

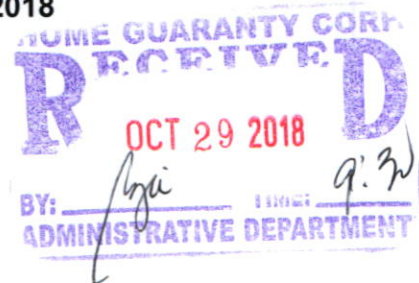
23 October 2018

**MS. CORAZON G. CORPUZ**

*Officer-in-Charge (OIC)*

**HOME GUARANTY CORPORATION (HGC)**

Jade Building, 335 Sen. Gil J. Puyat Avenue,  
 Makati City, Philippines



**RE : VALIDATION RESULT OF 2017 PERFORMANCE  
 SCORECARD OF HGC**

Dear OIC Corpuz,

This is to formally transmit the validation result of HGC's 2017 Performance Scorecard. Based on the validation of documents submitted by the HGC through letters dated 30 April 2018<sup>1</sup>, 31 May 2018<sup>2</sup>, and 08 October 2018<sup>3</sup>, HGC gained an over-all score of **51.21%** (See **Annex A**).

In relation to its application for the grant of the 2017 PBB to eligible officers and employees, HGC fails to satisfy the requirements of **GCG MEMORANDUM CIRCULAR (MC) No. 2017-01**<sup>4</sup> and the *Checklist of Documents to be submitted by GOCCs to Qualify for the 2017 Performance-Based Bonus (PBB)*, particularly the achievement of a weighted-average score of at least 90% in its 2017 Performance Scorecard. In this regard, the Board is reminded that any unilateral action to release the PBB will be considered as a violation of the Board's fiduciary duty to protect the assets of the GOCC as provided under Section 19 of Republic Act No. 10149<sup>5</sup>.

Consequently, pursuant to GCG M.C. No. 2016-01<sup>6</sup>, failure to qualify for PBB means that the Appointive Members of the Governing Board of HGC shall not be qualified to receive the Performance-Based Incentive (PBI).

**FOR YOUR INFORMATION AND GUIDANCE.**

Very truly yours,

**SAMUEL G. DASPIN, JR.**  
*Chairman*

**MICHAEL P. CLORIBEL**  
*Commissioner*

**MARITES C. DORAL**  
*Commissioner*

cc: COA Chairman **MICHAEL G. AGUINALDO**  
 COA Resident Auditor – HGC  
 Philippine Export-Import Credit Agency (PhilExim)  
 17/F Citibank Tower, Valero Street, Salcedo Village, Makati City

<sup>1</sup> Officially received by the Governance Commission on 02 May 2018.  
<sup>2</sup> Officially received by the Governance Commission on 31 May 2018.  
<sup>3</sup> Officially received by the Governance Commission on 08 October 2018.  
<sup>4</sup> INTERIM PERFORMANCE BASED-BONUS (PBB), dated 09 June 2017.  
<sup>5</sup> GOCC GOVERNANCE ACT OF 2011.  
<sup>6</sup> COMPENSATION FRAMEWORK FOR MEMBERS OF GOCC GOVERNING BOARDS, dated 10 May 2016.

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**HOME GUARANTY CORPORATION (HGC)**  
**2017 Performance Scorecard Evaluation**

Performance Measure						HGC Submission		GCG Evaluation		Supporting Documents	GCG Remarks	
	Objectives/Measures	Formula	Weight	Rating Scale	Target	Actual	Rating	Score	Rating			
SOCIAL IMPACT	SO 1	Housing and Urban Development Beyond Infrastructure: Mobilized and Sustained Private Funds for Housing Through a Viable System of Guarantees										
	SM 1	Total value of loans guaranteed	Value of outstanding guaranty for the year	15%	(Actual / Target) x Weight	₱160 Billion	₱164.70 Billion	15.00%	₱164.70 Billion	15.00%	<ul style="list-style-type: none"><li>• Guaranty Portfolio Report</li><li>• COA Annual Audit Report</li></ul>	Acceptable.
	SO 2	Guaranty Portfolio in Favor of the Low-Income Groups										
	SM 2	Percentage of value of outstanding guaranty allocated for socialized and low-cost housing (excluding HDMF accounts)	Value of outstanding guaranty allocated for socialized and low-cost housing (excluding HDMF accounts) / Total number of housing units covered by outstanding guaranty	10%	Anything lower than 70% = 0% 70% to 75% = 5% 76% and above = 10%	70%	56.63%	0.00%	-	0.00%	<ul style="list-style-type: none"><li>• Guaranty Portfolio Report</li></ul>	Based on the submitted report, socialized and low-cost housing is valued at ₱371.49 Million and ₱92.90 Billion in 2017, respectively. Out of the reported total value of guaranty of ₱164.70 Billion, socialized and low-cost housing only accounts for 56.63% of the guaranty portfolio. Such accomplishment fails to satisfy the required composition of guaranty accounts provided under Section 15 of Republic Act No. 8763, wherein socialized and low-cost housing should account for 40% and 30% of guaranty

