Employers Confederation of the Philippines

ESG Elevate Sustain Grow

GOOD FOR BUSINESS, GREAT FOR THE PLANET

Philippine ESG State of Play Report

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Abbreviations and *Acronyms*

ASEAN	Association of Southeast Asian Nations
BSP	Bangko Sentral ng Pilipinas
BDO	Banco de Oro Unibank
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
DOF	Department of Finance
DTI	Department of Trade and Industry
ECOP	Employers Confederation of the Philippines
EESG	Economic, Environmental, Social, and Governance
ESG	Environmental, Social, and Governance
EU	European Union
FY	Fiscal Year
GRI	Global Reporting Initiative
IFRS	International Financial Reporting Standards
IR	Integrated Reporting
ISO	International Organization for Standardization
ISSB	International Sustainability Standards Board
MC	Memorandum Circular

MNC	Multinational Corporation
MSME	Micro, Small, and Medium Enterprise
NEDA	National Economic and Development Authority
PEZA	Philippine Economic Zone Authority
PLCs	Publicly-Listed Companies
PSRC	Philippine Sustainability Reporting Committee
SC-SDGs	Stakeholders' Chamber for the Sustainable Development Goals
SDG	Sustainable Development Goal
SEC	Securities and Exchange Commission (Philippines)
SME	Small and Medium Enterprise
SMILEES	Small and Medium Industries and Large Enterprises Embracing Sustainability
SASB	Sustainability Accounting Standards Board
TCFD	Task Force on Climate-related Financial Disclosures
UN	United Nations
UN SDGs	United Nations Sustainable Development Goals

Foreword

In recent years, ECOP has become more intentional with expanding its work to include emerging issues that impact labor, employment, and social policy. Among these issues, Environment, Social, and Governance (ESG) has become the most crucial as various reporting standards, requirements, and frameworks have begun to inform compliance and redefine what constitutes responsible business conduct. As the voice of Philippine employers, the Employers Confederation of the Philippines (ECOP) recognizes the urgent need to guide enterprises through this transformation.

This State of Play Report on ESG in the Philippines serves as a critical baseline, capturing where our business community currently stands in terms of ESG awareness, integration, and reporting readiness.
The findings of this study, drawn from a nationwide survey and in-depth consultations with ECOP member-companies and key stakeholders, highlight both the enthusiasm and the challenges surrounding ESG adoption. It affirms our belief that while many Philippine enterprises are willing to embrace sustainability, they require more localized guidance, capacity-building opportunities, and enabling policies to act decisively.

This report was developed as a key component of ECOP's new ESG Program, "Elevate.Sustain.Grow: Good for Business, Great for the Planet", established in time for ECOP's 50th Anniversary celebration. This milestone reaffirms our enduring role in national development and our commitment to tackling emerging issues that impact labor, employment, and the future of work. As we mark five decades of service to employers, we look forward to a future where sustainability is embedded in the core of Philippine enterprises.

We hope this report not only informs but also inspires further action, across companies of all sizes, across sectors, and across the policymaking landscape. ECOP remains steadfast in its commitment to support members in embedding ESG into their operations, not just for compliance, but to create long-term value for business, people, and planet.

Let this report serve as a springboard for deeper collaboration, continuous learning, and shared progress toward a more sustainable and inclusive future.

SERGIO R. ORTIZ-LUIS JR.
President
Employers Confederation of the Philippines

Executive *Summary*

As Philippine companies are becoming more aware and exposed to the principles of Sustainability and Environmental, Social, and Governance (ESG), the need to understand how ESG is integrated into the operations and supply chain of companies continues to become more important.

As such, this ESG State-of Play Report looked into insights from member-companies of the Employers Confederation of the Philippines (ECOP) through a baseline survey of ESG-related initiatives, as well as its supporters and stakeholders through focused group discussions and interviews, on how to further support ESG integration.

Based on analysis conducted on both the survey and interviews, three important points were deemed substantial as findings:

- Philippine companies, regardless of size, see ESG integration to operations and supply chain as important to ensure positive progress and development. This is evident in the willingness of companies to integrate ESG in company responsibilities, collaboration and partnerships, and supplier assessments.

- However, due to the complexity of sustainability reporting requirements, as well as the amount of time and resources it may require initiating their own sustainability journey, and the need to answer the question of value in ESG integration, have caused problems in further integrating ESG for non-publicly listed large, medium, and small industries in the country.

- Lastly, the need to further act on ESG integration by Philippine lawmakers and policy makers at both national and local government levels, as well as incentives to pursue items such as sustainable finance, are highly sought after.

As such, the proponents in this study primarily recommend the following items for ECOP, its supporters, and stakeholders to consider:

Experience, Capacity and Knowledge Sharing (High Priority)
- Localize and simplify the knowledge on sustainability/ESG and differentiate ESG from SDGs
- Provide trainings and learning sessions related to Sustainability/ESG, with focus on the SMEs and the Exporters
- Create updates on the latest on sustainability, including success stories
- One-on-one sessions with companies on ESG development

Financial Opportunities Mapping (Medium Priority)
- Encourage further cascading of sustainable finance measures and how to unlock opportunities for SMEs
- Incubation and Startup Support for those who want to have a sustainability-related solution
- Encouragement of both Financial and Non-Financial Risk and Opportunities Mapping for Companies through Materiality Assessments, Design and Systems Thinking, and Scenario and Strategic Planning

Policy Development and Interactions with Lawmakers on Sustainability/ESG (High Priority)
- Engagements with National-Level Lawmakers, as well as local government officials on ESG-related matters and how to create policy that encourages further ESG integration beyond regulatory compliance
- Mapping of Standards Requirements for Current and Potential Standards for Sustainability, and continue the effort to streamline sustainability disclosure requirements that include EU-related sustainability disclosure requirements, SEC-related requirements, and PEZA exporter-related requirements
- Further refine messaging for ESG and Labor Standards, and ESG and the links between Environmental and Social Topics across the ECOP network.

Introduction

In terms of experience, private businesses in the Philippines continue to improve on matters related to reporting of topics associated with Environmental, Social and Governance (ESG). Philippine companies that are required to disclose through national regulatory requirements have started to go beyond this, and are heading more towards responding to the needs of their major stakeholders (e.g., employees, customers, suppliers, investors) the concept of integrated thinking and reporting, defined by the Value Reporting Foundation in 2020 as a combination of creating shared values with long term business model resilience through collective work and multi-unit collaboration while looking at stakeholder expectations, business capitals, principles, models, among others.

However, challenges remain on the implementation of ESG-related disclosures in Philippine businesses beyond the publicly-listed companies that were initially required to do so by current regulations of the Philippine Securities and Exchange Commission (SEC), with initiatives being implemented by various government agencies and allied organizations on the effort to streamline the adoption of ESG reporting and the actions that will needed to ensure that businesses across the country will be sustainable.

The purpose of this study aims to show the following:

- Historical context of ESG reporting in the Philippines, including current and potential regulation for private businesses in the Philippines, and sustainability reporting standards that are currently used by Philippine companies

- Status of implementation of ESG reporting in the Philippines, based on the experiences of the publicly-listed companies in their submission of reports

- Benefits and challenges of ESG-related communications in the Philippines

- How international trends in sustainability (e.g., EU Corporate Sustainability Reporting Directive or CSRD, Corporate Sustainability Due Diligence Directive (CSDDD), Cross-Border Adjustment Mechanism) will be seen to impact ESG-related initiatives in the Philippines.

ESG in the Philippines: *Overview*

Historical Context

ESG reporting in the Philippines can be initially traced back to the first sustainability report published in 2004 by the Manila Water Company, in response to queries from investors on how the water utility company is addressing issues related to environmental and social issues in the Philippines.

Since then, the need for sustainability reporting increased and culminating in additional milestones for ESG reporting. In support of an integrated thinking and reporting mindset, the Ayala Corporation published the country's first Integrated Report in 2015 and combined contents from an annual financial report and sustainability report into one that has elements that correlated financial and non-financial performance across its operations and supply chain. This is followed by the issuance of the first green bond offering by Banco de Oro Unibank (BDO) that followed the ASEAN Green Bond Principles.

