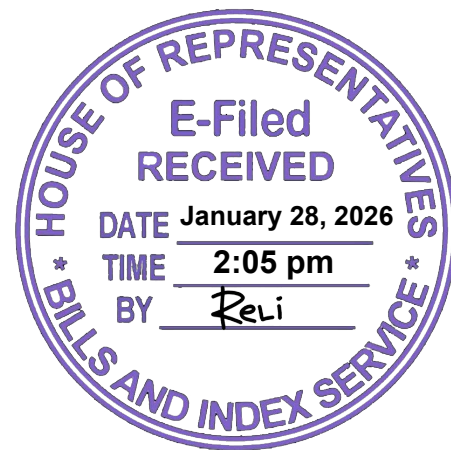


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
TWENTIETH CONGRESS
First Regular Session



HOUSE BILL NO. 7463

Introduced by Representative Jose Manuel F. Alba

AN ACT
INSTITUTIONALIZING SUSTAINABILITY REPORTING IN THE
PRIVATE SECTOR AND ESTABLISHING A NATIONAL
FRAMEWORK FOR ENVIRONMENTAL, SOCIAL AND
GOVERNANCE (ESG) DISCLOSURE IN SUPPORT OF
INCLUSIVE AND SUSTAINABLE DEVELOPMENT

EXPLANATORY NOTE

The escalating threats of climate change, environmental degradation, and systemic social inequality have fundamentally reshaped the global financial landscape. Today, corporate performance is no longer measured solely by financial returns, but by an organization's impact on the planet and society. Globally, **Environmental, Social, and Governance (ESG)** reporting has emerged as the definitive benchmark for assessing a company's long-term viability, risk resilience, and contribution to sustainable development.

While the Securities and Exchange Commission (SEC) has made significant strides by introducing sustainability reporting guidelines for publicly-listed companies, the current landscape remains fragmented. The absence of a comprehensive, mandatory legal framework results in inconsistent reporting practices, hindering the ability of investors and regulators to compare data or make informed decisions. This lack of standardization exposes the Philippine market to "**greenwashing**"—where misleading sustainability claims mask environmental inaction.

This bill seeks to institutionalize a **National Sustainability Reporting System**, integrating ESG disclosures into the bedrock of corporate governance and financial reporting. By mandating transparency, this measure aligns the Philippine corporate sector with the **United Nations Sustainable Development Goals (SDGs)**, the **Paris**

Agreement, and **Ambisyon Natin 2040**, ensuring that private sector growth mirrors our national development priorities.

Key objectives of this legislation include:

- **Enhancing Accountability:** Establishing enforceable standards to protect investors and the public from deceptive corporate practices.
- **Boosting Competitiveness:** Positioning the Philippines as a premier destination for the trillions of dollars in global capital now flowing toward climate-resilient and socially responsible businesses.
- **Risk Mitigation:** Strengthening the national governance framework to better manage systemic environmental and social risks.

In an era of climate urgency, the Philippines cannot afford to be a bystander. By passing this legislation, we signal to the world that our economy is transparent, credible, and future-proof. This bill ensures that the Philippine corporate sector does not just survive the challenges of the 21st century but leads the region toward a resilient, inclusive, and sustainable future.

In view of the foregoing, the immediate passage of this bill is earnestly sought.


JOSE MANUEL F. ALBA
Representative, 1ST District, Bukidnon

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Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

CHAPTER I
GENERAL PROVISIONS

Section 1. *Short Title.* — This Act shall be known as the "Sustainability Reporting Act."

Sec. 2. *Declaration of Policy.* — It is the declared policy of the State to:

- (i) Promote sustainability reporting in the corporate sector as a tool for transparency, accountability, and responsible business conduct, recognizing the private sector's role in achieving sustainable development;
- (ii) Guide companies in assessing, measuring, monitoring, reporting, and disclosing both impact and financial materiality, including the actual or potential positive or negative effects of their activities on people, communities, the environment, and the economy, as well as the sustainability-

related risks and opportunities that may affect the company's financial position, performance, and value;

- (iii) Align national sustainability reporting practices with globally recognized standards, ensuring the integration of sustainability and financial information to provide stakeholders—including investors, regulators, employees, customers, and affected communities—with a comprehensive view of the company's sustainability performance; and
- (iv) Assist companies in contributing to national and global sustainability objectives, including the United Nations Sustainable Development Goals and national development priorities such as Ambisyon Natin 2040, by promoting accurate, transparent, and decision-useful sustainability disclosures.

