



21 November 2018

MS. MA. LUNA E. CACANANDO

President and CEO (PCEO)

SMALL BUSINESS CORPORATION (SBC)

139 Corporate Center, 139 Valero Street,
 Salcedo Village, Makati City



**RE : SUBMISSION OF ADDITIONAL SUPPORTING
 DOCUMENTS FOR THE 2017
PERFORMANCE SCORECARD**

Dear PCEO Cacanando,

This is in reference to your letter dated 23 October 2018¹, submitting additional documents supporting the reported actual accomplishment of the SBC on two (2) strategic measures (SMs) under the 2017 Validated Performance Scorecard² particularly, *SM 8: Number of Capacity Building Participants* and *SM 12: ISO Certification*. Under the GCG-validated 2017 Performance Scorecard, the measures were awarded a score of 0% and 2.50%, respectively. The result of the review and validation of the submitted supporting documents is discussed in the paragraphs hereunder.

ON SM 8: NUMBER OF CAPACITY BUILDING PARTICIPANTS

The SBC reported that as of yearend 2017, the corporation has provided capacity building programs to 341 micro, small, medium enterprises (MSMEs) and financial institutions, wherein 118 were new capacity building participants in 2017. However, the zero-rating awarded to the measure in the 2017 Validated Performance Scorecard was due to SBC's non-submission of the documents substantiating its reported accomplishment. During the on-site validation of the representatives of the Governance Commission on 07 August 2018 at the SBC Head Office, additional documents for the validation of the measure were requested from the SBC. However, the SBC failed to submit the requested documents during the validation period. Pursuant to Section 2.1.1 of GCG Memorandum Circular (M.C.) No. 2017-01³, accomplishments in measures which cannot be objectively verified by the Governance Commission on the account of inadequate or incomplete documentation by the GOCC on how such were determined may be given an automatic zero score.

In the subsequent submission of the SBC, the corporation presented new evidentiary documentation such as reports from its third-party service providers who conducted the capacity building program, billing letters from the consultants, internal memoranda on the conduct of capacity building programs, capacity building account

¹ Officially received by the Governance Commission on 23 October 2018.

² Letter of the Governance Commission dated 08 October 2018.

³ INTERIM PERFORMANCE BASED-BONUS (PBB), dated 09 June 2017.



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Submission of Additional Supporting Documents for the 2017 Performance Scorecard

approval memoranda, terms of reference for the implementation of the capacity building programs, capacity building program registration forms, and copies of contract of engagement with training consultants. Upon the review of the submitted documents, the Governance Commission was able to validate that as of yearend 2017, the SBC was able to provide capacity building programs to 94 participants. The breakdown of the number of participants per capacity building program, as reported by SBC and as validated by the Governance Commission, is as follows:

PROGRAM	SBC REPORTED NUMBER OF PARTICIPANTS	GCG-VALIDATED NUMBER OF PARTICIPANTS
Risk Based SME Lending Strategy	84	37
Enterprise Enhancement Program	155	57
SME Business Specialist Certification Program	52	0
Financial Management for MSMEs Training	50	0
Total	341	94 + 107

Handwritten calculations on the right side of the page:

400
 - 94

 306
 196

 400
 196

 204
 19
 12
 26
 26

 279
 (121)

As presented above, the Governance Commission can only consider 94 out of the 341 reported accomplishment. The validated number of participants include only those who have successfully completed the capacity building course as of yearend 2017. Specifically, for the Risk Based SME Lending Strategy Program and the Enterprise Enhancement Program, the validated number of participants were based on the final report of the consultant. Hence, MSMEs or financial institutions reported by the consultant to have completed the two programs were considered as accomplishment.

On the other hand, the submitted additional supporting documents (i.e. Purchase Orders and BAC documents such as Memoranda on the Endorsement of Consultant, Technical Evaluation of Consultants, Capacity Building Account Approval Memo) proving the attendance of the participants on the SME Business Specialist Certification Program and Financial Management for MSMEs Training were deemed insufficient. The BAC documents submitted pertains to the hiring of consultant to conduct the said programs while the purchase orders are proof of the conduct of the training programs. However, none of the submitted documents were able to present proof that there were 52 and 50 attendees for the SME Business Specialist Certification Program and Financial Management for MSMEs Training, respectively.

