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# 2023 Information on Green Buildings

**Sustainability Report**
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Sustainability has become one of the key components driving and transforming every business today, allowing them to perform their significant share in responding to the critical environmental, social, and governance challenges the world currently faces.

The United Nation's Sustainable Development Goals (SDGs) function as a bridge in achieving a better, greener, and more sustainable future for all lives. These SDGs tackle issues like poverty, climate change, environmental degradation, peace and justice, and other global challenges. These SDGs serve as targets that must be met by 2030.

Today, many have been joining and strengthening the sustainability agenda globally. The public and private sectors are joining together to pursue the agenda for a more sustainable future for everyone.

In the Philippines, the country's dedication to prioritizing achieving SDGs remained amidst the coronavirus crisis. Sustainability efforts and initiatives were taking effect and saw slow but steady progress in the Philippines.

UN's Sustainable Development Report 2022 revealed that as a result of the Philippines' sustainability efforts and initiatives, the country is slowly progressing in achieving SDGs. It ranks 95th out of 163 member states, with an SDG Index Score of 66.6, quite exceeding the regional average of 65.9.

Among the SDGs found to be successfully achieved by the country, albeit with remaining challenges, are SDGs 6, 12, and 13, which focus on clean water and sanitation, responsible consumption and production patterns, and climate actions, respectively.

The report also noted that the Philippines has been moderately improving in attaining SDGs 1 (no poverty), 2 (zero hunger), 3 (good health and well-being), 4 (quality education), 7 (affordable and clean energy), 8 (decent work and economic growth), 9 (industry, innovation, and infrastructure), 10 (reduced inequality), 14 (life below water), and 16 (peace and justice strong institutions); while it is stagnating in SDGs 5 (gender equality), 11 (sustainable cities and communities), 15 (life on land), and 17 (partnerships to achieve the goal).

On top of these, the recent Global Sustainable Competitiveness Index reveals that the Philippines is ranked 86th out of 180 countries in national sustainability and eighth among Southeast Asian countries. With a score of 41.9, the country falls short of the global average sustainable competitiveness score of 44.1.

