

OPINION

IFRS S1 and S2: Game changers in global sustainability reporting

The International Sustainability Standards Board (ISSB) published on June 26 its first two global sustainability reporting standards — IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosure.

These standards can be game changers by helping companies identify material sustainability risks and opportunities that will help investors, lenders, and creditors assess the company's resilience against changes and uncertainties driven by sustainability-related issues. Through sustainability reporting, business leaders can future-proof their organizations and solidify their positions in the global market.

IFRS S1

IFRS S1 requires businesses to disclose information about their sustainability-related risks and opportunities to investors, lenders, and other users of general-purpose financial statements. This standard covers information about an organization's governance, strategy, risk management, and the applicable metrics and targets for its identified material sustainability-related risks and opportunities. While the standard is supposed to become effective for annual reporting periods starting on or after Jan. 1, 2024, this will vary based on local legislation.

Given how close this is, higher management may wish to consider the different variables when implementing IFRS S1, such as the breadth of information they will have to share with clients and investors.

STRENGTHENING GOVERNANCE

Organizations operating in industries or areas vulnerable to climate-related risks may already be disclosing information about their board and management's oversight responsibilities and risk assessment processes. However, it is important to consider that IFRS S1 covers many sustainability topics besides climate change. The standard underscores how boards oversee target setting and progress monitoring, whether sustainability-related risk protocols exist, and if these policies synergize with other internal functions.

Businesses must bolster their governance and streamline processes to capitalize on IFRS S1's potential. Additionally, organizations must install aptly skilled professionals to meet the standard's sustainability-related requirements and realize their strategic vision.

SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES

Companies are expected to report only material sustainability-related risks and opportunities in the first year of applying IFRS S1. Nevertheless, management may already wish to delineate a comprehensive set of risks and opportunities, as this will help organizations identify crucial metrics and targets. This also means that businesses should sufficiently plan and allocate resources, as the identification phase is imperative for sustainability reporting.

When identifying sustainability-related risks and opportunities, IFRS S1 compels organizations to consider the IFRS Sustainability Disclosure Standards (IFRS S1, IFRS S2) and the industry-based Sustainability Accounting Standards Board (SASB). Companies can also analyze their competitors in the same industry or region to diversify their findings.

Under IFRS S1, companies must share details about how sustainability-related risks and opportunities could affect their business model, cash flows, and strategic plans. This rigorous process demonstrates the relationship between sustainability issues and a company's financial performance, giving investors a clear understanding of how environmental and societal factors could affect organizations.

IFRS S1 uses the same concepts as the IFRS Accounting Standards, making it easier to integrate into future IFRS reporting. However, the scope for IFRS S1 differs from other sustainability reporting frameworks, so companies will have to first identify differences before applying the standard.

HISTORICAL INFORMATION AND SUSTAINABILITY METRICS

In financial reporting, organizations generally utilize historical cost and fair value to measure the effect of events, transactions, and conditions in the financial statements. While accounting standards traditionally provide direct measurement guidance, the IFRS S1 does not. Instead, businesses must consider metrics from the SASB Standards and GRI Standards.

IFRS S2

On the other hand, IFRS S2 requires companies to disclose information specifically about climate-related risks and opportunities. IFRS S1 and IFRS S2 share the same content elements: governance, strategy, risk management, and metrics and targets. Similarly, the ISSB has set IFRS S2's implementation date for annual reporting periods starting on or af-

ter Jan. 1, 2024, but, again, the effectivity date will depend on local legislation. Furthermore, the ISSB declared that organizations could utilize the standard earlier, but they must report their early adopter status and apply IFRS S1 at the same time.

COMPREHENSIVE TRANSITION PLANS

IFRS S2 categorizes climate-related risks as either physical or transitional. Physical risks are event-driven and longer-term such as extreme flooding and sea level rise, while transition risks are associated with moving to a lower-carbon economy such as higher operating costs as well as regulatory and reputational risks that will be faced by the company. Integrating transition plans into organizational strategies is becoming more important as the world continues to reduce carbon emissions. In line with this, IFRS S2 incorporates specific disclosure requirements about transition plans to help users understand the relationship between climate-related risks and opportunities and organizational strategy and decision-making.

In addition, companies must declare the percentage of their assets and operations that are vulnerable to transition risks. Transition plans differ from long-term goals because the former is more comprehensive and detailed, such as articulating concrete plans like reducing greenhouse gas emissions. Organizations that already have transition plans must disclose critical assumptions, key activities, and resource plans.

