

GCG LAW (R.A. 10149) and Regulatory Framework

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Outline



The ICD - Tricker Plus Model



OECD Principles for State-Owned Enterprises



Overview of R.A. 10149



Governance Commission for GOCCs



GCG Circulars

The ICD - Tricker++ Model: Board Functions

	Conformance Roles	Performance Roles
Outward Looking	<p>Accountability</p> <p><i>Report to shareholders</i></p> <p><i>Legal & Reg. Compliance</i></p> <p><i>Audit reports review</i></p>	<p>Strategy</p> <p><i>Review of Stratplan</i></p> <p><i>Set co. direction</i></p> <p><i>Determine strategy</i></p>
Inward Looking	<p>Monitoring and Supervision</p> <p><i>Executive performance</i></p> <p><i>Review results, budgets</i></p> <p><i>Corrective action</i></p>	<p>Policy Making</p> <p><i>Approve budgets</i></p> <p><i>Exec. Compensation</i></p> <p><i>Corporate Policy</i></p> <p><i>Corporate culture</i></p>
	Past and Present	Future

CEO

Add: (1) Ethics, (2) Social Responsibility, (3) Sustainability

OECD Principles for State-Owned Enterprises



Ensuring an Effective Legal and Regulatory Framework for State-Owned Enterprises



The State Acting as an Owner



Equitable Treatment of Shareholders

OECD Principles for State-Owned Enterprises



Relations with Stakeholders



Transparency and Disclosure



The Responsibilities of the Boards of State-Owned Enterprises

Coverage

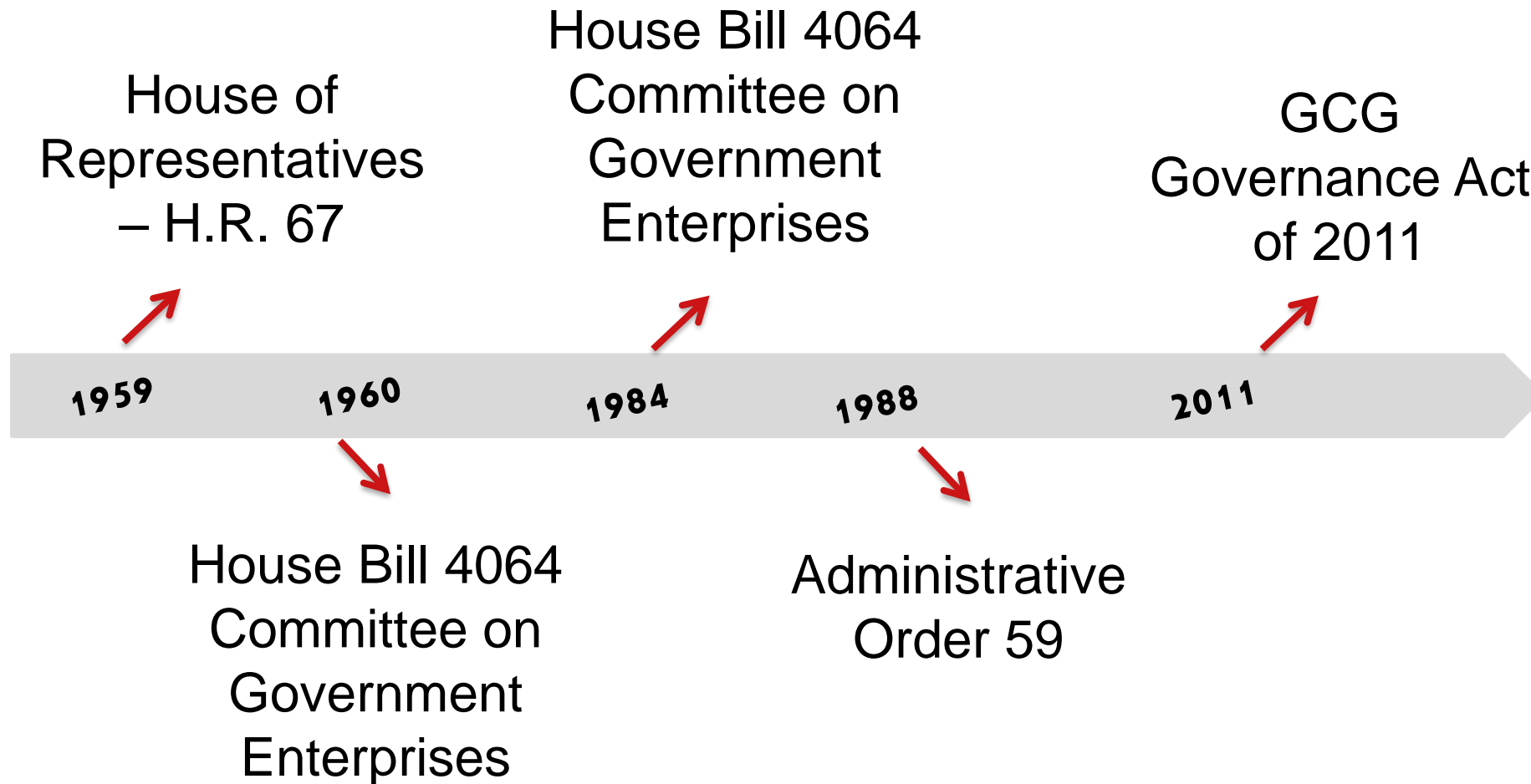
"**GOCC**" refers to any agency organized as a stock or non-stock corporation, vested with functions relating to **public needs** whether governmental or proprietary in nature, and **owned by the Government of the Republic of the Philippines** directly or through its instrumentalities either wholly or, where applicable as in the case of stock corporations, to the extent of **at least a majority of its outstanding capital stock**. Provided, however, that for purposes of this Act, the term "GOCC" shall include GICP/GCE and GFI as defined herein.

(Section 3 (o) of RA 10149 adopted from Section 13, Introductory Provisions, Administrative Code of 1987)

Why Practice Corporate Governance in GOCCs?



Overview of R.A. 10149



Admin Order 59

Policy orientation – rationalize the government corporate sector

- principles/standards in creation etc of GOCCs
- guidelines in determining activities
- policy measures to improve capabilities

Attachment relationship with Department

Government Corporate Monitoring and
Coordinating Committee (GCMCC)

Changing the Paradigm of Governance

*AN ACT TO PROMOTE **FINANCIAL VIABILITY AND FISCAL DISCIPLINE** IN GOVERNMENT-OWNED OR -CONTROLLED CORPORATIONS [GOCCs] AND TO STRENGTHEN THE ROLE OF THE STATE IN ITS **GOVERNANCE** AND MANAGEMENT TO MAKE THEM MORE RESPONSIVE TO THE NEEDS OF **PUBLIC INTEREST** AND FOR OTHER PURPOSES.*

Full Title of R.A. No. 10149

Coverage

"**GOCC**" refers to any agency organized as a stock or non-stock corporation, vested with functions relating to **public needs** whether governmental or proprietary in nature, and **owned by the Government of the Republic of the Philippines** directly or through its instrumentalities either wholly or, where applicable as in the case of stock corporations, to the extent of **at least a majority of its outstanding capital stock**. Provided, however, that for purposes of this Act, the term "GOCC" shall include GICP/GCE and GFI as defined herein.

(Section 3 (o) of RA 10149 adopted from Section 13, Introductory Provisions, Administrative Code of 1987)

The GOCC Corporate Governance Act

- Coverage: GOCCs, GICPs*, GCEs* and GFIs (includes subsidiaries) but **excludes: BSP, SUCs, Coops, Research Institutions, MECO, Ecozones and LWDs**
 - Magnitudes
 - 28% of National Government expenditures
 - Combined assets of \$125 Billion or Php 4.6 Trillion (Php7.9T in 2018)
 - Of total NG receivables of \$10.5 Billion, 91% were due from GOCCs
- Creates the Governance Commission for GOCCS (GCG)
- Declares State policy and mandates development of CPCS
- Repealing clause

**Government Instrumentalities with Corporate Powers (GICP) and Government Corporate Entities (GCE) such as: MIAA, PPA, PDIC, MWSS, LLDA, BCDA, etc....*



Governance Commission for GOCCs

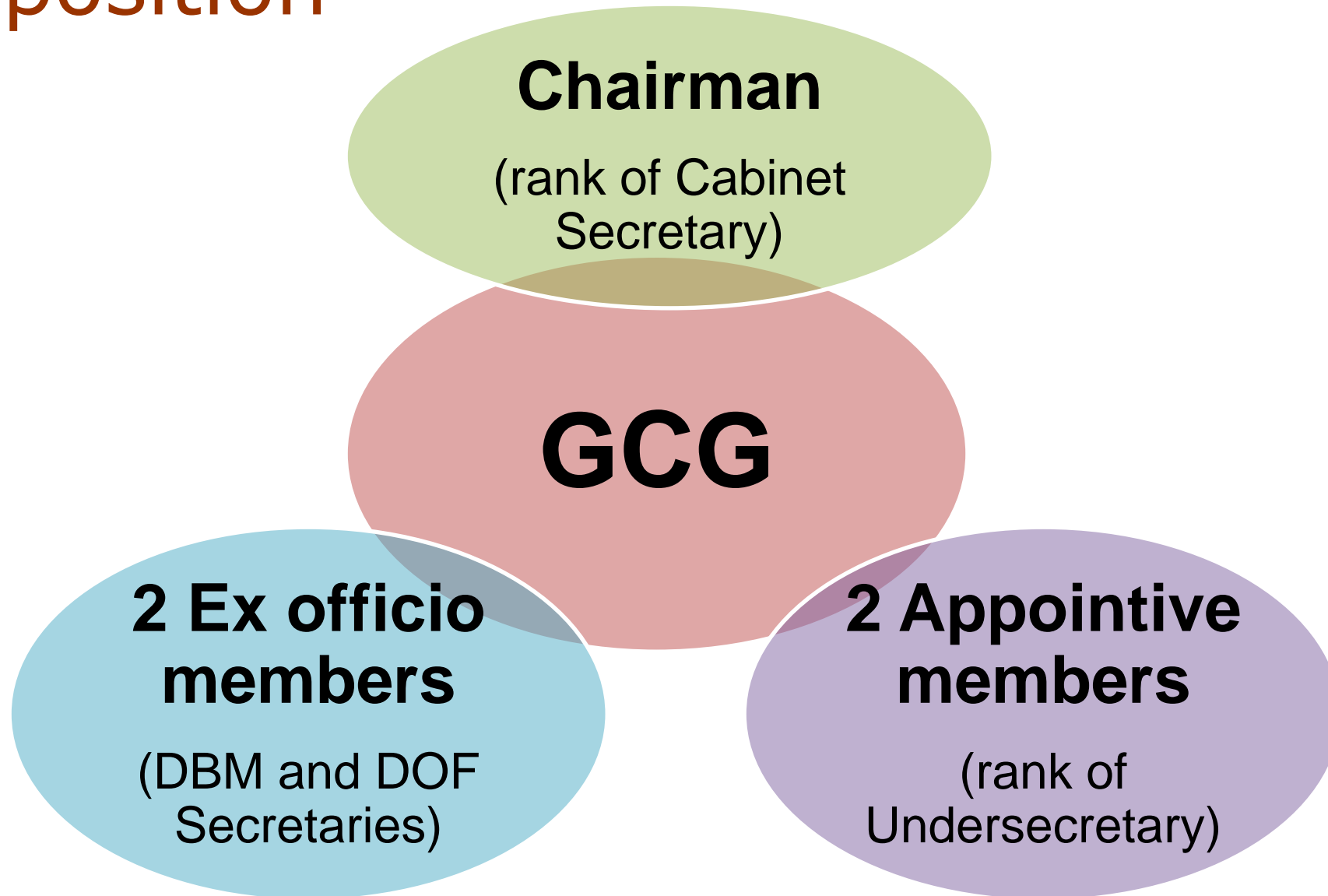
The Governance Commission for GOCCs (GCG)

- **Central** advisory, monitoring and oversight body
- Tasked to formulate, implement and coordinate **policy**
- With powers and functions, among others, to evaluate **performance** and determine **relevance** of the GOCC and to ascertain whether such GOCC should be:
 - Reorganized
 - Merged
 - Streamlined
 - Abolished (e.g.- Bataan Technology Park Inc., Cottage Industry Technology Center)
 - Privatized

Legal Mandate

- A. Rationalization of the Government Corporate Sector - see Chapters II and VI
- B. Compensation and Position Classification System (CPCS) - see Chapter III
- C. Performance Evaluation Systems (Performance Scorecards) - see Chapter II
- D. Shortlisting of Prospective Appointive Directors in GOCCs (Chapter IV) and Recommend Suspension (Chapter II)
- E. Institutionalize transparency in GOCCs (Chapter V)

Composition





Atty. Cesar L. Villanueva
*Founding Chairman of the
GCG*



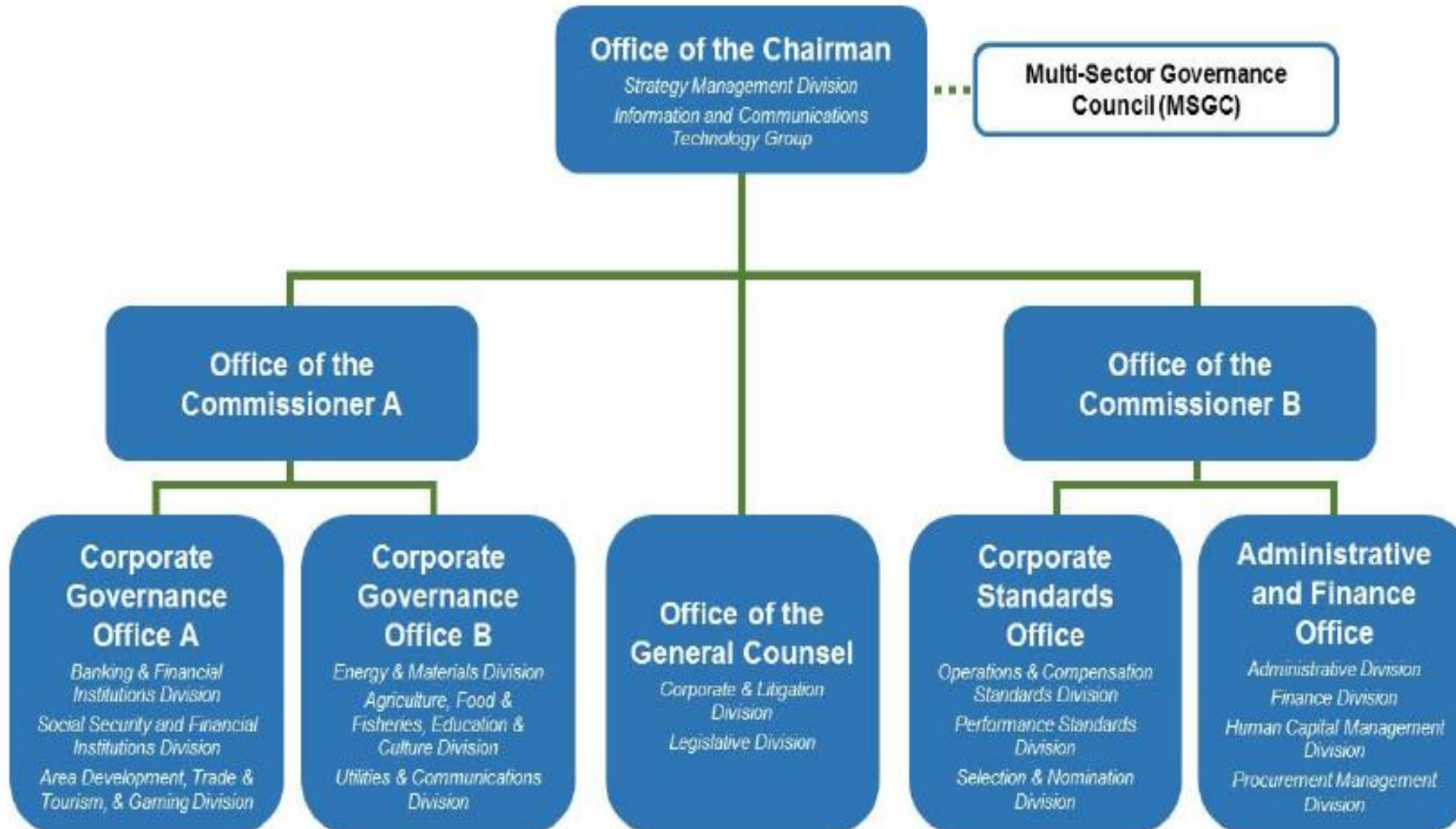
Samuel G. Dagpin, Jr.
Incumbent GCG Chairman



Michael P. Cloribel
Commissioner



Marites Cruz-Doral
Commissioner

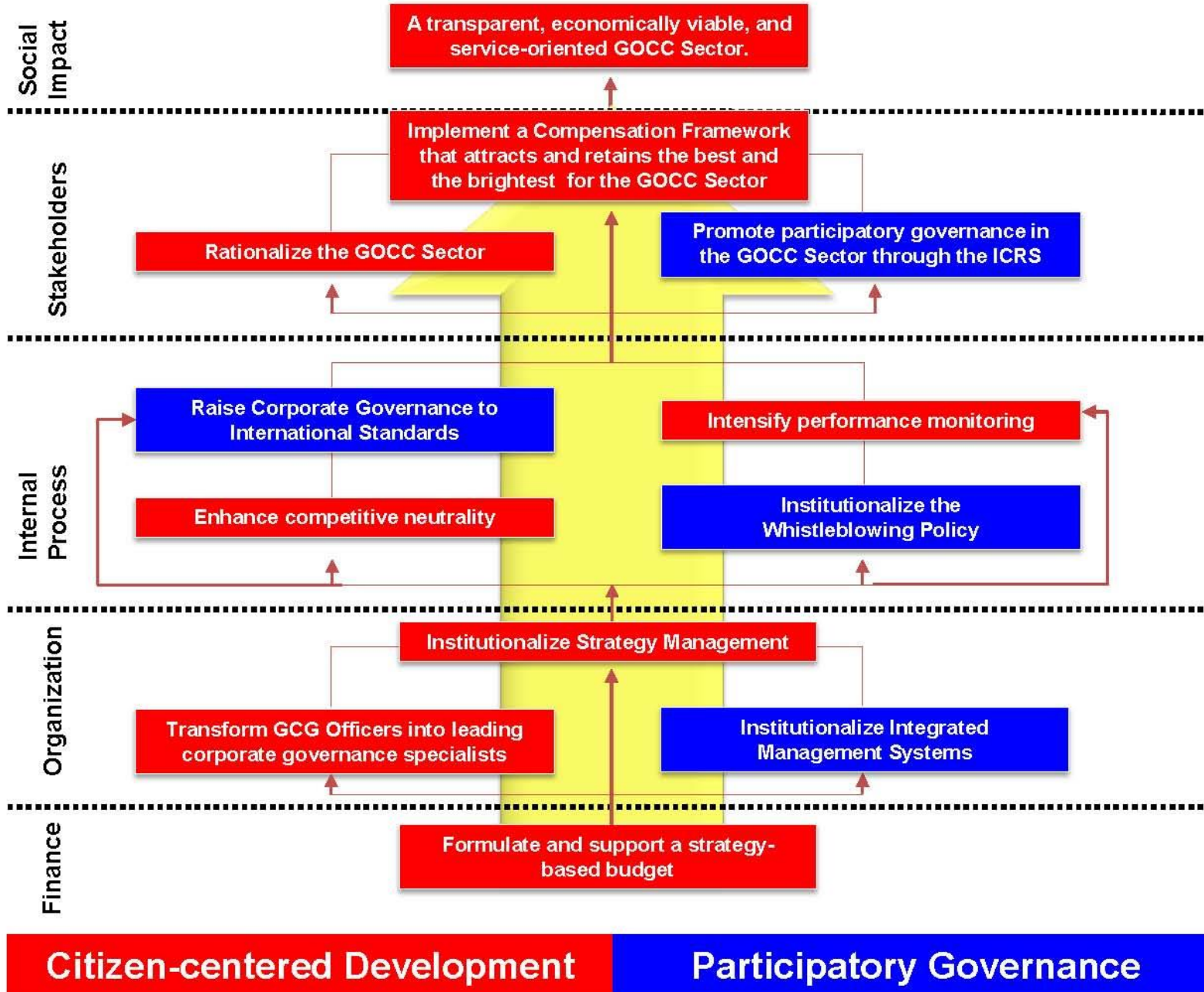


Legal Mandate

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- B. Compensation and Position Classification System (CPCS) - see Chapter III
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By 2022, the GCG shall have changed the GOCC Sector making it more responsive to the needs of public interest and in the attainment of enhanced economic growth and development.



Charter Statement

VISION

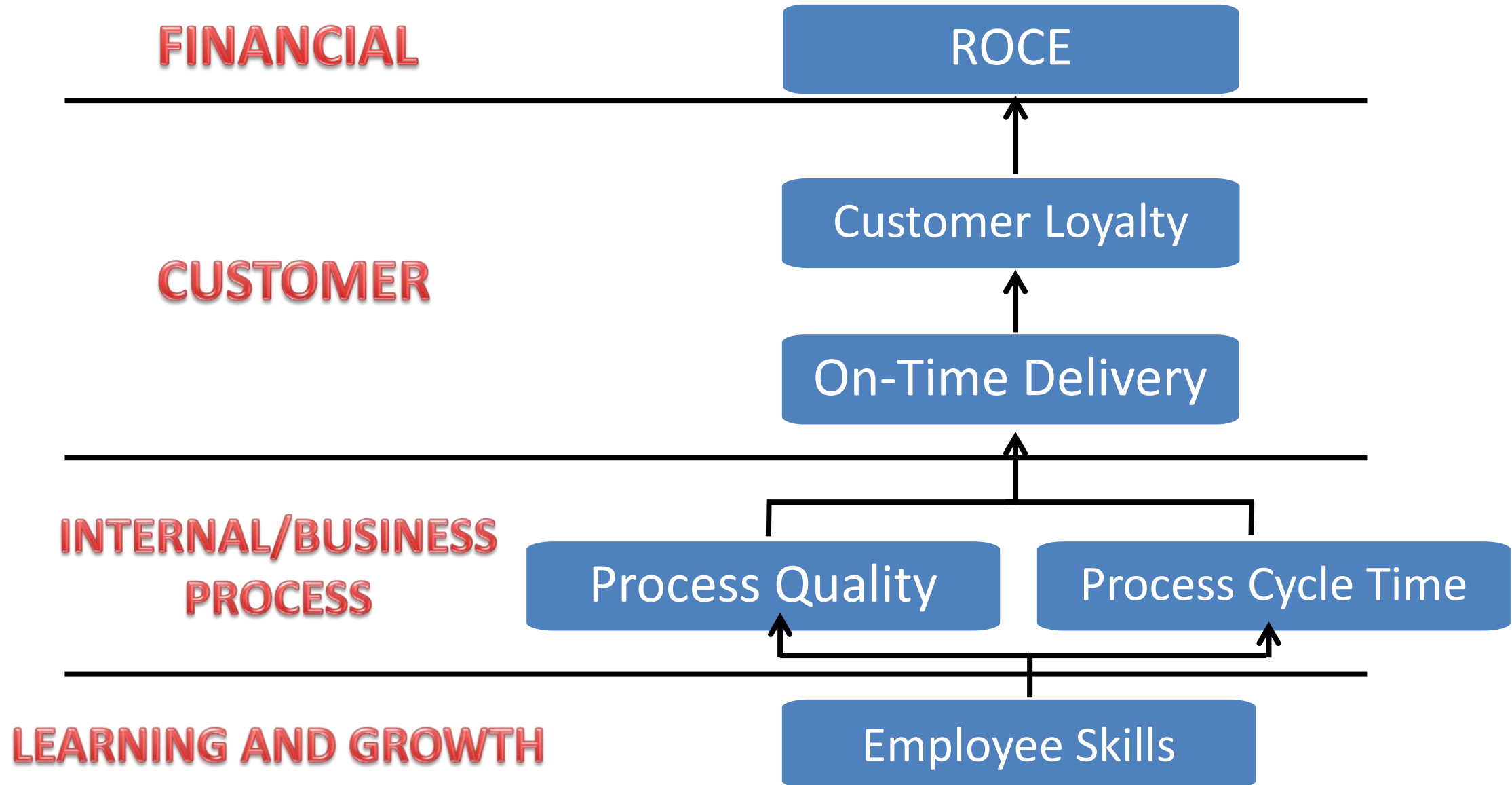
- Leader initiated
- Transformational agenda
- Positive and Inspiring
- Organization's capabilities & image
- With a deadline

MISSION

- Description of what the organization does
- Description of "why" the organization exists
- Commitments to stakeholders

CORE VALUES

- The core of what the organization is and what the organization cherishes
- Beliefs that manifest in how an employee interacts in a workplace