In response to these developments, the Philippine Securities and Exchange Commission (SEC) issued Memorandum Circular 04-2019, or the Sustainability Reporting Guidelines for Publicly-Listed Companies (PLCs), which mandated publicly-listed companies to disclose their non-financial performance starting 2020 for Financial Year 2019. Since then, the compliance rate for sustainability reports submission has steadily risen based on SEC data, shown on **Figure 1.**

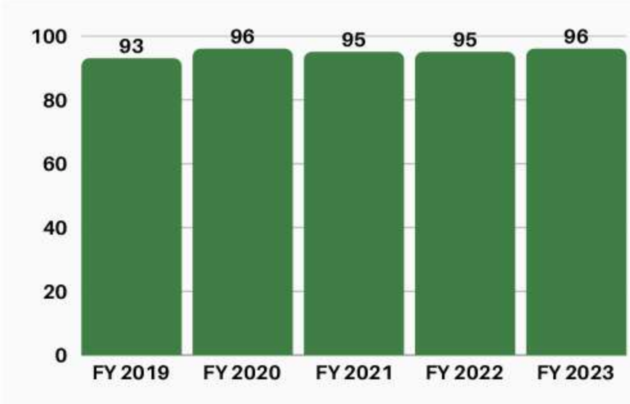


Figure 1. Rate of submission of Sustainability Reports of PLCs in the Philippines, FY 2019-2023.

The SEC cited a report made by the Makati Business Club and the Center for International Private Enterprise in 2023 that PLCs do see benefits of sustainability reporting, the top three being (a) better stakeholder management, (b) More in-depth risk assessment, and (c) Improved company reputation across its operations. However, the report was not able to look into how they are able to empower their supply chain partners, which often comes from the small and medium enterprises.

In addition to the SEC regulations, the Bangko Sentral ng Pilipinas published Circular 1085, or the Sustainable Finance Framework for the Banking sector in the Philippines. This includes the mandate for Philippine banks, regardless of size, to report on sustainability-related disclosures.

This may all change, however, due to the recent changes in trends overseas based on shifting of the standards for sustainability reporting to include factors coming from a company's suppliers and similar stakeholders.

In 2023, the International Financial Reporting Standards (IFRS) Foundation published the first two sustainability standards that were adopted by the International Sustainability Standard Board. (ISSB). IFRS S1 (General Sustainability) standards now include matters related to the supply chain in sustainability reporting.

Efforts to expand the mandate of sustainability reporting in the Philippines beyond publicly-listed companies are being made in response to this. As of the time of this report, the Securities and Exchange Commission is on the process of finalizing the revisions to MC 04-2019 to integrate current regulations with the IFRS Sustainability Standards and to expand the mandate to non-publicly listed large companies and medium-sized companies within the period of 2026-2030.

Similarly, the Philippine Sustainability Reporting Committee (PSRC), a group that is helping the SEC in the full adoption of IFRS Sustainability Standards for all Philippine businesses. In addition, planning for integration of the United Nations Sustainable Development Goals (UN SDGs) as part of sustainability reporting for organizations in the Philippines is being done through the Stakeholders' Chamber for the Sustainable Development Goals (SC-SDGs) of the National Economic and Development Authority (NEDA), to which ECOP is a member. Similar initiatives are being done to integrate more SMEs into sustainability reporting through initiatives shared below:

Table 1. Initiatives in expanding the knowledge and capacity of SMEs to undertake sustainability reporting

Organization	Program/Initiative	Brief Description/Objective
Department of Trade and Industry & Global Reporting Initiative	Embedding Sustainability in the Value Chain of MSMEs	Facilitate policy discussions and capacity building with enterprises, addressing key sustainability issues related to supply chain practices and responsible procurement
Philippine Economic Zone Authority and the Swiss Confederation's State Secretariat for Economic Affairs	Sustainability Reporting Requirements for Exporters	Develop a harmonized system for exporters in the Philippines to report on sustainability-related metrics
Securities and Exchange Commission	Small and Medium Industries and Large Enterprises Embracing Sustainability (SMILEES) Roadshow initiative	Enhance awareness and capability in sustainability reporting across key regions in the Philippines
Philippine Chamber of Commerce of the Philippines	SDG Alignment Programs for Businesses	Enhance awareness and capability in integrating the UN SDGs and ESG metrics in Philippine businesses
SustainablePH	Learn2Lead Sustainability Initiative	Train starter sustainability professionals on sustainability principles and trends in the Philippines
Makati Business Club	Value Chain Sustainability Programs	

Current Sustainability Reporting Regulations in the Philippines

The SEC defines sustainability reporting as "an organization's practice of reporting publicly on its significant economic, environmental and/or social impacts, in accordance with globally accepted standards".

This idea is also included under Principle 10, Recommendation 10.1 in the Code of Corporate Governance for Publicly-Listed Companies (PLCs), which states that *"The board should have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. Companies should adopt a globally recognized standard/framework in reporting sustainability and non-financial issues. As such, regulations on sustainability reporting were instituted for this purpose."*

SEC MEMORANDUM CIRCULAR 04-2019: SUSTAINABILITY REPORTING GUIDELINES FOR PUBLICLY-LISTED COMPANIES

MC 4-2019, published in 2019, aims to promote sustainability reporting among PLCs, helping them assess and manage non-financial performance across economic, environmental, and social aspects. The Guidelines follow the following sustainability reporting standards that, at the time of publishing, were commonly used by international private organizations on sustainability reporting as shown on the table below:

Table 2. Standards and Frameworks cited under SEC MC 04-2019.

Standard/Framework	Purpose
Global Reporting Initiative (GRI)	Foundation Sustainability Disclosure, Non-financial Materiality
Sustainability Accounting Standards Board (SASB)	Sector-specific Disclosures; Sector-specific Materiality
Integrated Reporting Framework (<IR>)	Integration of Financial and Non-Financial Data
Task Force for Climate-related Financial Disclosures (TCFD)	Climate-related risks and opportunities
UN SDGs	Alignment with the SDGs

In summary, the following items were required for reporting under the said guidelines:

- **Company Introduction:** basic information about the company and the fiscal year of which the report covers
- **Materiality:** disclosure on what the company deems to be material, defined by the SEC as, "one that determines which relevant topics are sufficiently important that it is essential to report on them. This includes or topics related to environmental and social issues." This includes the disclosure of how the company was able to assess these topics from identification and assessment, to managing and monitoring its impacts to company performance.
- **Climate-related Risks and Opportunities:** disclosures related to impacts to the company in relation to climate change and its effect to the company's operations and supply chain
- **Economic Topics:** disclosures related to economic impacts of the company including Economic Performance, Procurement Policies, and Anti-Corrruption
- **Environmental Topics:** disclosures related to environmental impacts of the company including Resource Management, Biodiversity, Environmental Impacts, and Environmental Compliance
- **Social Topics**: disclosures related to social impacts of the company including Employee Management, Workplace Conditions, Labor Standards, and Human Rights, Supply Chain Management, Relationship with the Community, Customer Management, and Data Security
- **UN SDGs:** mapping of operations of the company to UN SDG goals, targets and/or indicators.

Part of the requirements include the submission of a sustainability report to be attached with the submission of Annual Reports (SEC Form 17-A) starting April 15, 2020 for FY 2019 submission, and April 15 of each year thereafter. Also, until FY 2021, companies were able to disclose using a comply-or-explain approach and became mandatory to disclose all topics starting FY 2022. Penalty for non-compliance results in penalties for an incomplete Annual Report, as specified in SEC Memorandum Circular No. 6, Series of 2005.

BANGKO SENTRAL NG PILIPINAS CIRCULAR 1085: SUSTAINABLE FINANCE FRAMEWORK

The BSP, in line with its Sustainable Finance Roadmap along with other government agencies such as the SEC and the Department of Finance (DOF), published Circular No. 1085 in 2020.

The first of the Sustainability-related Circulars of the Central Bank, the circular aims to integrate ESG/sustainability principles into the financial system in the Philippines. As such, banks are required to embed sustainability principles in their corporate governance framework, risk management systems, and strategic objectives. This also includes the integration of ESG-related topics into risk management, alignments with the UN SDGs and other sustainability-related principles, present a three-year transition plan to comply with the said Circular, and disclose their sustainability initiatives and performance in their annual reports.

In subsequent BSP Circulars (1142, 1149, and 1187), further directions related to governance, strategy, and risk management were included. This included the requirement for materiality assessments for banks, climate stress testing, and sustainable finance taxonomies. Greenwashing is also defined under the BSP Circulars.

Corporate Approaches on Sustainability Reporting Regulations

Corporate Sustainability Reporting Cycle

Due to the initial approach undertaken in in the Philippines on ESG principles was regulatory-driven, the preparation of sustainability principles mirrored regulatory requirements. As such, companies have adopted a cycle for sustainability strategy formation and reporting, as shown below.

Table 3. Corporate Sustainability Reporting Cycle commonly observed by businesses in the Philippines.

Period	Description
Sept-Nov	• Briefings and Identification of Responsibilities for Sustainability/Integrated Report • Trainings on Data Collection & Consolidation • Stakeholder Engagement exercises linked to ESG
Nov-Jan	• Materiality Analysis (when deemed required) • Q1-Q3 data collection and consolidation • Briefings on audit of ESG-linked data (if data audit has not yet begun)
Jan- April 14	• Q4 data collection and consolidation • ESG data audit Start of draft writing for Sustainability/ Integrated Report for fully designed formats
April 15	Submission of ESG-linked data to SEC as part of Annual Report (Form 17-A and Annex)
April 16-June	• Final draft writing + designing of Sustainability/ Integrated Report • Publishing of report to stakeholders
June-Sept	• Trainings on sustainability/ESG • Focused communications on ESG to stakeholders • ESG ratings season for companies • Strategy Review and Update • Engagements with Suppliers and Partners for Alignments in Sustainability

Sustainability Reporting Formats

A review of reports from Philippine PLCs in FY 2023 showed that sustainability reports are published in one of four reporting formats, which are:

- **SEC Sustainability Reporting Template (Form 17A Annex):** this is considered the basic reporting template, and serves as the minimum requirement for compliance with the current SEC guidelines for sustainability reporting. This does not explicitly use international sustainability reporting standards and rather would just follow the required disclosures already embedded on the template.

- **Sustainability Report (Standalone):** this is a report that only contains a company's environmental and social performance, as well as sustainability governance. This format usually utilizes the GRI Standards as the foundation sustainability reporting standard, however, SASB, TCFD, and other related standards may be included in this format as well.

- **Annual and Sustainability Report:** This format combines a company's annual financial report and sustainability report into one large report, but divided into the two sections mentioned. This is usually done so that the company would publish one large report instead of two small ones, but the financial and non-financial sections are not integrated into one report.

- **Integrated Report:** Considered as the highest form of sustainability reporting format in the Philippines, the Integrated Report incorporates the concept of Integrated Thinking and Reporting in combining the narratives of an annual report and sustainability report into one. Other sustainability reporting standards are still used in this kind report for ease of identifying specific information into the report.

A scan of PLCs in the Philippines on their sustainability reporting disclosure formats for FY 2023 show that of the 279 companies, most of the companies still use the template format, based on the table below. However, some companies since committed to publishing reports that use the sustainability report format or higher.

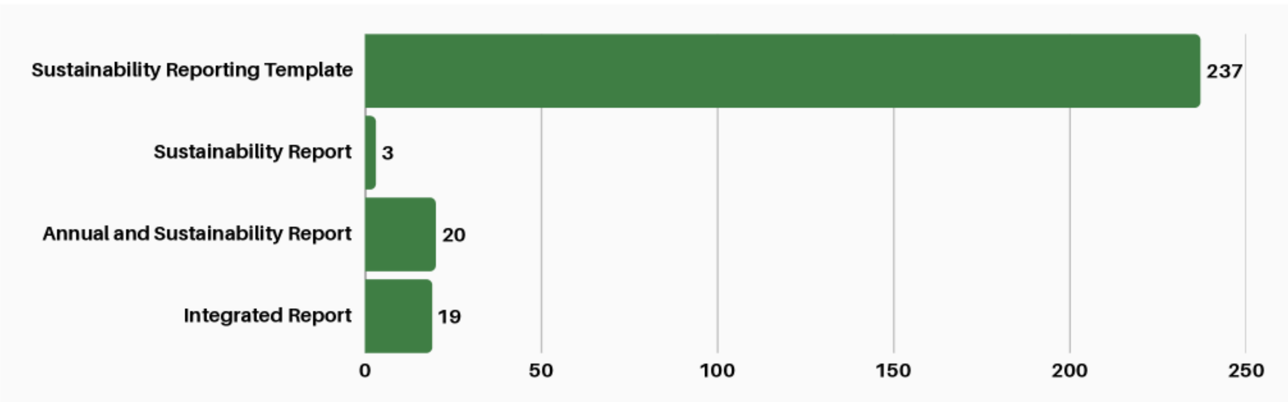


Figure 2. Types of sustainability reporting formats employed by PLCs in the Philippines, FY 2023.

Sustainability reporting also follow five basic questions, related to the process of creating and eventually analyzing sustainability reports. They are:

- **Who does what?** (**ESG into Corporate Governance**)
  - Companies would know who would be responsible for matters in creating shared value and improve its standing to its stakeholders
- **What is deemed important?** (**Materiality Analysis**)
  - Executives and senior management could align their materiality to sustainability principles to know what is important to their operations.
- **Who is impacted with each identified activity?** (**Stakeholder Engagement**)
  - Knowing who gets impacted by the actions of the company, based on materiality, would also lead to better decisions to enhance or mitigate any engagement
- **Where is the impact coming from and leading to?** (**ESG KPI Integration**)
  - Linking identified materiality with affected operations can aid in identifying approaches and solutions
- **How would you measure success in maximizing positive impact?** (**Metrics and Targets**)
  - Measuring impact and setting targets to create positive impact is important to achieve sustainability

Challenges in Sustainability Reporting in the *Philippines*

For Publicly-listed Companies

Despite having more time to disclose ESG-related metrics through reporting, PLCs still face challenges in sustainability reporting beyond current status based on published reports since the mandatory disclosure of sustainability-related information for their level. In particular, the observed challenges include, but not limited to:

- **Beyond Regulatory Compliance**: Perception for some companies in the Philippines on ESG reporting has been more towards regulatory compliance and not connecting environmental and social impacts with economic impacts. This is most likely due to a need for better knowledge and capacity building on this issue, or that there are not any clear economic opportunities for the company to integrate ESG into operations and supply chain

- **ESG Integration in the Supply Chain:** With the focus on operations, some companies in the Philippines have not looked into ESG integration along its supply chain, either through accreditation processes or through training or partnerships

- **Lack of Opportunities in Sustainable Finance:** for some PLCs, unlocking projects that may fall under sustainable finance may be a hindrance to integrate more ESG-related concepts due to the need to link their projects with sustainable finance policies.

For SMEs

Apart from the lack of regulatory mandate to disclose sustainability-related information at the time of this report, the challenges for SMEs are greater as they may not have the capabilities, resources, and opportunities for them to grow both financially while ensuring environmental and social stewardship. In particular, the challenges include, but not limited to:

- **Lack of viable reporting standard or guideline**: as focus on sustainability reporting in the Philippines leans more towards larger companies, the lack of a voluntary sustainability reporting standard for SMEs is making things difficult for them to disclose ESG-related metrics

- **Need for support by larger companies**: despite being their supply partners, larger companies have yet to support SMEs on how they could be incorporated into a larger ESG strategy, and for guidance for the SMEs on how they could contribute to sustainable businesses

- **Need for better access to finance and markets:** SMEs also want to know how they could gain an advantage in market access and finance through ESG reporting and strategy alignments.

Methodology for the ESG State of Play Report

Understanding where the state of play for ESG adoption and implementation for ECOP members in the Philippines is, at the time of this report, required two approaches. These were:

ESG Baseline Survey: ECOP member-companies were invited to fill out an online survey form hosted to help fully understand how they are impacted by the adoption of ESG in the Philippines. The survey included questions on the following themes:

- Governance in Sustainability: how member-companies can integrate ESG-related principles into decision-making, management, assessments, and implementation
- Communications and Certifications: how member-companies can communicate their ESG-related initiatives, and whether they are able to pursue ESG-linked certifications to bolster their case to become more sustainable
- Awareness in Sustainability Reporting Standards and Frameworks: how member-companies can integrate reporting standards and frameworks into overall reporting
- Challenges in ESG implementation: how member-companies are facing the difficulties in implementing ESG-related initiatives
- Partnerships and Collaborations: how member-companies can collaborate with other organizations to advance ESG in their respective fields.
- Metrics and Targets: how member-companies are measuring their ESG-related performance, as well as setting targets to achieve a higher sustainable business performance

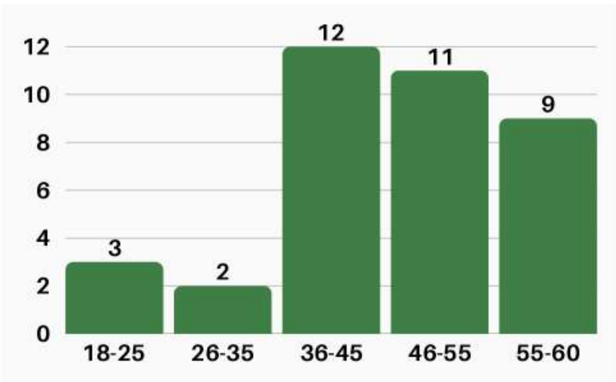
Thirty-seven (37) ECOP member-companies fully responded to the survey, with their responses fully received and analyzed by the study proponents.

ESG Study Interviews: Selected ECOP stakeholders from private sector, government, industry associations, and chambers of commerce were invited to share their insights on three major items:

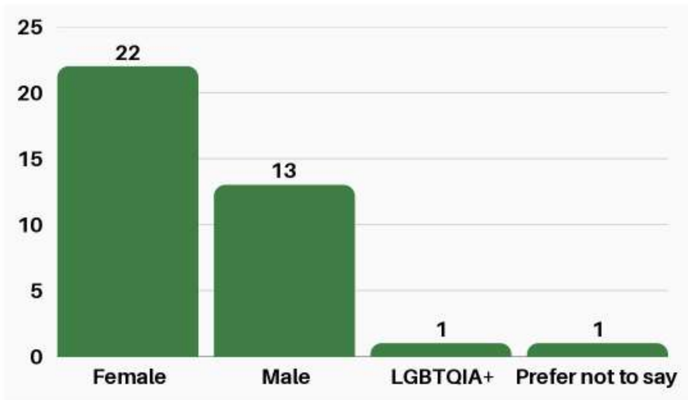
- State of Sustainability and Sustainability Reporting in the Philippines: how they see the implementation of sustainability-related initiatives being done in the Philippines
- Challenges in sustainability and sustainability reporting: how they understand the issues that prevent or hinder ESG integration in Philippine businesses
- What could be done: what steps can be taken to promote further ESG integration in the Philippines.

Perspectives of the ECOP Members:
Analysis of the Baseline Survey

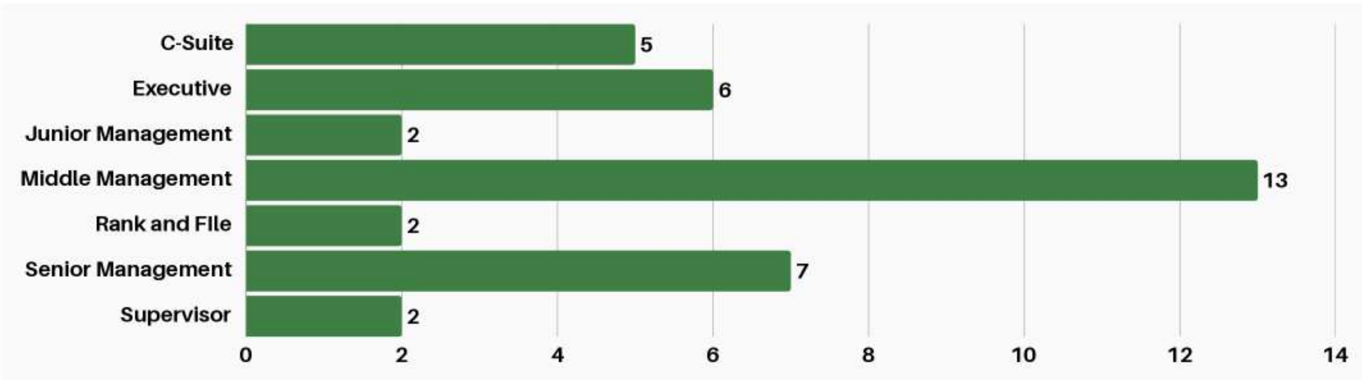
Profiles of the Respondents



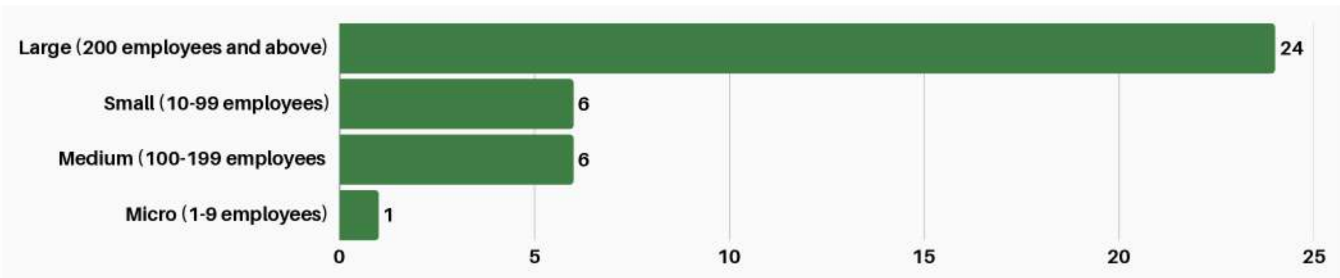
Age of Respondents



Respondents' Gender



Respondents' Position



Company size

Figure 3. Demographics of the respondents in the ESG Baseline Survey.

The respondents in the ESG Baseline Survey are more from middle management and would have an idea of how ESG-related initiatives are assessed and/or managed but may not have full decision-making capabilities in creating new directions for the company in sustainability-related matters.

Majority of the respondents are also from companies that are considered large in terms of number of employees, which indicates that companies that have a bigger workforce are more aware on ESG-related issues and may have or have done measures to integrate ESG to their operations and supply chain. The proponents are, however, pleased that majority of the respondents are female, which means that there is a good degree of women empowerment on decisions related to ESG for the company.

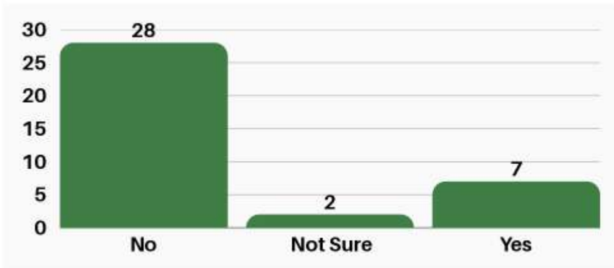
Table 4 shows that majority of respondents are from manufacturing, which is consistent with the membership at ECOP and can be a good representation of members from the organization. Notable as well are respondents from the financial sector that is one of the most exposed sectors to ESG-related compliance regulations. Though they are the least exposed, the Education sector were the third largest to respond and may signal that there is an interest from the academe to contribute to ESG-related matters in the Philippines.

Table 4. Composition of Respondents by Commercial/Industrial Sector.

Industry	#
Manufacturing	11
Financial and Insurance Activities	4
Education	3
Agriculture, Forestry, and Fishing	2
Electricity, Gas, Steam, and Air Conditioning Supply	2
Mining and Quarrying	2
Other Service Activities	2
Transportation and Storage	2
Wholesale and Retail Trade	2
Accommodation and Food Service Activities	1
Administrative and Support Service Activities	1
Human Health and Social Work Activities	1
Information and Communication	1
Professional, Scientific, and Technical Activities	1
Real Estate Activities	1
Water Supply	1

Sustainability in Governance

Are you the highest decision-making manager for matters related to sustainability?



Have you integrated sustainability principles in your governance structure?

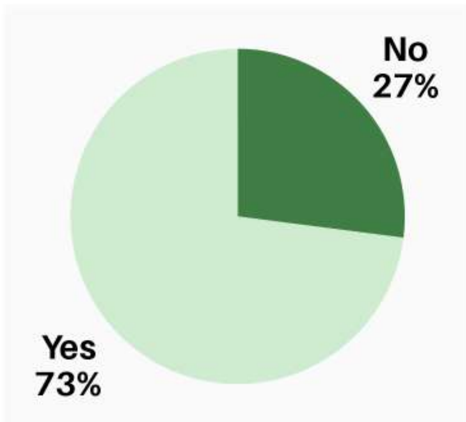


Figure 4. Results on the questions related to decision-making and integration of sustainability in corporate governance structures for businesses.