SUITS THE C-SUITE BENJAMIN N. VILLACORTE

SCENARIO ANALYSES TO ENHANCE RESILIENCE

Investors will have access to more information given the requirements of IFRS S2, which could help them understand how companies adapt to disruptions related to climate change. Specifically, IFRS S2 requires organizations to articulate the durability of their business models to physical and transition risks. Hence, the standard mandates companies to perform climate-related scenario analyses and evaluations. Organizations should use suitable analysis methods based on their capabilities and resources.

Conducting scenario analyses can help companies understand the resilience of their overall strategy to climate-related disruptions and uncertainties. Upper management will consequently gain salient insights to enhance their risk management procedures but should note that this is an iterative process that will require collaboration among the different business functions.

REDUCE GREENHOUSE GAS EMISSIONS

Reducing greenhouse gas (GHG) emissions is crucial to climate change mitigation efforts. As such, IFRS S2 specifically requires organizations to disclose their absolute gross GHG emissions for the reporting period. GHG emissions are usually measured according to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). Given the undertaking's complexity, IFRS S2 allows some flexibility with the organization's measurement approach.

If local jurisdictions demand that companies use a different measurement method, IFRS S2 will permit it. During the first annual reporting period, organizations will also be allowed to use another methodology besides the GHG Protocol if they already had an alternative approach for the period immediately preceding the standard's application date.

Organizations must engage their stakeholders to ensure proper systems and controls are in place to support their disclosures.

AVAILABLE RELIEFS

Companies may take advantage of the available transition reliefs that the ISSB has offered to report preparers. This helps them apply the standards during the first year of reporting and facilitates the "climate-first" approach in its disclosures. Included in the set of reliefs is prioritizing and reporting only on climate-related information and publishing the disclosures together with the company's half-year report. Issuers also need not disclose their Scope 3 GHG emissions, adopt the GHG Protocol, and provide comparative information to comply with the ISSB standards in its inaugural year of application.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.

BENJAMIN N. VILLACORTE is a partner from the Climate Change and Sustainability Services team of SGV & Co. He is also the chairman of the Philippine Sustainability Reporting Committee.



20 July 2023, DoubleDragon's Hotel101 signs master service agreements with Orice, PSI Consultants and L&L RSM Law as the exclusive advisory service providers for Hotel101 Madrid "Golden Visa" (Residence by investment) processing

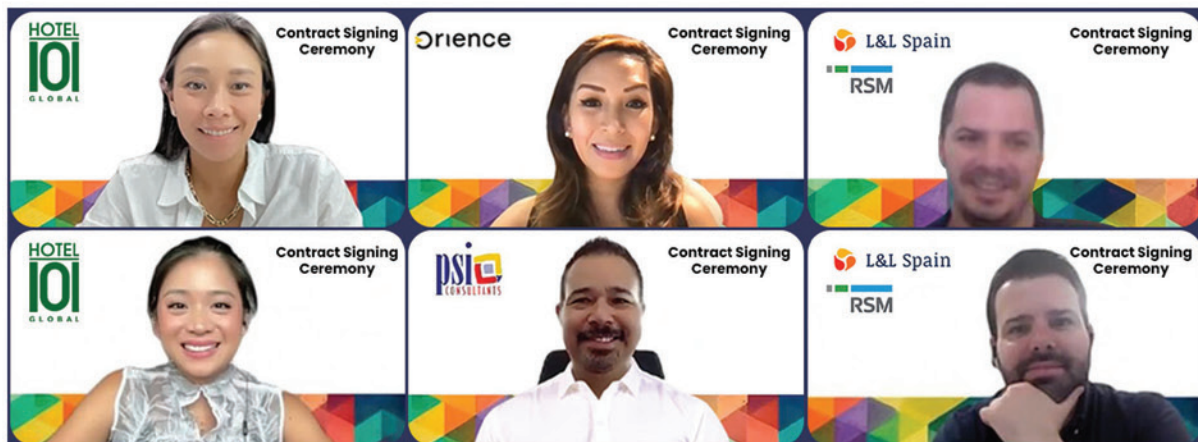
Orice, PSI Consultants and L&L RSM Law are part of the top Spanish advisory firms specializing in the "Golden Visa" program

The Golden Visa processing and advisory fee that cost about 6,000 EURO will be Free of Cost for those who will purchase 3 Hotel101 units in Madrid Spain from the start of the unit pre-selling until December 31, 2023 or until the units are fully sold out, whichever comes first.

