

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 1198



Introduced by Representative JUAN MIGUEL MACAPAGAL ARROYO

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

EXPLANATORY NOTE

Corporate Social Responsibility or CSR is defined by the World Bank as “the commitment of business to behave ethically and to contribute to sustainable economic development by working with all relevant stakeholders to improve their lives in ways that are good for business, the sustainable development agenda, and society at large”. Companies, be it big or small, have come up with their own CSR programs and have used it as an effective tool in improving their public relations with concerned stakeholders.

It is observed, however, that despite this, many corporations and other business organizations have shown very little care for the welfare of society, community where they operate and the natural environment around them. Their sole purpose is to maximize their respective returns on investment totally disregarding the impact of their activities on customers, employees, shareholders, communities and environment.

This bill, therefore, seeks to foster sustainable economic and environment development and environment protection, among other things, by institutionalizing corporate social responsibility in corporations, whether domestic or foreign, partnership and other establishment performing business in the country. Under this bill, all business organizations are mandated to take into consideration the interest of society by taking responsibility for the impact of their activities on customers, employees, shareholders communities and environment. In return, businesses which shall comply with the mandate of this proposed measure shall be entitled to full deductions of the expenses incurred in connection thereto.

In view of the foregoing, the enactment of this piece of legislation is earnestly recommended.


JUAN MIGUEL MACAPAGAL ARROYO
2nd District, Pampanga

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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 of 2019.*”

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 (CSR) in the operation of their business in the country.

For purposes of this Act, “*corporate social responsibility*” 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, but not be limited to, 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; and
- j) Employee and worker welfare related CSR activities

Sec. 4. *Deduction from Unrestricted Retained Earnings.* - To encourage companies to engage in CSR, Section 43 of Batas Pambansa Blg. 68, otherwise known as the “Corporation Code of the Philippines” is hereby amended to read as follows:

"Sec. 43 **Power to declare dividends.** -

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Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except: (1) when justified

by definite corporate expansion **OR CORPORATE SOCIAL RESPONSIBILITY** projects and programs approved by the board of directors; or (2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (3) when it can clearly show that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies."

Sec. 5. *Full Deductibility from Gross Income.* - Nothing herein shall be deemed to amend or modify Section 34 (H) of Republic Act No. 8424 otherwise known as the "Tax Reform Act of 1997" relative to the full deductibility of contributions or gifts actually paid or made to accredited donee institutions in computing taxable income which shall continue to be in force and effect.

Sec. 6. *Awards and Recognition.* - The State, through the Department of Trade and Industry shall give national recognition and rewards to all business organizations for outstanding, innovative and world-class CSR-related services, projects and programs. It shall likewise extend endorsements and encouragement to domestic and foreign corporations doing business in the Philippines who are candidates for recognition in international award-giving bodies for their CSR-related activities.

Sec. 7. *Local Government Units.* - All local government units where CSR-related activities are conducted shall extend whatever assistance is necessary for business organizations to perform their CSR.

Sec. 8. *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, the Department of Trade and Industry, or the Department of Finance, as the case may be.

Sec. 9. *Implementing Rules and Regulations.* - The Secretary of Finance shall, in coordination with the Department of Trade and Industry and Securities and Exchange Commission, promulgate rules and regulations for the effective implementation of this Act and shall monitor strict compliance therewith.

Sec. 10. *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. 11. *Repealing Clause.* - Section 43 of Batas Pambansa Blg. 68 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. 12. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved.