



GCG MEMORANDUM CIRCULAR NO. 2014 – 03 (RE-ISSUED)

**SUBJECT : PERFORMANCE EVALUATION FOR DIRECTORS (PED)
IN THE GOCC SECTOR**

DATE : 30 January 2015

1. **BACKGROUND AND PURPOSE.** – Section 2 of the “GOCC Governance Act of 2011” (R.A. No. 10149) declared the policy 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, 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.

Section 17 of R.A. No. 10149 states that 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.” In the exercise of the Governance Commission’s mandate under Section 5(c) of R.A. No. 10149, the Code of Corporate Governance for GOCCs (GCG MC No. 2012-07) was issued providing for the development of an Annual Performance Evaluation of the Board¹ that would further strengthen the competence and character of the Members of the GOCC Governing Boards.

This Circular has been accordingly issued to establish the **PERFORMANCE EVALUATION FOR DIRECTORS (PED)** in the GOCC Sector.

2. **COVERAGE.** – The PED shall cover all Appointive Directors as the basis for the determination of whether they shall be recommended for reappointment; provided, however, that the Appointive Director has served no less than six (6) months within one (1) calendar year. It shall also cover a Director who was appointed for less than 6 months, but has served as Officer-in-Charge (OIC) or Acting Chairman or President/CEO during the PED Period [one (1) calendar year].

The PED shall also cover the *Ex Officio* Directors or their Alternates for purposes of being able to report to the President the performance of such *Ex Officio* Directors, as well as to allow the GCG to develop and evolve a good governance system for *Ex Officio* Directors in the GOCC Sector.

¹ See Section 17, GCG MC No. 2012-07.

3. **COMPONENTS OF THE PED.** – The PED measures the overall performance of both *Ex Officio* and Appointive Directors within the PED Period based on the weighted-average of the following components:

3.1. **GOCC Performance based on application of the Performance Evaluation System (PES) for GOCCs under GCG Memorandum Circular No. 2013-02: 60%**

3.2. **Director Performance Review (DPR): 30%** – The individual contribution of a Director shall be measured based on the following:

(a) Self Appraisal Rating = 5%

(b) Peer Appraisal Rating = 12.5%

(c) Chairman’s Appraisal Rating for each Member = 12.5%

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

(a) Self Appraisal Rating = 9%

(b) Peer Appraisal Rating = 21%

3.2.2. Guidelines on the DPR

(a) Appraisal Forms

(i) **Self Appraisal Form (SAF).** – Each member of the Governing Board shall accomplish a SAF as follows:

Evaluators	Forms to be used
<u>Chairman</u>	SAF 1: Self-Appraisal as Chairman
<u>Members of the Governing Board</u>	SAF 2: Self-Appraisal as Board Member
<u>President/CEO/ Administrator/ General Manager</u>	SAF 3: Self-Appraisal as CEO

(ii) **Peer Appraisal Form (PAF).** – Each member of the Governing Board shall likewise accomplish a PAF for each of his/her co-member. All the members of the Governing Board shall evaluate one another as follows:

Evaluators	Forms to be used
<u>Chairman</u>	<p>PAF 1: Peer-Appraisal for Members of the Board</p> <p>PAF 2: Peer-Appraisal for the CEO</p>
<u>Members of the Governing Board</u>	<p>PAF 3: Peer-Appraisal for the Chairman</p> <p>PAF 1: Peer-Appraisal for Members of the Board</p> <p>PAF 2: Peer-Appraisal for the CEO</p>
<u>President/CEO/Administrator/General Manager</u>	<p>PAF 3: Peer-Appraisal for the Chairman</p> <p>PAF 1: Peer-Appraisal for Members of the Board</p>

(b) Online Submission and Assessment of DPR Forms

- (i) To increase the level of confidentiality in the DPR results, SAFs and PAFs will be answered and encoded by each GOCC Board Director using an internet-based system accessible at <https://iped.gcg.gov.ph>.
- (ii) All *Ex Officio* Directors and their Alternates, and Appointive Directors shall provide an email address which shall serve as a default username account for the DPR web-based system. The email address shall also be used by the GCG to communicate directly to the GOCC Director regarding any issues and/or concerns relating to the DPR.
- (iii) The Compliance Officer/Corporate Secretary shall be tasked to identify, collate, and submit to GCG the list of the official emails of all GOCC *Ex Officio* Members and their duly-designated Alternates, and Appointive Directors. It shall be the responsibility of the Compliance Officer/Corporate Secretary to ensure that the email addresses are accurate and up-to-date.
The Compliance Officer/Corporate Secretary shall also serve as the GOCC liaison to GCG with regard to the compliance status of the GOCC Board Members to the DPR process.

(c) Schedule:

- (i) **Individual Performance Levels.** – The GOCC's Compliance Officer/Corporate Secretary shall be informed of

the opening of the DPR schedule starting on the first working day of February of each year.

- (ii) **Submission.** – Within twenty (20) working days, the GOCC Board Members must submit the complete accomplished forms to the Governance Commission for tabulation and evaluation.

(d) Tabulation:

- (i) The GCG shall tabulate the results from the duly submitted DPR forms; *Provided,* however, that non-submission of SAFs within the prescribed time period shall warrant the GCG to automatically establish a grade for each of the Appraisal Forms, according to the following rules:

d.i.1. The Chairman's failure to submit complete appraisal forms for his Directors would warrant a final DPR grade of 60% for the Chairman, his SAF notwithstanding;

d.i.2. A Director's failure to submit a SAF shall warrant a self-appraisal grade of 60% notwithstanding a Director who signified decision not to submit the said form; and

d.i.3. A Director's failure to submit a PAF for a fellow Director shall cause the former a peer appraisal grade of 60% from the fellow Director that was not rated, notwithstanding the submission of the fellow Director's PAF.

