GCG MEMORANDUM CIRCULAR NO. 2021 – 01

SUBJECT : INTERIM PERFORMANCE-BASED INCENTIVE (PBI) SYSTEM FOR THE APPOINTIVE DIRECTORS OF GOCCS COVERED BY GCG FOR CY 2020 AND FOR THE YEARS THEREAFTER

DATE : 28 JANUARY 2021

1. BACKGROUND AND PURPOSE. – This Circular has been issued to provide for an Interim Performance-Based Incentive (PBI) for Appointive Members of the Governing Boards of GOCCs covered by the “GOCC Governance Act of 2011” (R.A. No. 10149) pursuant to Section 23 thereof, and using as reference, among others, Executive Order No. 24, s. 2011 (E.O. No. 24).

2. COVERAGE. – This Circular shall cover GOCCs with the GCG-authorized Performance-Based Bonus (PBB) starting year 2020 and onwards.

3. SUBMISSION OF PBI APPLICATION. – Applications for the PBI shall only be submitted to the GCG upon receipt of the authorization to grant the PBB and the result of the Performance Evaluation for Directors (PED) for the applicable year, whichever is later.

GOCCs that are deemed ineligible for the grant of PBB shall automatically be ineligible for the grant of PBI for the applicable year.

4. CONDITIONS PRECEDENT TO ENTITLEMENT TO PBI. – In order for an Appointive Director to be entitled to 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 (PBB) to Officers and Employees pursuant to the PBB Circular for the applicable year, namely:

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1 Prescribing Rules to Govern the Compensation of Members of the Board of Directors/ Trustees in Government Owned or Controlled Corporations including Government Financial Institutions.
(a) The GOCC achieved a weighted-average score of at least 90% in its applicable Performance Scorecard; and

(b) The GOCC satisfactorily complied with the requirements under the applicable PBB Circular and has therefore been authorized to grant the PBB for a particular year.

4.1.1. Strategic Performance Management System (SPMS). – The GOCC established and implemented a Strategic Performance Management System (SPMS) of the Civil Service Commission (CSC) or its equivalent.

4.1.2. Performance Evaluation for Directors. (PED) – The GOCC has received the performance evaluation for its Appointive Directors for the particular year under the applicable reissuance of the GCG Memorandum Circular (M.C.) No. 2014-03.2

4.2. Good Governance Conditions for Individual Appointive Directors.

4.2.1. Attendance to Board and Committee Meetings. – 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, in accordance with the terms and conditions provided for under the applicable reissuance of GCG MC No. 2014-03.

4.2.2. Length of Service. – No Appointive Director shall be entitled to the PBI unless he/she has rendered at least three (3) months of aggregate service as Appointive Director in any GOCC for the year ending 31 December, subject further to the following guidelines:

(a) Should an Appointive Director be separated from service as such after having satisfied the 3-month service requirement; Provided it was not for cause, he/she shall nonetheless be entitled to the PBI; and

(b) Should an Appointive Director be subsequently appointed to another GOCC, he/she shall be entitled to the PBI from both GOCCs in accordance with the entitlement in Section 5 hereof, Provided That the amount to be actually paid out by the second GOCC shall in no case result in the aggregate amount of PBI exceeding the cap of either GOCC, whichever is higher.

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2 Performance Evaluation for Directors (PED) in the GOCC Sector.
4.2.3. **Director Performance Review (DPR) Submission.** – No Appointive Director shall be entitled to the PBI unless he/she has submitted all the required forms for the DPR under the applicable reissuance of GCG MC No. 2014-03.

4.3. The Appointive Director must not have been found guilty of an administrative and/or criminal case related to his/her work.

5. **Entitlement.** – The grant of the PBI to eligible Appointive Directors shall be based on the following factors:

(a) **Total authorized per diems**, which refers to the authorized per diems received by each Director based on the Board and Committee attendance as validated by GCG, shall determine the base amount;

(b) **Base Amount**, which refers to the fraction of the total authorized per diems received and length of service of each Director, shall determine the total base to be multiplied to the applicable Incentive Factor;

(c) **GOCC Performance Scorecard**, which refers to the rating validated and approved by GCG, shall determine the maximum Incentive factor (4.00 / 3.00 / 2.50) that can be applied to all Appointive Directors of a Governing Board;

(d) **Director Performance Review (DPR) Rating**, which refers to the rating validated by GCG, shall determine the applicable Incentive factor for a particular Appointive Director; and

(e) **Length of Service (LOS)**, expressed in number of months (from three to twelve), and a fraction thereof, with three months being the minimum length of service rendered in any given calendar year to be entitled to the PBI, which shall:

(i) serve as one of the factors to determine the Base Amount; and

(ii) determine the proportion of PBI that an Appointive Director who has rendered at least three months of service may be entitled to, in accordance with the provisions of Section 5.3 of this Circular.

For the purposes of this Circular, the Length of Service shall be reckoned from the date of the Appointive Director’s Oath of Office, and the fraction of a month shall be computed as follows:

<table>
<thead>
<tr>
<th>No. of Days in Excess of a Month</th>
<th>Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 7 days</td>
<td>0.25</td>
</tr>
<tr>
<td>8 to 15 days</td>
<td>0.50</td>
</tr>
<tr>
<td>16 to 22 days</td>
<td>0.75</td>
</tr>
</tbody>
</table>
Provided, however, that in determining the minimum number of months for entitlement to PBI, the table above shall not apply and the Appointive Director must have rendered at least three (3) months of service.

5.1. The amount of the PBI shall be computed as follows:

\[
PBI = \text{Base Amount} \times \text{Incentive Factor} \times \text{Percentage Entitlement}
\]

5.1.1. The base amount is computed by dividing the Total Actual Authorized Per Diems received within the applicable calendar year by the Appointive Director to his/her Length of Service in the GOCC where he/she has served:

\[
\text{Base Amount} = \frac{\text{Total Authorized Per Diems Received}}{\text{Length of Service}}
\]

Where:

Total Authorized Per Diems Received
\[= (\text{Amount of per diem for Board Meetings} \times \text{Number of Board Meetings attended})^3 + (\text{Amount of per diem for Committee Meetings} \times \text{Number of Committee Meetings attended})^4\]

5.1.2. The Incentive Factor shall be determined based on the relevant GOCC’s Performance Scorecard (PES) Rating and the individual Appointive DPR Rating, as follows:

<table>
<thead>
<tr>
<th>PES Rating</th>
<th>Director Performance Review (DPR) Rating</th>
<th>Incentive Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>98% to 100%</td>
<td>95% to 100%</td>
<td>4.00</td>
</tr>
<tr>
<td>95% to &lt;98%</td>
<td>90% to &lt;95%</td>
<td>3.00</td>
</tr>
<tr>
<td>90% to &lt;95%</td>
<td>85% to &lt;90%</td>
<td>2.50</td>
</tr>
<tr>
<td>&lt;90%</td>
<td>&lt;85%</td>
<td>None</td>
</tr>
</tbody>
</table>

(a) No Appointive Director shall be entitled to the PBI unless the minimum PES Rating and DPR Rating are achieved.

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3 But not to exceed the annual limits provided under Section 9(a) of E.O. No. 24.
4 But not to exceed the annual limits provided under Section 10 of E.O. No. 24.
(b) If the PES Rating and the DPR Rating correspond to different incentive factors, the lower incentive factor shall be used in the computation of the PBI."

5.2. The amount of PBI that an Appointive Director may receive shall, however, not exceed the following rates:

<table>
<thead>
<tr>
<th>GOCC Classification</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum PBI</td>
<td>512,000.00</td>
<td>256,000.00</td>
<td>192,000.00</td>
<td>128,000.00</td>
<td>64,000.00</td>
</tr>
</tbody>
</table>

5.3. **Percentage Entitlement.** The entitlement of Appointive Directors to the PBI shall be adjusted by the length of services, as follows:

<table>
<thead>
<tr>
<th>Length of Service</th>
<th>Percentage of Entitlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 months but less than 6 months</td>
<td>50%</td>
</tr>
<tr>
<td>6 months but less than 9 months</td>
<td>75%</td>
</tr>
<tr>
<td>At least 9 months</td>
<td>100%</td>
</tr>
</tbody>
</table>

6. **Excess in Authorized Per diems.** – The grant of *per diems* to Appointive Directors shall be based on the provisions on E.O. No. 24. In accordance with E.O. No. 24, any excess in *per diems* received by the GOCC Appointive Directors, as evaluated and validated by the GCG based on their attendance in Board and Committee meetings, shall not be included in the computation for the PBI amount.

The receipt of excessive *per diems* shall then be subject to the auditing rules and regulations of the Commission on Audit (COA).

7. **Funding for the PBI.** – The funding for the PBI shall be charged by GOCCs to their respective corporate funds, subject to the approval of their respective Governing Boards in accordance with applicable laws, rules and regulations. However, it shall be prohibited to source the payment of the PBI from the following:

(a) Loans;

(b) Subsidy from the NG for the GOCC’s operations, except for subsidy income or subsidy given by DBM precisely for the payment of the PBI; and

(c) Sale of the GOCC’s asset(s) for the sole purpose of paying the PBI and is otherwise not in the ordinary course of business.
8. **CHECKLIST OF SUBMISSIONS.** – GOCCs that were authorized to grant PBB to its Officers and Employees may apply for the PBI for the Appointive Directors. Accordingly, for the PBI, GOCCs must also submit the following documents:

   (a) Board Resolution authorizing the grant of the PBI to the GOCC’s Appointive Directors/Trustees in accordance with applicable laws, rules and regulations, using *PBI Form 1*;

   (b) Certification *under oath* from the Corporate Secretary on the Total *Per Diems* Received by Appointive Directors using *PBI Form 2*, which provides for the details of the Total Annual *per diems* received by ALL Appointive Directors for both Board and Committee meetings for the applicable calendar year; and

   (c) Copies of the Oaths of Office of ALL the Appointive Directors included in the PBI application.

9. **FLEXIBILITY.** – The authorized PBI amount is the maximum amount that can be granted to the GOCC Appointive Directors. Nothing herein shall be construed to limit the business judgment or authority of the Governing Board, when giving due regard to the financial condition, to reduce the amount of PBI at lower rates but at a uniform percentage.

10. **SUPERVENING EVENT.** – The foregoing provisions notwithstanding, the PBI granted to a GOCC maybe duly denied or adjusted in case of supervening events that significantly prejudice the financial position of the GOCC for that year, as determined by the GCG.

11. **TIMELINE AND EFFECT OF SUBMISSION AND NON-SUBMISSION ON THE PRESCRIBED PERIOD.** – The schedule for the PBI submission of documentary requirements for CY 2020 and years thereafter shall be as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completion of Directors Attendance System (DAS) and DPR</td>
<td>In accordance with the deadline set under the GCG MC on the Performance Evaluation of Directors</td>
</tr>
<tr>
<td>All other requirements</td>
<td>40 calendar days after the receipt of the authorization to grant PBB or PED results, whichever is later.</td>
</tr>
</tbody>
</table>

GOCCs that submitted all required documents on the given deadline may be authorized to grant their PBI upon receipt of the authorization letter from the Governance Commission. Failure to comply with the requirements
within the prescribed period shall render the GOCC ineligible to grant the PBI to its Appointive Directors for the applicable year.

11.1. Submission of GOCCs shall only be evaluated upon compliance to all conditions provided herein.

12. **Repealing Clause.** – All other GCG orders, circulars, issuances, and decisions, as well as Board resolutions, or parts of the foregoing, which are inconsistent with this Memorandum Circular are hereby repealed or modified accordingly.

13. **Effectivity Clause.** – This Circular shall take effect immediately after its publication in the Official Gazette or in a newspaper of general circulation in the Philippines and a formal copy is received by the University of the Philippines - Office of the National Administrative Register (UP-ONAR).

Samuel G. Dagpin Jr.
Chairman

Michael P. Cloribel
Commissioner

Marites C. Doral
Commissioner
BOARD RESOLUTION NO. ____________

ADOPTING THE [APPLICABLE YEAR] PERFORMANCE-BASED INCENTIVE SYSTEM IN ACCORDANCE WITH GCG MEMORANDUM CIRCULAR NO. 2021-01

WHEREAS, the Governance Commission for GOCCs (GCG) issued GCG Memorandum Circular (M.C.) No. 2021-01 establishing, the Interim Performance-Based Incentive (PBI) System for Appointive Members of the Governing Board of GOCCs covered by GCG pursuant to Section 23 of the “GOCC Governance Act of 2011” (R.A. No. 10149);

WHEREAS, the Corporation is eligible to grant the PBI for [applicable year] to its qualified Officers and Employees;

WHEREAS, no other allowances, incentives and bonuses other than what is allowed under GCG M.C. No. 2012-02 (Re-Issued) will be given to the Appointive Members of the Governing Board, and there is sufficient corporate funds to grant the PBI in accordance with applicable laws, rules and regulations;

NOW, BE IT --

[Select one, delete the other]

[For GOCCs that have sufficient funds in their DBM-approved COB for [applicable year]] RESOLVED, that the [name of GOCC] has sufficient funds in the DBM-approved COB for [applicable year] and the amount not exceeding P_________________, [the total amount shall be based on the applicable maximum PBI per GCG MC No. 2021-01] chargeable against corporate funds exclusive of the prohibited sources in GCG MC No. 2021-01, is hereby allocated for the grant of the PBI for [applicable year] to eligible Appointive Members of the Governing Board, and shall be released upon approval of the GCG.

[For GOCCs that do not have enough funds in their DBM-approved COB for [applicable year] (if Chartered) or Parent GOCC (if a subsidiary)] RESOLVED, that the [name of GOCC] does not have enough funds in the DBM-approved COB for [applicable year] and the amount not exceeding P_________________, [the total amount shall be based on the applicable maximum PBI per GCG MC No. 2021-01] chargeable against corporate funds exclusive of the prohibited sources in GCG MC No. 2021-01, is hereby allocated for the grant of the PBI for [applicable year] to eligible Appointive Members of the Governing Board, and shall be released upon approval of the GCG.

[Insert the paragraph below if the Chief Executive Officer (CEO) or its equivalent would opt for the PBB]

The amount indicated herein excludes the amount for the grant of the Performance-Based Bonus (PBB) of the [Chief Executive Officer, or its equivalent title in the GOCC].

The Corporate Secretary and all concerned executive officers shall issue the necessary certifications, attesting under oath the veracity of all information disclosed in the documents required by GCG.

DONE, this ____ day of ____________, in __________________, Philippines.

[To be signed by MAJORITY of the Members of the Governing Board]
CERTIFICATION OF TOTAL PER DIEMS RECEIVED BY APPOINTIVE DIRECTORS FOR [APPLICABLE YEAR]

This is to certify that the following Appointive Members of the Governing Board of [name of the GOCC] received the following per diems for [applicable year]:

<table>
<thead>
<tr>
<th>Name of Director/Trustee</th>
<th>Annual Per Diems Received (₱)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Board</td>
</tr>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>Sub-Total</td>
<td></td>
</tr>
</tbody>
</table>

This certification has been issued to attest to the truth and accuracy of all the information contained herein based on available records and information that can be verified with the Corporation.

DONE, this _____ day of _____________ at _____________, Philippines.

________________________________________
Corporate Secretary

SUBSCRIBED AND SWORN to before me, this _____ day of _____________, in ________________, Philippines.

Doc No. __________
Page No. __________
Book No. __________
Series of __________
(Person Administering Oath)