Sec. 3. *Definition of Terms.* — For the purposes of this Act:

- (a) *Appropriate Regulatory Authority* refers to the government agency mandated to oversee sustainability reporting for the relevant class of entities, as identified under this Act and its IRR.
- (b) *Assurance* refers to an independent external evaluation of the sustainability report for the purpose of enhancing the credibility of disclosed sustainability information. The level, scope, and standards of assurance shall be determined by the appropriate regulatory authority through the implementing rules and regulations (IRR).
- (c) *Double Materiality* refers to an approach for identifying material sustainability information by considering both:
 - (i) *Impact Materiality* – the material actual or potential positive or negative impacts of the organization on the economy, environment, and people, including human rights; and
 - (ii) *Financial Materiality* – sustainability-related risks and opportunities that could reasonably be expected to affect the organization's financial position, financial performance, cash flows, access to finance, or cost of capital over the short, medium, or long term.
The assessment of materiality shall apply both perspectives, recognizing their interdependencies.

- d) *Material Information* refers to sustainability information that is reasonably expected to influence the decisions of stakeholders, including investors, regulators, customers, communities, and other users of sustainability reports. Materiality determination shall consider both the organization's impacts and the sustainability-related risks and opportunities that may affect the organization.
- e) *Sustainability Report* refers to a document published by an organization that presents material sustainability information in accordance with the requirements issued by the appropriate regulatory authority pursuant to this Act.
- f) *Sustainability Reporting* refers to the process by which an organization discloses material information about its governance, strategy, risks, opportunities, and impacts relating to environmental, social, and governance (ESG) matters, in a manner that enables users of such information to assess the organization's performance and its ability to create, preserve, or erode value over time.

Sec. 4. *Scope and Covered Entities.* — This Act shall apply to all stock and non-stock private corporations registered with the Securities and Exchange Commission (SEC), including publicly listed companies, large private corporations, and other corporations as may be determined by the SEC based on size, public interest, and sectoral risk.

CHAPTER II SUSTAINABILITY REPORTING FRAMEWORK AND REPORTS

Sec. 5. *Sustainability Report.* — In addition to their Annual Report, audited financial statements, and other reports required by law, all private corporations—both stock and non-stock—shall submit a Sustainability Report to the Securities and Exchange Commission (SEC) in accordance with guidelines issued by the SEC. The Sustainability Report shall be accessible to the public upon request and may be viewed during reasonable business hours on business days.

The Sustainability Report shall include both financial and non-financial disclosures. Information on sustainability matters that may affect the company's financial position, operations, or cash flows shall be consistent with the disclosures in the audited financial statements. The report shall be prepared in line with double materiality principles, covering both:

- Financial materiality – effects of sustainability matters on the company's financial performance, position, or cash flows; and
- Impact materiality – effects of the company's operations on economy, environment, and stakeholders.

The following private entities shall be required to submit an annual Sustainability Report:

- a) All publicly listed corporations;
- b) All corporations with total assets or annual gross revenues exceeding One Billion Pesos (₱1,000,000,000), as may be periodically adjusted by the SEC; and
- c) Such other private entities as may be determined by the SEC based on size, sector, public interest, or sustainability impact.

Reporting corporations shall disclose relevant sustainability information from their supply chains, including supplier tiers, in accordance with SEC-issued guidelines on timeline, thresholds, and phasing of supplier-related disclosures. Reporting entities shall ensure the accuracy and relevance of supply chain sustainability information consistent with principles of materiality, proportionality, and double materiality.

The SEC shall issue implementing rules and guidelines on thresholds, coverage, and timelines for supply chain disclosures, which may be updated every three (3) years in consultation with stakeholders to ensure proportional, risk-based implementation.

Sec. 6. *Integration of Sustainability Reports and Financial Statements.* — Covered corporations shall ensure that their Sustainability Reports and financial statements are prepared in a manner that allows stakeholders to understand the connection between financial and non-financial information, providing a holistic view of value creation. The SEC shall issue guidelines on the timing, authorization, and filing of Sustainability Reports in relation to financial statements.

Sec 7. *Collection and Disclosure Requirements.* — The SEC shall serve as the data collector and repository of Sustainability Reports submitted by covered corporations and shall provide guidance on disclosure requirements, access, and data management in accordance with its implementing rules.

Sec. 8. *Recognition of International Reporting Frameworks and Standards.* — The SEC is authorized to adopt internationally recognized sustainability reporting standards and frameworks and prescribe the applicable reporting requirements for covered entities. In adopting these standards, the SEC shall consider the pronouncements of the Philippine Financial and Sustainability Reporting Standards Council and relevant financial regulators. The SEC shall ensure that the reporting framework adheres to principles of proportionality, including the provision of structural reliefs for smaller entities, without creating undue administrative or compliance burdens.

Sec. 9. *Assurance of Sustainability Reports* — Covered corporations shall ensure that their Sustainability Reports are subject to review by the company's internal audit function or equivalent internal control mechanism to promote accuracy, completeness, and reliability.