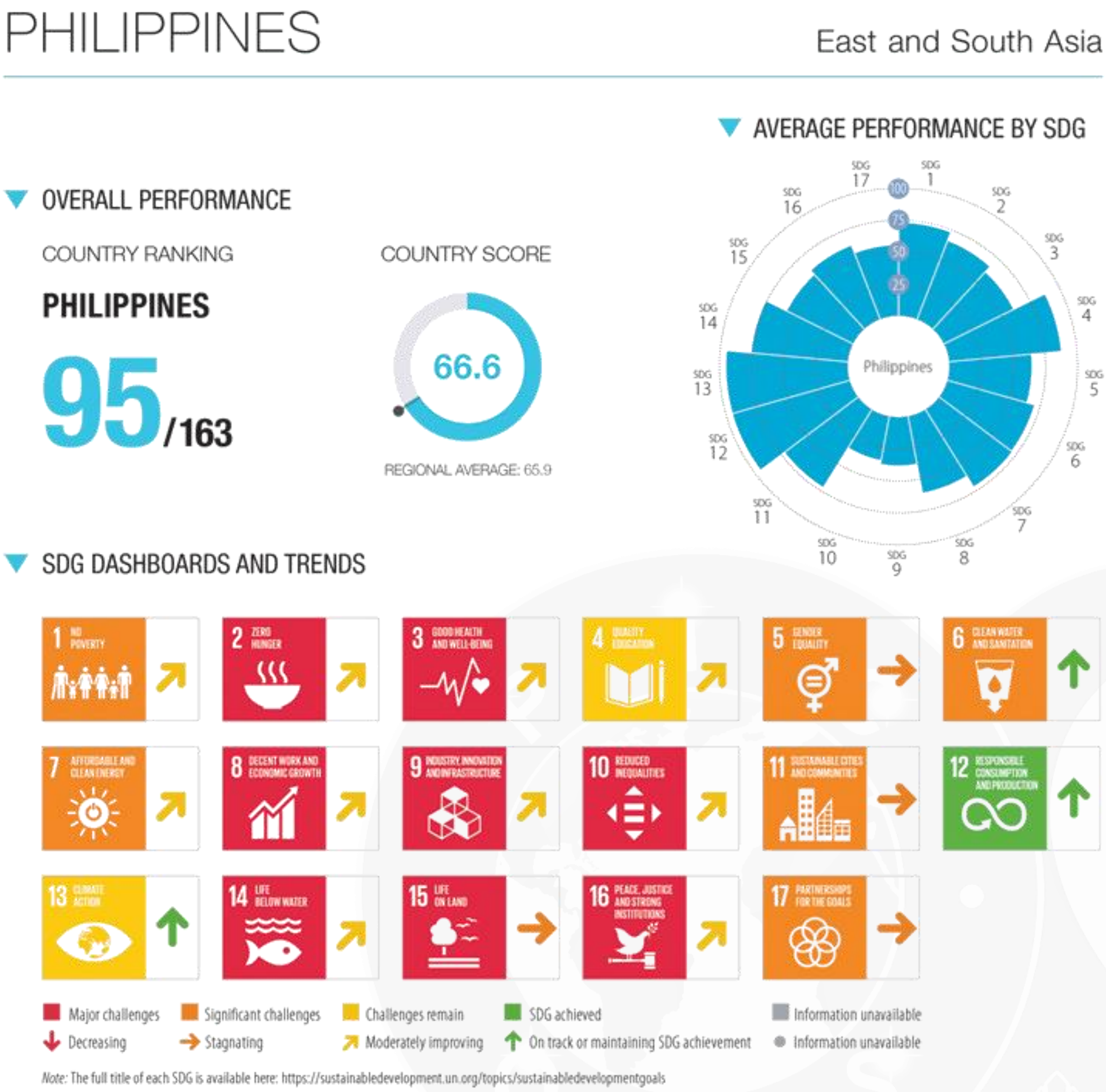
Given its current progress, the Philippines still has a long way to go, especially as progress in some goals like SDG 4 was observed to be reversed; but the country is already incorporating sustainable efforts and initiatives that will help in achieving these SGDs.

At a recently concluded forum that tackled global sustainability development, Foreign Affairs Secretary Enrique A. Manalo emphasized that the Philippines is working on strengthening SDG implementation through national policies and programs that will help achieve and incorporate the said goals and keep track of the progress.

To name a few sustainability efforts, the Department of Environment and Natural Resources and the United Nations Industrial Development Organization have partnered to establish an e-waste treatment, storage, and disposal facility, which intends to make recycling more sustainable and for better environmental protection. Other sustainability efforts cited are the increased use of energy-efficient electric vehicles (EVs), like electric jeeps and tricycles, in partnership with the local government units; and the adoption of low-carbon, zero-carbon, and renewable energy sources to meet the country's energy needs.

Furthermore, companies here are also beginning to embed the sustainability agenda, as they recognize that sustainability is more than a trend to embrace but also a widespread need to address.

Among the country's leading corporations that have been factoring sustainability into their operations is Ayala Corp. (AC).



**Working to Achieve Circular Economy**

As part of their ESG initiatives, large enterprises in the Philippines must contribute to achieving a circular economy. For years, the global economy has been linear and single-use, contributing to the accumulation of waste materials, which end up in landfills or the environment.

A circular economy fosters new business prospects while preserving the environment. The advantages of implementing circular business models will significantly outweigh the existing investments that organizations must invest in.

This year, organizations in the country are expected to become more proactive in establishing more circular operations, especially with the passage of the Extended Producer Responsibility (EPR) Act of 2022 (Republic Act no 11898). This law requires large enterprises to recover their plastic packaging waste, or they will pay a fine. This law requires large enterprises to recover their plastic packaging waste, or they will pay a fine.

Recovery is a subset of the more significant idea of EPR. This law emphasizes the obligation of organizations to ensure that the resources and waste that are generated can be recycled or decomposed sustainably instead of ending up in landfills.

## Government Movement on Sustainability

President Ferdinand R. Marcos Jr.'s strong support for climate resiliency and sustainability in social and infrastructural endeavors has been commended by the Climate Change Commission (CCC).

