



20 JAN 16 P1:44

SENATE
S.B. No. 1269

RECEIVED BY:

Introduced by **SENATOR IMEE R. MARCOS**

AN ACT
AMENDING REPUBLIC ACT NO. 11232 OTHERWISE KNOWN AS, "AN ACT
PROVIDING FOR THE REVISED CORPORATION CODE OF THE
PHILIPPINES," AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Article II Section 23 of the 1987 Constitution provides that, *"the State shall encourage non-governmental, community based, or sectoral organizations that promote the welfare of the nation."* Section 20 of the same article further states that, *"the State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments"*.

According to the Family Income and Expenditure Survey (FIES) 2018, 16.6 percent of Filipinos, and roughly 12.1% of Filipino families, live below the poverty line. This translates to 17.6 million Filipinos. While these values are lower from the 23.3% of Filipinos and 17.9% of Filipino families living below the poverty line in 2015, there is still much that needs to be done to meet one of our 2030 Sustainable Development Goals, which is ending poverty.

One of the ways in which the problem of poverty can be addressed is through the promotion of social enterprises. Social enterprises are social mission-driven organizations that conduct economic activities directly related to the improvement of the economic well-being of the poor and marginalized sectors.

The primary problem faced by social enterprises is lack of access to capital. This is due to the antiquated division of corporations as either non-profit or profit. Social enterprises share characteristics of both corporations, with the ability to generate profit crucial to the sustainability of social enterprises. The ability to retain profit is also important for investors and lenders to extend funding to social enterprises.

This bill seeks to address the funding gap of social enterprises by creating a special entity to be known as *"Social Benefit Corporation"* under R.A. No. 11232, otherwise known as *"An Act Providing for The Revised Corporation Code of The*

Philippines". It facilitates qualification and approval of entities as social benefit corporations by providing a precise definition and simplifying the application procedure to the Securities and Exchange Commission (SEC). It also provides benefits, including access to capital and other forms of financing, among others.

Given the abovementioned circumstances, the immediate passage of this bill is necessary.


IMEE R. MARCOS
Senator



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**AN ACT
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PROVIDING FOR THE REVISED CORPORATION CODE OF THE PHILIPPINES,"
AND FOR OTHER PURPOSES**

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

1 SECTION 1. *Short Title.* – This Act shall be known as the "*Social Benefit Corporation*
2 *Act of 2020.*"

3

4 Sec. 2. *Social Benefit Corporation.* – A new Chapter in Title XIII of Republic Act
5 No. 11232 otherwise known as "*An Act Providing For The Revised Corporation Code Of*
6 *The Philippines*" is inserted as Chapter III, to read as follows:

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**CHAPTER III
SOCIAL BENEFIT CORPORATION**

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***Sec. 115. Social Benefit Corporation.* – A Social Benefit Corporation is a corporation that conducts economic activities and provide goods or services directly related to its primary purpose of improving the well-being of the unskilled and minimum waged workers, children, poor, and marginalized, including the promotion and development of the following sectors: health, education, environment, agriculture, climate change, natural and man-made disaster recovery, peace process or negotiation, and other similar purposes. *Provided that,* banks and quasi-banks, pre-need, trust, insurance, public and publicly-listed companies, and non-chartered government-owned and -controlled corporations may not be**

1 incorporated as social benefit corporations. *Provided further that*, at
2 least sixty percent (60%) of the social enterprise's total expenditures
3 and profits shall be used exclusively for the corporation that will
4 optimize the benefits to which the corporation was established.
5