Considering the new documents presented by the SBC and the "(Actual / Target) x Weight" rating scale of the measure, the initial score of 0%, has been **REVISED** to 1.57%.

ON SM 12: ISO CERTIFICATION

Based on the transmitted 2017 Performance Scorecard, the target of SBC for the year is to maintain its ISO 9001:2008 Certification and work towards its readiness to transition to the ISO 9001:2015 standard. However, upon review of the submitted documents relative to the validation of its 2017 Performance Scorecard, which was

Submission of Additional Supporting Documents for the 2017 Performance Scorecard

submitted to the Governance Commission through letters dated 30 April 2018⁴, 14 August 2018⁵, and 16 August 2018⁶, the SBC was only able to present documents evidencing that the corporation was able to maintain its ISO 9001:2008 Certification. Given that the SBC was unable to present a certificate or any form of attestation from a third party stating that it is ready to transition to ISO 9001:2015 standards and submit the internal quality audit report and management review signifying the readiness of the corporation to transition to the new ISO 9001 standard, the SBC was only awarded half the total weight of the measure.

While the Governance Commission acknowledges the submission of the SBC of a certification from its hired third-party service provider, the certificate only states that the corporation underwent a series of activities as part of its readiness to transition to the ISO 9001:2015 standard and does not explicitly stipulate that the SBC is ready to transition to the ISO 9001:2015 standard. Thus, the Governance Commission deems the submitted certificate as insufficient evidence to substantiate the reported accomplishment of the SBC. In view of the foregoing, the 2.50% score awarded to the measure is RETAINED.

Foregoing considered, the GCG-validated score of 62.49% is hereby REVISED to **64.06%**. Attached herewith is **Annex A** reflecting the changes in the 2017 Performance Scorecard Evaluation. However, despite such increase, the SBC still fails to achieve a weighted-average score of at least 90% in the 2017 Performance Scorecard, thus, rendering the corporation ineligible to grant the 2017 Performance-Based Bonus (PBB) to its officers and employees.

FOR YOUR INFORMATION AND GUIDANCE.

Very truly yours,

SAMUEL G. DAGPIN, JR.
Chairman


MICHAEL P. CLORIBEL
Commissioner


MARITES C. DORAL
Commissioner

⁴ Officially received by the Governance Commission on 30 April 2018.

⁵ Officially received by the Governance Commission on 17 August 2018.

⁶ Officially received by the Governance Commission on 16 August 2018.

**SMALL BUSINESS CORPORATION (SBC)
2017 Performance Scorecard Evaluation**

Component					SBC Submission		GCG Validation		Supporting Documents	GCG Remarks		
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating				
SOCIAL IMPACT	SO 1 Improved Access to Finance by Unserved MSMEs											
	SM 1	Total Financing Portfolio	Year-end earning loan portfolio ¹	15%	Above ₱3.90 Billion = 15% ₱2.61 Billion to ₱3.90 Billion = 10% ₱2.43 Billion to ₱2.60 Billion = 5% Below ₱2.43 Billion = 0%	₱3.90 Billion	₱2.99 Billion	10%	₱2,987,599,918	10.00%	<ul style="list-style-type: none"> Breakdown of the Total Financing Portfolio General Ledger Report on Equity Ventures Program COA Annual Audit Report 	The SBC-reported actual is acceptable. Based on the rating scale, SBC achieved a rating of 10%.
	SM 2	Total Number of MSMEs Served	Absolute count ²	10%	(Actual / Target) x Weight	2,400	17,103	10%	17,103 MSMEs Availed of the Portfolio Guarantee Facility, Credit Risk Guarantee Fund, and Regular Credit Guarantee Programs, Retail Lending, and	10.00%	<ul style="list-style-type: none"> Certification on Total Number of MSMEs Assisted³ List of Active Borrowers List of P3 Retail Accounts List of Active Guarantee Accounts Guarantee Subcontracts 	Acceptable. The substantial increase in the number of MSMEs served in 2017 is due to the difference in the formula. Unlike in 2016, the formula for 2017 includes all MSMEs served regardless of the program they were enrolled in. Also, the implementation of the P3

¹ Includes wholesale, MF wholesale, retail regular, retail-ERF, equity financing, P3.