At a gathering organized by the Asian Development Bank, the President emphasized his administration's aspirations for a Philippines that is both climate-smart and climate-resilient.

The Marcos administration has pledged to implement resiliency measures across various sectors, including water supply, sanitation, energy and transport systems, and agriculture and food production. These priority areas are aligned with the National Climate Change Action Plan (NCCAP) outlined by the CCC. The NCCAP focuses on long-term strategies for climate change adaptation and is integrated into the national development plan from 2011 to 2028.

The President's commitment to sustainability and climate resilience is reflected in the Philippine Development Plan (PDP) for 2023 to 2028. The PDP specifically devotes a chapter to climate change and resilience, demonstrating a whole-of-government approach that has been welcomed by the CCC.

Chapter 15 of the PDP, titled "Accelerate Climate Action and Strengthen Disaster Resilience," sets the goal for communities, institutions, and the natural and built environment to become more resilient to natural hazards and climate change impacts by 2028. The inclusion of this chapter highlights the administration's dedication to transformative climate actions.

CCC Vice Chairperson and Executive Director Robert E.A. Borje commended President Marcos Jr.'s guidance, emphasizing its importance in reinforcing the commitment of the Philippine Government to this goal.

The government's commitment to climate change is further demonstrated by the increase in climate change expenditure. For the fiscal year 2023, National Government Institutions have allocated P453.1 billion for adaptation and mitigation programs, representing a 56% increase from the previous year's budget.

The Philippines' vulnerability to climate change was underscored by its ranking as the first among 193 countries in the World Risk Index 2022. President Marcos Jr. emphasized the urgency of the climate crisis, stating that nature's fury is already impacting communities and people.

Furthermore, the President stressed the importance of partnerships between the government, private sector, and other stakeholders in addressing the climate crisis. He called for a whole-of-government and whole-of-society approach, focusing on the need for public-private partnerships and international collaborations.

In line with this, VCED Borje emphasized the significance of meaningful convergence among sectors and stakeholders. By pooling resources, knowledge, and expertise, Borje highlighted the necessity of scaling up climate action, as the lives, livelihoods, and future of the Filipino people are at stake.

In the National Capital Region, the Department of Environment and Natural Resources' priority programs focus on clean air, clean water, solid waste management, enhanced national greening, intensified forest protection and anti-illegal logging, geo-hazard, groundwater assessment, and responsible mining, enhanced biodiversity, scaling up of coastal and marine ecosystem, improved land administration and management, and the Manila Bay rehabilitation which are all dedicated and part of the country's climate action goals.

With President Marcos Jr.'s commitment to climate resiliency and sustainability, the Philippines is poised to address the challenges of climate change and work towards a more resilient and sustainable future.

Source: Sicat, A. (May 2023). *President Marcos commits to climate resiliency, sustainability in PH.* from https://pia.gov.ph/news/2023/05/25/president-marcos-commits-to-climate-resiliency-sustainability-in-ph

## Philippines' Sustainability Reporting in 2023: Preparations and Improvements in Conjunction with ISO 26000

### Sustainability Reporting

Publicly-Listed Companies in the Philippines, starting April 2022, are now required to submit Sustainability Reports alongside their annual report to the Securities and Exchange Commission (SEC) in 2023.

Sustainability, in general, is the "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987). In relation to corporations, sustainability is the management of economic, environmental, social, and governance (EESG) issues of its business that ensure the company's long-term viability and its stakeholders. Note that the trends in corporate sustainability highlight the movement in corporate governance away from just maximizing shareholder value (a.k.a. maximizing profit for owners/ investors), but towards maximizing the value the company provides for all stakeholders (environment, employees, consumers, etc.).


Sustainability Reporting, on the other hand, is an organization's practice of reporting publicly on its significant economic, environmental, and/or social impacts following the globally accepted standards. This is in line with the Philippine policy on disclosure of non-financial and sustainability issues (Principle 10 of the Code of Corporate Governance for Publicly-Listed Companies). Through such mandatory reporting, organizations are forced to measure and monitor their contributions toward achieving universal sustainability targets such as those set by the Global Reporting Initiative (GRI) and the United Nations Sustainable Development Goals (SDGs), among others.