6 *Sec. 116. Incorporation and Registration.* – A group of persons, not
7 less than three (3), desiring to incorporate as a "*Social Benefit*
8 *Corporation*" shall submit the intended corporate name to the
9 Commission for verification of its name, purposes, incorporators, and
10 directors. The incorporators shall then submit their articles of
11 incorporation, as provided in Sec. 118, and bylaws to the Commission.
12 *Provided that*, the registration of social benefit corporations shall not
13 require a minimum capital stock.
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15 *Sec. 117. Display of Corporate Name.* – A social benefit corporation
16 shall indicate the letters "SBC" either below or at the end of its corporate
17 name.
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19 *Sec. 118. Articles of Incorporation.* – A social benefit corporation
20 shall file articles of incorporation in accordance with the requirements
21 under Section 14 of this Code.
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23 *Sec. 119. Minutes Book.* – A social benefit corporation shall
24 maintain a minutes book which shall contain all actions, decisions, and
25 resolutions taken by the corporation.
26

27 *Sec. 120. Reportorial Requirements.* – The social benefit
28 corporation shall submit the following within such period as the
29 Commission may prescribe:

- 30 1. Annual Financial Statements;
- 31 2. A disclosure of all self-dealings and related party transactions
32 entered into between the corporation and the stockholders; and
- 33 3. Other reports as the Commission may require.
34

35 *Sec. 121. Social Benefit Corporation Development Fund.* – There
36 shall be included in the budget of the Department of Trade and Industry
37 (DTI) under the annual General Appropriations Act (GAA) an initial
38 amount of Nine Hundred Million Pesos (P 900,000,000.00) for the

1 establishment of a Social Benefit Corporation Development Fund
2 (SBCDF) which shall be allocated for the following:

- 3 1. Six Hundred Million Pesos (P 600,000,000.00) for value-chain
4 financing; and
- 5 2. Three Hundred Million Pesos (P 300,000,000.00) for enterprise
6 development services.

7 After the first year of implementation, such sums as may be
8 necessary to fund the SBCDF shall be included in the budget of the DTI
9 under the annual GAA.

10
11 *Sec. 122. Special Credit Windows.* – The Development Bank of the
12 Philippines and other government financial institutions shall establish
13 special credit windows for the following purposes:

- 14 1. Credit line for business development loan or working capital loan to
15 cover the operational and management expenses of an existing
16 business or income generating project, including receivable
17 financing or purchase of additional inventory, soft, or intangible
18 investments such as trade fair participation or acquisition of
19 software or franchise development packages;
- 20 2. Fixed assets financing to cover acquisition of fixed assets like
21 machineries and equipment, motor vehicle, or acquisition of lot for
22 project site or construction of a plant and building and the
23 improvement thereof;
- 24 3. Value chain financing to cover any of the value chain activities such
25 as production, processing, and marketing;
- 26 4. Domestic letter of credit or trust receipt to provide a stand-by-credit
27 facility for the social enterprise borrower for the purchase of product
28 inputs, equipment, machinery, implements, and spare parts,
29 whereby payment of which is guaranteed and to be made to the
30 seller by the lending institution, provided all documents conform
31 with the terms and conditions of the credit; and
- 32 5. Revolving Credit Line for re-lending to finance the livelihood project
33 requirements of end-borrowers.

34
35 *Sec. 123. Role of Local Government Units (LGUs) in Social Benefit*
36 *Corporation Development.* – LGUs shall be encouraged to incorporate
37 viable social benefit corporation development programs in their local
38 plans and collaborate with social benefit corporations.
39

1 Sec. 3. The chapters and sections in R.A. No. 11232 shall be renumbered
2 accordingly.

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4 Sec. 4. *Implementing Rules and Regulations.* – Within ninety (90) days from the
5 effectivity of this Act, the DTI and the Securities and Exchange Commission (SEC) shall
6 promulgate the necessary rules and regulations for the effective implementation of this
7 Act.

8

9 Sec. 5. *Repealing Clause.* – All laws, decrees, orders, rules and regulations or other
10 issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed
11 or modified accordingly.

12 Sec. 6. *Separability Clause.* – If any portion or provision of this Act is declared
13 unconstitutional, the remainder of this Act or any provision not affected thereby shall
14 remain in force and effect.

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16 Sec. 7. *Effectivity.* – This Act shall take effect after fifteen (15) days following the
17 completion of its publication either in the Official Gazette or in a newspaper of general
18 circulation in the Philippines.

Approved,