## Validation Result of 2017 Performance Scorecard

Performance Measure							HGC Submission		GCG Evaluation		Supporting Documents	GCG Remarks
	Objectives/Measures		Formula	Weight	Rating Scale	Target	Actual	Rating	Score	Rating		
												accounts, respectively, or a total of 70%.  Following the formula and due to the insufficient supporting documents submitted, a zero rating is awarded for this measure.
	SM 3	Total value of new enrollment covering socialized housing units	Absolute amount	5%	(Actual / Target) x Weight	P400 Million	P88.28 Million	1.10%	-	0.00%	• Guaranty Portfolio Report	Per representation, new enrollments under the socialized housing package for the year 2017 was valued at P88.28 Million. However, given the inadequate documentation submitted by the HGC to determine the accuracy and validity of reported accomplishment, an automatic zero rating is awarded by the Governance Commission.
		Sub-total		30.00%				16.10%		15.00%		
STAKEHOLDERS	SO 3	To Increase Number of New Partner Banks, Developers and Other Financial Institutions in the Regions										
	SM 4	Number of active partner banks, developers and other financial institutions (FIs) in the	Actual number of active partner banks, developers and other FIs in the regions	5%	(Actual / Target) x Weight	80 (out of total number of partners by end of 2017)	64	4.00%	-	0.00%	• Guaranty Portfolio Report	The HGC reported that it has 64 active partners in the regions supporting 99,272 housing units. However, without documentation supporting the accuracy of the submitted summary report, the Governance Commission could not

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Performance Measure						HGC Submission		GCG Evaluation		Supporting Documents	GCG Remarks	
Objectives/Measures		Formula	Weight	Rating Scale	Target	Actual	Rating	Score	Rating			
FINANCE		lending regions									validate the actual accomplishment of HGC. As such, no rating is awarded to this measure.	
	SO 4	Develop Public Image/Reputation as a Dependable/Strong, Efficient and Professional Corporation										
	SM 5	Satisfaction rating based on a survey conducted by a third party <sup>1</sup>	Number of respondents who gave a rating of at least Satisfactory / Total number of respondents	5%	(Actual / Target) x Weight	90% of the respondents gave a rating of Satisfactory or higher	94% of the respondents gave a rating of Satisfactory or higher	5.00%	94% of the respondents gave a rating of Satisfactory or higher	5.00%	• Terminal Report of HGC's Customer Satisfaction Survey	Acceptable.
	SO 5	Enhance Regulatory and Supervisory Functions over Building and Loan Associations (BLAs)										
	SM 6	Operations audit conducted on BLAs	Number of operations audit conducted	5%	(Actual / Target) x Weight	3 operations audit conducted <sup>2</sup>	3 operations audit conducted	5.00%	3 operations audit conducted	5.00%	• Operational Audit Report of the BLAs	Acceptable.
		Sub-total		15.00%				14.00%		10.00%		
FINANCE	SO 6	Improve Financial Viability/Sustainability of Guaranty Operations										
	SM 7	Net Operating Income	Operating revenues - Operating expenses	10%	(Actual / Target) x Weight	₱1.221 Billion	₱1.215 Billion	9.95%	₱734.08 Million	6.01%	• HGC's Computation of Net Income	The validated amount was based on the COA Audit Report and computed

<sup>1</sup> The 2015 and 2016 surveys pertain to individual satisfaction rating for different operations/services while the 2017 target covers all operations/services.

<sup>2</sup> (1) Tahanan Mutual Building and Loan Association, (2) Home Credit Mutual Building and Loan Association, (3) Cebu Mutual Building and Loan Association.

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Performance Measure							HGC Submission		GCG Evaluation		Supporting Documents	GCG Remarks
Objectives/Measures			Formula	Weight	Rating Scale	Target	Actual	Rating	Score	Rating		
											• COA Annual Audit Report	based on the indicated formula.
	SO 7	Speed Up Asset Disposition										
	SM 8	Sales value of assets	Sales value of acquired assets sold for the year	10%	(Actual / Target) x Weight	₱687.20 Million	₱1,342.09 Million	10.00%	₱1,338.61 Million	10.00%	<ul style="list-style-type: none"><li>• Summary of Assets Disposed</li><li>• Disposition Report</li><li>• Copies of Appraisal Reports</li><li>• Copies of Terms of Payments</li><li>• Copies of Secretary's Certificates on the Sales of Assets</li><li>• Copies of Evaluation Sheets for Purchase Proposal/s on Acquired Assets</li></ul>	Upon validation using the additional documents requested by the Governance Commission, the accomplishment was revised from ₱1,342.09 Million to ₱1,338.61 Million to exclude transactions processed in 2015 and those without supporting documents.