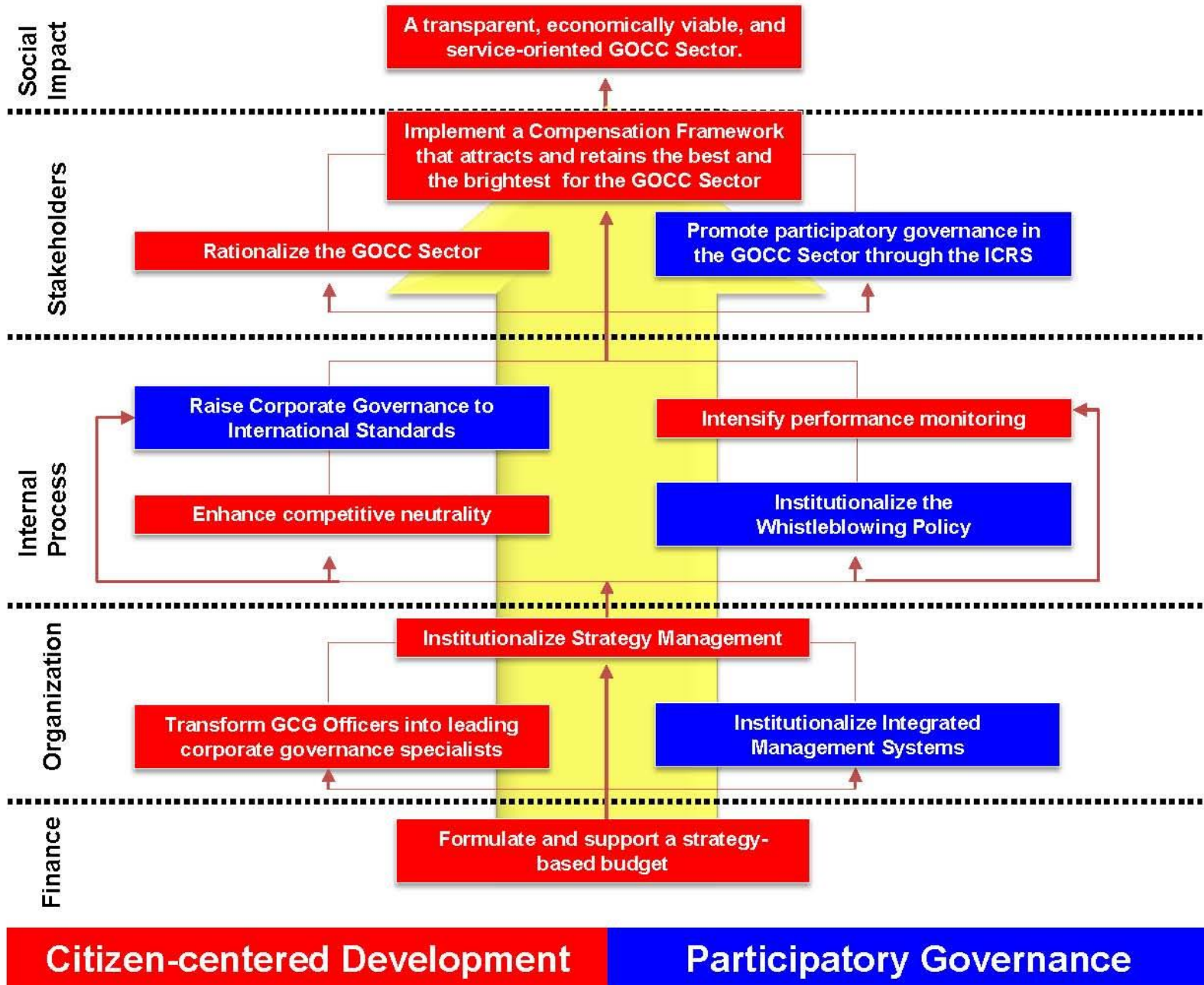


Strategy Map: 5 Perspectives

Learning and Growth	Internal Processes	Customer	Finance	Social Impact
<p>Identifies the infrastructure that the organization must build to create long-term growth and improvement</p> <ul style="list-style-type: none"> • People • Policies • Systems 	<p>Identify CRITICAL business processes where the company MUST excel</p> <p>Improve existing business processes or create new ones?</p>	<p>Identify customer and market segments where the company will compete</p> <p>Value propositions that the company will deliver to customers</p>	<p>Indicates whether the company's strategy is contributing to its sustainability</p>	<p>Unique to GOCCs and NGOs</p> <p>Success should be measured by how effectively and efficiently the organizations meet the need of their constituencies</p> <p>Indicates whether the company's strategy is contributing to stakeholders and the nation as a whole</p>



By 2022, the GCG shall have changed the GOCC Sector making it more responsive to the needs of public interest and in the attainment of enhanced economic growth and development.





GOVERNANCE COMMISSION FOR GOCCs 2017

Change the GOCC Sector making it more responsive to the needs of public interest and in the attainment of enhanced economic growth and development.

CPCS IMPLEMENTATION	GOCC CUSTOMER SATISFACTION	GOCC CORPORATE GOVERNANCE	ICRS USER SATISFACTION
<p>2017</p> <p>8 GOCCs have implemented the CPCS</p>	<p>2017</p> <p>Standard methodology on Customer Satisfaction Survey</p>	<p>2017</p> <p>A GOCC Sector average score of 55% in the Corporate Governance Scorecard</p>	<p>2017</p> <p>ICRS public portal Launch</p>
<p>2020</p> <p>34 GOCCs have implemented the CPCS</p>	<p>2020</p> <p>60% of GOCCs with Satisfactory Rating</p>	<p>2020</p> <p>A GOCC Sector average score of 65% in the Corporate Governance Scorecard</p>	<p>2020</p> <p>60% of users with Satisfactory Rating</p>
<p>2022</p> <p>All GOCCs have implemented the CPCS</p>	<p>2022</p> <p>75% of GOCCs with Satisfactory Rating</p>	<p>2022</p> <p>A GOCC Sector average score of 75% in the Corporate Governance Scorecard</p>	<p>2022</p> <p>75% of users rate the ICRS public portal as Satisfactory</p>

GCG PERFORMANCE SCORECARD

SOCIAL IMPACT

How will our work benefit our constituents?

OBJECTIVE		MEASURES Office-in-charge	2017	2020	2022
A transparent, economically viable, and service-oriented GOCC Sector	1	Percent of GOCCs with Satisfactory Rating	Standard methodology on Customer Satisfaction Survey	60% of GOCCs with Satisfactory Rating	75% of GOCCs with Satisfactory Rating
		CGO A & B			

GCG PERFORMANCE SCORECARD

STAKEHOLDER

Who are GCG's key stakeholders and what critical services do we need to deliver?

OBJECTIVE		MEASURES Office-in-Charge	2017	2020	2022
Rationalize the GOCC Sector	2	Number of GOCCs rationalized/reorganized	44% (44/99)	80% (80/99)	100% (99/99)
		CGO A & B			
	3	Number of GOCCs recommended for dispositive action	3 (Merger of Postbank & LBP, Reclassification of BBGMI & NDMC)	11	0
		CGO A & B			

GCG PERFORMANCE SCORECARD

STAKEHOLDER

Who are GCG's key stakeholders and what critical services do we need to deliver?

OBJECTIVE		MEASURES Office-in-Charge	2017	2020	2022
Implement a Compensation Framework that attracts and retains the best and the brightest to the GOCC Sector	4	Number of GOCCs that have implemented the CPCS	8 GOCCs have implemented the CPCS	34 GOCCs have implemented the CPCS	All GOCCs have implemented the CPCS
		CSO, CGO A & B			
Promote participatory governance in the GOCC Sector through the ICRS	5	Percent of users rate the ICRS public portal as Satisfactory	ICRS public portal Launch	60% of users with Satisfactory Rating	75% of users rate the ICRS public portal as Satisfactory
		ICTG			

GCG PERFORMANCE SCORECARD

INTERNAL PROCESS

How do we improve our core process to better deliver our mandate?

OBJECTIVE		MEASURES Office-in-Charge	2017	2020	2022
Institutionalize the Whistleblowing policy	6	Percent of the Whistleblowing Reports resolved with final action from the GCG within 45 calendar days from receipt of complete documents	90%	100%	100%
		OGC			
Intensify Performance Monitoring	7	Percentage of GOCCs with Performance Scorecard with validated quarterly monitoring report	50%	80%	100%
		CGO A & B			

GCG PERFORMANCE SCORECARD

INTERNAL PROCESS

In what processes should GCG excel?

OBJECTIVE		MEASURES Office-in-Charge	2017	2020	2022
Raise Corporate Governance to International Standards	8	GOCC Sector average score in the Corporate Governance Scorecard	A GOCC Sector average score of 55% in the Corporate Governance Scorecard	A GOCC Sector average score of 65% in the Corporate Governance Scorecard	A GOCC Sector average score of 75% in the Corporate Governance Scorecard
		CSO, OGC			
Enhance Competitive Neutrality	9	Number of GOCCs with conflicting regulatory and commercial functions recommended for decoupling	2 (PAGCOR & CAAP)	2 (LLDA & MWSS)	2 (NFA & PPA)
		CGO A & B			

GCG PERFORMANCE SCORECARD

ORGANIZATION

How will we transform the GCG officers and employees into leading specialists/implementers of world class corporate governance principles and practices?

OBJECTIVE		MEASURES Office-in-Charge	2017	2020	2022
Transform the GCG officers and employees into leading corporate governance specialists	10	Average competency level of the organization	Update and establish baseline on the Competency Level by 1st Quarter	___% (depends on the baseline) of the GCG Officers' competency gap is addressed	___% (depends on the baseline) of the GCG Officers' competency gap is addressed
		AFO			
Institutionalize Strategy Management	11	Level of proficiency of GCG Officers in Strategy Management	Level of Good Practice (based on PGS Rating Scale)	SMD equipped to facilitate PGS Training on Performance Governance to GCG Employees	
		SMD			

GCG PERFORMANCE SCORECARD

FINANCE

How should we manage and allocate our resources for maximum social impact?

