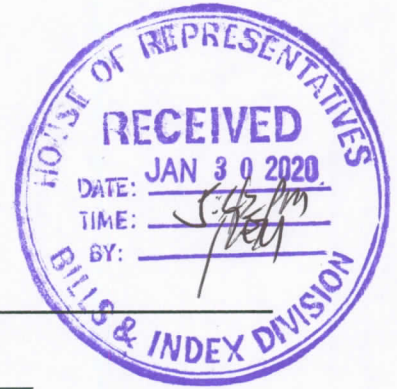


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session



COMMITTEE REPORT NO. 213

Submitted by the COMMITTEE ON TRADE AND INDUSTRY on
JAN 30 2020

Re : House Bill No. 6137

Recommending its approval in substitution of House Bills Numbered 1198, 1225 and 3853.

Sponsors : Representatives Gatchalian, Macapagal Arroyo, Pineda and Agabas

Mr. Speaker:

The **Committee on Trade and Industry** to which were referred House Bill No. 1198 introduced by Rep. Juan Miguel Macapagal Arroyo, entitled:

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

House Bill No. 1225 introduced by Reps. Enrico A. Pineda and Michael Odylon L. Romero, entitled:

**AN ACT
ENCOURAGING CORPORATE SOCIAL RESPONSIBILITY,
PROVIDING INCENTIVES THEREFOR**

and House Bill No. 3853 introduced by Rep. Tyrone D. Agabas entitled:

**AN ACT
ENCOURAGING CORPORATE SOCIAL RESPONSIBILITY,
PROVIDING INCENTIVES THEREFOR**

has considered the same and recommends that the attached House Bill No. 6137,
entitled:

**AN ACT
ENCOURAGING CORPORATE SOCIAL RESPONSIBILITY,
PROVIDING INCENTIVES THEREFOR**

be approved in substitution of House Bills Numbered 1198, 1225 and 3853, with Representatives Juan Miguel Macapagal Arroyo, Enrico A. Pineda, Tyrone D. Agabas, Michael Odylon L. Romero, Rosanna "Ria" V. Vergara, Anthony Peter "Onyx" D. Crisologo, Deogracias Victor "DV" B. Savellano, Alfred D. Vargas, Angelo Marcos Barba, Wes Gatchalian, Jesus "Bong" C. Suntay, Braeden John Q. Biron, Evelina G. Escudero, Allan Benedict S. Reyes, Leonardo L. Babasa Jr., Micaela S. Violago, John Reynald M. Tiangco, Strike B. Revilla, Stella Luz A. Quimbo, Christian S. Unabia, Manuel T. Lopez, Robert Ace S. Barbers, Gabriel H. Bordado Jr., France L. Castro, Joseph Stephen S. Paduano, Precious Hipolito Castelo, Joy Myra S. Tambunting, Camille A. Villar, Franz "Chicoy" E. Alvarez, Manuel F. Zubiri, Emmarie "Lolypop" M. Ouano-Dizon, Ma. Theresa V. Collantes, Allan U. Ty, Michael John R. Duavit, Kristine Singson-Meehan, Erico Aristotle C. Aumentado, Luis N. Campos, Jr., Manuel T. Sagarbarria, Julianne L. Baronda, Leo Rafael M. Cueva, Junie E. Cua, Elisa "Olga" T. Kho, Eric L. Olivarez, Eric M. Martinez, Jose Enrique "Joet" S. Garcia III, Francisco Jose "Bingo" F. Matugas, Rogelio D. Pacquiao, Marisol C. Panotes, Jumel Anthony I. Espino, Mark O. Go, Alfredo A. Garbin, Jr., Christian S. Unabia, Jake Vincent Villa, Shirlyn L. Bañas-Nogales, Sabiniano S. Canama, Sharon S. Garin and Elizalde S. Co.

Respectfully Submitted:



HON. WEST T. GATCHALIAN

Chairperson

Committee on Trade and Industry

**THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
Quezon City**

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS

Third Regular Session

House Bill No. **6137**

Introduced by: Representatives Macapagal Arroyo, Pineda, Agabas, Romero, Vergara, Crisologo, Savellano, Vargas, Barba, Gatchalian, Suntay, Biron, Escudero, Reyes, Babasa, Violago, Tiangco, Revilla, Quimbo, Unabia, Lopez (M), Barbers, Bordado Jr., Castro, Paduano, Castelo, Tambunting, Villar, Alvarez (F), Zubiri, Ouano-Dizon, Collantes, Ty, Duavit, Singson-Meehan, Aumentado, Campos Jr., Sagarbarria, Baronda, Cueva, Cua, Kho, Olivarez, Martinez, Garcia III, Matugas, Pacquiao, Panotes, Espino, Go, Garbin Jr., Unabia, Villa, Bañas-Nogralles, Canama, Garin and Co.

