BoI seeing increased investor interest in agriculture projects

THE Board of Investments (BoI) said it is seeing increased investor interest in agriculture, after investment promotion agencies (IPAs) were empowered to approve projects with higher investment thresholds.

In a statement over the weekend, the BoI said the higher thresholds at IPA level approved by the Fiscal Incentives Review Board (FIRB) helped stimulate interest in farming projects.

On Feb. 2, the FIRB, through Resolution No. 003-24, increased the threshold to P15 billion and below from the previous P1 billion and below.

Since then, the BoI has approved six agriculture projects valued at P13.38 billion.

Agriculture attracted the most investment with P6.05 billion, while the transportation and storage industry drew P3.95 billion, the BoI said.

The approved investments include the registration of a new producer of processed chicken, a dairy farm, and a cold-storage facility.

"Recent approvals with investments ranging from P1 billion to P15 billion highlight the benefits of increased investment thresholds for the agriculture sector," Trade Secretary and BoI Chairman Alfredo E. Pascual said.

"These projects, upon completion, will drive the adoption of new technologies and strengthen food security. This is crucial to meet the rising food demand and sustain resilient agricultural systems despite climate change and other challenges," he added.

Since the Corporate Recovery and Tax Incentives for Enterprises law was implemented in 2021, the FIRB has approved 28 projects valued between P1 billion and P15 billion, valued at a combined P126.61 billion.

Meanwhile, the FIRB approved 15 projects involving over P15 billion in investment, amounting to P835.89 billion.

"This increased project cost threshold for IPA approval affirms the government's push to streamline business processes and manage incentives prudently," Mr. Pascual said. — **Justine Irish D. Tabile**

Wage hike not expected to hurt foreign investor interest in PHL

A WAGE hike is not expected to reduce the appeal of the Philippines to foreign investors, the British Chamber of Commerce of the Philippines (BCCP) said.

BCCP Executive Director and Trustee Christopher James Nelson said by phone that wage hikes will not necessarily mean the loss of foreign investors, contrary to the fears of other employers.

"It's not the only factor... investors will also look at (other factors). There's no single factor that will lead investors to say, 'Okay, wages have gone up, that means I go somewhere else.' It is a combination of factors," he added.

The Philippine mechanism for raising minimum wages is via rulings issued by regional wage boards, which cannot hear wage hike appeals until the anniversary of the last ruling.

Mr. Nelson said the peso's prolonged weakness and agriculture-related legislation would be the developments British investors are focused on.

He added that the Philippines remains attractive to foreign investors due to the recent executive orders of President Ferdinand R. Marcos, Jr., specifically the one cutting tariffs on imported rice.

"It's those actions could have a greater impact (on foreign investors) because what drove inflation, particularly, is the cost of rice and meat products and foodstuffs," he said.

He said regional boards should decide on wage hikes instead of Congress legislating higher wages.

"We were happy to see that they've gone back to the wage boards. That was how, in the Philippines, it has been previously done. That's important as opposed to having a mandated increase from Congress," he added.

An economist and some employers last week said a wage increase would drive away foreign investors, and turn to neighbors Vietnam and Cambodia.

Labor groups have said a skilled workforce is also an important factor for attracting foreign investors, though they need to be paid fairly.

The wage board for Metro Manila concluded a public hearing on wage hikes on Thursday, discussing petitions ranging from P100 to P750 from various labor groups. It is currently reviewing the proposals.

It is set to release its decision on or before July 20, the anniversary of the last wage order in the National Capital Region (NCR).

The daily minimum wage in the NCR is P610 for non-agriculture workers and P573 for agricultural workers, retailers with 15 workers or less, and manufacturing firms regularly employing fewer than 10 workers. — **Chloe Mari A. Hufana**

ERC reviewing allowable power plant outage levels

THE Energy Regulatory Commission (ERC) said it is reviewing the reliability index that typically sets the allowable outages for energy facilities, to improve monitoring and set appropriate penalties.

"We are reviewing the reliability indices based on the petition filed by PIPPA (Philippine Independent Power Producers Association, Inc.) to make sure the indices are real measures of operational performance," ERC Chairperson Monalisa C. Dimalanta said via Viber.

"We can then improve our monitoring tools and impose appropriate penalties," she added.

The reliability index in force since 2020 allows the ERC to set the maximum days of planned and unplanned outages per year, varying by generating plant technology.

The ERC reviews non-compliance of power generators and issues notice with an order to comply and to explain. It will then impose fines and penalties to those that refuse or fail to comply.

The ERC reported that five power generation companies exceeded the unplanned outage allowance as of April 30, a period when the power grids declared red and yellow alerts.