² Active retail lending and all ERF and equity financing clients, P3.

³ Under Portfolio Guarantee Facility, Credit Risk Guarantee Fund, and Regular Credit Guarantee.

Objective/Measure		Component				SBC Submission		GCG Validation		Supporting Documents	GCG Remarks
		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
								P3 Retail Programs of the SBC		of Sampled Banks	program was rolled-out in the same year.
SM 3	Partially-Secured Financing Ratio (Not More Than 50% Secured)	Number of unsecured borrowers / Total number of borrowers – retail lending and equity financing ⁴	5%	All or Nothing	75% - 81%	92%	5%	91.24%	5.00%	<ul style="list-style-type: none"> List of Partially Secured Loans based on Credit Approvals for 2017 on Retail Lending, ERF, and P3 Loan Approval Memorandum of Sampled Retail Accounts 	<p>Upon validation, the Governance Commission found that the partially-secured financing ratio for 2017 is 91.24%.</p> <p>The difference is due to the double counting of three borrowers as presented in the supporting documents submitted.</p> <p>Despite the difference, SBC still exceeded its target.</p>
SM 4	First Time Borrowers Ratio	Number of first time borrowers ⁵ / Total number of borrowers – retail lending and equity financing, ERF, P3-retail ⁶	5%	Above 61% = 5% 42% - 61% = 3% Below 42% = 0%	42%	68%	5%	67.53%	5.00%	<ul style="list-style-type: none"> List of Borrowers classified as New and Renewed for 2017 on Retail Lending, ERF, and P3 Approval Letter of Sampled 	<p>Upon validation, there were 732 first time borrowers in 2017 out of the 1,084 total approved borrowers of the SE. Of the 732 first time borrowers, 410 are under its retail lending program and 322 are from the P3 program. As such, the</p>

⁴ Based on approved borrowers within the year inclusive of credit line renewals; count inclusive of ERF, retail, P3-retail.

⁵ With no prior borrowing from banks.

⁶ Based on approved borrowers within the year inclusive of credit line renewals.

Component						SBC Submission		GCG Validation		Supporting Documents	GCG Remarks	
Objective/Measure		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating			
										Retail and P3 Accounts	first time borrowers ratio for 2017 is 67.53%. The difference between the reported score and validated rating is due to the double counting of two MSMEs; still, SBC exceeded its target.	
SO 2 Mainstreamed MSME-Finance thru the Banking Sector												
	SM 5	MSME Loan Portfolio of Banks Supported by SBCorp Credit Guarantee	Loans guaranteed within the year	5%	(Actual / Target) x Weight	₱1 Billion	₱1.129 Billion	5%	₱1.129 Billion	5.00%	<ul style="list-style-type: none"> List of Active Guarantee Contracts Guarantee Subcontracts of Sampled Banks 	Acceptable. SBC exceeded its target.
Sub-total			40%					35%		35.00%		
SO 3 Sustained Operating Income												
FINANCIAL	SM 6	Operational Self-Sufficiency Ratio	Core revenues / Total expenses ⁷	10%	Above 82% = 10% 80% - 82% = 8% 75% - 79.99% = 5%	80%	89%	10%	84.17%	10%	<ul style="list-style-type: none"> SBC's Computation of Net Operating Income and Operational Self-Sufficiency Ratio 	Actual score was revised using COA Audited Financial Statements (FS) and using the formula provided under the GCG-modified Performance Scorecard. Based on the COA Audited FS, core

⁷ Core revenues = Interest income from financing programs + Credit guarantee and venture capital; Total expenses = Administrative expenses + Finance cost + Credit risk cost excluding capacity building cost.