Who is the person/persons responsible for overseeing sustainability related matters?

Who is the person/persons responsible for managing sustainability related matters?

Who is the person/persons responsible for assessing sustainability related matters?

Who is the person/persons responsible for implementing and monitoring sustainability related matters?

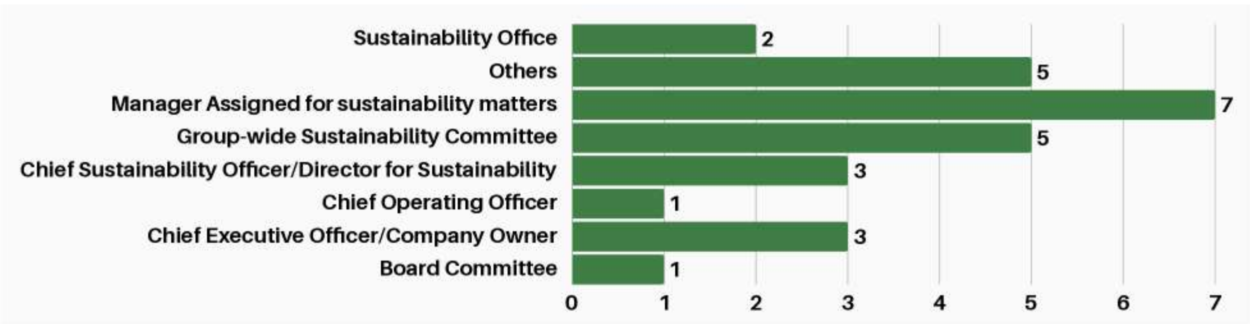


Figure 5. Responses on questions related to the assignment of responsibilities for overseeing, managing, assessing, and implementing and monitoring matters related to sustainability-related initiatives.

The responses on Figure 4 on highest decision-making manager on matters related to sustainability is consistent with the demographic, being that most of them are coming from middle management. However, there is a clear misunderstanding on the definition of roles in companies that said yes to sustainability integration in governance structures.

The proponents in this question were looking to see if the respondents were able to discern the following terms in the survey to mean:

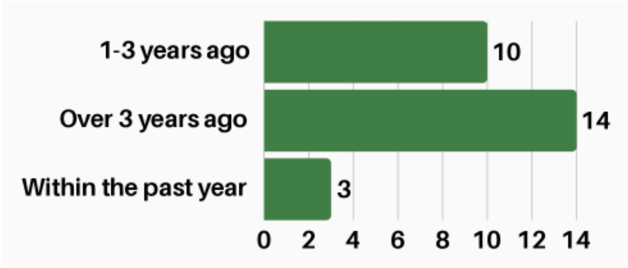
- **Oversee** – understand sustainability-related issues as a whole and decide on overall direction of the company on sustainability-related initiatives as solutions to the ientified issues. Ideally, this is carried out at the board level for large and very large companies, or company owners in smaller companies.

- **Manage** – understand sustainability-related issues at the management level, and based on the direction of the ones that oversee, be able to decide on issues related to a more operational level. This is usually carried out at the management committee or executive committee levels.

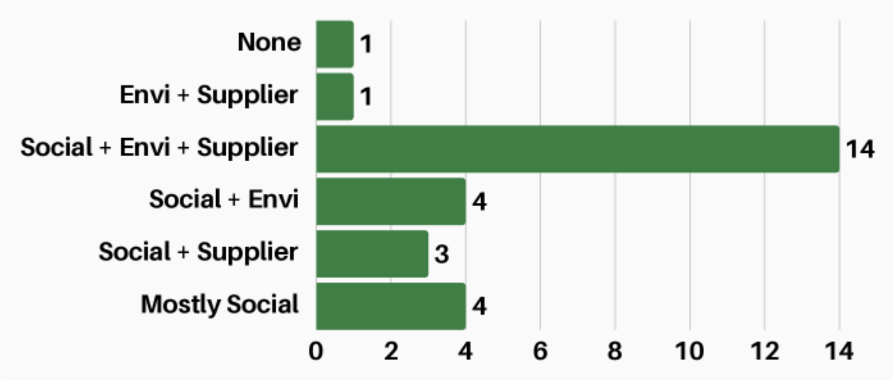
- **Assess** – determine the impact of sustainability-related initiatives to company operations and value chain, which is done either by a Sustainability Office or by designated managers that are given the mandate by the company to do so.

- **Implement and Monitor** – carry out the decisions made by the decision-making body on sustainability-related matters and monitor its performance for eventual reporting and strategy improvements. This is usually carried out by supervisors and employees.

When did your company begin actively engaging in sustainability initiatives?



Please select all of the sustainability or ESG indicators you track



Which of the following sustainability initiatives has your business implemented?

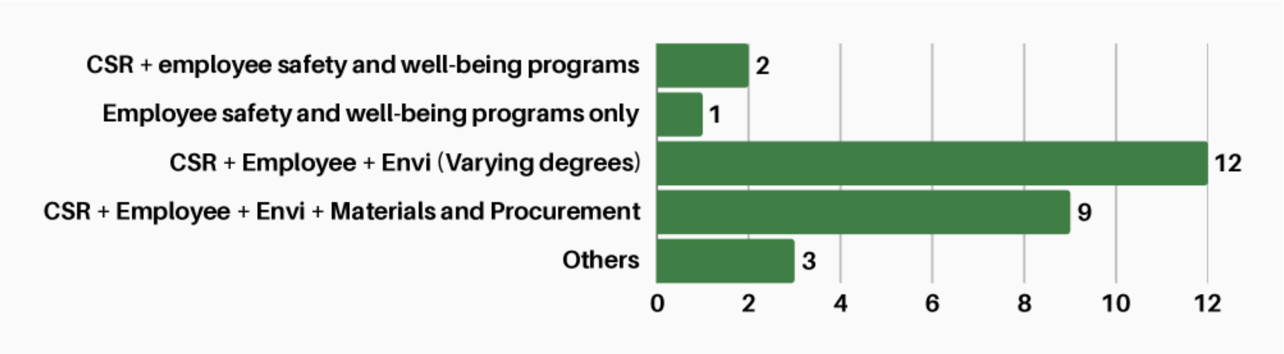
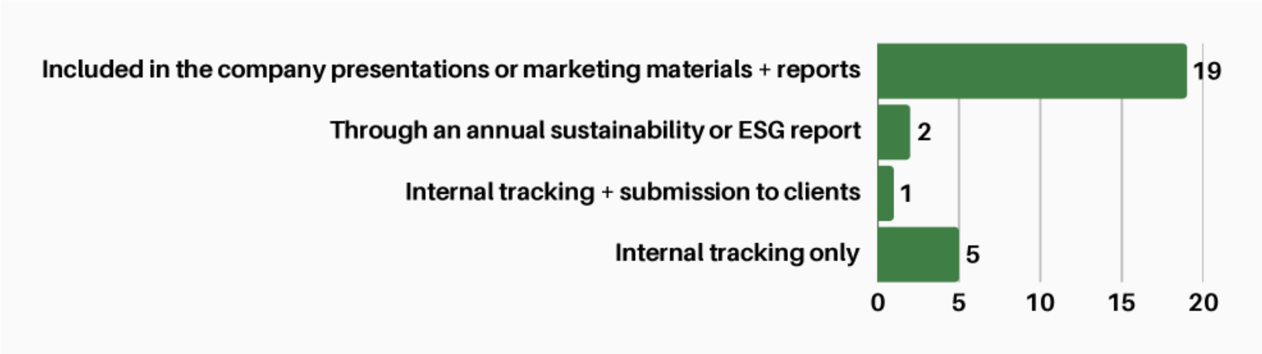


Figure 6. Respondent responses related to implementation of sustainability-related initiatives.

