

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. **1721**



Introduced by **Rep. ANGELO MARCOS BARBA**
2nd District, Ilocos Norte

EXPLANATORY NOTE

The Constitution recognizes the essential role of the private sector in transforming the country's economy. It is with this regard that the same is highly encouraged to contribute to nation-building and to participate in the ultimate vision of emanating the general population from the effects of absolute poverty. Therefore, it is deemed necessary that there shall be a measure to institutionalize CSR as a valuable commitment towards sustainable socio-economic, charitable, and environmental development.

Corporate social responsibility (CSR) is defined by Wolf, Issa, and Thiel (2015), as cited by Amparado, et al. (2018), as "the continuing commitment by business[es] to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large."¹ Precisely, CSR is a prevailing business model that is intended to enhance and improve society through fostering a mutually beneficial relationship between the corporation and the community. The CSR practice includes, but is not limited to, environmental, ethical, philanthropic, and economic responsibility, which mainly redounds to the benefit of the society.

Through legislating a measure that institutionalizes CSR to be practiced by corporations in the Philippines, all business organizations are mandated to highly consider the interest of the community by taking the responsibility of looking upon the latter's welfare. Moreover, business entities will likewise be cognizant of their important role of giving back to the community where they also belong and exist.

In view of its vital importance, the immediate enactment of this measure is earnestly sought.


ANGELO MARCOS BARBA

¹ Amparado, M., Pinote, L., and Hinoguin, J. (2018). Corporate Social Responsibility: Practices, Benefits, and Challenges of the Master of Business Administration Students. *University of Cebu Lapu-lapu and Mandaue. Cebu City, Philippines.*

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AN ACT
ENCOURAGING AND INSTITUTIONALIZING CORPORATE
SOCIAL RESPONSIBILITY, PROVIDING INCENTIVES THEREFOR,
AND FOR OTHER PURPOSES

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

SECTION 1. Short Title. – This Act shall be known as the “*Corporate Social Responsibility (CSR) Act.*”

SECTION 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 environmental 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.

SECTION 3. Definition of Terms. – For the purposes of this Act, the following terms shall mean:

- (a) *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;
- (b) *Micro, Small, and Medium Enterprises (MSMEs)* refer to businesses with assets not exceeding PhP 15 million, as defined under Republic Act No. 9501 (R.A. No. 9501), otherwise known as the Magna Carta for MSMEs;
- (c) *Small businesses* refer to businesses with assets not exceeding PhP 3 million, as defined under Republic Act No. 6977 (R.A. No. 6977),

otherwise known as the Small Business Act;

- (d) *Unprofitable companies* refer to companies that have incurred net losses for the immediately preceding fiscal year;
- (e) *Large businesses or corporations* refer to a legal entity separate and distinct from its owners, often called shareholders. It is created through the process of incorporation and often considered as “large business companies” due to their ability to raise significant capital through issuance of stocks.

SECTION 4. *Mandate of Corporate Social Responsibility.* – All corporate businesses operating in the Philippines are hereby mandated to implement a Corporate Social Responsibility (CSR) program that shall include, but not limited to:

- a. Adoption of sustainable business practices that promote environmental protection, conservation, and preservation;
- b. Promotion of social development and community welfare through partnerships and programs with local communities;
- c. Compliance with local and international laws and regulations on human rights, anti-corruption, and anti-bribery;
- d. Charitable programs and projects;
- e. Scientific and Social research grants and aids;
- f. Youth and sports development;
- g. Cultural, spiritual, or educational promotion;
- h. Services to veterans and senior citizens;
- i. Services to women and children;
- j. Social welfare and community kitchen;
- k. Environmental sustainability;
- l. Health;
- m. Scholarship grants;
- n. Microfinance and agriculture;
- o. Heritage conservation and protection;
- p. Disaster relief and assistance;

- q. Socialized and low-cost housing;
- r. Employee and worker-related CSR activities; and
- s. Other programs, projects, and services which shall inure to the benefit of the community.

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 (LGUs) 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.

SECTION 5. *Deduction from Unrestricted Retained Earnings.* – To encourage companies to engage in CSR, Section 42 of Republic Act No. 11232 (R.A. No. 11232), otherwise known as the “Revised Corporation Code of the Philippines” is hereby amended to read as follows:

“SECTION 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 CORPORATE SOCIAL RESPONSIBILITY** projects and programs approved by the Board of Director;
- (b) when the corporation is prohibited under any loan agreement with any 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 circumstances obtaining in the corporation, such as when there is a need for special reserve for probable-contingencies.”

SECTION 6. *Awards and Recognition.* – The Department of Trade and Industry (DTI), in collaboration with the Department of Social Welfare and Development (DSWD), and the Department of Environment and Natural Resources (DENR), shall recognize and reward all business organizations for outstanding, exemplary, innovative, and world-class CSR-related services, projects and programs. It shall likewise extend endorsement and encouragement 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.

SECTION 7. *Local Government Units.* – All LGUs 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 or activities.

SECTION 8. *Tax Deductibility.* – All expenses incurred by any corporation in the exercise of its corporate social responsibility shall be full deducted from its gross income.

SECTION 9. *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), Department of Trade and Industry (DTI), or the Department of Finance (DOF), as the case may be.

SECTION 10. *Implementing Rules and Regulations.* – Within sixty (60) days after the effectiveness of this Act, the Secretary of Finance shall, in coordination with DTI and the SEC, promulgate rules and regulations for the effective implementation of this Act.

SECTION 11. *Separability Clause.* – If any provision of this Act is declared invalid or unconstitutional, the remaining provisions not affected thereby shall continue to be in full force and effect.

SECTION 12. *Repealing Clause.* – All laws, decrees, orders, rules and regulations, or parts thereof, inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 13. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,