



GCG MEMORANDUM CIRCULAR NO. 2013 – 06 (RE-ISSUED)

SUBJECT : INTERIM PERFORMANCE-BASED INCENTIVE (PBI) SYSTEM FOR APPOINTIVE DIRECTORS / TRUSTEES OF GOCCs COVERED BY R.A. NO. 10149

DATE : 07 February 2014

1. **BACKGROUND AND PURPOSE.** – Section 23 of the “GOCC Governance Act of 2011” (R.A. No. 10149) mandates GCG to set the limits to the compensation, *per diem*, allowance, and incentive entitlements of members of the Board of Directors/Trustees of GOCCs, “[t]he charters of each of the GOCCs to the contrary notwithstanding.”¹ Currently, the compensation of Appointive Directors has been rationalized/limited to the following:

- (a) *Per Diems* for actual attendance at meetings; and
- (b) Performance-Based Incentives, which may only be granted if a GOCC achieves a weighted-average score of at least 90% in its Performance Scorecard as agreed upon with GCG.²

Accordingly, this Circular has been issued to provide an Interim Performance-Based Incentive (PBI) System for Appointive Directors of GOCCs covered by the R.A. No. 10149 for CY2013.

2. **POLICY CONSIDERATIONS.** – The PBI shall be anchored on the following policy considerations:³

- (a) Promote transparency, accountability, and prudence in government spending;
- (b) Enable GOCCs to effectively and efficiently perform their respective mandates and become significant tools for economic development;
- (c) Strengthen the overall governance and management of GOCCs by, among others, attracting highly qualified and competent individuals; and
- (d) Provide for a competitive Director’s Compensation System (DCS) that is reasonable and appropriate to prevent abuses in the grant of compensation and the reimbursement of expenses.

3. **ENTITLEMENT.** – The grant of the PBI to eligible Appointive Directors shall be based on a percentage of the Total Actual Annual Authorized *per diems* received as follows:

¹ See also SECTION 20, R.A. No. 10149.

² See *Performance Evaluation System for the GOCC Sector*, GCG MC No. 2013-02.

³ Adopted from Section 1, E.O. No. 24, s. 2011.

PERFORMANCE SCORECARD WEIGHTED-AVERAGE SCORE	INCENTIVE ENTITLEMENT
100%	100% of Total Actual Annual Authorized <i>per diems</i> received by an Appointive Director
Less than 100% but at least 95%	90% of Total Actual Annual Authorized <i>per diems</i> received by an Appointive Director
Less than 95% but at least 90%	80% of Total Actual Annual Authorized <i>per diems</i> received by an Appointive Director
Below 90%	None

4. **CONDITIONS PRECEDENT TO ENTITLEMENT TO PBI.** – In order for an Appointive Director to be entitled to the PBI, the following conditions must be fulfilled for the applicable calendar year:

4.1. **GOCC Level.** – The GOCC where the Appointive Director serves was eligible and granted the Performance-Based Bonus to Officers and Employees pursuant to the “*Performance Evaluation System for the GOCC Sector*” (GCG MC No. 2013-02), namely:

- (a) The GOCC achieved a weighted-average score of at least 90% on its Performance Scorecard; and
- (b) The GOCC satisfactorily complied with the Good Governance Conditions provided in GCG MC No. 2013-02.

4.2. **Additional Good Governance Condition for Individual Appointive Directors.**

4.2.1. **Attendance.** – No Appointive Director shall be entitled to the PBI unless he/she shall have attended at least 90% of all authorized and duly called for Board and Committee meetings (to which he/she is officially designated). In determining the total number of authorized and duly called for Board and Committee meetings that an Appointive Director was supposed to attend, the following parameters shall be observed:

- (a) Attendance through teleconferencing or video conferencing in accordance with Securities and Exchange Commission (SEC) Memorandum Circular No. 15, 2001, is allowed.
- (b) Absences arising from the actual conduct of official business for the GOCC, its Subsidiary, Affiliate, or for the National Government, are considered excused absences and thus counted as attendance on the part of the Appointive Director. *Provided*, the GOCC or the Appointive Director shall provide official documentation of such official business,