Currently, only Publicly Listed Companies (PLCs) are mandated to submit their sustainability reports in 2023. PLCs are those companies with existing registration statements filed with the SEC and whose shares are listed and traded on the Philippine Stock Exchange. However, SEC Commissioner Kelvin Lester K. Lee stated, "We also want to introduce the same requirement to all types of corporations, meaning expanding it beyond publicly listed companies on a comply or explain basis,". "And then later on, much, much later on, we want to adopt a mandatory approach to sustainability reporting for all types of corporations." This indicates that other corporations will also be given their own SEC guidelines on sustainability reporting and will also eventually be required to submit the same.

**How it Works and Challenges Faced**

As of the time of writing, the SEC has not given guidelines on any changes to the template or mechanism for sustainability reporting. The previous regime implemented a "comply or explain" approach, which allows companies to explain the lack of data instead of strict compliance. This encourages voluntary compliance with the new mechanism and gives companies time to familiarize themselves with the requirements and identify the significant and material disclosures they have to make.

In brief, Sustainability Reporting requires PLCs to annually submit reports that (1) identify and explain the key EESG impact areas of their business, (2) identify through a materiality process which economic, environmental, and social disclosures need to be made to show such impacts, (3) identity contributions to sustainable development goals, and (4) show their management approaches and initiatives that explain such disclosures and illustrate what actions are being taken by the company. This can be done either through a separate integrated report based on internationally accepted frameworks or through the template on Sustainability Reporting provided by the SEC attached to their annual reports.

Failure to attach the sustainability report shall be subject to the same penalty as having an Incomplete Annual Report under SEC guidelines. Such provides that the company is given a reprimand and warning upon the first offense. Upon the second offense, the company is fined Php 30,000 plus Php 500 per day of delay in filing the amended report. Upon the third offense, the company is fined Php 60,000 plus Php 1,000 per day of delay in filing the amended report. Upon the fourth offense, such would be a valid ground for suspension or revocation of the company's registration and licenses with the SEC, made after notice and hearing.

However, the framework poses certain challenges. Firstly, the comply or explain system is incompatible with the objectives of mandatory sustainability reporting. Such does not require a shift towards sustainability but only creates a guideline for sustainability. Even if corporations are mandated to submit such reports, they may explain away any lack of efforts toward sustainability. Furthermore, there are no strict parameters for what may be considered a sufficient explanation. This gives undue discretion on the part of the SEC to determine if compliance is sufficient.

Secondly, if no proper reliability and comparability measures are placed, companies may accrue the benefits of a perceived sustainable reputation without creating substantial value for their stakeholders. This is what is coined to be "greenwashing". Since a side-effect of sustainability reporting is improved company reputation and brand value, greenwashing is when consumers are misled to believe that a certain product or manufacturing process is environmentally sound or sustainable when, in reality, it isn't. This, in effect, creates a system that focuses more on perceived impact than actual impacts, which could lead to making sustainability a marketing tactic rather than a mode of broadening the reach of a corporation's value.

**Moving Forward into 2023**

While there is no word yet from the SEC on any changes in 2023 for the Sustainability Reporting requirements, they have acknowledged in their initial memorandum circular that the comply or explain shall only be implemented for the "first three years", i.e. from 2019-2022. From this, it may be implied that in 2023, companies can no longer provide Sustainability Reports with incomplete data on material impacts and must provide all data available on required material disclosures. Failure to provide complete data by all PLCs on all required items for sustainability reporting would be subject to the same fines and penalties as incomplete annual reports.

Aside from regulatory penalties imposed by the SEC, non-compliant PLCs may now also face increased scrutiny from their shareholders and investors regarding their non-financial disclosures and sustainability contributions. Corporations are also at risk of a reputational hit for non-compliance with local regulatory standards and unsustainable or unethical practices. Future financing would be affected by such a reputational hit as it has already been shown in various studies that sustainability correlates to profitability and that investors consider sustainability a valuable criterion in determining a corporation's investability.