Ms. Dimalanta said the ERC hopes to complete the review within the month. — **Sheldeen Joy Talavera**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link <tinyurl.com/2cclakkp>

TIEZA sees changes to CREATE encouraging tourism investment

THE TOURISM INDUSTRY is expected to attract increased investments once the amendments to the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act are passed, an industry regulator said.

On the sidelines of the Philippine Tourism and Hotel Investment Summit on Friday, Tourism Infrastructure and Enterprise Zone Authority (TIEZA) Chief Operating Officer Mark T. Lapid said investors "will benefit because that will level the playing field. Meaning, what you can get in the Philippine Economic Zone Authority (PEZA), you can also get in the Board of Investments (BoI) and in TIEZA," Mr. Lapid said in a mix of English and Filipino.

"But the only thing that you cannot get from the other investment promotion agencies and you can get from us is the infrastructure support," he said. "So yes, this will make the sector more attractive to investors."

In March, the House of Representatives approved on final reading the CREATE to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) bill, which seeks to cut the corporate income tax to 20% from 25% The bill has been passed on to the Senate.

During the summit, the Philippine Hotel Owners Association, Inc. (PHOA) and Leechiu Property Consultants released the Philippine Hotel Investment Outlook Survey, which in part laid down government support recommendations that it hopes will attract more investment.

In particular, PHOA and Leechiu called for additional tax incentives and the extension of current incentives to help offset setbacks during the pandemic and help proponents recover at least half of their construction and land acquisition costs.

Francis Nathaniel C. Gotianun, chairman of the organizing committee of the summit, said: "We are trying to get a reinvestment allowance ... since hotels require a lot of capital investment on an ongoing basis, we were hoping that we could get a 50% rebate on our renovation costs because we continuously renovate hotels," Mr. Gotianun told *BusinessWorld*.

Another recommendation in the report is increased incentives for sustainability initiatives, which PHOA and Leechiu said will help "inspire both hospitality establishments and the public to integrate environmental stewardship into their operations."

According to Mr. Gotianun, the government can help the industry by providing funding access for sustainability initiatives.

"It can be in the form of a subsidy or reimbursement for investment in sustainability. It would be good if there was some sort of financing facility, rebate, or tax break as a result of the investment," he said.

"The idea is that if we can get some tax shielding as a result of that investment, it will encourage people to invest again. Obviously, the more government support we can get, the more we'd be happy to invest," he added.

Meanwhile, Mr. Lapid said TIEZA is offering 10 assets for joint ventures or for public-private partnerships.

"These are open for investment, so the private sector can come in or form a joint venture, and then from our part, we would be responsible for the property and the land cost," he said. — **Justine Irish D. Tabile**

OPINION

Instilling integrity into the corporate DNA

IN BRIEF:

• *Nearly half (49%) of global respondents believe that compliance with their organization's standards of integrity has improved over the past two years, marking a 7% increase from 2022.*

• *Unethical mindset is more dominant in the upper echelons of organizations, with 67% of board members admitting they would consider unethical actions for their own benefit compared to only 25% of employees.*

• *Recent research indicates that corporate fraud shaves approximately 1.6% off a company's equity value each year. In monetary terms, that equates to a staggering $830 billion.*

SUITS THE *C*-SUITE

RODERICK M. VEGA

A top-down, all talk, no walk mentality erodes — or in severe cases, erases — trust both within the organization and in the public eye, placing the company's reputation and financial health in jeopardy.

The current climate of persistent macroeconomic, geopolitical, and market volatility, coupled with stringent regulatory scrutiny, continue to put the moral compass of organizations to the test. These global conditions underscore the critical importance of the values businesses uphold, particularly trust and integrity.

Trust serves as a significant competitive advantage, particularly when market unpredictability challenges business resilience. Without trust from employees, customers, suppliers, and investors, an organization's future viability is jeopardized.

At the same time, companies rooted in integrity ensure long-term sustainability by adhering to ethical practices, which reinforce their brand and operational stability. A lack of integrity erodes trust, leading to significant operational and strategic challenges.

The interplay between these two raises a critical question: "How can trust endure without integrity?" This query forms the crux of the EY Global Integrity Report 2024, which surveyed over 5,400 respondents across 53 countries and territories.

On the upside, 49% of global respondents believe that compliance with their organization's standards of integrity has improved over the past two years, marking a 7% increase from the EY Global Integrity Report 2022.

However, 38% of global respondents acknowledge a willingness to engage in unethical behavior to advance their career or remuneration. This pervasive mindset creates substantial risks that could lead to various adverse impacts within an organization.