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:

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

3 Sec. 2. *Declaration of Policy.* – The State recognizes the vital role of the
4 private sector in nation building and shall encourage its active participation in
5 fostering sustainable economic development and environment protection in the
6 Philippines. Towards this end, the government shall mobilize its various agencies, in
7 coordination with nongovernment and people’s organizations, to work hand-in-hand
8 for the integration, promotion, and strengthening of corporate social responsibility in
9 all business organizations.

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

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

- 19 a) Charitable programs and projects;
20 b) Scientific research;
21 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 welfare related CSR activities.

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.** –

xxx xxx xxx

“Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent 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 directors; or (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 need for special reserve for probable contingencies.”

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.

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), the 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 this Act, the Secretary of Finance shall, in coordination with the DTI and the SEC, promulgate rules and regulations for the 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.

1 Sec. 10. *Repealing Clause.* – Section 42 of Republic Act 11232 is hereby
2 amended. All laws, decrees, orders, rules and regulations, and other issuances, or
3 parts thereof, inconsistent with this Act are hereby repealed or modified accordingly.

4 Sec. 11. *Effectivity.* – This Act shall take effect fifteen (15) days after
5 publication in the Official Gazette or in a newspaper of general circulation.

6 Approved. _____

FACT SHEET

HOUSE BILL NO. 6137

(In substitution of House Bill Nos. 1198, 1225 and 3853)

AN ACT ENCOURAGING CORPORATE SOCIAL RESPONSIBILITY, PROVIDING INCENTIVES THEREFOR

Introduced by: Representatives Macapagal Arroyo, Pineda, Agabas, Romero, Vergara, Crisologo, Savellano, Vargas, Barba, Gatchalian, Suntay, Biron, Escudero, Reyes, Babasa, Violago, Tiangco, Revilla, Quimbo, Unabia, Lopez (M), Barbers, Bordado Jr., Castro, Paduano, Castelo, Tambunting, Villar, Alvarez (F), Zubiri, Ouano-Dizon, Collantes, Ty, Duavit, Singson-Meehan, Aumentado, Campos Jr., Sagarbarria, Baronda, Cueva, Cua, Kho, Olivarez, Martinez, Garcia III, Matugas, Pacquiao, Panotes, Espino, Go, Garbin Jr., Unabia, Villa, Bañas-Nogales, Canama, Garin and Co.

Committee Referral: COMMITTEE ON TRADE AND INDUSTRY (Primary)

Committee Chairperson: REP. WES GATCHALIAN

OBJECTIVES:

- To foster sustainable economic development and environmental protection by encouraging corporations to inculcate the value of social responsibility in community development in their organization's operations and activities whether they be single proprietorships, partnerships, or corporations.

KEY PROVISIONS:

- Mandates business organizations established and operating under Philippine laws, whether domestic or foreign, 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 towards a sustainable development agenda
- Defines CSR-related activities as, among others, charitable programs and projects; scientific research; youth and sports development; cultural and educational promotion; services to veterans and senior citizens; social welfare; environmental sustainability; health development; disaster relief and assistance; socialized and low cost housing and employee and worker related CSR activities
- Allows stock corporations to retain profits in excess of 100% of paid-in capital stock to be used for expansion or corporate social responsibility projects and programs
- Mandates the Department of Trade and Industry to recognize and rewards business establishments for outstanding, innovative and world-class CSR-related services, projects and programs. It shall likewise extend endorsements and recommendations to domestic and foreign corporations doing business in the Philippines that are candidates for recognition in international award-giving bodies for their CSR-related activities.

- Mandates local government units to extend whatever assistance is necessary for business establishments to accomplish CSR programs and projects
- Mandates the Secretary of Finance, in coordination with the Department of Trade and Industry and the Securities and Exchange Commission to promulgate rules and regulations to implement this Act.

RELATED LAWS:

- Section 42 of Republic Act No. 11232 (Revised Corporation Code of the Philippines)
- Section 34 (h) of Republic Act No. 8424 (Tax Reform Act of 1997)