



## **GCG MEMORANDUM CIRCULAR NO. 2018 – 04**

**SUBJECT : INTERIM PERFORMANCE-BASED INCENTIVE (PBI) SYSTEM FOR THE APPOINTIVE DIRECTORS OF GOCCS COVERED BY GCG FOR FY 2016 AND FOR THE YEARS THEREAFTER**

**DATE : 17 JULY 2018**

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).<sup>1</sup>
2. **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:
  - 2.1. ***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 “Performance Evaluation System for the GOCC Sector” [GCG MC No. 2013-02 (Re-Issued)], namely:
    - (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 Good Governance Conditions provided in GCG MC No. 2017-01 for FY 2016, and GCG MC No. 2017-02 for FY 2017 and years thereafter.
      - 2.1.1. ***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.
      - 2.1.2. ***Compliance with ICRS Submission (GCG MC No. 2014-02).***–
        - (a) Financial information for the past three (3) years using the GOCC Monitoring System (GMS) Module; and

<sup>1</sup> Prescribing Rules to Govern the Compensation of Members of the Board of Directors/ Trustees in Government Owned or –Controlled Corporations including Government Financial Institutions.

(b) Latest information on the non-financial aspect of the GOCC using the GOCC Leadership Management System (GLMS) Module.

2.1.3. **Compliance with the Dividends Law.** – The GOCC complied with its statutory obligation of declaring and remitting dividends to the National Government, as evidenced by the GOCC's submission of a certification from the Department of Finance.

2.1.4. **Compliance with its Statutory and Tax Liabilities.** – The GOCC paid the taxes due to the government, as evidenced by the GOCC's submission of a Tax Clearance Certificate or Certificate of No Outstanding Liability issued by the Bureau of Internal Revenue (BIR).

2.2. **Additional Good Governance Conditions for Individual Appointive Directors.**

2.2.1. **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 GCG MC No. 2014-03,<sup>2</sup> including any revisions thereof.

The Governing Boards of GOCCs shall constitute the proper Board Committees. Each Committee shall meet at least once for the performance year, or as many times as may be deemed appropriate based on Corporate Governance practices or studies of the requirements of the mandatory Committees.

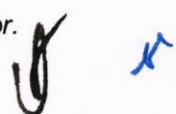
2.2.2. **Length of Service.** – No Appointive Director shall be entitled to the PBI unless he/she has rendered at least three (3) months of aggregate service as Appointive Director in any GOCC for the year ending 31 December, subject further to the following guidelines:

(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 paragraph 3 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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<sup>2</sup> Performance Evaluation for Directors (PED) in the GOCC Sector.



2.2.3. **DPR Submission.** – No Appointive Director shall be entitled to the PBI unless he/she has submitted all the required forms for the Director Performance Review (DPR) under GCG MC No. 2014-03 (3<sup>rd</sup> Issue) and succeeding issuances issued pursuant thereto.

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

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

- (a) **Base Amount**, which shall determine the total base to be multiplied to the applicable Incentive Factor;
- (b) **GOCC Performance Scorecard**, which shall determine the maximum Incentive factor (4.00 / 3.00 / 2.50) that can be applied to all Appointive Directors of a Governing Board;
- (c) **Director Performance Review (DPR) Rating**, which shall determine the applicable Incentive factor for a particular Appointive Director; and
- (d) **Length of Service**, 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 less than nine months of service maybe entitled to, in accordance with the provisions of Section 3.3 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:

| No. of Days in Excess of a Month | Equivalent |
|----------------------------------|------------|
| 1 to 7 days                      | 0.25       |
| 8 to 15 days                     | 0.50       |
| 16 to 22 days                    | 0.75       |
| More than 22 days                | 1.00       |

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.

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

$$\text{PBI} = (\text{Base Amount} \times \text{Incentive Factor}) \times \text{Percentage of Entitlement}$$

3.1.1. 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:

|  |
|--|
| Base Amount = Total Actual Authorized <i>Per Diems</i> / Length of Service |
|--|

Where:

$$\begin{aligned} &\text{Total Actual Authorized } \textit{Per Diems} \\ &= (\text{Amount of } \textit{per diem} \text{ for Board Meetings} \\ &\quad \times \text{Number of Board Meetings attended})^3 \\ &+ (\text{Amount of } \textit{per diem} \text{ for Committee Meetings} \\ &\quad \times \text{Number of Committee Meetings attended})^4 \end{aligned}$$

3.1.2. The **Incentive Factor** shall be determined based on the relevant GOCC's Performance Scorecard (PES) Rating and the individual Appointive Director's Performance Review (DPR) Rating, as follows:

| PES Rating  | Director Performance Review (DPR) Rating | Incentive Factor |
|-------------|--|------------------|
| 98% to 100% | 95% to 100%                              | <b>4.00</b>      |
| 95% to <98% | 90% to <95%                              | <b>3.00</b>      |
| 90% to <95% | 85% to <90%                              | <b>2.50</b>      |
| <90%        | <85%                                     | <b>None</b>      |

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

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

| GOCC Classification | A          | B          | C          | D          | E         |
|---------------------|------------|------------|------------|------------|-----------|
| <b>Maximum PBI</b>  | 512,000.00 | 256,000.00 | 192,000.00 | 128,000.00 | 64,000.00 |

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

<sup>3</sup> But not to exceed the annual limits provided under Section 9(a) of E.O. No. 24.

<sup>4</sup> But not to exceed the annual limits provided under Section 10 of E.O. No. 24.

| Length of Service               | Percentage of Entitlement |
|---------------------------------|---------------------------|
| 3 months but less than 6 months | 50%                       |
| 6 months but less than 9 months | 75%                       |
| At least 9 months               | 100%                      |

4. **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.
5. **CHECKLIST OF SUBMISSIONS.** – GOCCs that apply for the PBB for their Officers and Employees are deemed to have automatically applied for the PBI for the Appointive Directors. Accordingly, for the PBI, GOCCs *must also submit the following documents upon applying for the PBB:*
- (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 Authorized *Per Diems* Received by Appointive Directors using **PBI Form 2**, which provides for the following:
    - (i) That all Conditions Precedent in Section 2 herein have been complied with; and
    - (ii) Details of the Total Actual Annual Authorized *per diems* received by all Appointive Directors for both Board and Committee meetings for the applicable calendar year;
  - (c) Record of attendance of Appointive Members of the Governing Board who are eligible to receive PBI, using the **Directors Attendance System** (DAS);
  - (d) Copies of the particular pages of minutes of the meetings showing the presence/attendance of the Appointive Director/s and the signed attendance sheet to be submitted through the DAS; and
  - (e) Supporting documents for absences due to official business to be submitted through the DAS.

6. **TIMELINE AND EFFECT OF SUBMISSION AND NON-SUBMISSION ON THE PRESCRIBED PERIOD.**—

6.1. GOCCs applying to grant the FY 2016 and FY 2017 PBI to their Appointive Directors shall submit the required documents within 40 days after promulgation of this Circular.

6.2. The schedule for the PBI submission of documentary requirements for FY 2018 and years thereafter shall be as follows:

| Activity  | Deadline  |
|---|---|
| Completion of Directors Attendance System (DAS) | In accordance with the deadline set under the GCG MC on the PED |
| All other requirements                          | Last working day of May   |

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.

7. **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.

8. **EFFECTIVITY CLAUSE.** – This Circular shall take effect immediately upon its publication in the Commission’s website [www.gcg.gov.ph](http://www.gcg.gov.ph).

**SAMUEL G. DAGPIN, JR.**  
Chairman

**MICHAEL P. CLORIBEL**  
Commissioner

**MARITES C. DORAL**  
Commissioner

**CARLOS G. DOMINGUEZ**  
DOF Secretary  
JUL 27 2018

**BENJAMIN E. DIOKNO**  
DBM Secretary

AUG 01 2018



BOARD RESOLUTION NO. \_\_\_\_\_

**ADOPTING THE PERFORMANCE-BASED INCENTIVE SYSTEM IN ACCORDANCE WITH GCG MEMORANDUM CIRCULAR NO. 2018-03**

**WHEREAS**, the Governance Commission for GOCCs (GCG) issued GCG Memorandum Circular (M.C.) No. 2018-03 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**, GCG M.C. No. 2017-01 provides that GOCCs that apply for the 2016 PBB for their Officers and Employees are deemed to have automatically applied for the PBI for the Appointive Directors;

**WHEREAS**, the Corporation is eligible to grant the FY 2016 PBB 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 (Third Issue) 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 2016]* **RESOLVED**, that the *[name of GOCC]* has sufficient funds in the DBM-approved COB for 2016 and the amount not exceeding ₱\_\_\_\_\_, *[indicate the total actual annual authorized per diems received by the Appointive Directors as the ceiling amount]* chargeable against corporate funds exclusive of the prohibited sources in GCG MC No. 2018-xx, is hereby allocated for the grant of the PBI for CY 2016 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 CY 2016 (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 2016 and the amount not exceeding ₱\_\_\_\_\_, *[indicate the total actual annual authorized per diems received by the Appointive Directors as the ceiling amount]* chargeable against corporate funds exclusive of the prohibited sources in GCG MC No. 2018-xx, is hereby allocated for the grant of the PBI for CY 2016 to eligible Appointive Members of the Governing Board, and shall be released upon approval of the GCG.

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 AUTHORIZED *PER DIEMS* RECEIVED BY APPOINTIVE DIRECTORS FOR CY 2016**

This is to certify that the following Appointive Members of the Governing Board of [name of the GOCC] actually received the following *per diems* for CY 2016:

| Name of Director/Trustee | Actual Annual Authorized <i>Per Diems</i> Received (₱) |           |       |
|--------------------------|--|-----------|-------|
|                          | Board  | Committee | Total |
| 1.                       |  |           |       |
| 2.                       |  |           |       |
| 3.                       |  |           |       |
| <b>Sub-Total</b>         |  |           |       |

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.

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Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of \_\_\_\_\_

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(Person Administering Oath)