The cost of low corporate integrity is high. Specifically, corporate violations in the US and the UK incurred penalties totaling $1 trillion, as a result of half a million infractions between 2010 and 2023.

This article explores actionable insights from the EY Global Integrity Report 2024 and identifies human-centered approaches that leaders can use to build an integrity-first culture within their organizations.

THE CURRENT STATE OF INTEGRITY

Despite improved perceptions of organizational standards of integrity, companies continue to grapple with significant incidents and violations. The EY report highlights that 20% of companies acknowledge experiencing major integrity breaches, such as fraud, data privacy or security incidents, or regulatory compliance violations, within the past two years.

Notably, among those reporting significant integrity incidents, over two-thirds indicate the involvement of third parties.

An analysis of over 500,000 corporate violations from 2010 to 2023 reveals that certain financial and employment violations, including accounting deficiencies, AML deficiencies, tax violations, labor standards, workplace safety, and consumer privacy issues, have become 2 to 10 times more frequent since 2010.

Conversely, there has been a notable decline in violations related to employee compensation, public safety, banking, and environmental issues. However, progress remains limited in addressing anti-competitive behavior, discrimination, and whistleblower retaliation.

EMPLOYEES' APPROACH TOWARD INTEGRITY

Although a majority of employees (58%) take a principled approach to integrity, there remains a substantial proportion (42%) who may compromise these standards under certain conditions.

In this dichotomy, the report shows that potentially compromised employees have a more negative view of their organization's compliance environment. They are nearly three times more likely to say that unethical conduct is ignored within their teams, and more than five times more likely to say that unethical conduct is ignored within their organization's supply or distribution chain.

LEADERS' INTEGRITY DILEMMA

An unethical mindset towards career or pay is predominant in the upper echelons of organizations, with 67% of board members admitting they would consider unethical actions for their own benefit compared to only 25% of employees.

Moreover, 47% of board members and 40% of senior management have observed actions within the past two years that could damage their organization's reputation if made public, yet no internal response was taken. This lack of action highlights a critical gap in ethical oversight and accountability.

WHAT BREEDS MISCONDUCT

The survey identifies several root causes of integrity incidents globally, including failure of financial processes and controls (27%), lack of internal resources to manage compliance and integrity activities (27%), employees not understanding policy and requirements (26%), and lack of appropriate tone from senior leadership (25%).

Equally significant, 45% of global respondents who reported integrity incidents attribute them to poor leadership tone or management pressure. This issue is compounded by the apparent reluctance among leaders to address misconduct.

Such factors contribute to an environment conducive to misconduct, emphasizing the need for robust controls, resources, and leadership commitment to foster a culture of integrity.

HIGH COST OF LOW INTEGRITY

Misconduct is an unpleasant reality, surfacing even within the most ethical organizations. Corporate infractions come at a high cost — not just in resources spent on internal investigations and remediation but also in fines and penalties paid to government regulators.

For instance, recent research indicates that corporate fraud shaves approximately 1.6% off a company's equity value each year. In monetary terms, that equates to $830 billion in 2021 alone.

But the costs extend beyond the financial. A top-down, all talk, no walk mentality erodes trust both within the organization and in the public eye, placing the company's reputation and financial health in jeopardy.

BUILDING AN INTEGRITY-FIRST CULTURE

Embracing the following integrity-first approaches — which put the right programs in place to drive behavior to create a strong culture and a strong belief in their commitment to integrity — can help organizations keep pace with evolving regulations and increasing societal expectations:

Lead from the top. Integrity can't be built or sustained with all talk and no action. Organizations need to focus on preventing and addressing misconduct by starting from the top. Moreover, leaders need to listen and practice what they preach to instill integrity further down the line. Words alone won't inspire integrity; leadership action is a must.

Design and implement a structure to execute strategy. To prevent unethical actions from the top down, organizations must implement robust governance structures within their integrity programs and strategies. Breaking down silos is also crucial to encourage a "speak up" culture against any misconduct.

Strengthen a culture of integrity across the organization. Organizations must recognize that integrity is a collaborative endeavor, not merely a standalone function. Embedding compliance directly into operations—from new business development to vendor payments—transforms corporate policies into actionable workflows.

Boost awareness, training and communication. The report indicates that fewer than 47% of management teams frequently communicate to their employees the importance of behaving with integrity. Making the rationale behind policies crystal clear fosters a resilient organization capable of thriving in both good and bad times.

Create a virtuous circle of integrity. In times of rapid change and difficult market conditions, maintaining, let alone enhancing, corporate integrity can seem daunting. But it is precisely in these challenging times that integrity must not only be preserved but also prioritized.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinion expressed above are those of the author and do not necessarily represent the views of SGV & Co.

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