GCG MEMORANDUM CIRCULAR NO. 2014 – 06

SUBJECT : 2014 INTERIM PERFORMANCE-BASED INCENTIVE (PBI) SYSTEM FOR APPOINTEE DIRECTORS/TRUSTEES OF GOCCs COVERED BY R.A. NO. 10149

DATE : 27 October 2014

1. BACKGROUND AND PURPOSE. – This Circular has been issued to provide for an Interim Performance-Based Incentive 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).^1

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% on its 2014 Performance Scorecard; and

(b) The GOCC satisfactorily complied with the Good Governance Conditions provided in GCG MC No. 2014-05.

2.2. Additional Good Governance Condition 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 (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.

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^1 Entitled “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) 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;

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

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

2.2.2. **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 2014, 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.

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) pursuant to Section 3.2 of GCG MC No. 2014-03 and implementing issuances issued pursuant thereto.

2.2.4. **Submission of Corporate Operating Budgets (COBs).** –

(a) For GOCCs receiving national government budgetary support, COBs shall be submitted to the Department of Budget and Management (DBM) for review and approval on or before the deadline indicated in DBM National Budget Memorandum No. 120 on “Budget Call for FY 2015”;

(b) For GOCCs without national government budgetary support, COBs shall be submitted to the Governance Commission using the same deadline as provided in DBM National Budget Memorandum No. 120.

\(^{2}\) *Performance Evaluation for Directors (PED) in the GOCC Sector.*
2.2.5. **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

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

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

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

(a) **Attendance** or Total Annual Authorized per diems received by the Appointive Director concerned, which shall determine the maximum amount, or total base to be multiplied to the applicable Incentive Factor;

(b) **GOCC Performance Scorecard,** which shall determine the maximum Incentive Factor (100% / 90% / 80%) that can be applied to all Appointive Directors of a Governing Board;

(c) **Director’s Performance Rating (DPR),** which shall determine the applicable Incentive Factor for a particular Appointive Director.

3.1. The Incentive Factor shall be determined as follows:

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<tr>
<th>GOCC PERFORMANCE SCORECARD WEIGHTED-AVERAGE</th>
<th>DPR</th>
<th>AMOUNT OF INCENTIVE</th>
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<tr>
<td>100%</td>
<td>Less than 100% but at least 95%</td>
<td>100% of Total Annual Authorized per diems received by an Appointive Director</td>
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<tr>
<td>Less than 100% but at least 95%</td>
<td>Less than 95% but at least 90%</td>
<td>90% of Total Annual Authorized per diems received by an Appointive Director</td>
</tr>
<tr>
<td>Less than 95% but at least 90%</td>
<td>Less than 90% but at least 85%</td>
<td>80% of Total Annual Authorized per diems received by an Appointive Director</td>
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<tr>
<td>Below 90%</td>
<td>Below 85%</td>
<td>None</td>
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(a) An Appointive Director must meet both criteria on the GOCC Performance Scorecard and DPR to be entitled to the corresponding Incentive Factor.
(b) If the GOCC Performance Scorecard and the DPR correspond to different Incentive Factors, the Appointive Director shall be entitled to the lower Incentive Factor.

(c) In no case shall the DPR result in an Appointive Director availing of an Incentive Factor that is higher than the one corresponding to the GOCC Performance Scorecard.

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 **2014 PBI Form 1**;

(b) Certification *under oath* from the Corporate Secretary on the Eligibility of the Appointive Directors using **2014 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 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 PBI, using the **Director's Attendance Form (DAF)**\(^3\) to be submitted in hard and electronic form;

(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; and

(d) Supporting documents for absences due to official business.

\(^3\) Form may be downloaded from [www.goc.gov.ph](http://www.goc.gov.ph).
6. **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.

7. **Effectivity Clause.** – This Circular shall take effect immediately upon its publication in the Commission’s website www.gcq.gov.ph.

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CESAR L. VILLANUEVA  
Chairman

MA. ANGELA E. IGNACIO  
Commissioner

RAINIER B. BUTALID  
Commissioner

CESAR V. PURISIMA  
DOF Secretary  
024145

FLORENCIO B. ABAD  
DBM Secretary
BOARD RESOLUTION NO. ________

ADOPTING THE PERFORMANCE-BASED INCENTIVE SYSTEM IN ACCORDANCE WITH GCG MEMORANDUM CIRCULAR NO. 2014-06

WHEREAS, the Governance Commission for GOCCs (GCG) issued GCG Memorandum Circular (M.C.) No. 2014-06 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. 2014-06 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. 2014-06 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 2014] RESOLVED, the amount not exceeding P__________, chargeable against corporate funds exclusive of the prohibited sources in GCG MC No. 2014-05, is hereby allocated for the grant of the PBI for CY 2014 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 2014 (if Chartered) or Parent GOCC (if a subsidiary)] RESOLVED, the amount not exceeding P__________, chargeable against corporate funds exclusive of the prohibited sources in GCG MC No. 2014-05, is hereby allocated for the grant of the PBI for CY 2014 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 APPOINTIVE MEMBERS FOR CY 2014

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. 2014-06, and actually received the following per diems:

<table>
<thead>
<tr>
<th>Name of Director/Trustee</th>
<th>Actual Annual Received (P)</th>
<th>Authorized Per Diems</th>
<th>Incentive Factor (%)</th>
<th>Total (P)</th>
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<td>Board</td>
<td>Committee</td>
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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 _____________ 2015 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)
**Directors' Attendance Form for the Period January to December 2014**

### BASIC INFORMATION

<table>
<thead>
<tr>
<th>Name of Board Member</th>
<th>Position</th>
<th>Incumbency*</th>
<th>Date of Most Recent Appointment</th>
<th>Committee Membership A</th>
<th>Committee Membership B</th>
<th>Committee Membership C</th>
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### GOVERNING BOARD MEETING

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<th>Name of Board Member</th>
<th>Total</th>
<th>Actual</th>
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<th>Date of Board Meeting</th>
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### [NAME OF COMMITTEE] MEETING

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**LEGENDS:**
- P – Present
- A – Absent
- NA – Not Applicable
- OB – Official Business