



MEMORANDUM – 2025-002

TO : THE TRADING PARTICIPANTS, THE INVESTING PUBLIC,
AND OTHER MARKET PARTICIPANTS

SUBJECT : REQUEST FOR COMMENTS ON THE FIRST EXPOSURE DRAFT OF
SEC PROPOSED GUIDELINES ON PHILIPPINE GREEN EQUITY

DATE : 3 JANUARY 2025

The Securities and Exchange Commission En Banc, in its meeting held on 26 December 2024, resolved to expose for public comment the draft Memorandum Circular on the *Proposed Guidelines on Philippine Green Equity*.

Thus, the Commission is requesting comments, suggestions, and/or inputs from all concerned on the attached draft Memorandum Circular by submitting written comments on or before 25 January 2025 through email at msrds submission@sec.gov.ph, debalonzo@sec.gov.ph, and pmlimosinero@sec.gov.ph. The subject of the email should be “COMMENTS ON THE PROPOSED GUIDELINES ON PHILIPPINE GREEN EQUITY.”

Thank you.

(original signed)

GERARD B. SANVICTORES

President

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NOTICE TO THE PUBLIC

Subject: FIRST EXPOSURE DRAFT OF SEC PROPOSED GUIDELINES ON PHILIPPINE GREEN EQUITY

The public is advised that the Commission, in its meeting held on 26 December 2024, resolved to expose for public comment the draft Memorandum Circular on the *Proposed Guidelines on Philippine Green Equity*.

The Commission hereby requests for comments, suggestions, and/or inputs from all concerned on the proposed draft Memorandum Circular by submitting written comments on or before **25 January 2025** through email at msrdsubmission@sec.gov.ph, debalonzo@sec.gov.ph, and pmllimosinero@sec.gov.ph with subject "**COMMENTS ON THE PROPOSED GUIDELINES ON PHILIPPINE GREEN EQUITY**".

02 January 2025.



SEC MEMORANDUM CIRCULAR NO. _____

Series of 2025

SUBJECT: GUIDELINES ON PHILIPPINE GREEN EQUITY

WHEREAS, the Commission has taken on an active role in promoting the use of capital market in achieving the United Nations Sustainable Development (UN SDG) Goals and the targets under the Paris Agreement to reduce the Greenhouse Gas (GHG) emissions to lower the global average temperature to well below 2 degrees Celsius;

WHEREAS, the Commission has adopted the ASEAN Green Bond Standards, the ASEAN Social Bond Standards, the ASEAN Sustainability Bond Standards and the ASEAN Sustainability-Linked Bond Standards, and issued its own Blue Bond Guidelines to attract sustainable investments in the capital market and address key areas of environmental and social concern;

WHEREAS, the Commission, in collaboration with the Bangko Sentral ng Pilipinas (BSP), the Insurance Commission (IC), and the Philippine Deposit Insurance Corporation (PDIC), under the auspices of the Financial Sector Forum, has issued the Philippine Sustainable Finance Taxonomy Guidelines (SFTG) to direct capital towards sustainability-focused economic activities, in line with the Philippine Sustainable Finance Roadmap developed by the Inter-agency Technical Working Group for Sustainable Finance also known as the Green Force;

WHEREAS, the subject Guidelines are intended to set out a framework for 'green' equity offerings, thus offering companies greater visibility of their 'green' activities;

WHEREAS, Green Equity refers to the shares of stock of a company whose revenue is derived significantly from activities considered green and whose majority of investments are in activities considered green;

WHEREAS, Green Equity is a complement to sustainable debt instruments to expand the range of sustainable investment products in the market and further support the transition towards a net zero carbon economy;

WHEREAS, Section 8 of the Securities Regulation Code (SRC) provides that securities shall not be sold or offered for sale or distribution within the Philippines, without a registration statement duly filed with and approved by the Commission;

WHEREAS, Section 12 of the SRC, the relevant provisions of the 2015 Implementing Rules and Regulations of the SRC (2015 SRC IRR) and "Annex C" provides for the procedure for registration of securities and non-financial disclosure requirements;

WHEREAS, the requirements under these Guidelines shall be in addition to the applicable requirements under Sections 8 and 12 of the SRC; *unless* there is an available exemption under

Sections 9 or 10 of the SRC, where the Company shall submit the requirements as prescribed by the Commission;

NOW, THEREFORE, pursuant to the foregoing, the Commission hereby adopts and issues the following Guidelines to supplement the requirements under Section 8 and 12 of the SRC.

