



GCG MEMORANDUM CIRCULAR NO. 2015 - 07

**SUBJECT : CORPORATE GOVERNANCE SCORECARD (CGS)
FOR GOCCs**

DATE : 08 October 2015

1. BACKGROUND AND PURPOSE

Pursuant to the declared policy under the “*GOCC Governance Act of 2011*” (R.A. No. 10149), for the State to recognize the potential of Government-Owned or -Controlled Corporations (GOCCs) as significant tools for economic development, it is the statutorily-mandated obligation of the State to ensure that the governance of GOCCs is carried out in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness, under Governing Boards who are competent to carry out their functions, fully accountable to the State as its fiduciaries and always acting for the best interest of the State.

In view of the foregoing, and to reinforce the **CODE OF CORPORATE GOVERNANCE FOR GOCCs** mandated under Section 5(c) of R.A. No. 10149, this Circular has been issued to establish within the GOCC Sector covered by R.A. No. 10149 a **CORPORATE GOVERNANCE SCORECARD (CGS) FOR GOCCs**.

2. OBJECTIVES

The CGS is a quantitatively-driven evaluation tool extracted from existing and globally accepted standards¹ and practices. The CGS serves as an instrument to assess the Corporate Governance performance of GOCCs using a methodology benchmarked against the OECD Principles of Corporate Governance and ASEAN Corporate Governance Scorecard.

The CGS aims to recognize well-governed GOCCs and raise Corporate Governance standards and practices.

Accordingly, the CGS shall serve the basis for the following:

- (a) Reinforcing the ownership function of the state through GCG;
- (b) Establishing a standardized framework in assessing GOCCs' level of corporate governance;
- (c) Identifying GOCCs' strengths and weaknesses compared to existing corporate governance provisions;

¹ See R.A. No. 10149; “*Code of Corporate Governance for GOCCs*” (GCG MC 2012-07); *OECD Principles of Corporate Governance for State Owned Enterprises*; and the ASEAN Corporate Governance Framework.

- (d) Assessing the level of adherence of GOCCs to best practices and international standards of corporate governance; and
- (d) In tandem with the Performance Scorecard, ensure the improvement in transparency of GOCCs' corporate governance initiatives and practices.

3. COVERAGE

The CGS shall be implemented to all GOCCs covered by the Governance Commission.

4. ASSESSMENT

The Governance Commission shall undertake the final and official evaluation on the basis of the accomplished CGS (see **Annex A** for the CGS Questionnaire).

Each GOCC shall be appraised of its performance and its level of adherence to the best practices and international standards of corporate governance. Assessment shall be based on the disclosures in the GOCC website.

5. EXIT CONFERENCE

An Exit Conference shall be scheduled once the CGS Rating and Results have been consolidated. The Attendees from the GOCC are: two (2) Board Members and Corporate Secretary/ Compliance Officer.

The Governance Commission shall discuss the CGS Rating and Results with the concerned GOCC. The Exit Conference shall be properly documented.

6. SCHEDULE

The CGS Assessment shall be conducted on the second week of March. The CGS Assessment shall be processed within forty (40) working days after which the CGS Rating and Results shall be discussed with the GOCC in an Exit Conference. The final CGS Rating and Results will be released by the Governance Commission on first week of July of the following year.

7. RELEASE OF CGS RATING AND RESULTS

The CGS Rating and Results shall be released to the GOCC and its Supervising Agency.

8. 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.

9. EFFECTIVITY

This Circular shall take effect immediately upon its publication in the Commission's website at www.gcg.gov.ph.



CESAR L. VILLANUEVA
Chairman




CESAR V. PURISIMA
DOF Secretary

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MA. ANGELA E. IGNACIO
Commissioner