OBJECTIVE		MEASURES Office-in-Charge	2017	2020	2022
Formulate and support a strategy-based budget	14	Budget utilization rate	90% utilization rate per PPMP	93% utilization rate per PPMP	95% utilization rate per PPMP
		ALL OFFICES			

RATIONALIZATION OF THE GOCC SECTOR

Classification of GOCCs by Sectors

(as of 07 January 2020)

1. Government Financial Institutions
2. Trade, Area Development and Tourism
3. Educational and Cultural
4. Gaming
5. Energy and Materials
6. Agriculture, Fisheries and Food
7. Utilities and Communication
8. Healthcare Services
9. Realty/Holding Companies
10. GOCCs supervised by PCGG

Number of GOCCs

	No. of GOCCs
List of GOCCs in 2020	213
- Excluded from R.A. 10149	22
- PCGG-supervised	14
- Under Abolition	26
- Non-Operational/Inactive	24
- Disposed by PMO	1
- Classified as Abolished/Dissolved	4
= As of 2020 GCG Coverage	122

Number of GOCCs

	No. of GOCCs
List of GOCCs in 2017	212
- Excluded from R.A. 10149	22
- PCGG-supervised	14
- Under Abolition	24
- Non-Operational/Inactive	23
- Disposed by PMO	1
- Classified as Abolished/Dissolved	2
= As of 2017 GCG Coverage	126

Number of GOCCs

	No. of GOCCs
List of GOCCs in 2016	193
- Excluded from R.A. 10149	22
- PCGG-supervised	15
- Under Abolition	24
- Non-Operational/Inactive	22
- Disposed by PMO	1
- Classified as Abolished/Dissolved	2
= As of 2016 GCG Coverage	107

***Excluded from GCG coverage:**

- (a) The Bangko Sentral ng Pilipinas;
- (b) State Universities and Colleges;
- (c) Cooperatives;
- (d) Local Water Districts;
- (e) Economic Zone Authorities; and
- (f) Research Institutions.

***Dissolution of GOCCs:**

- (a) Control Board;
- (b) Government Survey and Reorganization Commission

Legal Mandate

- A. Rationalization of the Government Corporate Sector - see Chapters II and VI
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Getting the Best Out of Performance Evaluation System

- Articulate and communicate business strategy
- Align individual/departamental goals
- Provide feedback

Performance Drivers

- Have a mix of performance drivers and outcome measures
- Indicates whether the company's strategy is contributing to stakeholders and the nation as a whole

Fit and Proper

To maintain the quality of management of the GOCCs – qualifications and disqualifications

In determining whether an individual is fit and proper to hold the position of an **officer, director or CEO** of the GOCC, due regard shall be given to one's **integrity, experience, education, training and competence.**

Linking Strategies

- Realize synergies among entities
- Coordinate strategies
- Pool resources and share services
- Share common themes and values
- Require common actions

Director or Trustee is a
Fiduciary >> STEWARD

Declaration of Policy (RA 10149)

x x x the State shall ensure that:

"The governing boards of every GOCC and its subsidiaries are competent to carry out its functions, fully accountable to the State as its fiduciary, and acts in the best interest of the State"

What is STEWARDSHIP?

It is LEADING

MANAGING

GOVERNING

and INVESTING with the purpose of sustaining long-term value creation by balancing the needs of all stakeholders, society, environment and future generations.

(Mr. Rajeev Peshawaria, CEO – Stewardship Asia Centre)

Creating the STEWARDSHIP Advantage

- Interdependence
- Ownership Mentality
- Creative Resilience
- Long-term View

**In the morning of my life I shall look to the sunrise
At a moment in my life when the world is new
And the blessing I shall ask is that God will grant me
To be brave and strong and true
And to fill the world with love my whole life through**

**In the evening of my life I shall look to the sunset
At a moment in my life when the night is due
And the question I shall ask only I can answer
Was I brave and strong and true?
Did I fill the world with love my whole life through?**

Memorandum Circulars

1) Ownership and Operations Manual Governing the GOCC Sector

GCG Memorandum Circular No. 2012 – 06

Objective

- Treating GOCCs as significant tool for **economic development**
- To actively **exercise its ownership rights** in GOCCs
- To promote growth by ensuring that their operations are consistent with **national development policies and programs**

State Ownership Policy

- GOCCs shall refrain from engaging in activities adequately serviced by the private sector or **adopt PPP schemes**
- GOCCs shall ensure that there is a **clear separation between the regulatory functions and proprietary activities** wherein areas adequately served by the private sector but where GOCCs have been engaged in
- Corporate governance of GOCCS is enhanced to promote public accountability, transparency, responsibility, professionalism and effectiveness, in the delivery of goods and services to **support the national goals**
- Operations of GOCCs are rationalized and monitored centrally, primarily **through the GCG**

Roles and Responsibilities of GOCCs

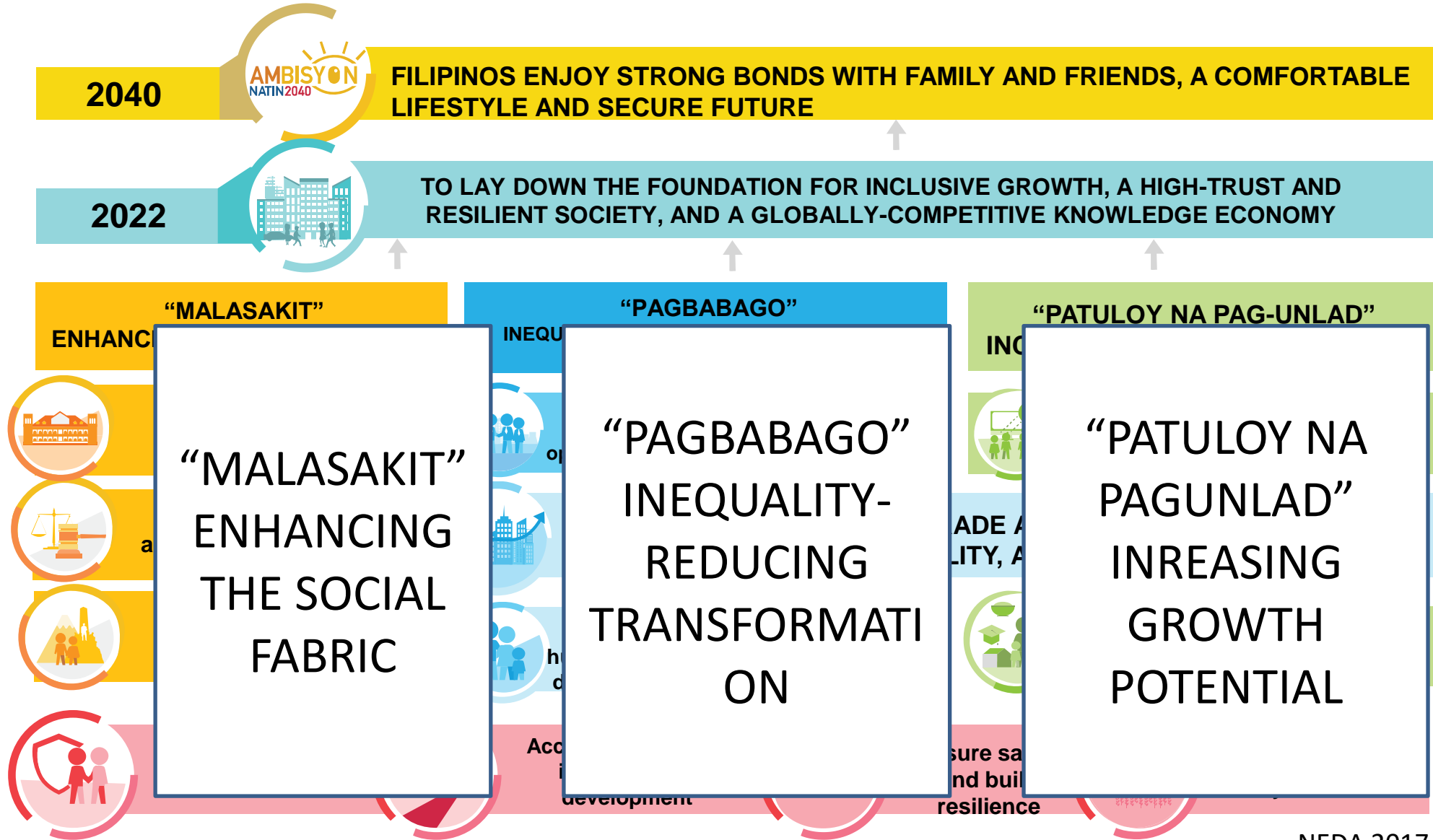
- GOCCs as tools for **economic development**
- Governing board primarily responsible for **Corporate Governance**
- Ensuring the statutorily-defined role as the **State's agents in pursuing economic growth and development** within the GOCC Sector

Alignment to Development Goals



- 1. Ambisyon Natin 2040 or Our Vision of the Philippines 2040 (*Matatag, Maginhawa, Panatag*)**
- 2. The 10-Point Socio Economic Agenda**
- 3. Updated Philippine Development Plan (*Malasakit, Pagbabago, Patuloy na Pagunlad*)**
- 4. The GCG Vision (2022)**

The Philippine Development Plan and Ambisyon 2040



NEDA 2017

Priority Sectors Impacting AmBisyon 2040

1. Housing and Urban Development
2. Manufacturing
3. Connectivity
4. Education Services
5. Tourism and Allied Services
6. Agriculture
7. Health and Wellness Services
8. Financial Services

