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

SUBJECT: INTERIM PERFORMANCE-BASED INCENTIVE (PBI) SYSTEM FOR APPOINTEE 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.” 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.

   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:

   (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.
3. Adopted from Section 1, E.O. No. 24, s. 2011.
### PERFORMANCE SCORECARD

<table>
<thead>
<tr>
<th>WEIGHTED-AVERAGE SCORE</th>
<th>INCENTIVE ENTITLEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>100% of Total Actual Annual Authorized <em>per diems</em> received by an Appointive Director</td>
</tr>
<tr>
<td>Less than 100% but at least 95%</td>
<td>90% of Total Actual Annual Authorized <em>per diems</em> received by an Appointive Director</td>
</tr>
<tr>
<td>Less than 95% but at least 90%</td>
<td>80% of Total Actual Annual Authorized <em>per diems</em> received by an Appointive Director</td>
</tr>
<tr>
<td>Below 90%</td>
<td>None</td>
</tr>
</tbody>
</table>

### 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,
such as, but not limited to, a travel authority; Provided further, that the total approved leaves for official business of an Appointive Director can only account for at most 10% of the total number of authorized and duly called for Board and Committee meetings, and any absence in excess shall be counted against the Appointive Director.

(c) Absences arising from filial obligations shall not be considered excused, even if approved by the Governing Board.

(d) Vacation leaves shall not be considered as excused, even if approved.

4.2.2. **Length of Service.** – No Appointive Director shall be entitled to the PBI unless he/she has rendered at least nine (9) months of aggregate service as Appointive Director in any GOCC for the year ending 31 December 2013, subject further to the following guidelines:

(a) Should an Appointive Director be separated from service as such after having satisfied the 9-month service requirement, provided it was not for cause, he/she shall nonetheless be entitled to the PBI.

(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.

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

5. **Funding for the PBI.** – The funding for 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/asset for the sole purpose of paying the PBI and is otherwise not in the ordinary course of business.
6. **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 IPBI 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 Eligibility of the Appointive Directors using **PBI Form 2**, which provides for the following:

(i) That all Conditions Precedent in Section 4 herein have been complied with; and

(ii) Details of the Total Actual Annual Authorized *per diems* received by eligible Appointive Directors for both Board and Committee meetings for the applicable calendar year and the corresponding incentive entitlement.

(c) Record of attendance of Appointive Members of the Governing Board who are eligible to receive the PBI, using **PBI Form 3**, and, if applicable, supporting documents for absences due to official business.

7. **REPEALING CLAUSE.** — GCG MC No. 2012-14 is hereby repealed. 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 at www.gcg.gov.ph.

**BY AUTHORITY OF THE COMMISSION**

[Signature]

CESAR L. VILLANUEVA
Chairman

[Signature]

MA. ANGELA E. IGNACIO
Commissioner

[Signature]

RAINIER B. BUTALID
Commissioner
BOARD RESOLUTION NO. ________

ADOPTING THE PERFORMANCE-BASED INCENTIVE SYSTEM IN ACCORDANCE WITH GCG MEMORANDUM CIRCULAR NO. 2013-06

WHEREAS, the Governance Commission for GOCCs (GCG) issued GCG Memorandum Circular (M.C.) No. 2013-06 establishing, among others, the 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 MC No. 2013-05 provides that GOCCs that apply for the PBB for their Officers and Employees are deemed to have automatically applied for the PBI for the Appointive Directors;

WHEREAS, GCG approved the grant of the PBB for the Corporation’s Officers and Employees;

WHEREAS, no other allowances, incentives and bonuses other than what is allowed under GCG MC No. 2013-06 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 2013] RESOLVED, the amount not exceeding ₱__________________, chargeable against corporate funds exclusive of the prohibited sources in GCG MC No. 2013-05, is hereby allocated for the grant of the PBI for CY 2013 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 2012 (if Chartered) or Parent GOCC (if a subsidiary)] RESOLVED, the amount not exceeding ₱__________________, chargeable against corporate funds exclusive of the prohibited sources in GCG MC No. 2013-05, is hereby allocated for the grant of the PBI for CY 2013 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 ALL Members of the Governing Board]
CERTIFICATION OF ELIGIBILITY OF
APPOI N T I V E M E M B E R S FOR CY ____

This is to certify that the following Appointive Members of the Governing Board of [name of the GOCC] are eligible to receive the Performance-Based Incentive pursuant to GCG MC No. 2013-06, and actually received the following per diems:

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

Total PBI for All Eligible Members

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 ____________ 2013 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)
Table 1. Breakdown of Board and Committee Meetings per Appointive Member

<table>
<thead>
<tr>
<th>[Name of Board Member]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board Meetings</strong></td>
</tr>
<tr>
<td>Date of Meeting 1</td>
</tr>
<tr>
<td><strong>Committee Meetings</strong></td>
</tr>
<tr>
<td>Name of Committee 1</td>
</tr>
<tr>
<td>Name of Committee 2</td>
</tr>
</tbody>
</table>

Add rows and columns as needed. Repeat table for each Appointive Member.

Legend:
✓ - Present  OB - Official Business
X - Absent

Full Year Board Meetings: ______
Full Year Committee A Meetings: ______
Full Year Committee B Meetings: ______
(Add additional items as applicable)

Table 2. Schedule of Full Year Board and Committee Meetings

<table>
<thead>
<tr>
<th>Board Meetings</th>
<th>Committee A*</th>
<th>Committee B*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. (date)</td>
<td>1. (date)</td>
<td>1. (date)</td>
</tr>
<tr>
<td>2. (date)</td>
<td>2. (date)</td>
<td>2. (date)</td>
</tr>
<tr>
<td>3. (date)</td>
<td>3. (date)</td>
<td>3. (date)</td>
</tr>
</tbody>
</table>

*Add columns for Committees and rows for date as applicable