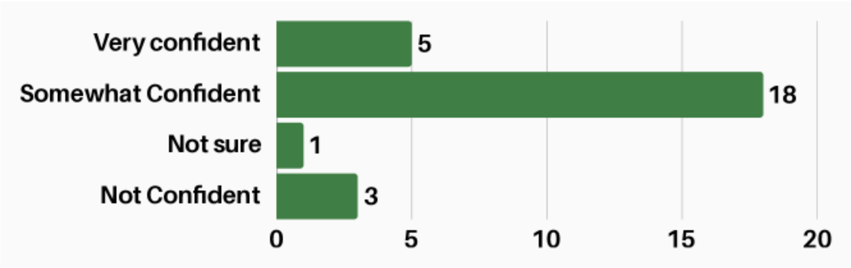
The results from Figure 6 show that for companies that already have ESG-related solutions integrated into their company operations and supply chain, they have already done so within the past three years or even more, with matters that go beyond CSR and already include environmental and supplier-based concerns. This means that there is a need for the respondents to integrate ESG and go beyond CSR-related solutions. It is encouraging to note that 14 companies explicitly mentioned that they are integrating their ESG-related solutions to social, environmental, and supplier-related matters, which indicate willingness to completely integrate sustainability-related solutions into all aspects of their business.

Sustainability Communications and Certifications

How do you report or communicate your sustainability efforts?



How confident are you in your current capacity to manage ESG requirements or respond to client requests?



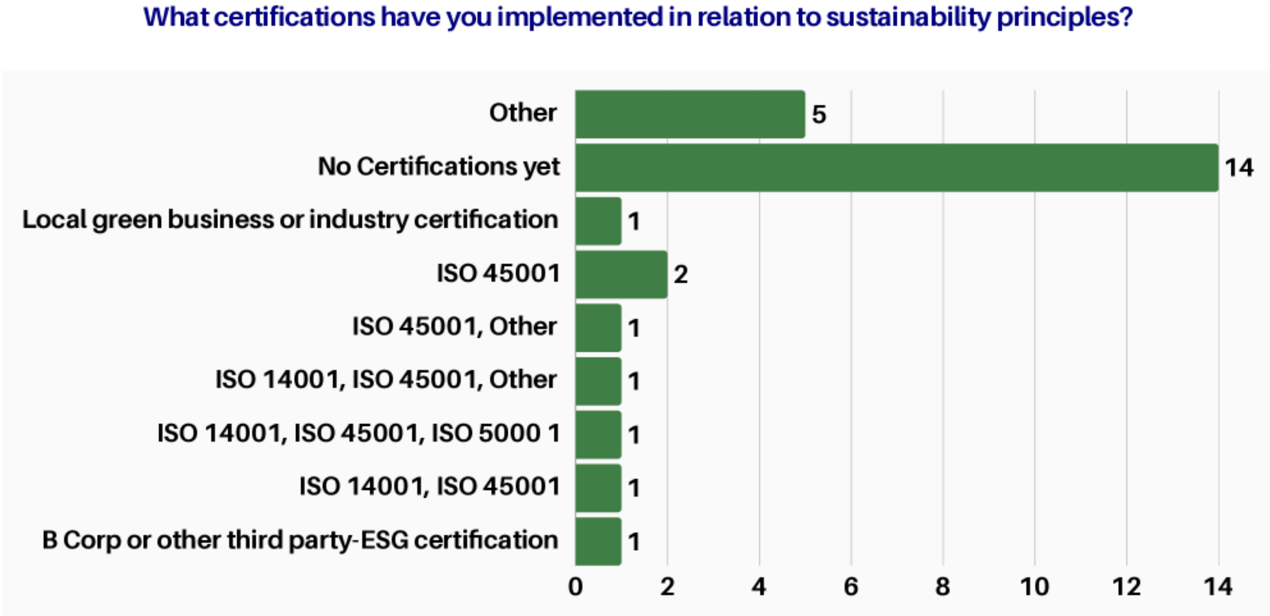


Figure 7. Responses linked to sustainability-related communications and certifications for respondents.

The responses in Figure 7 show that although there is willingness to integrate ESG into company operations and supply chain, the lack of confidence to communicate in a more wider or public space through the creation of an ESG report means that sharing such initiatives are limited to company presentations, internal reports, or when only asked by clients.

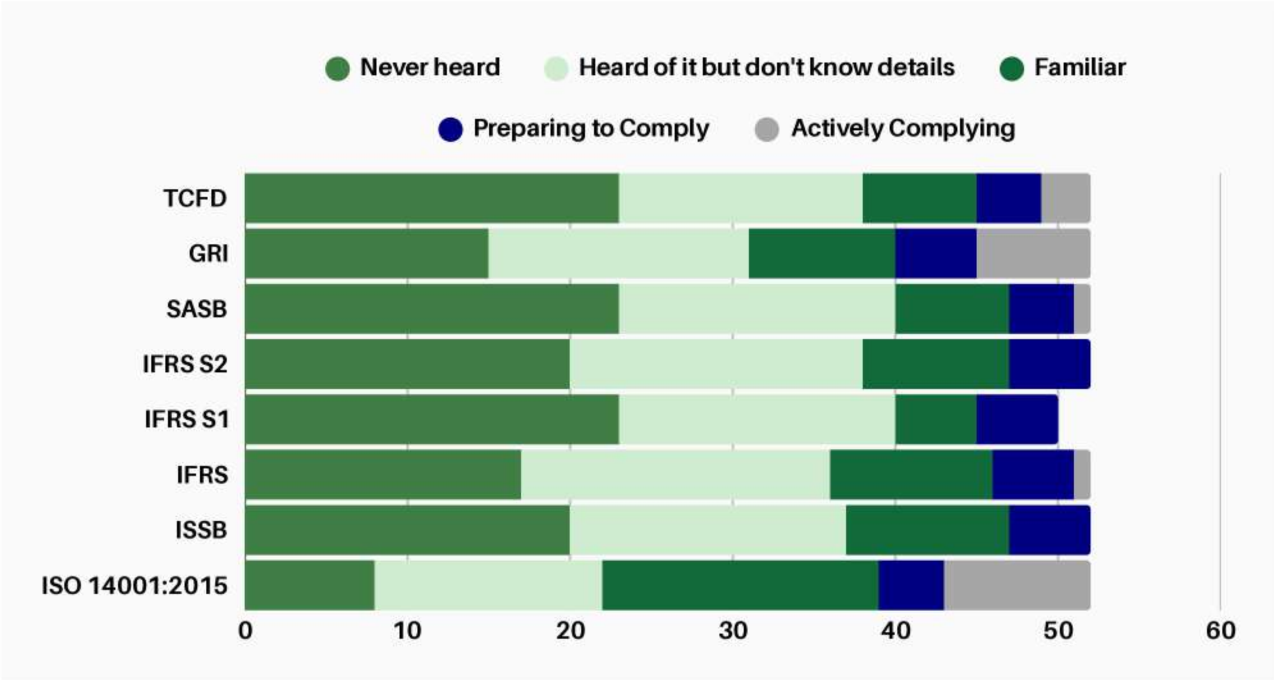
This is also evident on the certifications that these companes are employing on sustainability-related matters such as

- ISO 14001 (environmental standards),
- ISO 45001 (occupational health and safety) or
- ISO 50001 (energy management).

When asked on how to better improve by communicating better or achieving more certifications, the responses were to increase budget allocation for ESG-related solutions, the assignment of a designated sustainability or ESG officer, and capacity building or training. This is consistent with global trends related to sustainability integration, as such items may still need more resources for the company to implement despite the willingness to further integrate such matters into operations and supply chain.

