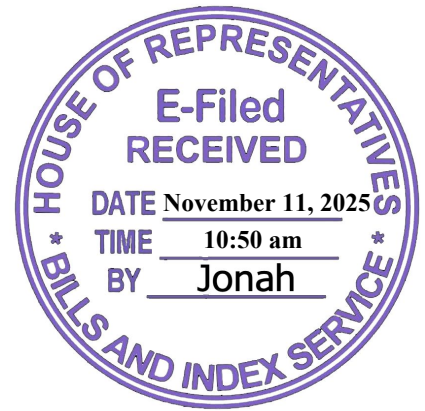


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. **5810**



Introduced by Representatives EDVIC G. YAP and ERIC G. YAP

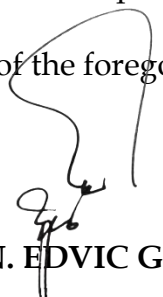
EXPLANATORY NOTE

This bill seeks to strengthen Corporate Social Responsibility (CSR) by encouraging all businesses — local and foreign — to adopt programs that directly benefit communities and support nation-building. This also seeks to allow companies to set aside funds for these projects, while government agencies and local government units (LGUs) are directed to provide support and assistance within their jurisdictions, ensuring that CSR activities are responsive to local needs.

Corporate Social Responsibility (CSR) has become an essential part of how businesses operate around the world. Aside from generating profit, companies today are expected to actively contribute to the welfare of their workers, communities, and the environment. In the Philippines, many enterprises already engage in charitable projects, environmental programs, and social development efforts, yet there remains no comprehensive law that recognizes, promotes, and incentivizes such initiatives.

The enactment of this vital piece of legislation will not only recognize outstanding CSR initiatives, but also promote and reward responsible business practices. This shall make the private sector a stronger partner in nation-building by not only contributing to economic growth, but also advancing environmental sustainability and social development for all Filipinos.

In view of the foregoing, the passage of this bill is earnestly sought.



HON. EDVIC G. YAP



HON. ERIC G. YAP

Republic of the Philippines
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House Bill No. **5810**

Introduced by Representatives EDVIC G. YAP and ERIC G. YAP

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:

Section 1. *Short Title.* — This Act shall be known as the “*Corporate Social Responsibility Act*”.

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 nongovernment 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 related CSR activities.

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 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.

SEC. 4. *Deduction from Unrestricted Retained Earnings.* — To encourage companies to engage in CSR, Section 42 of Republic Act (RA) 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

“Stock corporations are prohibited from restraining 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 DEFINITE CORPORATE SOCIAL RESPONSIBILITY (CSR)** projects or programs approved by the board of directors; or (b) when the corporation is prohibited under any loan agreement with 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 special circumstances abstaining 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 Governments 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 and shall encourage business organizations within their territorial jurisdiction to conduct CSR projects/activities.

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), 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 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.

SEC 10. *Repealing Clause.* — Section 42 of Republic Act No. 11232 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. 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,