GREEN EQUITY GUIDELINES

ARTICLE ONE: GENERAL PROVISIONS

CHAPTER ONE: Definitions

Section 1. Applicability and Coverage – This shall be known as the “Green Equity Guidelines.” These Guidelines shall primarily govern the issuance or designation of Green Equity. These Guidelines were developed based on global principles and may be amended as the market develops, or due to regulatory changes.

Section 2. Definition of Terms – For purposes of these Guidelines, the following definition of terms shall apply, unless the context otherwise requires:

- A. **ASEAN Taxonomy for Sustainable Finance** refers to the multi-tiered framework designed to be an inclusive and credible classification system for sustainable activities.
- B. **Baseline** means a fixed point of reference that is used for comparison to determine the measurement of the performance of the sustainability targets.
- C. **Benchmark** means a reference that can be used to measure or compare performance.
- D. **Do No Significant Harm** refers to the principle that an activity which makes a substantial contribution to one of the official Environmental Objectives selected under the SFTG should not cause significant harm to any of the other Environmental Objectives.
- E. **Double Materiality** describes how corporate information can be important both for its implications about a firm’s financial value, and about a firm’s impact on the world at large – particularly with regard to climate change, and other environmental projects.
- F. **ESG** means environmental, social and governance, or some combination thereof.
- G. **Environmental Objectives (EO)** initially comprises Climate Change Mitigation and Climate Change Adaptation. This forms part of the assessment of an activity under the Sustainable Finance Taxonomy Guidelines (SFTG).
- H. **Financial Sector Forum** refers to the inter-agency body comprised of the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, the Insurance Commission, and the Philippine Deposit Insurance, which provides a platform for discussion of supervisory approaches and issues as well as emerging risks in the financial sector.
- I. **Green Activities** refers to economic activities that are aligned with a net zero trajectory by 2050 and the broader environmental goals other than climate. The activities shall also

- make a substantial contribution to an Environmental Objective and meet the Essential Criteria of Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS).
- J. *Green Equity* refers to shares to stock of a company whose revenue is derived significantly from green activities and whose majority of investments are in green activities.
 - K. *KPIs* means key performance indicators, which are quantifiable metrics used to measure the performance of selected indicators.
 - L. *Minimum Social Safeguards (MSS)* refers to measures to ensure that companies engaging in sustainable activities meet certain standards when it comes to human and labour rights, bribery, taxation and fair competition
 - M. *Paris Agreement* means the agreement under the United Nations Framework Convention on Climate Change.
 - N. *Philippine Sustainable Finance Taxonomy Guidelines (SFTG)* refers to the document published by the Financial Sector Forum (FSF) which provides guidance on the classification of economic activities as being environmentally and socially sustainable.
 - O. *Pre-revenue company* refers to a company that has yet to generate revenue.
 - P. *Remedial Measures to Transition* refers to measures taken to remediate or mitigate the impact of any significant harm resulting from an activity, or any actions required to implement the activity.
 - Q. *Revenue* refers to the value of aggregate sales of goods and services recognized by a company in a specified period.
 - R. *Supply chain sustainability* refers to a company's efforts to consider the environmental and social impact of their product's journey through the supply chain, from raw materials sourcing to production, storage, delivery and every transportation link in between.
 - S. *Sustainable Development Goals (SDG)* means the 17 United Nations objectives intended to serve as a "shared blueprint for peace and prosperity for people and the planet now and into the future."
 - T. *Sustainable Finance* is the process of taking due account of environmental, social and governance (ESG) considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects.