(e) Rules on Assessing *Ex Officio* Members and their duly-designated Alternates.

(i) In cases where the *Ex Officio* Chairman did not attend Board Meetings within the PED Period, the duly-designated Alternate shall be assessed as Chairman.²

(ii) In cases where both *Ex Officio* Chairman and his/her duly-designated Alternate did not attend any board meeting during the PED Period, they shall automatically receive a final failing grade of 60%, and the Vice Chairman shall fulfill the PED obligations of, and himself be evaluated as, Chairman for the PED Period.

(iii) In cases where an *Ex Officio* Board Member did not attend any Board Meetings within the PED Period, the duly-designated Alternate shall be the one subjected to the PED evaluation.

3.3. Director Attendance Score: 10%

3.3.1. Frequency of Board Meetings. Based on Section 8(a) of the

² Section 5 of GCG MC No. 2012-08 states that "A Duly-Designated Alternate of an *Ex Officio* Board Member Acts with the Same Legal Effect as the Principal Director."

Code of Corporate Governance for GOCC (GCG M.C. No. 2012-07), Governing Boards shall meet regularly, at least once (1) a month during the PED Period, unless the GOCC's Charter or By-Laws provides otherwise. Compliance with this good governance practice shall be the primary responsibility of the Chairman.

- 3.3.2. **Committee Memberships.** – GOCC Directors shall be officially designated to GOCC Board Committees where his/her presence shall be determinative of attaining a quorum. The GOCC shall provide GCG the necessary documents indicating the official designation of a GOCC Director to a Board Committee.
- 3.3.3. **Rules on Attendance.** – An Appointive Director must have attended at least 75% of all authorized and duly called for Board and Committee meetings (to which he/she is officially designated) in any given year or at least 50% during the immediately preceding semester. In determining the total number of authorized and duly called for Board and Committee meetings, the following rules 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;
 - (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.
- 3.3.4. **Director Attendance Form (DAF).** A form duly prescribed by the GCG shall be used to encode the attendance of the GOCC Governing Board Members. The form maybe downloaded at www.gcg.gov.ph.

The Compliance Officer/ Corporate Secretary shall provide a sworn certification on the accuracy and correctness of the information encoded in the DAF. In encoding the attendance information the following rules shall apply:

- (a) Attendance of a Board Member to a Board/Committee meeting shall be marked as "Present" or "P" while non-attendance shall be marked as "Absent" or "A".
- (b) In cases where an absence is caused by an actual conduct of official business (OB), supporting documents must be

attached to the DAF as herein prescribed in Section 3.3.3(b). Non-submission of supporting documents shall cause the GCG to convert said OB to A.

(c) In cases where both *Ex Officio* Members and duly designated Alternate attended Board/Committee meetings, both shall be marked as "Present" or "P."

(d) In cases where an *Ex Officio* Member attended a Board/Committee meeting while the duly-designated Alternate was absent, the *Ex Officio* is marked as "P" while the Alternate shall also be marked as "P" and vice versa. The attendance of the Alternate shall be considered as attendance of the *Ex Officio* Member and vice versa.

(e) In cases where both *Ex Officio* Member and duly-designated Alternate were absent in a Board/Committee meeting, both shall be marked as "Absent" or "A".

3.3.5. **Individual Attendance Score.** – The Compliance Officer/Corporate Secretary shall submit to the GCG the attendance record for the calendar year of all members of the Governing Board, both Appointive and *Ex Officio*, by the first week of February of each year.

4. **ELIGIBILITY FOR REAPPOINTMENT.** – Appointive Directors who receive an overall rating of less than 85% will not be qualified to be included in the shortlist of nominees for the following term; *Provided, however,* that no score in any component should be less than 50%; *Provided, further,* that when in the GCG's evaluation, the down-rating received by an Appointive Director is not warranted, the particular Appointive Director may still be included in the shortlist for proper consideration of the President with proper explanation thereof.

5. **RESULTS OF THE PED.** – The GCG shall submit to the Supervising Agency and GOCC Chairman the results of the PED. It shall be the responsibility of the GOCC Chairman to disseminate and explain the PED results to the rest of the Members of the Governing Board.

6. **OVERALL GRADE EQUIVALENT.** –

Overall Score	Scale	Equivalent
100% - 93%	5	OUTSTANDING
92.99% - 85%	4	ABOVE AVERAGE
84.99% - 80%	3	AVERAGE
79.99% - 75%	2	BELOW AVERAGE

Overall Score	Scale	Equivalent
74.99% and below	1	POOR

7. **CHECKLIST OF SUBMISSIONS.** –

- (a) Self Appraisal Forms (SAF) of each member of the Governing Board (**SAF Forms 1, 2, and 3**);
- (b) Peer Appraisal Forms (PAFs) accomplished by the peer evaluators in assessing the performance of their fellow members in a GOCC Governing Board (**PAF Forms 1, 2, and 3**);
- (c) Supporting documents determined initially by the GOCC, without prejudice to the request for further documents/records by the GCG from the GOCC concerned.

8. **SANCTION.** – Failure of an Appointive Director to comply with the conditions of the PED shall be basis for the Governance Commission not to include his/her name in the shortlist of Appointive Directors and the non-entitlement to PBI.

9. **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.

10. **EFFECTIVITY CLAUSE.** – This Circular shall take effect immediately upon its publication in the Governance Commission's website at www.gcg.gov.ph.

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Chairman

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