The 10-Point Socio Economic Agenda of this Administration

ICD

1. Continue and **maintain current macroeconomic policies**, including fiscal, monetary, and trade policies.
2. Institute progressive **tax reform** and more effective tax collection, indexing taxes to inflation.
3. Increase **competitiveness and the ease of doing business**.
4. Accelerate annual **infrastructure** spending to account for 5% of GDP, with Public-Private Partnerships playing a key role.
5. Promote **rural and value chain development** toward increasing agricultural and rural enterprise productivity and rural tourism.
6. Ensure **security of land tenure** to encourage investments, and address bottlenecks in land management and titling agencies.
7. Invest in **human capital development**, including health and education systems, and match skills and training.
8. Promote science, technology, and the creative arts to enhance **innovation and creative capacity**.
9. Improve **social protection** programs, including the government's Conditional Cash Transfer program.
10. Strengthen implementation of the **RPRH Law**

Monitoring and Evaluation of GOCCs

- The State recognizes the need to rationalize and monitor the operations of the GOCC Sector to help bring about **improved performance, assure more efficient use of resources** and **focus their activities and priorities** in a manner consistent with national objective
- Evaluation of the performance and determination of the **relevance of GOCCs**
- Determination of the performance objectives and **targets of GOCCs**
- Periodic review of the **functions of GOCCs**
- Establishment of the **Performance Evaluation System (PES)**
- To facilitate the performance monitoring of GOCCs under PES, the GCG shall initiate and formulate an **Integrated Corporate Reporting System (ICRS)**

2) Code of Corporate Governance for GOCCs

GCG Memorandum Circular No. 2012-07

Role of GOCCs in National Development

- Operations are **rationalized and properly monitored**
- Governance of GOCCs is carried out in a **transparent, responsible and accountable manner** and with utmost degree of professionalism and effectiveness
- **Governing boards** are competent to carry out their functions

The Governing Board: Functions

- Directly vested with corporate powers
- Properly select and **provide independent check on management**
- Providing **policy directions, monitoring and overseeing management actions**

The Governing Board: Composition

- Ex officio alternates
- Multiple board seats – no more than two (2) other board seats in other GOCCs, subsidiaries, affiliates
- All appointive directors shall be appointed by the President
- Fit and Proper Rule is adopted to maintain the quality of management
- Terms of office of appointive directors
- Board officers - Chairman, Vice Chairman, Corporate Secretary, Compliance Officer

Case discussion – 20 minutes

The Role of Chairman and CEO*

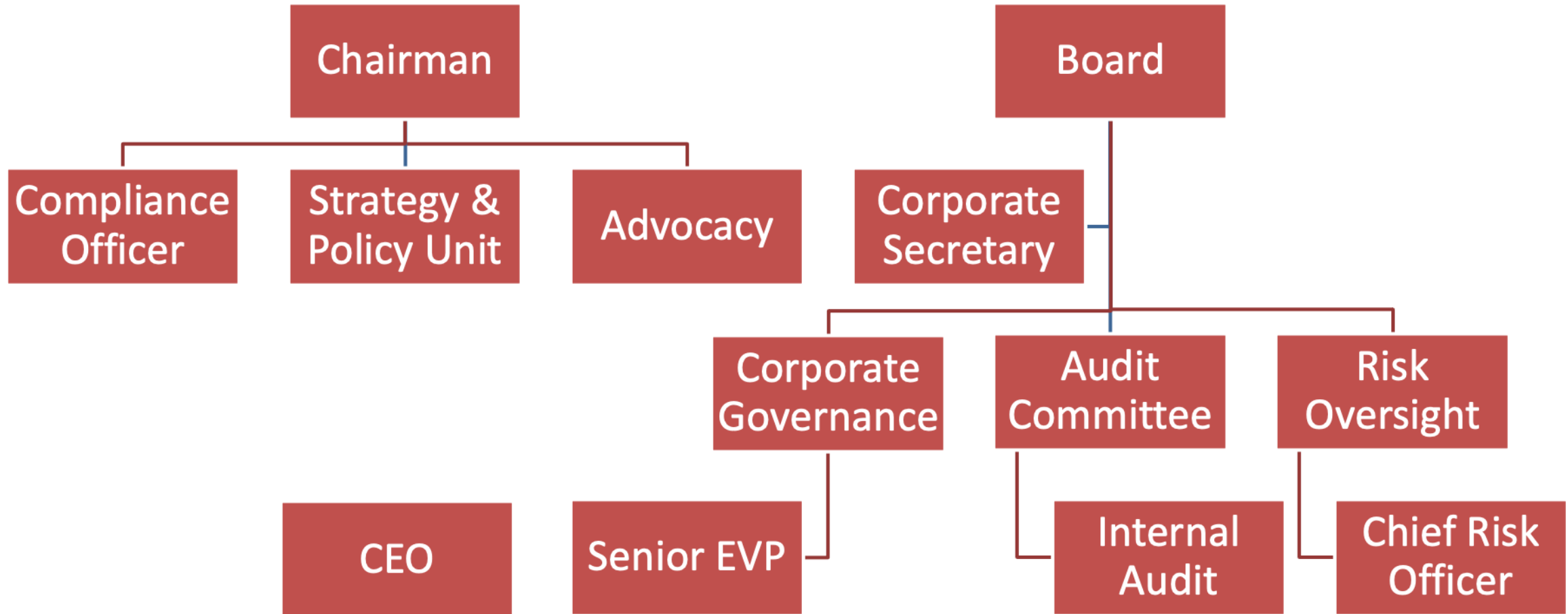
Paterno Home Finance Corp

Paterno Home Finance Corp

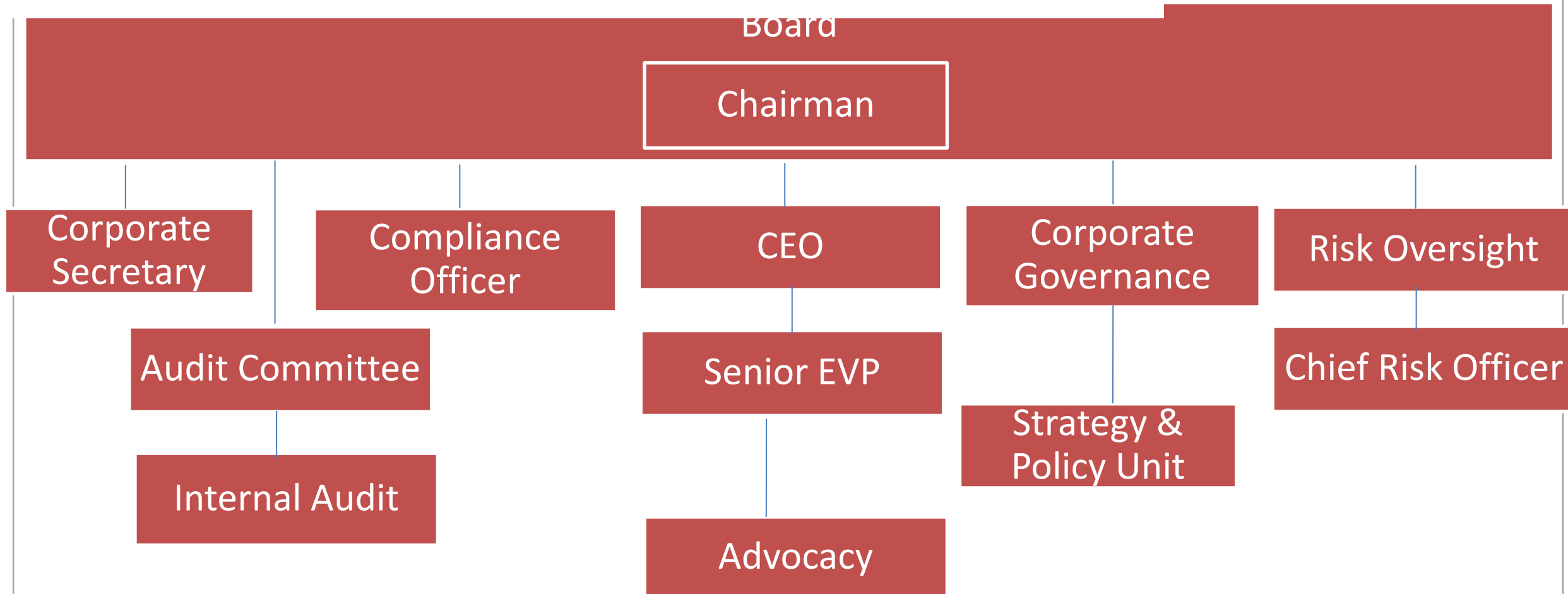
GCG Law

- Directors appointed by the President from a shortlist prepared by GCG
- GCG rules and criteria in selection and nomination of prospective appointees
- CEO or the highest ranking officer elected annually by the members of the Board from among its ranks. Who are in the Board?
- “(g) *Chief Executive Officer (CEO)* refers to the highest ranking corporate executive, who could be the President or the General Manager, Chairman or the Administrator of a GOCC.”