ESG Awareness

Awareness in International Sustainability Reporting Standards/Frameworks



Awareness in European Sustainability Regulations

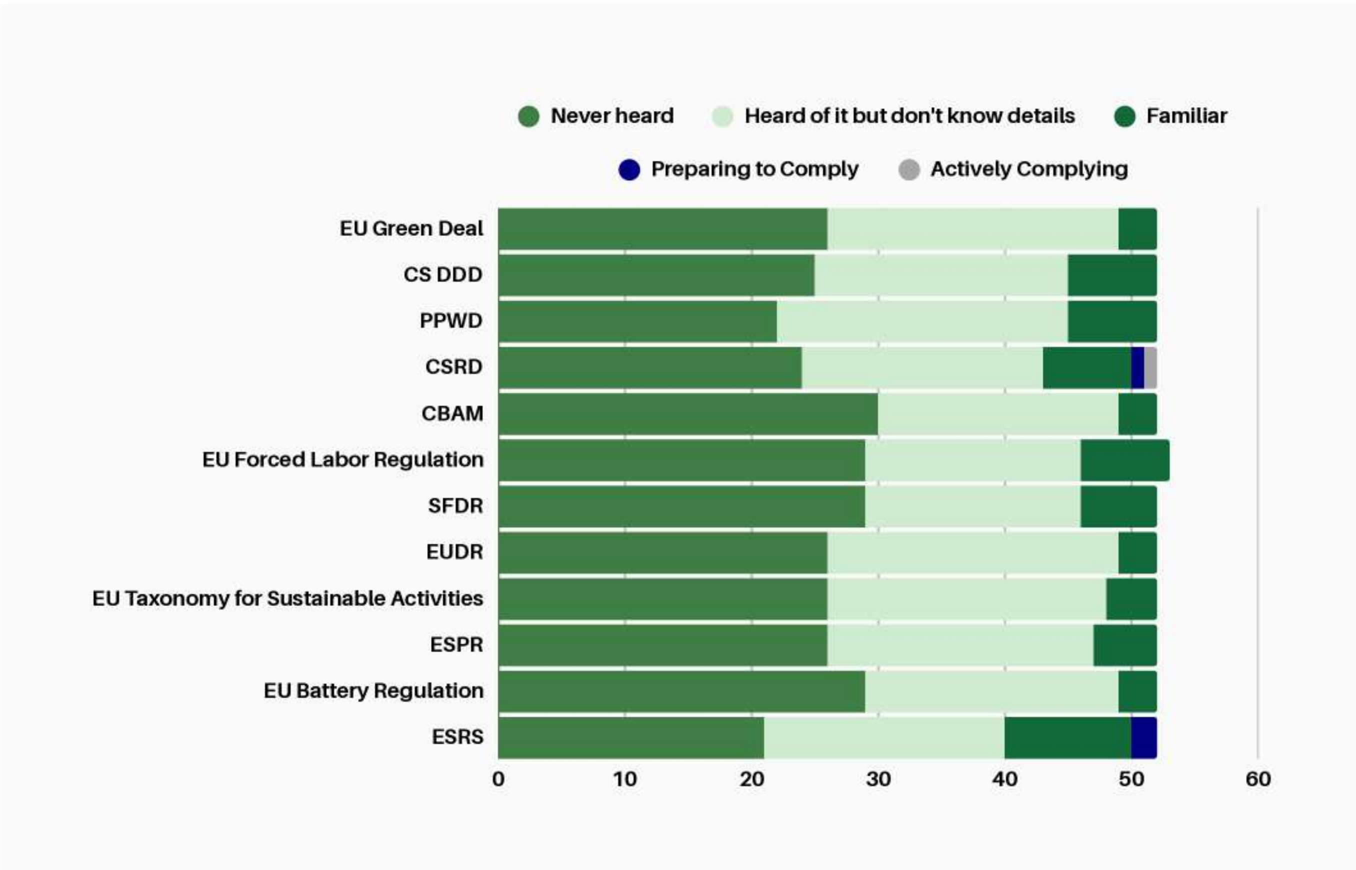


Figure 8. Responses to familiarity of sustainability reporting standards and frameworks.

The responses in Figure 8 show that companies are indeed more aware in global sustainability reporting standards and frameworks such as GRI, SASB, or TCFD. However, since there is still a need to be more confident in reporting using such standards and frameworks, and be convinced that it would be worth time and resources to align with such initiatives, for them to transition from familiar to actively complying.

The same cannot be said for the European sustainability regulatory alignments, however, as a majority of respondents have responded either “Heard of it, but don’t know details” or “Never heard”. This is consistent with the low exposure of Philippine companies to the European market and thus not as exposed to European Union requirements for export that include the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD).

Challenges to ESG Implementation

When asked on the main challenges their businesses face in implementing ESG-related practices, the respondents mentioned the following top responses:

- Complexity of International regulations
- Difficulties in measuring or tracking ESG data
- Lack of internal skills or technical expertise
- Lack of knowledge or awareness about ESG
- Not enough time or bandwidth to prioritize sustainability
- Resistance to change or business culture

Despite this, all of the respondents agree in various levels (somewhat to critically relevant) that sustainability and ESG regulations are relevant to their businesses.

Stakeholder Requirements, Partnerships, and Collaborations

The respondents cited the following stakeholders that have asked them on matters related to sustainability practices:

- Government agencies or regulators
- Business partners or distributors
- Customers or clients (domestic)
- Customers or clients (international, especially the EU)
- Investors/Banks/Funders

The study proponents believe that these are the most common stakeholders in the Philippines on matters related to sustainability practices. In terms of information on such practices, the respondents mentioned that environmental impact reports and social responsibility information are the most common queries. In addition, codes of conduct or supplier ethics declarations, and supplier self-assessment questionnaires linked to ESG and Sustainability are commonly asked as well.

Apart from stakeholder engagements, 29 respondents said that they are open to adopt collaboration opportunities, with 12 saying that they are very open to do so. Most respondents are open to Joint ESG capacity building or trainings.

Materiality Assessments

Considered to be at the core of sustainability for companies is the concept of materiality, to which important environmental and social issues could be addressed by a company through effective strategy and policy development, as well as capacity building. The results on the question of conducting materiality assessments in Figure 9 show that this has yet to be implemented by a majority of companies, though there is already one company that has conducted a double materiality assessment.

Have you conducted a materiality assessment?

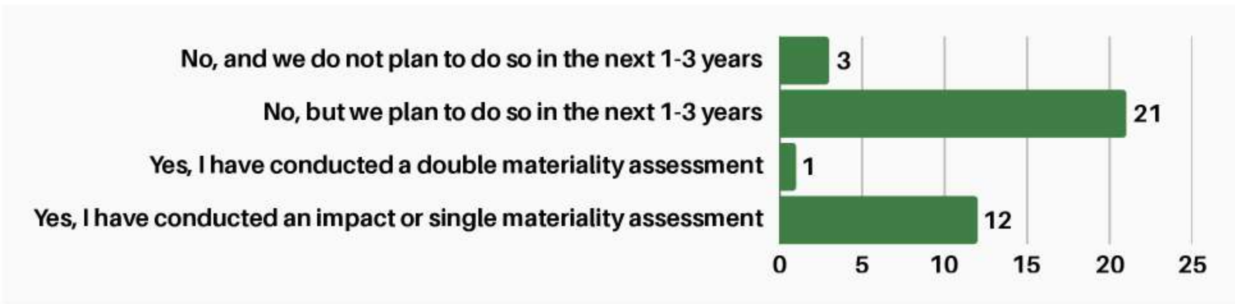
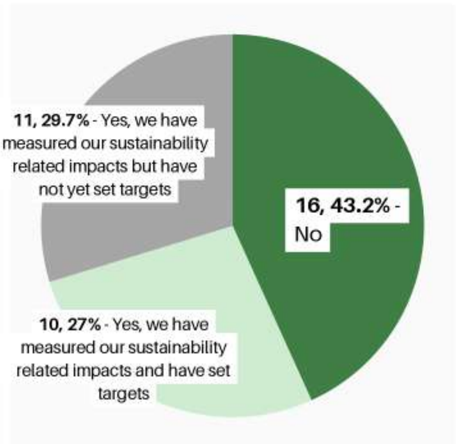


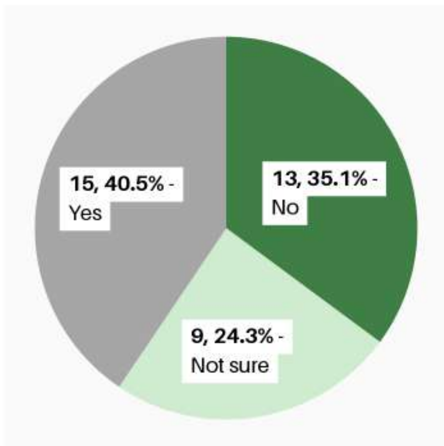
Figure 9. Results on the conduct of materiality assessments.

Metrics and Targets

Has the company determined its sustainability metrics and targets



Do you follow any sustainability reporting compliance requirements?



Does your company track sustainability metrics or initiatives, even if they are not published in formal reports?

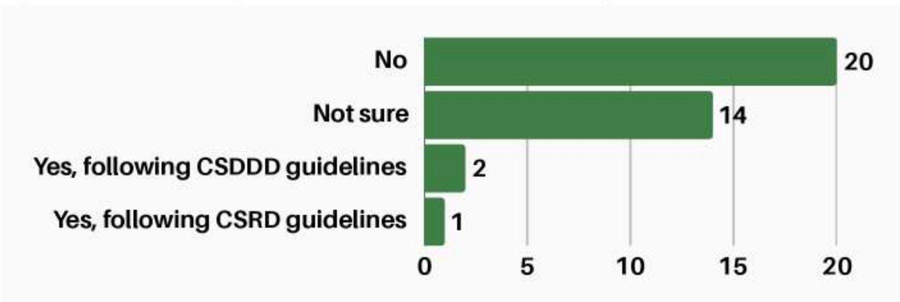


Figure 10. Responses related to sustainability metrics and targets implementation.

