

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **1318**



Introduced by Representative **MARLYN L. PRIMICIAS-AGABAS**

EXPLANATORY NOTE

Section 20, Article II of the 1987 Constitution states: "*The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.*"

This recognition, herein provided by this Constitutional provision, conies hand-in- hand with the social and ethical responsibility that the state advocates on behalf of the private sector, which is implied by the laws sanctioning the private sector in any offenses directed against its mandated social responsibility to the state and the general public.

Corporate social responsibility (CSR), as defined by the World Bank, refers to the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development CSR covers a wide range of issues relating to business conduct, from corporate governance and environmental protection, to issues of social inclusion, human rights and national economic development.¹

This bill seeks to institutionalize corporate social responsibility⁷ in corporations, partnership, and other establishments performing business in the country, whether domestic or foreign. Through this proposed measure, business entities are mandated

to prioritize the interest of the society by re-evaluating and recalibrating their actions which would impact their customers, employees, shareholders, communities, and environment In addition, such legislation would entitle these business entities with incentives of deductions on the expenses incurred in the exercise of their CSR mandate.

In view of the foregoing, approval of this bill is earnestly sought.


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AN ACT
ENCOURAGING CORPORATE SOCIAL RESPONSIBILITY, PROVIDING
INCENTIVES THEREFOR

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Short Title.* This Act shall be known as the "Corporate Social Responsibility Act".

SEC. 2. *Declaration of Policy.* - The State recognizes the vital role of the private sector in nation-building and shall encourage its active participation in fostering sustainable economic development and environment protection in the Philippines.

Towards this end, the government shall mobilize its various agencies, in coordination with non-government and people's organizations, to work hand-in-hand for the integration, promotion, and strengthening of corporate social responsibility in all business organizations.

SEC. 3. *Corporate Social Responsibility.* - All business organizations established and operating under Philippine laws, whether domestic or foreign, are hereby encouraged to observe corporate social responsibility in the operation of their businesses in the country.

As used in this Act, corporate social responsibility (CSR) refers to the commitment of business to contribute on a voluntary basis to sustainable economic development by working with relevant stakeholders to improve their lives in ways that are good for business, sustainable development agenda and society at large. CSR- related activities shall include the following:

- a. Charitable programs and projects;
- b. Scientific research;

- c. Youth and sports development;
- d. Cultural or educational promotion;
- e. Services to veterans and senior citizens;
- f. Social welfare;
- g. Environmental sustainability;
- h. Health development;
- i. Disaster relief and assistance;
- j. Socialized and low-cost housing; and
- k. Employee and worker related CSR activities.

All business organizations are allowed to donate products and services under their CSR-related activities for disaster relief and assistance, in accordance with the regulations to be issued by the appropriate government agency. All existing laws and regulations restricting or prohibiting the right of local government units under a state of calamity and/or during a national emergency to solicit or accept any donation of products and services under the CSR-related activities for disaster relief and assistance of a business organization are hereby amended.

SEC. 4. *Deduction from Unrestricted Retained Earnings.* - To encourage companies to engage in CSR, Section 42 of Republic Act No. 11232, otherwise known as the "Revised Corporation Code of the Philippines" is hereby amended to read as follows:

"SEC. 42. Power to Declare Dividends. - x x x

"Stock corporations are prohibited from retaining surplus profits in excess of one hundred percent (100%) of their paid-in capital stock, except: (a) when justified by definite corporate expansion OR FOR DEFINITE CORPORATE SOCIAL RESPONSIBILITY (CSR) projects or programs approved by the board of directors; or (b) when the corporation is prohibited under any loan agreement with financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.¹

SEC. 5. *Awards and Recognition.* - The Department of Trade and Industry (DTI) shall recognize and reward all business organizations for outstanding, innovative and world-class CSR-related services, projects and programs. It shall likewise *extend endorsement and* encouragements to domestic and foreign corporations doing business in the Philippines which are candidates for recognition in international award-giving bodies for their CSR-related activities.

SEC. 6. *Local Government Units.* - All local government units where CSR-related activities are conducted shall extend whatever assistance is necessary for business organizations to accomplish their CSR programs and projects and shall encourage business organizations within their territorial jurisdiction to conduct CSR projects /activities.

SEC. 7. *Periodic Report* - All business organizations shall submit the list of their CSR activities as part of their annual or regular report to the Securities and Exchange Commission (SEC), DTI, or the Department of Finance, as the case may be.

SEC. 8. *Implementing Rules and Regulations*. - Within sixty (60) days after the effectivity of the Act, the Secretary of Finance shall, in coordination with DTI and the SEC, promulgate rules and regulations for tire effective implementation of this Act.

SEC. 9. *Separability Clause*, - If any provision of this Act is declared invalid or unconstitutional, the remaining provisions not affected thereby shall continue in full force and effect.

SEC. 10. *Repealing Clause*. - Section 42 of Republic Act No. 11232 is hereby amended. All laws, decrees, orders, rules and regulations, and other issuances, or parts thereof, inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 11. *Effectivity*. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,