Component					SBC Submission		GCG Validation		Supporting Documents	GCG Remarks	
Objective/Measure		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual			Rating
				70% - 74.99% = 3% Below 70% = 0%						<ul style="list-style-type: none"> COA Annual Audit Report 	<p>revenues amounted to P256.60 Million while total expenses amounted to P304.86 Million.</p> <p>Despite this, SBC still exceed its target.</p>
Sub-total			10%				10%		10.00%		
CUSTOMERS	SO 4 Customer Satisfaction										
	SM 7	Customer Satisfaction Survey	Number of respondents who gave a Satisfactory rating or higher / Total number of respondents	10%	All or Nothing	90% of Respondents gave a Rating of Satisfactory or Higher	100% of Respondents Satisfied with the Program of P3, Nine out of Ten Being Definitely Satisfied with the Program	10%	Customer Satisfaction Survey conducted for P3 Clients Only	0.00%	<ul style="list-style-type: none"> Report on the Customer Satisfaction Survey among Clients of SBC who Experienced P3 from a Third Party (Market Relevance Corporation) Terms of Reference for the Procurement of a Third Party Consultant to Conduct and Assess the Customer Satisfaction Survey to P3 Clients

Objective/Measure		Component				SBC Submission		GCG Validation		Supporting Documents	GCG Remarks
		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
											may not translate to the satisfaction of its clients availing of the other products and services of the SBC. Further, the Governance Commission finds that the explanation presented by the SBC on the non-inclusion of other clients submitted through a letter dated 16 August 2018 run counter to the purpose of rolling-out the satisfaction survey. Conducting the survey once to determine the satisfaction of its clients for a particular program will not ensure that quality service is consistently provided by the SBC to all its stakeholders. It merely assesses the program of the corporation and not the service provided by the SBC.
SM 8	Number of Capacity Building Participants	Absolute number ⁸	5%	(Actual / Target) x Weight	300	343	5%	-	1.57%	<ul style="list-style-type: none"> List of Financial Institutions with Capacity Building Participants on Risk-Based 	Based on the submission of new evidentiary documents, the Governance Commission was able to validate that as of yearend 2017, the

⁸ Cumulative count which includes RBL, SME-AO, EEPro and MSME clues under other capacity building services.

Component					SBC Submission		GCG Validation		Supporting Documents	GCG Remarks		
Objective/Measure			Formula	Weight	Rating Scale	Target	Actual	Rating			Actual	Rating
											SME Lending Strategy • Certification of MSME Attendees of the Enterprise Enhancement Program • List of Graduates of the SME Business Specialist Certification Program • Certification of MSMEs that Completed the Financial Management for MSMEs Training • Copies of Reports from Consultant • Copies of Purchase Orders • Copies of Memoranda on the Endorsement of Consultant • Copies of Technical	SBC was able to provide capacity building programs to 94 participants. The validated number of participants include only those who have successfully completed the capacity building course as of yearend 2017. Specifically, for the Risk Based SME Lending Strategy Program and the Enterprise Enhancement Program, the validated number of participants were based on the final report of the consultant. Hence, MSMEs or financial institutions reported by the consultant to have completed the two programs are considered as accomplishment. On the other hand, the submitted additional supporting documents proving the attendance of the participants on the SME Business Specialist Certification Program and Financial Management

		Component				SBC Submission		GCG Validation		Supporting Documents	GCG Remarks	
Objective/Measure		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating			
										Evaluation of Consultants • Copies of Capacity Building Account Approval Memo	for MSMEs Training were deemed insufficient. Thus, from an initial score of 0%, the SBC is awarded a rating of 1.57%.	
Sub-total			15%				15%		1.57%			
INTERNAL PROCESS	SO 5 Improved Service Delivery											
	SM 9	Improve Processing Time for All Accounts in Credit Lending	Number of days from CI to issuance of notice of approval	10%	[1 - (Actual / Target)] x Weight	Average of 45 Days	49.175 Days	9%	45.74 Days	9.99%	• Summary of Loan Approval Turn-Around Time (Retail Lending Program, ERF) • Loan Approval Turn-Around Time Matrix	For 2017, the SBC processed 765 loan applications. Upon validation, the processing time averaged 45.74 days. The shortest processing time is within the day while the longest processing time is 515 days.
	SO 6 Improved Resource Management thru Risk Management											
SM 10	Risk Maintenance Rate	Number of risk-rated borrowers with Borrowers Risk Rating (BRR) score 1 to 6 / Total number of risk-related borrowers as	15%	95% and Above = 15% 90% - 94.99% = 10% 85% - 89.99% = 5%	90%	95%	15%	-	0.00%	• Summary of Borrower Sustainability Ratio • Borrower Risk Rating Guidelines • Borrower Risk Rating Scorecard of	Similar to the evaluation of the 2016 Performance Scorecard, the inconsistencies in the submissions of the SBC resulted in the inability of the Governance Commission to properly evaluate the performance of SBC since the validity	