CHAPTER TWO: Objectives

The main objective of the guidelines is to promote the visibility and attractiveness of companies that actively support the green activities and initiatives. By identifying and recognizing businesses aligned with environmental and sustainability objectives, the green equity label aims to direct capital flows toward enterprises that contribute to building a climate-resilient and low-carbon economy, thereby supporting the country's broader goals for sustainable development.

CHAPTER THREE: Application Process

Section 3. General Requirements – A company intending to issue Green Equity or to label its outstanding shares as Green Equity shall provide information on activities considered green and environmental targets as prescribed by these Guidelines.

Section 4. Application for Green Equity Label – A company applying for the Green Equity label for its shares shall specifically signify its intention to label its shares as such prior to its offering, or if the shares are outstanding, prior to referring to said shares as Green Equity, through a letter addressed to the Markets and Securities Regulation Department (MSRD) of the Commission and the submission of the information/ requirements.

Section 5. Amendments – Any amendments to the information on activities the company is engaged/invested in, environmental targets, KPIs, and other relevant information shall first be disclosed to the Commission before implementation and submitted no later than seven (7) days.

ARTICLE TWO: CRITERIA FOR GREEN EQUITY

Section 6. Revenue – More than 50% of the revenue of the company shall be derived from activities that are considered green, as reported on the latest publicly available financial statement. For pre-revenue companies, the minimum threshold revenue requirement shall be assessed from available business plans. As soon as a pre-revenue company starts generating any revenue, it shall be aligned with these *Guidelines*.

Section 7. Investments – More than 50% of the investments of the company shall be in activities that are considered green, as reported on the latest publicly available financial statement.

Section 8. Taxonomy Alignment – The company shall be aligned with the Philippine Sustainable Finance Taxonomy Guidelines and the ASEAN Taxonomy for Sustainable Finance, where applicable. The company shall also take into consideration the criteria for Do No Significant Harm, Remedial Measures to Transition, and Minimum Social Safeguards as defined in the aforementioned taxonomies, to the extent that the company's activities are included in the taxonomies.

ARTICLE THREE: ENVIRONMENTAL OBJECTIVES

CHAPTER ONE: Determination of Environmental Objectives

Section 9. Environmental Targets – The company shall establish environmental sustainability objectives and disclose information on its relevant targets and KPIs that measure the company's sustainability performance, such as science-based targets and climate KPIs in the Paris agreement.

CHAPTER TWO: Selection of Key Performance Indicators

Section 10. KPI Requirements of Companies – The company:

- A. Shall select external or internal sustainability KPIs that measure the company's sustainability performance.
- B. Shall select KPIs that are:

- a. Material to the company's core sustainability and business strategy;
- b. Addressing relevant environmental, social and/or governance challenges of the industry sector; and
- c. Under management's control.

Companies are encouraged, where possible, to:

- C. Select KPI's that are material to both the company's stakeholders and the environment following the double materiality principle;
- D. Select KPI's that also address support supply chain sustainability;
- E. Select KPIs that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures to allow investors to evaluate historical performance of the KPIs selected; or
- F. Provide historical externally verified KPI values covering at least the previous three years, in situations where the KPIs have not been previously disclosed.

Companies are also encouraged to align the selected KPIs with the SDGs and highlight this in their annual disclosures.

Section 11. KPI Criteria – KPIs selected by the company should be:

- A. Relevant, core and material to the company's overall business, and/or to stakeholders and the environment, and of high strategic significance to the company's current and/or future operations;
- B. Measurable or quantifiable on a consistent methodological basis;
- C. Externally verifiable; and
- D. Able to be benchmarked, i.e. as much as possible using an external reference or definitions to facilitate the assessment of the level of ambition.