Figure 10 shows that, despite the willingness to integrate sustainability in operations and supply chain, there is a lack of understanding on how metrics and targets could be integrated into overall sustainability efforts beyond regulatory compliance. This is due to the high number of respondents who did say that they are integrating metrics and/or targets, but not necessarily doing it if there is no clear compliance requirement. This may be due to the need for more capacity building on this matter, and may not necessarily come from a hesitation to measure sustainability-related impacts for the company.

Synthesis of survey information

Based on the responses provided, two things seem to be clear from the respondents:

- There is a great degree of interest in ESG and sustainability and how it can help companies. This is because there is an effort to really push through with ESG integration on company structures, and the willingness to collaborate.

- However, the major challenge of lack of knowledge sharing and/or capacity building on how to do it in the best possible way, coupled with identified challenges such as complexity in sustainability-related solutions implementation, has hampered the efforts of certain companies to set the business case for further ESG integration.

This is useful to the study proponents so as to understand the general sentiments of ECOP member-companies and how best to help them in this. Considering that there is also a move by the organization to train and capacitate members in ESG-related solutions beyond regulatory compliance, the survey provided vital information on where to address such issues for the organization and its stakeholders.

Perspectives of the ECOP Stakeholders: Analysis of the ESG Study *Interviews*

State of Sustainability and Sustainability Reporting in the Philippines

Overall, stakeholder-participants ranked the present state of sustainability in the Philippines between 2 to 3 out of 5, with 5 being the highest or most mature.

The main reason pointed by the participants is that progress in the understanding of sustainability in business has been steadily increasing since the first regulatory requirement for sustainability reporting was published in 2019 for publicly-listed companies (PLCs), and have steadily expanded to include medium and large companies that may have requirements from overseas, or are primary tier suppliers of PLCs.

However, many issues remain in the way Filipinos need to understand why sustainability reporting should happen for all sectors, and essentially, how to move ahead with it, especially with small and medium enterprises, exporters, and even some large companies. This was noted by the industry associations and private companies as they continue to be challenged in retrieving data from the supply/value chain.

Stakeholders have expressed that alignment with the European Sustainability Reporting Regulations, though attractive it may be, should not be a priority, and thus, focus should be on developing the localized capacity to be more sustainable through discussions with stakeholders such as local governments, chambers of commerce, and industry associations.

Challenges in sustainability and sustainability reporting

Overall, the stakeholders point out three major challenges in sustainability and sustainability reporting in the Philippines:

- **Economic challenges:** there is still a lag or insufficient financial to produce sustainability reports or align with sustainability principles overall, which may include the lack of viable opportunities when undergoing ESG/Sustainability integration with special emphasis on the manufacturing and export sectors. There is also a lack of understanding of incentives on becoming more sustainable, or to open up more opportunities/ lessen financial risks for long term growth.

- **Capacity and Knowledge:** the question of "What's in it for me if I learn this?" was noted among stakeholders on sustainability-related matters, and even questions on how to start a sustainability journey for small and medium businesses were pointed out very well. This also adds to the idea that sustainability reporting requirements are still not clearly understood by non-PLCs due to lack of national guidance or a lack of knowledge-sharing initiatives from the PLCs and large companies themselves. Lastly, some point out that policymakers and politicians are not discussing sustainability in policymaking, which to them gives the impression that sustainability-related initiatives are not a priority of the government overall.

- **Complexity in sustainability reporting:** stakeholders did concede to the idea that the current reporting requirements from the SEC, PEZA, and DTI, as well as the EU reporting requirements, are too hard and complicated for most companies in the Philippines. In addition, possible overlaps in the national-level reporting requirements make it more confusing for many companies to comply. This, according to some, would entail additional work, additional cost, but with little to no benefit in the end.

Recommendations to Further Advance ESG Integration in Philippine Businesses

Based on the results of the baseline survey and interviews, followed by discussions made among ECOP supporters and stakeholders, the study proponents agree to propose the following items for ECOP and its partners to pursue:

Experience, Capacity and Knowledge Sharing (High Priority)

- Localize and simplify the knowledge on sustainability/ESG and differentiate ESG from SDGs
- Provide trainings and learning sessions related to Sustainability/ESG, with focus on the SMEs and the Exporters
- Create updates on the latest on sustainability, including success stories
- One-on-one sessions with companies on ESG development

Financial Opportunities Mapping (Medium Priority)

- Encourage further cascading of sustainable finance measures and how to unlock opportunities for SMEs
- Incubation and Startup Support for those who want to have a sustainability-related solution
- Encouragement of both Financial and Non-Financial Risk and Opportunities Mapping for Companies through Materiality Assessments, Design and Systems Thinking, and Scenario and Strategic Planning

Policy Development and Interactions with Lawmakers on Sustainability/ESG (High Priority)

- Engagements with National-Level Lawmakers, as well as local government officials on ESG-related matters and how to create policy that encourages further ESG integration beyond regulatory compliance

- Mapping of Standards Requirements for Current and Potential Standards for Sustainability, and continue the effort to streamline sustainability disclosure requirements that include EU-related sustainability disclosure requirements, SEC-related requirements, and PEZA exporter-related requirements

- Further refine messaging for ESG and Labor Standards, and ESG and the links between Environmental and Social Topics across the ECOP network.

It is highly encouraged that ECOP should also:

- Conduct an update of the baseline study either on a yearly or every two years to see further progress in ESG integration across its members, and to do so in a way that warrants more participation would be warranted.

- Create programs to integrate ESG with Just Transition, Responsible Business Conduct, and other initiatives of the organization due to the interconnectedness of such principles

- Push forward with further collaborations with stakeholders in promoting ESG for its members, particularly from multilateral institutions that have the capacity to aid ECOP in this effort.

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Lastly, Sincere appreciation is also owed to the organizations and individuals who graciously shared their knowledge and insights with this report.

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- Ibiden Philippines - Atty. Raquel Ros, Celeste Frache, Ronaldo Domingo
- Century Pacific Food Inc. - Andrea Isabel Uy
- Philippine Constructors Association - Leo Valera
- Philippine Association of Legitimate Service Contractors - Enzo Consulta, Paula Narciso
- Bankers Association of the Philippines - Benjamin P. Castillo
- Ateneo Institute of Sustainability - France Justine A. Arugay
- DLSU Animo Labs and GRI - Federico Gonzalez, Katreena Pillejera
- UnionBank of the Philippines - Angela Ozaeta, Erwin Wiriadi
- Diligent - Joszef Acabo
- DOLE Institute for Labor Studies - Joe Mari Francisco
- European Delegation to the Philippines - Minister Counsellor Philipp Dupuis
- ECOP Board - Sergio Ortiz-Luis, Jr., Atty. Ranulfo P. Payos
- Securities and Exchange Commission - Director Rachel Ester J. Gumtang - Remalante

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Raslag Corp.

AGP LNG Operations (Philippines) Inc.

Executive Genesis Services Inc.

Chooseyourshoes Philippines (CYS-PH) Inc.

Universidad De Zamboanga

Wallem Philippines Shipping Inc.

Phil. Gold Processing & Refining Corp.

AIC Group Of Companies Holding Corp. (Airspeed)

Delta Design Philippines Llc.

A Brown Company Inc.

Bank Of Commerce

D'frada Allied Services Incorporated

Marsman Drysdale Group

Tulay Sa Pag-unlad, Inc (TSPI)

Unilab

CIBI Information, Inc.

Yanmar Philippines Corporation

Pepsi Cola Products Philippines Inc.

Mekeni Food Corp

Asialink Finance Corporation

Linkage Foods Venture Corporation

Pacific Spectrum Environmental

SBS Philippines Corporation

Geoprojects Inc.

EWPH

Unionbank

DII

Dualtech Training Center Foundation Inc.

Green Sun Hotel Management, Inc,

Pl Aguila Manufacturing, In

Asia Peopleworks, Inc.

Phelps Dodge Phils.

HI-P Philippines

Enderun Colleges Inc

RFM Corporation - Flour Division

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