Paterno Home Finance Corp



Paterno Home Finance Corp



Separation of Chairman and CEO roles



In support of separation: Agency theory

- Board independence from management for better monitoring and oversight by the board (Sarbanes Oxley)
- Chair leads the board in **overseeing the CEO** on behalf of shareholders

In support of combined role: stewardship or administrative theory

- “Unity of command”
- Clear unambiguous authority for effective management

Research findings*

- What matters most for board effectiveness: chairman’s industry knowledge, leadership skills, and influence on the board process

*Tonello, Leblanc, Pick (2011) Separation of Chair and CEO Roles. Conference Board. Posted in Harvard Law School Forum on Corporate Governance and Financial Regulation

OECD principle

VI. The responsibilities of the board

...

E. The board should be able to exercise objective independent judgement on corporate affairs.

...

In countries with **single** tier board systems, the **objectivity** of the board and its **independence** from management may be strengthened by the **separation of the role of the chief executive and Chair**.

Separation of the two posts is generally regarded as good practice, as it can help achieve an appropriate balance of power, increase accountability and improve the board's capacity for decision making independent of management.

Duties and Obligations of Directors and Officers

- Fiduciaries of the State
- Directors and officers as public officials
- Respect for and obedience to the Constitution and the law
- Duty of extraordinary diligence
- Duty of loyalty
- Limits to compensation, per diems, allowances and incentives
- No gift policy: avoid even appearance of conflict of interest (MC no. 2012-12)
- Duty of confidentiality
- Provide staff support to directors
- Obtaining of Directors and Officers Liability Insurance (DOLI)

Constitutional and legal framework

Art. XI (Accountability of Public Officers), Sec.1 –

“Public office is a public trust. Public officers and employees must, at all times, be accountable to the people; serve them with utmost responsibility, integrity, loyalty, and efficiency; act with patriotism and justice; and lead modest lives.”

Code of Conduct and Ethical Standards for Public Officials and Employees – “x x x and uphold public interest over personal interest.”

CSR and Relations with Stakeholders

- Duty to be responsive to stakeholders
- CSR Principles
- Formal recognition of the stakeholders

1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS




SUSTAINABLE DEVELOPMENT GOALS

The Governing Board: Committees

- Board Committees
 - Executive
 - Audit
 - Governance
 - Nomination and Remuneration
 - Risk Management
- Annual performance evaluation of the board

Disclosure and Transparency Requirements

- Transparency as the Essence of Corporate Governance
- GOCC Manual of Corporate Governance
- Mandatory Website – must be publicly accessed
- GOCCs must be active participants in the integrated corporate reporting system

3) Fit and Proper Rule

GCG Memorandum Circular No. 2012-05

(pls. refer also to GCG Memorandum Circular No. 2019-01 implementing RA no. 11273, the Universal Health Care Act)

Fit and Proper

To maintain the quality of management of the GOCCs – qualifications and disqualifications

In determining whether an individual is fit and proper to hold the position of an **officer, director or CEO** of the GOCC, due regard shall be given to one's **integrity, experience, education, training and competence.**

Qualifications

- Filipino citizen
- At least thirty (30) years of age at the time of appointment except when the Charter or By-Laws requires a higher minimum age, which requirement shall prevail
- With good moral character

Qualifications

- Have a college degree with at least five (5) years relevant work experience except for a sectoral representative who only needs to be a bona fide member of the indicated sector or the association being represented as provided for in the Charter or By-laws
- Possesses management skills and competence
- Have attended, or will attend within three (3) months from the date of appointment, a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG

Permanent Disqualifications

- Have been convicted of a crime or offense involving dishonesty or breach of trust
- Have been convicted of a crime or offense where the sentence imposed is a term of imprisonment of at least six (6) years and one (1) day
- Violated the laws, rules and regulations particularly applicable to the sector

Permanent Disqualifications

- Who have been judicially declared insolvent, spendthrift or incapacitated to contract
- Have been determined by the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory
- Found to be culpable for a GOCC'S insolvency, closure, or ceasure of operations

Temporary Disqualification

- Persons who refused or failed to fully disclose the extent of their business interest or any material information
- Appointive Directors who have been absent or who have not participated for whatever reason in more than fifty percent (50%) of all meetings
- Persons who are delinquent in the payment of their obligations
- Persons who have been convicted in the first instance by a court (dishonesty or breach of trust, violation of the Bouncing Checks Law, the Anti-Graft and Corrupt Practices Act, violation of banking laws, rules and regulations
- Disqualified for failure to observe/discharge their duties and responsibilities prescribed under the Ownership and Operations Manual Governing the GOCC Sector, the Code of Corporate Governance for GOCCS, their respective manuals of corporate governance

Temporary Disqualification

- Directors who failed to attend within three (3) months from their appointment and assumption of office the public corporate governance seminar
- Persons dismissed/terminated from employment for just cause
- Persons who are under preventive suspension, whether it be in the government service or in private sector service
- Persons with derogatory records
- Persons with conflict of interest

4) Policies and Guidelines on the Integrated Corporate Reporting System (ICRS) for the GOCC Sector

GCG Memorandum Circular No. 2014-02

Background and Purpose

- Assist the State in the exercise of its ownership rights in the GOCC sector through the provision of up-to-date, complete and relevant information
- Streamline the various reportorial requirements for GOCCs; and
- Promote greater transparency and timely access to relevant information on the GOCC sector through a single online web portal

Components of ICRS

- GOCC Monitoring System (GMS)
- GOCC Leadership Management System (GLMS)

Duties and Responsibilities

- **Governing Board**
 - Certification of data submitted to the Governance Commission
 - Compliance with policies and guidelines
 - Monitoring of compliance

- **GMS Representative**
 - Collection of information and completion of reports
 - Certification of accuracy of information and electronic publication
 - Monitoring of GMS/ICRS for important updates
 - Coordination with GCG Officers

Duties and Responsibilities

- **GLMS Representative**
 - Collection of necessary information and completion of reports required by GLMS
 - Certification of accuracy of information and electronic publication
 - Monitoring of GLMS/ICRS for important updates
 - Coordination with GCG Officers
- **Management Information Services (MIS)**
 - Provide the GMS and GLMS representatives of the GOCC with the necessary software, hardware, and technical knowledge to use the ICRS
 - Troubleshoot problems experienced by the Representatives in using the ICRS
 - Update the GOCC's register of Representatives in the ICRS arising from any personnel movement

Performance Evaluation System (PES) for the GOCC Sector

GCG Memorandum Circular no. 2013-02 (Re-issued):

Achievement of organizational targets shall serve as basis for:

- a) the grant of performance based incentives;
- b) whether Appointive Directors are eligible for re-appointment as a component of the PED; and
- c) whether such GOCC shall be reorganized, merged, streamlined, etc.

5) Performance Evaluation for Directors (PED)

**GCG Memorandum Circular No. 2014-03
(3rd Issue)**

Background and Purpose

- 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, through Governing Boards who are competent to carry out their functions, fully accountable to the State as its fiduciaries and always acting for the best interests of the State
- An **Appointive Director** "may be nominated by the GCG for reappointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure based on the performance criteria for Appointive Directors for the GOCC

Components

The PED measures the **overall performance of Ex Officio and Appointive Directors within the PED Period** based on the weighted average

GOCC Performance based on the application of the:

Performance Evaluation System (PES): 60%

Director Performance Review (DPR): 25%

Director Attendance Score (DAS): 15%

Director Performance Review (DPR): 25%

The DPR Rating of a Director shall be measured based on the following

Self Appraisal Rating	5%
Peer Appraisal Rating	10%
Chairman's Appraisal Rating for each Member	10%

In cases where there is no Chairman's Appraisal Rating, The DPR Rating of a Director shall be measured based on the following:

Self Appraisal Rating	7.5%
Peer Appraisal Rating	17.5%

For the Chairman, the following shall be used to measure his/her DPR score

Self Appraisal Rating	7.5%
Peer Appraisal Rating	17.5%

Appraisal Forms

Appraisal Forms	Evaluators	Forms to be used
Self Appraisal Form (SAF)	Chairman	SAF 1: Self-Appraisal as Chairman
	Members of the Governing Board	SAF 2: Self-Appraisal as Board Member
	President/CEO/Administrator/General Manager	SAF 3: Self-Appraisal as CEO
Peer Appraisal Form (PAF)	Chairman	PAF 1: Peer-Appraisal for Members of the Board PAF 2: Peer-Appraisal for the CEO
	Members of the Governing Board	PAF 3: Peer-Appraisal for the Chairman PAF 1: Peer-Appraisal for Members of the Board PAF 2: Peer-Appraisal for the CEO:
	President/CEO/Administrator/General Manager	PAF 3: Peer-Appraisal for the Chairman PAF 1: Peer-Appraisal for Members of the Board

Overall Grade Equivalent

Overall Score	Equivalent
100 %	EXCELLENT
95% - 99.99%	OUTSTANDING
85% - 94.99%	ABOVE AVERAGE
80% - 84.99%	AVERAGE
70% - 79.99%	BELOW AVERAGE
Above 60% - 69.99%	POOR
60% and Below	VERY POOR

Guidelines on the Performance Evaluation of Deceased or Incapacitated GOCC Directors during the 2019 PED Rating Period and the Years Thereafter

Coverage

The foregoing guidelines covers Appointive Directors of GOCCs who have died or have become incapacitated during the 2019 PED Rating Period and thereafter. A Director shall be considered incapacitated when he is diagnosed with a physical, psychological or mental disability, or other serious medical conditions that will render it impossible for him to review the performance of his co-Directors due to diminished faculties.