FLORENCIO B. ABAD
DBM Secretary



RAINIER B. BUTALID
Commissioner



**ANNEX A:
CORPORATE GOVERNANCE SCORECARD FOR GOCCS QUESTIONNAIRE**

#	Question	Guiding Reference	Weight	Y/N
I. Stakeholder Relationships (15%)				
1	Does the GOCC disclose a policy that:		0.030	
a.	Stipulates the existence and scope of its effort to address customer's welfare?	GCG MC No. 2012-07 Chapter VII Sec. 35, Sec. 37	0.010	
b.	Elaborates its efforts to interact with the communities in which they operate?	GCG MC No. 2012-07 Chapter VII Sec. 34	0.010	
c.	Ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development?	GCG MC No. 2012-07 Chapter VII Sec. 40	0.010	
2	Does the GOCC disclose the activities that it has undertaken to implement the abovementioned policies?		0.030	
a.	Customer health and safety	GCG MC No. 2012-07 Chapter VII Sec. 35, Sec. 37	0.010	
b.	Interaction with the communities	GCG MC No. 2012-07 Chapter VII Sec. 34	OECD Principle IV (A) & Global Reporting Initiative	0.010
c.	Environmentally-friendly value chain	GCG MC No. 2012-07 Chapter VII Sec. 40		0.010
3	Does the GOCC have a separate corporate social responsibility (CSR) report/section or sustainability report/section?	GCG MC No. 2012-07 Chapter VIII Sec. 41, Sec. 43.4.e		0.010
4	Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.		0.010	
	Does the GOCC provide contact details via the company's website or Annual Report which stakeholders (e.g. customers, suppliers, general public, etc.) can use to voice their concerns and/or complaints for possible violation of their rights?		OECD Principle IV (B)	0.010
5	Performance-enhancing mechanisms for employee participation should be permitted to develop.		0.040	
a.	Does the GOCC explicitly mention the health, safety and welfare policy for its employees?	GCG MC No. 2012-07 Chapter VII Sec. 39	OECD Principle IV (C) Global Reporting Initiative: Sustainability Report	0.010
b.	Does the GOCC publish data relating to health, safety and welfare of its employees?			0.010
c.	Does the GOCC have training and development programmes for its employees?	GCG MC No. 2012-07 Chapter VII Sec. 36		0.010
d.	Does the GOCC publish data on training and development programs for its employees?			0.010
6	Stakeholders including individual employee and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.		0.030	
a.	Does the GOCC have procedures for complaints by employees concerning illegal (including corruption) and unethical behavior?	GCG MC No. 2014-04	OECD Principle IV (E)	0.015
b.	Does the GOCC have procedures to protect an employee/person who reveals illegal/unethical behavior from retaliation?		OECD Principle IV (E)	0.015
Sub Total			0.150	
II. Disclosure and Transparency (35%)				
7	Quality of Annual Report Does the GOCC's annual report disclose the following items:		OECD Principle V (A) OECD Principle V € ICGN 2.4 Composition and structure of the board ICGN 2.4.1 Skills and experience ICGN 2.4.3 Independence ICGN 5.0 Remuneration	0.240

#	Question	Guiding Reference	Weight	Y/N
a.	Corporate objectives	R.A. No. 10149 Chapter V Sec. 25, GCG MC No. 2012-07 Chapter VIII Sec. 41	0.040	
b.	Financial performance indicators		0.040	
c.	Non-financial performance indicators		0.040	
d.	Details of whistle-blowing policy		0.040	
e.	Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners		0.040	
f.	Training and/or continuing education programme attended by each director/commissioner		0.040	
8	Are the Annual Reports downloadable from the GOCC's website?		0.020	
9	Corporate Governance Confirmation Statement		0.015	
	Does the Annual Report contain a statement confirming the company's full compliance with the code of corporate governance and where there is non-compliance, identify and explain reasons for each such issue?	OECD PRINCIPLE V (A) (8)	0.015	
10	Timely filing/release of annual/financial reports		0.075	
a.	Are the audited annual financial report/statement released within 60 days upon receipt from COA?	OECD Principle V, Transparency and Disclosure, A. OECD Principle II. The State Acting as an Owner, F. (3)	0.025	
b.	Is the annual report released within 90 days from release of audited financial report?		0.025	
c.	Is the true and fairness/fair representation of the annual financial statement/reports affirmed by the board of directors/commissioners and/or the relevant officers of the company?	GCG MC No. 2012-07 Chapter VIII Sec. 42 (d) OECD Principle V (C) OECD Principle V (E) OECD Principle V-(A). ICGN 7.2 Timely disclosure ICGN 7.3 Affirmation of financial statements	0.025	
Sub Total			0.350	
III. Responsibilities of the Board (50%)				
11	Corporate Vision/Mission		0.030	
a.	Has the Board of Directors reviewed the vision and mission/ strategy in the last financial year?	GCG MC No. 2012-06 Chapter III Sec. 27.1 (a)	OECD PRINCIPLE 6 (P58) ICGN:3.2 Integrity	0.015
b.	Does the Board of Directors monitor/oversee the implementation of the corporate strategy?	GCG MC No. 2012-06 Chapter III Sec. 27.1 (b)		0.015
12	Did the GOCC achieve 90% in the PES?		0.040	
13	Code of ethics or conduct	GCG MC No. 2012-07 Chapter VIII Sec. 41	OECD PRINCIPLE VI	0.030
a.	Are the details of the code of ethics or conduct disclosed?		0.010	
b.	Does the GOCC disclose that all Directors/Commissioners, senior management and employees are required to comply with the code?		0.010	
c.	Does the company disclose how it implements and monitors compliance with the code of ethics or conduct?		0.010	
14	Does the Board appoint a Nomination and Compensation / Remuneration Committee ?	GCG MC No. 2012-07 Chapter III Sec. 16.2.4. RA No. 10149 Chapter IV Sec.23 GCG MC No. 2012-07 Chapter VIII. Sec. 41	OECD Principle II. The State Acting as an Owner, F. (2) ICGN Global Corporate Principles 5.0 Remuneration & 5.4 Transparency 2013 ASEAN Corporate Governance Scorecard E.2.10 & E.2.16 SEC MC No. 2. s. 2002 Sec. 9 (B)(b)	0.005
15	Did the Nomination and Compensation/Remuneration Committee meet at least twice during the year?		0.015	
16	If yes, is the report of the Nomination and Compensation/Remuneration Committee publicly disclosed?		0.015	