Component					SBC Submission		GCG Validation		Supporting Documents	GCG Remarks		
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating				
			of beginning of year ⁹						Sampled Retail Accounts	and accuracy of documentary evidence presented is under question. Thus, SBC receives zero rating for this measure.		
Sub-total		25%				24%		9.99%				
SO 7 Aligned Organization and Competence to Support Risk-based MSME Financing												
LEARNING AND GROWTH	SM 11	Competency Level	Number of positions assessed / Total number of positions	5%	All or Nothing	50% of the Competency Areas ¹⁰ with the Highest Gap Addressed	Competency Areas with the Highest Gap Addressed	5%	Identified Competency Areas with the Highest Gap Addressed	5.00%	<ul style="list-style-type: none"> Management Committee Resolution No. 2018-02-087 noting the 2017 Accomplishment Report on the Learning and Development Interventions for the Officers and Employees of SBC Memorandum on SBC's Learning and Development Interventions 	Acceptable.

⁹ Borrowers under retail lending, excluding ERF.

¹⁰ Technical competencies (business regulation, business analysis, and risk management) and core or generic competencies (judgment and decision-making, planning and organizing, and technology orientation).

Objective/Measure		Component				SBC Submission		GCG Validation		Supporting Documents	GCG Remarks
		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
										in 2017 as Compliance with the GCG Approved Scorecard • Accomplishment Report as presented by the Human Resource Management and Development Group • List of Learning and Development Interventions provided to SBC Officers and Employees • Copy of Training Certificates	
SO 8 Strengthen Competencies of Employees in the Organization											
SM 12	ISO Certification	Actual accomplishment	5%	Both Maintenance of ISO 9001:2008 and Readiness for ISO 9001:2015	Maintain ISO 9001:2008 and Readiness for ISO 9001:2015 Certification	Passed Surveillance Audit and Conducted Training on Readiness for ISO 9001:2015	5%	Maintain ISO 9001:2008	2.50%	• Audit Report on the ISO 9001:2008 Standard recommending for the Maintenance of Existing Certification	Review of the submitted supporting documents shows that the SBC was able to maintain its ISO 9001:2008 Certification. While the SBC was able to submit a new document (Certificate from a Third Party

Component					SBC Submission		GCG Validation		Supporting Documents	GCG Remarks	
Objective/Measure		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual			Rating
				Certification = 5% Either Maintenance of ISO 9001:2008 or Readiness for ISO 9001:2015 Certification = 2.50%						<ul style="list-style-type: none"> • ISO 9001:2008 Certification from TUV Rheinland • Contract of Service with BCJA Training and Travel Consultancy that the BAC recommended the Award of the Development of an ISO 9001:2015 Certifiable Quality Management System of SBC to the Corporation • Memorandum on the Awarding of Contract, Contract of Service and Awarding of Contract • Roadmap for the Development of an ISO 9001:2015 	Service Provider) to substantiate its reported accomplishment on the target "Readiness for ISO 9001:2015 Certification", the Governance Commission found the submitted certificate insufficient to support the reported accomplishment of the organization. The certificate only states that the corporation underwent a series of activities as part of its readiness to transition to the ISO 9001:2015 standard and does not explicitly stipulate that the SBC is ready to transition to the ISO 9001:2015 standard. In view of the foregoing, the 2.50% score awarded to the measure was retained.

Component					SBC Submission		GCG Validation		Supporting Documents	GCG Remarks		
Objective/Measure			Formula	Weight	Rating Scale	Target	Actual	Rating			Actual	Rating
											Certifiable Quality Management System • Certificate from Third Part Service Provider stating the Activities Conducted as Part of its Readiness to Transition to the ISO 9001:2015 Standard	
Sub-total				10%				10%		7.50%		
TOTAL				100%				93.90%		64.06%		



08 October 2018

MS. MA. LUNA E. CACANANDO
President and CEO (PCEO)
SMALL BUSINESS CORPORATION (SBC)
 139 Corporate Center, 139 Valero Street,
 Salcedo Village, Makati City



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

Dear PCEO Cacanando,

This is to formally transmit the validation result of SBC's 2017 Performance Scorecard. Based on the validation of documentary submissions and conduct of onsite validation last 07 August 2018 in the SBC Head Office and 13 to 14 August 2018 in the SBC Visayas Office, SBC gained an over-all score of **62.49%** (See **Annex A**).