Computation of Overall PED Score

Performance Evaluation System (PES) 60%. – The validated PES results for the calendar year shall be used as basis for the computation.

Director Performance Review (DPR) 25%. – The DPR consists of three (3) subcomponents – a) Chairman’s Appraisal Rating (10%), b) Peer Appraisal Rating (10%) and c) Self Appraisal Rating (5%).

Director Attendance Score 15%. – The validated Director Attendance Score for the calendar year shall be used as basis for the computation.

6) 2019 Interim Performance-Based Bonus (PBB)

GCG Memorandum Circular No. 2019-02

Background and Purpose

To establish the rules and regulations for the application and grant of the **Interim Performance-Based Bonus** (PBB) to qualified GOCC Officers and Employees

Eligibility of a GOCC to Grant the PBB

- Achieve a weighted-average score of **at least 90% in its Performance Scorecard**
- Satisfy **100% of the Good Governance Conditions (GGCs)**
- Comply with the following **conditions and requirements:**
 - Certification on the GOCC's Quality Management System (QMS)
 - Annual Procurement Plan (APP)
 - Corporate Operating Budgets (COBs) to the Department of Budget and Management (DBM)
 - Implementation of Audit Recommendations, submission to GCG of audit observations and notices of disallowances within 7 working days received from COA
 - Compliance and submission of reports through the Integrated Corporate Reporting System (ICRS)
 - Director Performance Review (DPR) pursuant to the Performance Evaluation for Directors (PED)

Eligibility of Individual Officers and Employees

- Employees belonging to the 1st , 2nd and 3rd Levels should receive a rating of **at least "Satisfactory"** based on the agency's CSC approved SPMS
- Personnel on detail to another government agency for six (6) months or more shall be included in the ranking of employees in the recipient agency that rated his/her performance
- Personnel who transferred from one government agency to another agency shall be rated and ranked by the agency where he/she served longest

Eligibility of Individual Officers and Employees (cont.)

- Officials and employees who transferred from government agencies that are non-participating in the implementation of PBB shall be rated by the agency where he/she served the longest
- An official or employee who has rendered a minimum of nine (9) months of service during the fiscal year and with at least "Satisfactory" rating
- An official or employee who rendered a minimum of three (3) months but less than nine (9) months of service and with at least "Satisfactory"

Eligibility of Individual Officers and Employees (cont.)

Pro-rated if:

Length of Service	% of PBB
8 months but less than 9 months	90%
7 months but less than 8 months	80%
6 months but less than 7 months	70%
5 months but less than 6 months	60%
4 months but less than 5 months	50%
3 months but less than 4 months	40%

The following are the valid reasons for an employee who may not meet the nine-month actual service requirement to be considered for PBB on a pro-rata basis:

- Newly hired; retirement; resignation; rehabilitation leave; maternity/paternity leave; vacation or sick leave with or without pay; scholarship/study leave; sabbatical leave; other leaves provided for by law

Exclusions

- Consultants and experts hired to perform specific activities or services
- Laborers hired through job contracts and those paid on piecework basis
- Student laborers and apprentices
- Individuals and groups of people whose services are engaged through job orders, contracts of service, or others similarly situated

Distribution System

- The **CEO** should ensure that only eligible and qualified officers and employees are included in the rating and ranking to be submitted to GCG.
- Grouping of Personnel
 - a) Senior Management
 - b) Middle Management
 - c) Professional and Supervisory
 - d) Clerical/General Staff

Distribution for Qualified Officers and Employees

Based on the performance of the individual Officers and Employees with the rate of incentive as a multiple of the individual's monthly basic salary as of 31 December of the applicable year based on the table below, but not lower than P5,000

Percentile	PBB as % of MBS
Top: Maximum 10%	65.0%
Next: Maximum 25%	57.5%
Remaining: Minimum 65%	50.0%

*The percentile of the "Top" and "Next" levels are maximum figures with the discretion on the part of the Governing Board/Management to decrease the figures and distribute them to the "Remaining" level.

Funding for the PBB

...shall be charged by GOCCs from their respective corporate funds, subject to the approval of their respective Governing Boards...

The following sources are prohibited:

- Loans
- Subsidy from the NG for the GOCC's operations, except for subsidy income or subsidy given by DBM precisely for the payment of the PBB
- Sale of the GOCC's asset(s) for the sole purpose of paying the PBB and is otherwise not in the ordinary course of business

**7) CY2020 onwards Interim
Performance-Based Incentive (PBI)
for GOCC Appointive Directors**

GCG Memorandum Circular No. 2021-01

(pls refer also to GCG Memorandum Circular
no. 2017-02 dated 30 June 2017: Interim PES
for the GOCC Sector)

Background and Purpose

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)

Conditions Precedent to Entitlement to PBI

- GOCC Level
 - Weighted average score of **at least 90% in its applicable Performance Scorecard**
 - 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**
 - The GOCC established and implemented a **Strategic Performance Management System (SPMS)** of the Civil Service Commission (CSC) or its equivalent
 - GOCC has received the performance evaluation for its Appointive Directors for particular year
 - Compliance with the Dividends Law
 - Compliance with its Statutory and Tax Liabilities
- Additional Good Governance Conditions for Individual Appointive Directors
 - Attendance to Board and Committee Meetings
 - Length of Service
 - DPR Submission
- The Appointive Director must not have been found guilty of an administrative and/or criminal case related to his work

Entitlement

a) Base Amount

b) GOCC Performance Scorecard

c) Director Performance Review (DPR) Rating

d) Length of Service

Incentive Factor

PES RATING	Director Performance Review (DPR) Rating	Incentive Factor
98% to 100%	95% to 100%	4.00
95% to <98%	90% to <95%	3.00
90% to <95%	85% to <90%	2.50
<90%	<85%	None

Incentive Factor

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

GOCC Classification	A	B	C	D	E
Maximum PBI	512,000	256,000	192,000	128,000	64,000

Percentage of Entitlement

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%

8) Implementing Rules and Regulations of Executive Order (E.O.) No. 36 s.2017

GCG Memorandum Circular No. 2017-03 dated
24 August 2017

Suspending CPCS

Executive Order No. 36, s.2017 (E.O. No.36) entitled Suspending the Compensation and Position Classification System under Executive Order No. 203, s.2016,1 Providing for Interim Compensation Adjustments, and for Other Purposes was signed on 28 July 2017 by the President of the Philippines in accordance with the authority vested in him under Presidential Decree (P.D.) No. 1597, Joint Resolution (J.R.) No.4, s.2009, and R.A. No. 10149.

- *For SSL-covered GOCCs – adopt the Modified Salary Schedule under EO no. 201, series 2016;*
- *For SSL-exempt GOCCs -- 2 options*

Re Compensation and Position Classification System (CPCS) under RA 10149

- Does not cover/include GOCC appointive Directors (they are covered by EO no. 24, issued under date Feb.10, 2011);
- EO no.201 (issued under date Feb. 19, 2016) adopted the Modified Salary Schedule for GOCCs not covered by RA 10149, as well as positions in the Executive, Legislative, and Judicial branches;
- EO no. 203 (issued under date March 22, 2016) adopted the CPCS for GOCCs as submitted by the GCG and ordered its implementation;
- EO no. 36, series of 2017, suspended implementation of EO no. 203 (to eliminate "excessive, illegal, unconscionable' benefits)

9) Corporate Governance Scorecard (CGS) for GOCCs

GCG Memorandum Circular No. 2015 - 07

Background and Purpose

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.**

Objectives

The CGS is a quantitatively-driven evaluation tool extracted from existing and globally accepted standards 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.

It aims to recognize well-governed GOCCs. It shall serve the basis for the ff:

- Reinforcing the ownership function of the state through GCG;
- Establishing a standardized framework in assessing GOCCs' level of CG;
- Identifying GOCCs' strengths and weaknesses compared to existing CG provisions; Assessing the level of adherence of GOCCs to best practices and international standards of CG; and
- In tandem with the Performance Scorecard, ensure the improvement in transparency of GOCCs' CG initiatives and practices.

And a final word

*Enjoy your time in public
service. It may
well be one of the most
interesting and challenging
times of your life.*

THANK YOU!

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