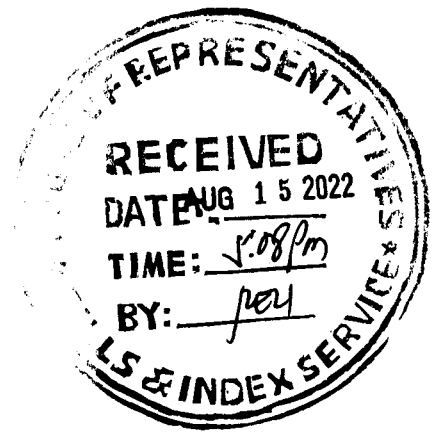


**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City**

**NINETEENTH CONGRESS
First Regular Session
House Bill No. 3627**



**Introduced by Representative
LEODY "ODIE" F. TARRIELA**

EXPLANATORY NOTE

No less than the 1987 Constitution recognizes the private sector's role in the socioeconomic development of the country. Under Article II, Sec. 20 the State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments. Furthermore, Article XII, Sec. 1 also mandates the Congress to give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, reduce social, economic, and political inequalities, and remove cultural inequities by equitably diffusing wealth and political power for the common good.

Corporate Social Responsibility ("CSR") is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders.¹

In view of the recent COVID-19 pandemic and the rising inflation rates which hamper the socioeconomic development of country, it is now, more than ever, that the government should recognize the vital role of

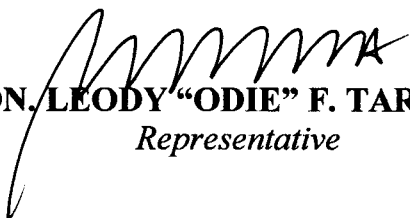
¹ United Nations Industrial Development Organization. (2022). What is CSR? Retrieved August 3, 2022, from <https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr#:~:text=Corporate%20Social%20Responsibility%20is%20a,and%20interactions%20with%20their%20stakeholders.>

private sectors in contributing to the socioeconomic development of the country. The private corporation's initiatives through various programs, project, and services which address the social issues of the community greatly contribute to the alleviation of the poverty, and improvement of the lives of our fellow constituents.

This bill encourages business establishments to create CSR programs by giving incentives to corporations for creation of excellent, unique, and world-class CSR services, projects, and programs. Furthermore, the bill also provides leeway for stock corporations to retain profits more than 100% of their paid-in capital stock as provisions for expansions or CSR programs.

With this proposed measure, business establishments may be inspired to actively participate in fostering sustainable economic development and environment protection by providing CSR-related programs.

It is in this regard that the immediate consideration and passage of this proposed measure is earnestly requested.


HON. LEODY "ODIE" F. TARRIELA
Representative

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 3627

INTRODUCED BY REPRESENTATIVE
LEODY “ODIE” F. TARRIELA

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

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 2022."

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 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. -

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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:

- (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 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 unconstitutional or otherwise invalid, the validity of the other provisions shall not be affected thereby.

Sec. 10. *Repealing Clause.* – All other laws, decrees, orders, rules and regulations, other issuances, or parts thereof inconsistent with the provisions of 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.