While the possible improvements and expansion of the sustainability reporting system are still unclear, the regional practice on Sustainability Reporting in Southeast Asia shows permutations of the regulation that trade flexibility in compliance for improvements in reliability and comparability of the outputs. These include regulations, such as that of Indonesia, that require comparing previous reports across a 3-year time horizon to establish trends in non-financial performance. Another required facet of sustainability reporting that is not clarified as mandatory coming 2023 is the need for independent external assurance mechanisms for the sustainability report to increase its reliability, as seen in the guidelines of Malaysia. Lastly, another innovation from the Indonesian Sustainability Reporting framework is the creation of feedback and a mandated response mechanism for stakeholders of the corporation to ensure accountability in addressing previously raised concerns. ‘

**Introducing the ISO26000 in conjunction with the GRI-based SEC Reporting Guideline**

The current SEC Sustainability Reporting Guidelines are based on four of the globally accepted frameworks that companies use to report on sustainability and non-financial information:

The Global Reporting Initiative’s (GRI) Sustainability Reporting Standards contain reporting requirements on governance, economic, social, and environmental issues. Additionally, it complies with legislative frameworks and international norms such as the International Labour Organization and the United Nations Global Compact Tripartite Declaration.

The International Integrated Reporting Council’s (IIRC) Integrated Reporting Framework (IR) provides eight content elements, seven guiding principles, and six capitals for an integrated report, but it leaves out details about topic disclosures and evaluation methods. It seeks to track how the business model utilizes and generates capital and discloses the firms' strategies in light of risks and prospects.

The Sustainability Accounting Standards Board’s (SASB) Sustainability Accounting Standards has five general sustainability themes: environment, social capital, human capital, business model and innovation, and leadership and governance. In addressing sustainability issues, it provides a minimum set of topics to consider by each industry.

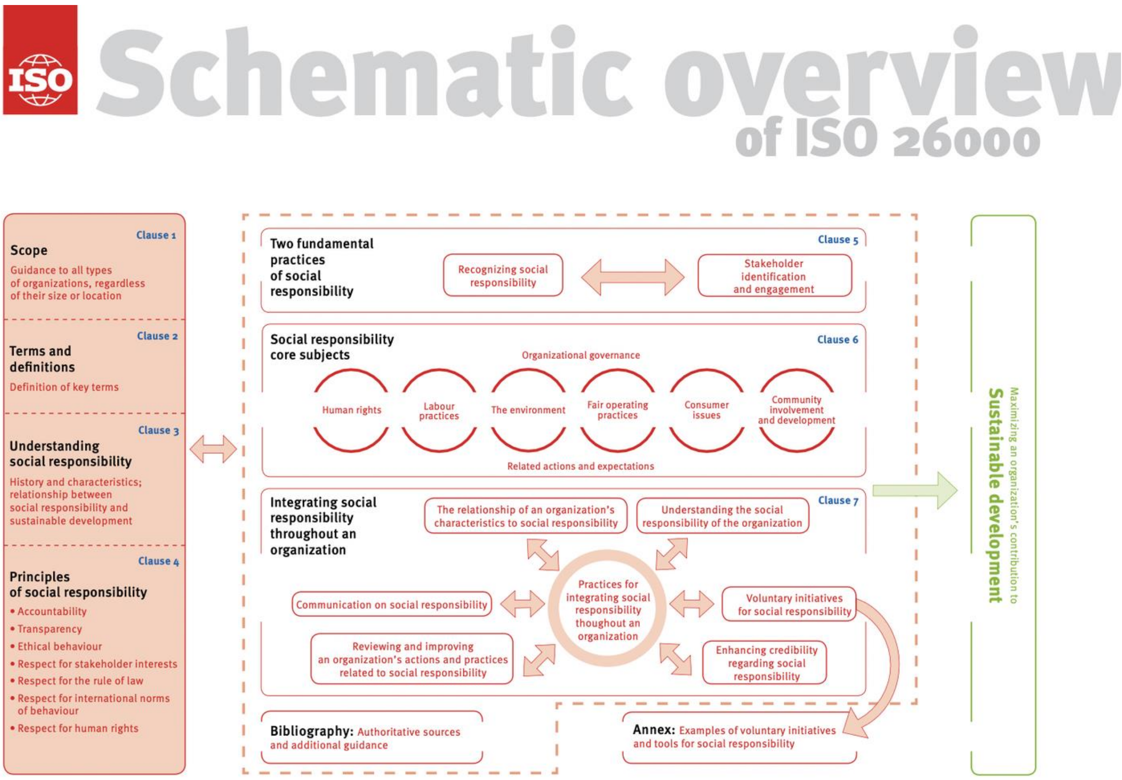
Recommendations from the Task Force on Climate-related Financial Disclosure (TCFD) were also considered for the SEC’s Sustainability Reporting guidelines. Its recommendations focus on climate-related risks, opportunities, and financial impacts, as well as scenario analysis.