In relation to its application for the grant of the 2017 PBB to eligible officers and employees, SBC fails to satisfy the requirements of **GCG MEMORANDUM CIRCULAR (MC) No. 2017-01¹** 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. 10149².

Consequently, pursuant to GCG M.C. NO. 2016-01³, failure to qualify for PBB means that the Appointive Members of the Governing Board of SBC shall not be qualified to receive the Performance-Based Incentive (PBI).

FOR YOUR INFORMATION AND GUIDANCE.

Very truly yours,

SAMUEL G. DAGPIN, JR.
Chairman

OBS - jhr 10/11/18
 SCCS - 10/11/18 [signature]
 OCCO - AH 10/11/18

MICHAEL P. CLORIBEL
Commissioner

MARITES C. DORAL
Commissioner

cc: COA Chairman MICHAEL G. AGUINALDO
 COA Resident Auditor - SBC

¹ INTERIM PERFORMANCE BASED-BONUS (PBB), dated 09 June 2017.
² GOCC GOVERNANCE ACT OF 2011.
³ COMPENSATION FRAMEWORK FOR MEMBERS OF GOCC GOVERNING BOARDS, dated 10 May 2016.

**SMALL BUSINESS CORPORATION (SBC)
2017 Performance Scorecard Evaluation**

	Objective/Measure	Component			SBC Submission		GCG Validation		Supporting Documents	GCG Remarks	
		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual			Rating
SOCIAL IMPACT	SO 1 Improved Access to Finance by Unserved MSMEs										
	SM 1	Total Financing Portfolio	Year-end earning loan portfolio ¹	15%	Above ₱3.90 Billion = 15% ₱2.61 Billion to ₱3.90 Billion = 10% ₱2.43 Billion to ₱2.60 Billion = 5% Below ₱2.43 Billion = 0%	₱3.90 Billion	₱2.99 Billion	10%	₱2,987,599,918	10.00%	<ul style="list-style-type: none"> Breakdown of the Total Financing Portfolio General Ledger Report on Equity Ventures Program COA Annual Audit Report
SM 2	Total Number of MSMEs Served	Absolute count ²	10%	(Actual / Target) x Weight	2,400	17,103	10%	17,103 MSMEs Availed of the Portfolio Guarantee Facility, Credit Risk Guarantee Fund, and Regular Credit Guarantee Programs, Retail Lending, and P3 Retail Programs of the SBC	10.00%	<ul style="list-style-type: none"> Certification on Total Number of MSMEs Assisted³ List of Active Borrowers List of P3 Retail Accounts List of Active Guarantee Accounts Guarantee Subcontracts of Sampled Banks 	Acceptable. The substantial increase in the number of MSMEs served in 2017 is due to the difference in the formula. Unlike in 2016, the formula for 2017 includes all MSMEs served regardless of the program they were enrolled in. Also, the implementation of the P3 program was rolled-out in the same year.

¹ Includes wholesale, MF wholesale, retail regular, retail-ERF, equity financing, P3.

² Active retail lending and all ERF and equity financing clients, P3.

³ Under Portfolio Guarantee Facility, Credit Risk Guarantee Fund, and Regular Credit Guarantee.

