** Integrates the ideas of sustainability to leadership and the rank and file through enhancing its organizational culture

## About the Author:

**Jonas Marie Dumdum** works as Senior Consultant under the Industry Solutions Consulting (ISC) Sector of Nomura Research Institute Singapore Pte Ltd Manila Branch, handling questions related to environment, energy, and sustainability. He is also a Registered Chemist, Climate Reality Leader, Sustainability Practitioner, and a Renewable Energy Advocate.

Jonas is an Associate Member (AICD) of the Institute of Corporate Directors Philippines, and Vice Chairperson of the ICD Sustainability Committee. He also serves as a member of the Scientific Consultative Panel of the Philippine Sustainability Reporting Committee. He is a co-founder and co-host of the Sustainarumble! Podcast, the first podcast in the Philippines that tackles issues on sustainability at the national level.

He graduated with a Bachelor of Science in Chemistry at the University of the Philippines Los Baños, and a Master of Science in Renewable Energy and Resource Management at the University of South Wales.



## Annex A: Summary of Requirements for Disclosure for IFRS/PFRS S1 (General Sustainability)

Pillar	Disclosure Objective	Specific Mandatory Disclosure Requirements
<b>Governance</b>	Enable users to understand governance processes, controls, and procedures used to monitor, manage, and oversee sustainability-related risks and opportunities	<p><b>Governance body oversight:</b></p> <ul style="list-style-type: none"> <li>• Identify governing body(s) or individual(s) responsible</li> <li>• Explain how sustainability responsibilities are embedded in mandates, terms of reference, or policies</li> <li>• Describe how appropriate skills and competencies are ensured</li> <li>• Explain how and how often the governing body is informed</li> <li>• Describe how sustainability risks and opportunities are considered in strategy, major transactions, and risk policies, including trade-offs</li> <li>• Explain oversight of target-setting and monitoring, including linkage to remuneration (if applicable)</li> </ul> <p><b>Role of Management:</b></p> <ul style="list-style-type: none"> <li>• Identify management position or committee responsible</li> <li>• Explain how oversight is exercised over management</li> <li>• Describe controls and procedures used and their integration with internal functions</li> </ul>
<b>Strategy – Sustainability-related risks and opportunities</b>	Enable users to understand which sustainability-related risks and opportunities could affect the entity’s prospects	<ul style="list-style-type: none"> <li>• Describe sustainability-related risks and opportunities that could reasonably be expected to affect prospects</li> <li>• Specify whether impacts occur over short, medium, or long term</li> <li>• Explain how time horizons are defined and linked to strategic planning</li> </ul>
<b>Strategy – Business model and value chain</b>	Enable users to understand how sustainability-related risks and opportunities affect the business model and value chain	<ul style="list-style-type: none"> <li>• Describe current and anticipated effects on the business model</li> <li>• Describe current and anticipated effects across the value chain</li> <li>• Identify where risks and opportunities are concentrated (e.g., geography, assets, stages of the value chain)</li> </ul>
<b>Strategy – Strategy and decision-making</b>	Enable users to understand how sustainability considerations influence strategic decisions	<ul style="list-style-type: none"> <li>• Explain how the entity has responded and plans to respond to sustainability-related risks and opportunities</li> <li>• Disclose progress against previously disclosed plans</li> <li>• Describe trade-offs considered in strategic decisions</li> </ul>

## Annex A: Summary of Requirements for Disclosure for IFRS/PFRS S1 (General Sustainability)

Pillar	Disclosure Objective	Specific Mandatory Disclosure Requirements
<b>Strategy – Financial effects</b>	Enable users to understand the financial implications of sustainability-related risks and opportunities	<ul style="list-style-type: none"> <li>• Disclose current effects on financial position, financial performance, and cash flows</li> <li>• Disclose anticipated effects over short, medium, and long term</li> <li>• Explain effects on capital expenditure, acquisitions/divestments, asset retirement, and funding plans</li> <li>• Provide quantitative information where possible (single amount or range)</li> <li>• If quantitative information is not provided, explain why and provide qualitative information identifying affected financial statement line items</li> </ul>
<b>Strategy – Resilience</b>	Enable users to understand the resilience of the entity's strategy and business model	<ul style="list-style-type: none"> <li>• Provide qualitative assessment of resilience to sustainability-related risks</li> <li>• Provide quantitative assessment where applicable</li> <li>• Explain methodology used (e.g., scenario analysis) and time horizon</li> </ul>
<b>Risk Management</b>	Enable users to understand processes for identifying, assessing, prioritizing, and monitoring sustainability-related risks and opportunities	<ul style="list-style-type: none"> <li>• Describe processes and policies for identifying sustainability-related risks</li> <li>• Explain inputs, parameters, and data sources used</li> <li>• Describe use of scenario analysis (if applicable)</li> <li>• Explain how likelihood and magnitude are assessed</li> <li>• Describe prioritization relative to other risks</li> <li>• Explain monitoring processes and changes from prior periods</li> <li>• Describe processes for identifying and managing sustainability-related opportunities</li> <li>• Explain integration with overall enterprise risk management</li> </ul>
<b>Metrics and Targets – Metrics</b>	Enable users to understand performance in relation to sustainability-related risks and opportunities	<ul style="list-style-type: none"> <li>• Disclose metrics required by applicable IFRS Sustainability Disclosure Standards</li> <li>• Disclose entity-defined metrics used to monitor risks, opportunities, and performance</li> <li>• Identify industry-specific metrics where relevant</li> <li>• For each metric, disclose definition, calculation method, assumptions, limitations, and whether third-party validated</li> </ul>
<b>Metrics and Targets – Targets</b>	Enable users to understand progress toward strategic and regulatory sustainability objectives	<ul style="list-style-type: none"> <li>• Disclose metric used for each target</li> <li>• Disclose quantitative or qualitative target</li> <li>• Disclose time period and base year</li> <li>• Disclose interim milestones • Disclose performance against targets and trend analysis</li> <li>• Disclose revisions to targets and reasons for revisions</li> <li>• Ensure consistency of metrics over time or explain changes</li> </ul>

## Annex B: Summary of Requirements for Disclosure for IFRS/PFRS S2 (Climate-related Risks and Opportunities)

Pillar	Disclosure Objective	Key Disclosure Requirements
<b>Governance</b>	Enable users to understand how climate-related risks and opportunities are governed, overseen, and controlled	<p><b>Governance body oversight:</b></p> <ul style="list-style-type: none"> <li>• Identification of board/committee/ individual responsible</li> <li>• How climate responsibilities are embedded in mandates and policies</li> <li>• How skills and competencies are ensured</li> <li>• Frequency and form of climate reporting to the board</li> <li>• How climate considerations influence strategy, major transactions, and risk oversight</li> <li>• Oversight of climate targets and links to remuneration</li> </ul> <p><b>Role of Management:</b></p> <ul style="list-style-type: none"> <li>• Delegation to management positions or committees</li> <li>• Controls and procedures supporting climate oversight</li> </ul>
<b>Strategy</b>	Enable users to understand how climate-related risks and opportunities affect the <b>business model, strategy, financial planning, and resilience</b>	<p><b>Identification of risks and opportunities:</b></p> <ul style="list-style-type: none"> <li>• Description of material climate risks and opportunities</li> <li>• Classification as physical or transition risks</li> <li>• Identified time horizons (short, medium, long term) and definitions</li> </ul> <p><b>Business model and value chain:</b></p> <ul style="list-style-type: none"> <li>• Current and anticipated impacts</li> <li>• Concentration points (geographies, assets, value chain stages)</li> </ul> <p><b>Strategy and decision-making:</b></p> <ul style="list-style-type: none"> <li>• Strategic responses and transition plans</li> <li>• Mitigation and adaptation actions (direct and indirect)</li> <li>• Resource allocation and progress tracking</li> </ul> <p><b>Financial effects:</b></p> <ul style="list-style-type: none"> <li>• Current and anticipated impacts on financial position, performance, and cash flows</li> <li>• Links to financial planning</li> </ul> <p><b>Climate resilience:</b></p> <ul style="list-style-type: none"> <li>• Scenario analysis results</li> <li>• Assumptions, uncertainties, and adaptive capacity</li> </ul>

## Annex B: Summary of Requirements for Disclosure for IFRS/PFRS S2 (Climate-related Risks and Opportunities)

Pillar	Disclosure Objective	Key Disclosure Requirements
<b>Risk Management</b>	Enable users to understand how climate-related risks and opportunities are identified, assessed, prioritized, monitored, and integrated into overall risk management	<p><b>Climate risk processes:</b></p> <ul style="list-style-type: none"> <li>• Inputs, parameters, and data sources</li> <li>• Use of scenario analysis</li> <li>• Assessment of likelihood and magnitude</li> <li>• Risk prioritization vs. other risks</li> <li>• Monitoring and changes over time</li> </ul> <p><b>Climate opportunity processes:</b></p> <ul style="list-style-type: none"> <li>• Identification and assessment methods</li> </ul> <p><b>Integration:</b></p> <ul style="list-style-type: none"> <li>• How climate risk processes feed into enterprise risk management</li> </ul>
<b>Metrics and Targets</b>	Enable users to understand performance, progress, and accountability in managing climate-related risks and opportunities	<p><b>Cross-industry metrics:</b></p> <ul style="list-style-type: none"> <li>• Scope 1, 2, and 3 GHG emissions (with methodology)</li> <li>• Assets exposed to physical and transition risks</li> <li>• Assets aligned with climate opportunities</li> <li>• Climate-related capital deployment</li> <li>• Internal carbon pricing</li> <li>• Climate-linked remuneration</li> </ul> <p><b>Industry-based metrics:</b></p> <ul style="list-style-type: none"> <li>• Metrics relevant to the entity's industry</li> </ul> <p><b>Targets:</b></p> <ul style="list-style-type: none"> <li>• Climate and GHG targets (scope, base year, time horizon)</li> <li>• Alignment with international climate agreements</li> <li>• Progress and revisions</li> <li>• Use of carbon credits for net targets</li> </ul>