Engagement of independent external assurance providers shall be voluntary at this stage. The SEC may, at an appropriate time, determine the need to make external assurance mandatory and shall issue guidelines for its scope, form, and proportionality, consistent with internationally recognized standards.

CHAPTER III POWERS AND FUNCTIONS OF SEC

Sec. 10. *Powers and Functions of the SEC.* — The SEC, as the lead agency, shall have original and primary jurisdiction in the enforcement and implementation of the provisions of this Act, and its implementing rules and regulations. In addition to the express powers granted under this Act, the Revised Corporation Code (RCC), Securities Regulation Code (SRC), and other relevant laws, the SEC shall also exercise the following powers and functions:

- (a) Issue such other rules, policies and guidance on sustainability reporting to ensure compliance with international standards and global best practices;

- (b) Monitor compliance of the covered entities with the provisions of this Act and its Implementing Rules and Regulations, and such other SEC rules on sustainability reporting;
- (c) Exercise supervisory and oversight functions over assurance providers of sustainability reports and financial statements;
- (d) As may be necessary, create an appropriate unit or office within its control to regulate and supervise the implementation of the provisions of this Act;
- (e) Enlist the aid and support of any and all agencies of the Government, as well as private institutions, corporations, entities or associations, in the issuance of rules and regulations and for proper implementation of its powers and functions;
- (f) Provide and facilitate continuous capacity-building initiatives on sustainability reporting;
- (g) Conduct administrative proceedings, impose sanctions, fines or penalties for any non-compliance with or violation of this Act and its IRR; and
- (h) Perform such other functions as may be necessary to carry out the objectives of this Act.

Sec. 11. *Appropriation.* — The funding requirements for the implementation of this Act shall be charged against the operating budget of the SEC. The SEC shall be authorized to collect, retain, and use the fees, fines, and other charges collected pursuant to this Act and its IRR. The amount collected shall be deposited and maintained in a separate account, which shall form a fund to be utilized exclusively for the implementation of this Act, including the promotion of sustainability reporting.

The funding requirements of other government agencies assigned functions under this Act, including the Department of Development Planning (DepDev), shall be charged against their respective budgets or other funding sources as may be provided by law.

Sec 12. *Incentives.* — The SEC and other concerned government agencies may establish a system of rewards and incentives, including streamlined regulatory processes, based on a reporting entity's demonstrated commitment to ESG practices, policies and reporting.

CHAPTER IV PROHIBITED ACTS AND PENALTIES

Sec. 13. *Administrative Penalties for Reporting Violations.* —

Any covered corporation or responsible officer who fails to comply with this Act, its IRR, or related regulations shall be subject to administrative penalties, including:

1. Fines for non-compliance, late filing, or submission of incomplete, inaccurate, or misleading sustainability reports;
2. Suspension or revocation of corporate registration in case of repeated or material violations;
3. Disqualification of officers or directors from holding similar positions in case of material misrepresentation or misstatement in the Sustainability Report;
4. Other administrative actions as the SEC may deem appropriate under its existing regulatory powers.

Provided, that the imposition of administrative penalties shall be without prejudice to other sanctions under existing laws and regulations, and the SEC shall determine the amount and structure of fines in its rules or guidelines.

CHAPTER V MISCELLANEOUS PROVISIONS

Sec. 14. *Open Government, Transparency, and Public Disclosure.* — In accordance with the principles of open government and the public's right to information, the SEC shall ensure the transparent collection, use, and dissemination of ESG data submitted under this Act.

The SEC shall maintain an open-access digital portal where Sustainability Reports of covered private entities are published and made available to the public. Publication of independent assurance statements shall be voluntary, consistent with Section 9 of this Act.

The Department of Development Planning (DepDev) may utilize Sustainability Report data to support national development planning, investment prioritization, SDG tracking, and evidence-based policymaking. DepDev may also publish aggregate trends and analyses of private-sector ESG performance to inform stakeholders, improve investor and citizen awareness, and guide future policy development.

All publicly available disclosures shall be regularly updated, searchable, and presented in accessible formats, consistent with the Data Privacy Act and other applicable transparency laws.

Sec. 15. *Implementing Rules and Regulations.* — Within ninety (90) days from the approval of this Act, the SEC, in consultation with the stakeholders concerned, shall formulate and promulgate the necessary rules and regulations to effectively implement the provisions of this Act.

Sec. 16. *Separability Clause.* — If any part or provision of this Act is declared invalid or unconstitutional, such declaration shall not affect in any manner other parts or provisions hereof.

Sec. 17. *Repealing Clause.* — All laws, decrees, proclamations, issuances or ordinances that are contrary to or inconsistent with the provisions of this Act are hereby amended, repealed or modified accordingly.

Sec. 18. *Effectivity.* — This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,