Objective/Measure		Component			SBC Submission		GCG Validation		Supporting Documents	GCG Remarks
		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual		
SM 3	Partially-Secured Financing Ratio (Not More Than 50% Secured)	Number of unsecured borrowers / Total number of borrowers – retail lending and equity financing ⁴	5%	All or Nothing	75% - 81%	92%	5%	91.24%	5.00%	<ul style="list-style-type: none"> List of Partially Secured Loans based on Credit Approvals for 2017 on Retail Lending, ERF, and P3 Loan Approval Memorandum of Sampled Retail Accounts <p>Upon validation, the Governance Commission found that the partially-secured financing ratio for 2017 is 91.24%. The difference is due to the double counting of three borrowers as presented in the supporting documents submitted. Despite the difference, SBC still exceeded its target.</p>
SM 4	First Time Borrowers Ratio	Number of first time borrowers ⁵ / Total number of borrowers – retail lending and equity financing, ERF, P3-retail ⁶	5%	Above 61% = 5% 42% - 61% = 3% Below 42% = 0%	42%	68%	5%	67.53%	5.00%	<ul style="list-style-type: none"> List of Borrowers classified as New and Renewed for 2017 on Retail Lending, ERF, and P3 Approval Letter of Sampled Retail and P3 Accounts <p>Upon validation, there were 732 first time borrowers in 2017 out of the 1,084 total approved borrowers of the SBC. Of the 732 first time borrowers, 410 were under its retail lending program and 322 were from the P3 program. As such, the first time borrowers ratio for 2017 is 67.53%. The difference between the reported score and validated rating is due to the double counting of</p>

⁴ Based on approved borrowers within the year inclusive of credit line renewals; count inclusive of ERF, retail, P3-retail.

⁵ With no prior borrowing from banks.

⁶ Based on approved borrowers within the year inclusive of credit line renewals.

Objective/Measure		Component			SBC Submission		GCG Validation		Supporting Documents	GCG Remarks	
		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual			Rating
										two MSMEs; still, SBC exceeded its target	
SO 2 Mainstreamed MSME-Finance thru the Banking Sector											
SM 5	MSME Loan Portfolio of Banks Supported by SBCorp Credit Guarantee	Loans guaranteed within the year	5%	(Actual / Target) x Weight	₱1 Billion	₱1.129 Billion	5%	₱1.129 Billion	5.00%	<ul style="list-style-type: none"> List of Active Guarantee Contracts Guarantee Subcontracts of Sampled Banks 	Acceptable. SBC exceeded its target.
Sub-total			40%				35%		35.00%		
SO 3 Sustained Operating Income											
SM 6	Operational Self-Sufficiency Ratio	Core revenues / Total expenses ⁷	10%	Above 82% = 10% 80% - 82% = 8% 75% - 79.99% = 5% 70% - 74.99% = 3% Below 70% = 0%	80%	89%	10%	84.17%	10%	<ul style="list-style-type: none"> SBC's Computation of Net Operating Income and Operational Self-Sufficiency Ratio COA Annual Audit Report 	Actual score was revised using COA Audited Financial Statements (FS) and using the formula provided under the GCG- modified Performance Scorecard. Based on the COA Audited FS, core revenues amounted to ₱256.60 Million while total expenses amounted to ₱304.86 Million.

⁷ Core revenues = Interest income from financing programs + Credit guarantee and venture capital; Total expenses = Administrative expenses + Finance cost + Credit risk cost excluding capacity building cost.

		Component			SBC Submission		GCG Validation		Supporting Documents	GCG Remarks		
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating				
										Despite this, SBC still exceeded its target.		
		Sub-total	10%			10%		10.00%				
SO 4 Customer Satisfaction												
CUSTOMERS	SM 7	Customer Satisfaction Survey	Number of respondents who gave a Satisfactory rating or higher / Total number of respondents	10%	All or Nothing	90% of Respondents gave a Rating of Satisfactory or Higher	100% of Respondents Satisfied with the Program of P3, Nine out of Ten Being Definitely Satisfied with the Program	10%	Customer Satisfaction Survey conducted for P3 Clients Only	0.00%	<ul style="list-style-type: none"> Report on the Customer Satisfaction Survey among Clients of SBC who Experienced P3 from a Third Party (Market Relevance Corporation) Terms of Reference for the Procurement of a Third Party Consultant to Conduct and Assess the Customer Satisfaction Survey to P3 Clients 	<p>Upon review of the initial supporting documents, it was noticed that the SBC only conducted its customer satisfaction survey among its P3 clients. While the results of the survey conducted by a third party provider show that 100% of the respondents are satisfied with the P3 program, such accomplishment is not given merit.</p> <p>The intent of the measure and target for 2017 is to gauge the level of satisfaction and effectiveness of the service delivery of SBC to all its stakeholders. The satisfaction of P3 clients – despite representing bulk of its clients in 2017 – may not translate to the satisfaction of its clients availing of the other products and services of the SBC. Further, the Governance Commission</p>