Hotel101-Madrid is set to become one of the Top 5 largest hotels in Madrid, Spain

Hotel101-Madrid is set to be the very first homegrown Filipino hotel chain to enter Spain

Robust sales revenue of about €143.3 Million Euros (P8.8 Billion Pesos) is expected to be generated from the Hotel101-Madrid project



Above (L-R): Hotel101 Global CEO Hannah Yulo Luccini, Hotel101 Global Corporate Services Director Andrea Chua, Orice Managing Partner Krista Victorio, PSI Consultants Founder and Managing Director Paolo Piccio, L&L Spain Co-Founder Luis Pérez de Miguel Infante, RSM Law Partner Juan Carlos Lois.



(The Hotel101-Madrid site in Avenida Fuerzas Armadas, Valdebebas, Madrid is surrounded by major landmark buildings. 3 minutes walk to the Valdebebas Train Station, 4 minutes walk to IFEMA convention complex, 5 minutes walk to Real Madrid Sports Complex, and around 7 minutes to the new Madrid Barajas International Airport.)

DoubleDragon Corporation worldwide hotel expansion subsidiary, Hotel101 Global Pte. Ltd. today July 20, 2023 signs Master Service Agreements with Orice, PSI Consultants and L&L RSM Law as the exclusive advisory service providers to process the residency applications by investment option for buyers of at least three (3) units in Hotel101's first European project, Hotel101-Madrid located in Valdebebas Madrid, Spain.

A Golden Visa for Spain, officially known as the Spain Investor Visa is a residence permit issued to non-European citizens who makes a substantial investment in Spain such as buying a real estate asset worth 500,000 EURO.

"It will be optional for the Hotel101 unit buyers if they wanted to apply for a golden visa with their purchase of the Hotel101 units. As we will be building a fresh inventory of units, it will not reduce the existing housing inventory in Spain, and will add economic activity through the purchase of land, salaries of construction team and the long-term recurring taxes that this project will bring in. We are excited for a long-term business endeavor, as Spain and Philippines have a very long history of cultural relationship and would bring long-term benefits to both Spain and the Philippines," said DoubleDragon/Hotel101 Global Chairman Edgar Injap Sia II.

The Golden Visa applications are for evaluation and approval of the proper authorities of the Government of Spain, at its discretion, but the purchase of Hotel101 units may be used by the foreign buyer to comply with the 500,000 EURO Spanish real estate investment requirement.

The Golden Visa processing and advisory fee that cost about 6,000 EURO will be Free of Cost for those who will purchase 3 Hotel101 units in Madrid Spain from the start of the unit pre-selling until December 31, 2023 or until the units are fully sold out, whichever comes first.

Hotel101-Madrid is set to become one of the Top 5 largest hotels in Madrid, Spain. Hotel101-Madrid is set to be the very first homegrown Filipino hotel chain to enter Spain. DoubleDragon's vision for Hotel101 to become world-class in all standards and create job opportunities to Filipinos who reside in the Philippines or abroad, and bring a pinch of pride and honor to each and every Filipino from anywhere around the world where Hotel101 will eventually locate and operate.

About Hotel101 Global Pte. Ltd.:

The Singapore-registered Hotel101 Global Pte. Ltd. ("Hotel101 Global"), is the worldwide hotel expansion subsidiary of Philippine parent company DoubleDragon Corporation.

DoubleDragon targets to list its subsidiary Hotel101 Global at NASDAQ (US Stock Exchange) given that eventually Hotel101 Global is expected to derive over 95% of its revenues outside of the Philippines.

The first three overseas Hotel101 projects will be in Niseko Hokkaido Japan, Madrid Spain and California USA. These first three overseas sites will serve as bridge projects to jumpstart the transition of Hotel101 to transcend beyond these first three countries and become a global brand with a truly unique business concept that can be planted in over 100 countries.

Target near term expansion roadmap for Hotel101 Global is to be in these first 25 countries by 2026 namely: Philippines, Japan, Spain, USA, United Kingdom, UAE, India, Thailand, Malaysia, Vietnam, Indonesia, Saudi Arabia, Singapore, Cambodia, Bangladesh, Mexico, South Korea, Australia, Canada, Switzerland, Turkey, Italy, Germany, France and China.

About DoubleDragon Corporation:

DoubleDragon Corporation is one of a handful of companies in the Philippines that has accumulated a completed recurring income portfolio of 1.2 million square meters in diversified hard assets in office leasing with its Jollibee Tower, DD Meridian Park complex, its string of CityMall community centers, its string of CentralHub industrial warehouse complexes, its string of Hotel101 projects in the Philippines and overseas. As of March 31, 2023, DoubleDragon's Total Equity stands at P81.96 Billion and Total Cash Position stands at P9.03 Billion. DoubleDragon has recently been upgraded to the highest PhilRatings PRS Triple A Credit Rating.

FULL STORY



Read the full story by scanning the QR code with your smartphone or by typing the link <rebrand.ly/Suits072423>