Section 12. Disclosure of KPIs – The company shall disclose the following to investors, through a publicly available website designated by the company:

- A. The rationale and, where possible, the materiality determination process according to which the KPIs have been selected and how the KPIs fit into the company's sustainability strategy.
- B. A clear definition of the KPIs and include:
 - a. the applicable scope or perimeter (e.g., the percentage of the company's total emissions to which the target is applicable); and

- b. the calculation methodology (e.g., clear definition of the denominator of intensity-based KPIs, definition of a baseline, and where feasible, science-based or benchmarked against an industry standard (e.g., consider SMART philosophy: specific, measurable, attainable, relevant and time-bound)).

Note: Care should be taken in selecting the KPIs as technological advancements and the regulatory environment change over time.

ARTICLE FOUR: EXTERNAL REVIEW

Section 13. Independent and External Review – A company’s alignment with these Guidelines shall be assessed by an external review provider that shall apply its own public proprietary methodology for the assessment. The external review provider shall assess all required information, and produce an assessment report. The assessment includes how the company is aligned with its relevant KPIs, such as science-based targets and climate KPIs in the Paris Agreement, and the Philippine Sustainable Finance Taxonomy Guidelines and the ASEAN Taxonomy for Sustainable Finance.

Section 14. Expertise and Experience of External Review Provider – The external review provider shall have the relevant expertise and experience in sustainable finance and ESG.

The external review provider shall also disclose their relevant credentials and expertise, and scope of the review conducted in the assessment report.

Section 15. Public Availability of the Assessment Reports – The assessment reports, including the limited assessment, shall be made publicly available, through a website designated by the Company.

ARTICLE FIVE: DISCLOSURE

Section 16. Transparency of Information – The company shall submit to the MSRD and publish, as well as keep readily available and easily accessible the following information through a publicly available website:

- A. share of revenue derived from activities that are considered green;
- B. share of investments of the company in activities that are considered green;
- C. activities from which the company derives its revenue and its alignment with relevant sustainable finance taxonomy/ies;
- D. investments of the company and its alignment with relevant sustainable finance taxonomy/ies;
- E. up-to-date information on the performance of the selected KPIs, including baselines where relevant;
- F. assessment report of the company’s alignment with these Guidelines; and

- G. any information enabling investors to monitor the company's environmental objectives and performance (e.g., any update in the company's sustainability strategy or on the related KPI/ESG governance, and more generally any information relevant to the analysis of the KPIs).

ARTICLE SIX: ANNUAL ASSESSMENT

Section 17. Annual Review – The company shall submit to the MSRD a limited assessment of its continued alignment with these Guidelines on an annual basis for its Green Equity label to be maintained.

Section 18. Comprehensive Review – The company shall submit to the MSRD a full assessment report of its alignment with these Guidelines every third year after the initial assessment.

Section 19. External Review Provider Confirmation in Case of Material Changes – In case of structural or other material changes in the company, a confirmation from an external review provider of the company's alignment with these Guidelines is required.

ARTICLE SEVEN: LIMITATIONS AND PENALTIES

Section 20. Limitation on the Use of Green Equity Label – Consistent with public interest and protection of investors, the call for transparency, as well as to ensure integrity of the Philippine sustainable finance market, the Commission reserves the right to direct any Company from using the "Green Equity" label as confirmed by the Commission. Should the grounds for granting the label no longer exist, or if the Company's activities are found to be inconsistent with the established standards, the Commission may withdraw the "Green Equity" label.

Section 21. Penalty Clause - Any violation of the provisions of these Guidelines shall be subject to the appropriate penalties under Rule 54 of the SRC as determined by the Commission, without prejudice to the imposition of other sanctions prescribed under other applicable laws, rules, and regulations.

ARTICLE EIGHT: MISCELLANEOUS PROVISIONS

Section 22. Repealing Clause – All rules and regulations, circulars, orders, memoranda, or any part thereof and the rules and regulations previously promulgated by the Commission, in conflict with or contrary to these Guidelines are hereby repealed or modified accordingly.

Section 23. Separability Clause – If any portion or provision of these Guidelines is declared unconstitutional or invalid, the other portions of provisions thereof, which are not affected shall thereby continue in full force and effect.

Section 24. Effectivity – These Guidelines shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation in the Philippines.

Done this [date] , Makati City, Philippines.