

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
QUEZON CITY

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 1225



Introduced by REPRESENTATIVES ENRICO A. PINEDA and
MICHAEL ODYLON L. ROMERO, PhD.

EXPLANATORY NOTE

Corporate Social Responsibility or CSR refers to voluntary and sustained initiatives of businesses, working with employees, families and communities that contribute to the social and economic development of the nation.

In the Philippine context, corporations can complement efforts of the national government to ensure the social welfare and development of the country.

This bill defines the scope of CSR-related activities, as among others, charitable programs and projects, scientific research, youth and sports development, cultural and education promotion, services to veterans and senior citizens, social welfare, environmental sustainability, health development, disaster relief and assistance, socialized and low-cost housing projects, and incentivizes its practice. It is believed that by offering a raft of rewards, CSR will be widely observed to the benefit of the people.

Under this bill, stock corporations will be allowed to retain profits in excess of 100% of paid-in capital stock to be used for corporate social responsibility projects and programs while mandating the Department of Trade and Industry to recognize and rewards business establishments for outstanding, innovative and world-class CSR-related services.

Given these aforementioned incentives, more corporations will be enticed to infuse a bigger portion of their income in charity and social enterprises that promote the common good, build human capital and create better communities. Plowing back corporate resources to communities, especially those underserved by the government, would help cure the deficit in state spending in areas that cry out for development.

Such scheme can be seen as direct intervention by the private sector in which they get to spend money which would have paid as taxes but in an efficient manner without the overhead associated with the bureaucracy.

This proposed bill was filed in the 17th Congress, underwent thorough deliberations and was subsequently passed on the Third Reading. Hence, immediate passage of this measure is earnestly prayed for.



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

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

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

SECTION 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) Environment sustainability;
- h) Health development;
- i) Disaster relief and assistance;
- j) Socialized and low-cost housing; and
- k) Employee and worker welfare-related CSR activities

SECTION 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 FOR 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 circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies."

SECTION 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.

SECTION 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.

SECTION 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 (DOF), as the case may be.

SECTION 8. Implementing Rules and Regulations. Within sixty (60) days, the Secretary of Finance shall, in coordination with the Department of Trade and Industry and the Securities and Exchange Commission, promulgate the rules and regulations for the effective implementation of this Act and shall monitor strict compliance therewith.

SECTION 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.

SECTION 10. 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.

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

Approved,