These standards and frameworks were made to be complementary to each other, and as seen in the SEC’s guidelines, they were integrated to be used in a single document. However, despite the consolidation of these standards, the scope of the topic themes under the SEC Reporting guidelines is far too general. As it is primarily based on the GRI and SASB’s main topic themes: economic, environmental, social, and the SDGs – following the issue that reports are susceptible to “cheating” or greenwashing – the issue may be caused by the lack of extensiveness of crucial topic points in the sub-topics under each dimension. Moreover, how the SEC’s guidelines allow the reporters to identify the risks or issues they face on a topic leaves room for them to generalize and mollify the issues in their report.

Meanwhile, the ISO 26000 is also an international standard created by the International Organization of Standardization that contains all the three dimensions covered in the SEC Guidelines. It is intended to support other instruments and activities for social responsibility by encouraging organizations to go beyond legal compliance and to establish shared understanding in the field of social responsibility. It is designed to be clear and instructive, even to non-specialists. It also guides the underlying principles of social responsibility – focusing on the organization’s responsibilities to society and the environment – and how they must contribute to sustainable development. The difference? The ISO 26000 is more about WHAT TO DO and HOW TO DO activities to improve a company’s social responsibility towards the path to sustainability. At the same time, the SEC Guidelines are more about reporting the current operations in the company and evaluating whether it reflects sustainability.

The point is not to compare which standard is better because none of them are foolproof when used alone. The point is to highlight that for a company to be ‘sustainable’, they have to engage in socially responsible behavior – which the SEC Guidelines fail to assist to, but the ISO 26000 can guide for.

Hence, the difference in the range of topics could be a solution to the lack of comprehensiveness of the current SEC guideline.




**Conclusion**

Despite its challenges in implementation, the forwarding of sustainability reporting in the Philippines emphasizes the role of regulators in creating paradigm shifts in corporate governance and the importance of responsibility and reputation aside from shareholder value. Sustainability alongside social responsibility becomes a key principle for good corporate citizenship where shareholder value goes alongside shared value. With such a shift in focus, companies are now challenged to go beyond optimizing finances but must develop a means of consistently creating value for their constituents.

Regulators such as the SEC are then placed in a position wherein they can significantly affect the trajectory of corporations in the Philippines. As sustainability reporting is normalized in corporations, the line between stockholders and stakeholders begins to blur, highlighting the dynamic dependence between society, the environment, and corporations. Society would be receiving value from the corporation while at the same time providing its goodwill, manpower, and profit. The environment provides resources for the corporation while the corporation ensures sustainability and availability of such resources. It is the role of the regulators to ensure that such systems are properly balanced to maintain each industry's longevity.

## Useful Links Related to Green Buildings:

1. To access the PHILIPPINE GREEN BUILDING COUNCIL, please visit https://philgbc.org/
2. To access the PHILIPPINE GREEN BUILDING INITIATIVE, please visit http://greenbuilding.ph/

3. To access the GREEN BUILDING INFORMATION GATEWAY, please visit http://www.gbig.org/places/793

4. To access EDGE BUILDINGS, please visit https://edgebuildings.com/wp-content/uploads/2022/04/Philippines-Green-Building-Market-Intelligence-EXPORT.pdf