

Philippine SEC Rolls Out Major Corporate Governance Reforms to Align with Global Standards

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/EINPresswire.com/ -- The Securities and Exchange Commission (SEC) has rolled out a series of reforms aimed at strengthening corporate governance standards in the Philippines. In the past two years, the SEC announced five key initiatives to enhance transparency, accountability, and investor protection in publicly-held companies. Aside from the existing rules on the [board of directors](#), [corporate secretaries](#) and [corporate officers](#), there are now new disclosure rules from beneficial ownership to sustainability reporting requirements, which are designed to bolster investor confidence in the country's capital markets. SEC officials emphasize that good corporate governance is vital to maintaining trust and attracting investment into the Philippine economy.



Recent Measures to Enhance Corporate Governance Shareholder Meeting Transparency (July 2024)

In July 2024, the SEC mandated that all publicly listed companies promptly disclose the minutes of their stockholders' meetings on their websites. Under SEC Memorandum Circular No. 11, Series of 2024, issued July 11, 2024, listed firms must upload the draft minutes of annual and special shareholder meetings within five business days. The minutes should include key details such as the meeting date, attendance of directors and shareholders, quorum confirmation, issues discussed, resolutions adopted, and a full record of voting results (including votes for, against, or abstaining on each item). These minutes must remain publicly accessible on the

company's website for at least five years.

This initiative should improve transparency in corporate decision-making. By mandating detailed disclosures – even down to questions raised by shareholders and answers given – the SEC aims to foster greater accountability of corporate boards to their owners. This should improve corporate disclosures of voting procedures and eliminate opaque practices in shareholder meetings. This should show investors how decisions are made, thereby strengthening shareholder rights and building trust. Furthermore, the SEC has imposed penalties to further encourage compliance.

Guidelines for Cornerstone Investors in IPOs (April 2024)

The SEC has also updated rules to boost investor confidence in initial public offerings (IPOs). In April 2024, it issued SEC Memorandum Circular No. 8, Series of 2024 outlining new Guidelines for Cornerstone Investors in IPOs.

Cornerstone investors are typically large, reputable investors who commit to buying a fixed number of shares in an IPO, usually for a guaranteed allocation at the final offer price. Under the new guidelines that were effected April 11, 2024, any agreement with cornerstone investors must be disclosed as part of the company's registration statement and finalized before the IPO's pricing date. The final prospectus must identify all cornerstone investors and detail their participation – including the number of shares they will purchase at the IPO price and their profiles. Notably, the rules ensure that cornerstone investors receive no special information or discounted pricing not available to the public; any information provided to them must also be in the prospectus.

According to the SEC, encouraging cornerstone investments in IPOs can help signal confidence in a company going public. Such anchor investors often “stimulate investor demand in an IPO” and “boost confidence” by providing a positive market signal. The presence of credible cornerstone investors can assure retail and other institutional investors that the offering has been vetted by sophisticated parties. By formalizing the framework for these arrangements, the SEC expects IPOs to be more transparent and attractive. The new rules also guard against potential insider advantages by ensuring that cornerstone investors are bound by the same terms as the public. This measure is anticipated to improve fairness in capital markets and encourage more robust participation in IPOs, thereby deepening the market.

Auditor Fee Disclosure Requirements (December 2024)

In a bid to strengthen oversight of financial reporting, the SEC now requires companies to disclose fees paid to their external auditors. SEC Memorandum Circular No. 18, Series of 2024, issued on December 26, 2024, mandates that publicly listed companies and other entities of public interest include a detailed schedule of audit fees and related services for 2 years in their annual financial statements beginning fiscal year ending December 31, 2024.

If payments to a given auditor exceed 15% of that auditor's total revenues over two consecutive years (indicating a potential “fee dependency”), this must be disclosed. This covers all publicly listed firms, registered issuers, public companies (assets \geq ₱50 million and \geq 200 shareholders), and other companies considered as public interest entities by the SEC.

This again is to enhance transparency in the company audits, to increase investor confidence in

the reported financial statements as well as to determine if there are any conflicts of interest that might arise if an auditor is fee dependent. It aligns Philippine practice with international ethics standards for accountants, which call for vigilance against threats to auditor independence.

This effort is more to align with international auditing standards. One famous case in which the auditor faced conflicts of interest was the Enron case. This led to a failure of audit and ultimately to the collapse of the company and the loss of billions of dollars.

In the Philippines, the SEC is proactively avoiding this and has included penalties under the Securities Regulation Code's rules on financial reporting as well as the requirement to clearly show auditor relationships with their companies and avoid like situations.

Beneficial Ownership Transparency and Compliance (2023)

To combat opaque ownership structures and illicit activities, the SEC has stepped up enforcement of beneficial ownership disclosure rules. Building on reforms introduced in 2019 and 2020, the SEC amended its guidelines to impose stiffer penalties for companies that fail to declare their beneficial owners late 2022. SEC Memorandum Circular No. 10, Series of 2022 (effective January 1, 2023) revised the General Information Sheet (GIS) requirements, obliging all SEC-registered corporations to disclose and regularly update information on their beneficial owners. Corporations must identify any individuals who ultimately own or control them and include this in their annual filings. The SEC now actively monitors changes in beneficial ownership and requires prompt submission of updated GIS forms whenever changes occur. These tighter rules are backed by a regime of escalating fines and penalties for non-compliance. Companies that delay the submission of beneficial ownership information face daily fines, and those found to have falsified such information can be subject to sanctions and prosecution. In egregious cases – like willfully hiding the real owners of a corporation – the SEC can impose penalties up to ₱2 million and take legal action.