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Performance Measure							HGC Submission		GCG Evaluation		Supporting Documents	GCG Remarks
	Objectives/Measures	Formula	Weight	Rating Scale	Target	Actual	Rating	Score	Rating			
	SO 8	Enhance Collection Efficiency to Improve Liquidity										
	SM 9	Collection efficiency	Value of actual collections during the year / Total collectibles for the year	10%	(Actual / Target) x Weight	95%	92.19%	9.70%	-	0.00%	<ul style="list-style-type: none"><li>Collection of Receivables</li></ul>	The Governance Commission finds that the submitted supporting document insufficient to verify the reported accomplishment. As such, no rating is awarded to the measure.
		Sub-total		30.00%				29.65%		16.01%		
INTERNAL PROCESS	SO 9	Enhance Operational Efficiency										
	SM 10	Delivery of service within prescribed processing period	Number of requests processed within the prescribed period / Total number of requests	5%	(Actual / Target) x Weight	100% of requests processed within the prescribed period <sup>3</sup>	100% of requests processed within the prescribed period	5.00%	3.92% of the requests were processed within the prescribed period based on verifiable documents submitted	0.20%	<ul style="list-style-type: none"><li>Summary of Processing Days for Paid Retail Accounts</li><li>Monitoring Report on Title Consolidations Filed Within 7 Working Days from Receipt of Request Complete Requirements</li></ul>	Target not met. The documents submitted by HGC were inadequate to accurately determine the legitimacy and accuracy of the reported turnaround time. The Governance Commission was only able to verify the accuracy of the reported accomplishment on the turnaround time of the guaranty calls. Thus, out of the 51 requests for 2017, only the 2 requests under the guaranty call process were considered.

<sup>3</sup> Guaranty Call – 20 calendar days; Title Consolidation – 7 working days; Sales Documentation – 25 working days

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	Objectives/Measures		Formula	Weight	Rating Scale	Target	Actual	Rating	Score	Rating		
											<ul style="list-style-type: none"><li>Monitoring of Sales Document Execution of Disposed Assets</li></ul>	
		Sub-total		5.00%				5.00%		0.20%		
LEARNING AND GROWTH	SO 10	Implement Government Quality Management System (GQMS)										
	SM 11	Quality management system	Actual accomplishment	5%	All or nothing	Quality management system ISO 9001:2015 re-certification	Quality management system ISO 9001:2015 re-certified	5.00%	Maintenance of ISO 9001:2015 Certification	5.00%	<ul style="list-style-type: none"><li>ISO 9001:2015 Certification</li><li>1<sup>st</sup> Follow-Up Audit Report of TUV Rheinland</li></ul>	Acceptable.
	SO 11	Improvement of Information Security Management										
	SM 12	Information security management system	Actual accomplishment	5%	All or nothing	Information security management system ISO 27001:2013 re-certification	Information security management system ISO 27001:2013 re-certified	5.00%	Maintenance of ISO/IEC 27001:2013 Certification	5.00%	<ul style="list-style-type: none"><li>ISO/IEC 27001:2013 Certification</li><li>1<sup>st</sup> Follow-Up Audit Report of TUV Rheinland</li></ul>	Acceptable.

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Performance Measure						HGC Submission		GCG Evaluation		Supporting Documents	GCG Remarks	
	Objectives/Measures	Formula	Weight	Rating Scale	Target	Actual	Rating	Score	Rating			
	SO 12	Automate System Process										
	SM 13	Automation of system processes	Actual accomplishment	5%	All or nothing	Roll-out and implementation of AX System Enhancement Project	Rolled-out AX System Enhancement Project	5.00%	-	0.00%	<ul style="list-style-type: none"><li>Status of HGC AX Enhancement Project</li></ul>	The supporting document of an internal status report on the project was deemed by the Governance Commission as insufficient to determine the reported accomplishment. Thus, HGC is given zero rating for this measure.
	SO 13	Improve Competencies										
	SM 14	Competency gaps given intervention	Actual accomplishment	5%	Actual / Target) x Weight	Address gap on the following competencies <sup>4</sup> : <ul style="list-style-type: none"><li>Risk management and compliance</li><li>Technical documentation</li><li>Written communication</li><li>Oral communication</li></ul>	Interventions have been provided to employees	5.00%	No improvement in the competency gaps.	0.00%	<ul style="list-style-type: none"><li>Summary Report on Number of Employees with Competency Gaps Given Intervention</li><li>Proof of Participation in Trainings/ Seminars</li><li>Accomplished</li></ul>	Upon comparing the Competency Reassessment Report for 2017 with the submitted Competency Baseline in 2016, the Governance Commission found that there were no improvements in the identified competency gaps of HGC employees.

<sup>4</sup> Based on the list provided by HGC attached as Appendix 1 in the 2017 Performance Scorecard of HGC transmitted on 04 August 2017.

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	Objectives/Measures		Formula	Weight	Rating Scale	Target	Actual	Rating	Score	Rating	
						• Critical thinking					Coaching Forms • Competency Reassessment Report
		<b>Sub-total</b>		<b>20.00%</b>				<b>20.00%</b>		<b>10.00%</b>	
		<b>TOTAL</b>		<b>100%</b>				<b>84.75%</b>		<b>51.21%</b>	

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