#	Question	Guiding Reference	Weight	Y/N	
17	Does the Board appoint an Audit Committee ?	GCG MC No. 2012-07 Sec. 8 (j) GCG MC No. 2012-07 Chapter III Sec. 16.2.2 GCG MC No. 2012-07 Chapter VIII. Sec. 41	OECD Principle V. Transparency and Disclosure, B. 2013 ASEAN Corporate Governance Scorecard E.2.22 SEC MC NO.2 s. 2002 Sec. 9 (A)	0.005	
18	If yes, is the report of the Audit Committee publicly disclosed?			0.015	
19	Does at least one member of the Audit Committee have an audit, accounting or finance background (qualification or experience)?			0.015	
20	Did the Audit Committee meet at least four times during the year?			0.015	
21	Does the Board appoint a Risk Management Committee ?	GCG MC No. 2012-07 Chapter III Sec. 16.2.5. GCG MC No. 2012-07 Chapter III Sec. 8 (b), (h)	OECD Principle VI D (6)	0.005	
22	If yes, is the report on Risk Management Committee publicly disclosed?			0.015	
23	Does at least one member of the Risk Management Committee have a background in finance and investments?	GCG MC No. 2012-07 Chapter III Sec. 16.2.5.		0.015	
24	Board meetings and attendance			0.075	
a.	Are the Board of Directors meetings scheduled at the beginning of the year? (end of Q1)			0.015	
b.	Does the Board of Directors meet at least monthly?	GCG MC No. 2012-07 Sec. 8 (a)		0.015	
c.	Did the Board of Directors meet on at least 75% on their scheduled meetings?		INDO SCORECARD	0.015	
d.	Has each of the directors/commissioners attended at least 90% of all the board meetings held during the year?		OECD PRINCIPLE VI (E)	0.015	
e.	Did the Board of Directors meet separately at least once during the year without the President/CEO present?		WORLD BANK PRINCIPLE 6	0.015	
25	Access to information			0.020	
a.	Does the GOCC have a policy that stipulates board papers for Board of Directors/Commissioners meetings be provided to the Board at least three (3) working days in advance of the board meeting?			0.010	
b.	Is the Board Secretary trained in legal, accountancy or company secretarial practices?			0.010	
26	Internal Audit			0.030	
a.	Does the company have a separate internal audit function?	GCG MC No. 2012-07 Chapter III Sec. 16.1, 16.2.2. (a) & (d)	OECD PRINCIPLE VI (D)	0.015	
b.	Does the appointment and removal of the internal auditor require the approval of the Audit Committee?		OECD PRINCIPLE VI (D) (7) WORLD BANK PRINCIPLE 6 ASX Principles on CG	0.015	
27	Risk Oversight			0.040	
a.	Does the company disclose the internal control procedures/risk management systems it has in place?		OECD PRINCIPLE 6 (VI) (D) (7)	0.010	
b.	Does the Annual Report disclose that the Board of Directors/Commissioners has overseen a review of the company's material controls (including operational, financial and compliance controls) and risk management systems?		UK CODE (JUNE 2010)	0.010	
c.	Does the company disclose how key risks are managed?		OECD PRINCIPLE V (A)	0.010	
d.	Does the Annual Report contain a statement from the Board of Directors or Audit Committee commenting on the adequacy of the GOCC's internal controls/risk management systems?			0.010	