The motivation is clear: in the past, hidden ownership and shell companies have posed constant risk of misuse as fronts for criminal activity such as money laundering when the true owners are not properly disclosed. By mandating full transparency of who stands behind corporate entities, the SEC is strengthening both governance and the country's anti-money laundering defenses. SEC Chairperson Emilio B. Aquino underscored the importance of this initiative, stating that "access to beneficial ownership data is critical in achieving the goals of open government principles."

By ensuring regulators and the public know who really controls companies, he explained, "we enhance the ability of public institutions to scrutinize contracts, detect conflicts of interest, and prevent illicit financial flows."

Beyond deterring crime, these measures also align Philippine corporate governance with international norms.

"This aligns with global best practices in open contracting and public finance management, reinforcing our commitment to a governance framework that upholds fairness and accountability," Mr. Aquino added.

This is a large improvement in transparency as past history has shown. In the Pharmally Scandal (2021), a small company with very little capital secured large government contracts for

medical supplies for billions of pesos. When investigated, ownership was difficult to determine but ultimately led to traces of foreign involvement and influential individuals. This highlighted the need for such reform, as this is just one of many instances of shady dealing due to lack of ownership information.

Mandatory Sustainability Reporting Roadmap (2025 Onwards)

Acknowledging the rising importance of environmental, social, and governance (ESG) issues to investors, the SEC announced plans to make sustainability reporting mandatory for publicly listed companies in the near future.

In February 2025, the Commission revealed a roadmap to phase in compulsory climate and sustainability disclosures by 2026. Currently, Philippine listed firms submit an annual sustainability report on a “comply or explain” basis under guidelines introduced in 2019. The SEC’s new plan is to transition from this voluntary regime to an enforceable reporting standard in line with global best practices.

According to SEC Commissioner McJill B. Fernandez, the regulator will adopt a “transitional or phased approach” to roll out the new requirements. A market readiness study is underway to identify any implementation challenges and determine if transitional relief is needed for certain companies. Under the tentative schedule, the largest publicly listed companies (Tier 1) will be required to begin climate-related financial disclosures in 2026, with mid-sized and smaller listed firms following in 2027 and 2028, respectively. The forthcoming rules are expected to align with the standards of the International Sustainability Standards Board – particularly IFRS S1 and S2, which set the global baseline for climate and sustainability reporting. For the interim reporting year 2024 (reports due in 2025), companies may continue using the existing sustainability reporting guidelines (per SEC Memorandum Circular No. 4, s. 2019), but this grace period will end as the mandatory framework takes effect.

The introduction of mandatory sustainability reporting is aimed at enhancing corporate accountability and transparency on non-financial issues that investors increasingly care about. By disclosing their carbon emissions, climate risks, social impacts, and governance practices in a standardized way, companies will enable investors to better assess long-term risks and values. The SEC believes this will not only meet the demands of global investors and climate-conscious stakeholders, but also encourage companies to improve their sustainability performance. “The SEC is set to implement mandatory climate-related disclosures by 2026 to strengthen sustainability reporting in the Philippines,” the agency announced, highlighting that robust ESG disclosures are now integral to good corporate governance.

While gearing up companies for compliance, the SEC is also developing an online system (the SEC “SuRe” Sustainability Reporting platform) to streamline submissions and allow regulators to monitor ESG data more efficiently. Overall, this initiative builds more investor confidence in sustainability, thus making the market more attractive to global capital seeking accountable and future-ready businesses.

Conclusion

Through these initiatives, the Philippine SEC is demonstrating a strong commitment to elevate corporate governance to global standards. By improving transparency – from shareholder votes

and ownership structures to audit fees and sustainability impacts – the SEC is fortifying the safeguards that protect investors and uphold market integrity. Each reform, whether already in effect or in the pipeline, is geared toward making companies more accountable to shareholders and the public. Observers note that the cumulative impact is a Philippine corporate sector that is more transparent, fair, and responsible, which in turn should foster a healthier investment climate.

SEC Chairperson Emilio Aquino affirmed that the Commission will sustain these governance reforms as part of its mandate to protect investors. “For our part, the SEC will continue investing in digitalization and optimizing resources to ensure that the reforms we have implemented are sustainable,” Aquino stated earlier, adding that the Commission remains “unwavering in [its] dedication to transparency and compliance.” By institutionalizing higher corporate governance standards, the SEC aims to boost investor confidence over the long term. Stronger investor trust can lead to deeper participation in the Philippine capital markets, lower cost of capital for companies, and ultimately, a more dynamic and inclusive economy. The recent measures underscore that the Philippines is keeping pace with international best practices, and signal to both local and foreign investors that the country is committed to world-class governance and investor protection.

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