Component					SBC Submission		GCG Validation		Supporting Documents	GCG Remarks	
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating			
										finds that the explanation presented by the SBC on the non-inclusion of other clients submitted through a letter dated 16 August 2018 run counter to the purpose of rolling-out satisfaction survey. Conducting the survey once to determine the satisfaction of its clients for a particular program will not ensure that quality service is consistently provided by the SBC to all its stakeholders. It merely assesses the program of the corporation and not the service provided by the SBC as a whole.	
SM 8	Number of Capacity Building Participants	Absolute number ⁸	5%	(Actual / Target) x Weight	300	343	5%	-	0.00%	<ul style="list-style-type: none"> List of Financial Institutions with Capacity Building Participants on Risk-Based SME Lending Strategy Certification of MSME Attendees of the Enterprise 	Reported actual cannot be validated due to the non-submission of additional supporting documents requested during the onsite validation. The SBC is given an automatic score of zero percent pursuant to Item 2.1.1 of GCG MC No. 2017-01 ⁹ .

⁸ Cumulative count which includes RBL, SME-AO, EEPro and MSME clues under other capacity building services.

⁹ Interim Performance Based-Bonus dated 09 June 2017.

		Component				SBC Submission		GCG Validation		Supporting Documents	GCG Remarks	
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating				
										<ul style="list-style-type: none"> Enhancement Program List of Graduates of the SME Business Specialist Certification Program ✓ Certification of MSMEs that Completed the Financial Management for MSMEs Training ✓ 		
		Sub-total	15%					15%	0.00%			
INTERNAL PROCESS	SO 5	Improved Service Delivery										
	SM 9	Improve Processing Time for All Accounts in Credit Lending	Number of days from CI to issuance of notice of approval	10%	$[1 - (\text{Actual} / \text{Target})] \times \text{Weight}$	Average of 45 Days	49.175 Days	9%	45.74 Days	9.99%	<ul style="list-style-type: none"> Summary of Loan Approval Turn-Around Time (Retail Lending Program, ERF) Loan Approval Turn-Around Time Matrix 	For 2017, the SBC processed 765 loan applications. Upon validation, the processing time averaged 45.74 calendar days. The shortest processing time is within the day while the longest processing time is 515 days.
	SO 6	Improved Resource Management thru Risk Management										
	SM 10	Risk Maintenance Rate	Number of risk-rated borrowers with Borrowers	15%	95% and Above = 15%	90%	95%	15%	-	0.00%	Summary of Borrower Sustainability Ratio	Similar to the evaluation of the 2016 Performance Scorecard, the inconsistencies in the

		Component			SBC Submission		GCG Validation		Supporting Documents	GCG Remarks	
Objective/Measure		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
		Risk Rating (BRR) score 1 to 6 / Total number of risk-related borrowers as of beginning of year ¹⁰		90% - 94.99% = 10% 85% - 89.99% = 5% Below 85% = 0%						<ul style="list-style-type: none"> Borrower Risk Rating Guidelines Borrower Risk Rating Scorecard of Sampled Retail Accounts 	submissions of the SBC resulted in the inability of the Governance Commission to properly evaluate the performance of SBC since the validity and accuracy of documentary evidence presented is under question. Thus, SBC receives zero rating for this measure.
Sub-total			25%				24%		9.99%		
LEARNING AND GROWTH	SO 7 Aligned Organization and Competence to Support Risk-based MSME Financing										
	SM 11	Competency Level	Number of positions assessed / Total number of positions	5%	All or Nothing	50% of the Competency Areas ¹¹ with the Highest Gap Addressed	Competency Areas with the Highest Gap Addressed	5%	Identified Competency Areas with the Highest Gap Addressed	5.00%	<ul style="list-style-type: none"> Management Committee Resolution No. 2018-02-087 noting the 2017 Accomplishment Report on the Learning and Development Interventions for the Officers and Employees of SBC

¹⁰ Borrowers under retail lending, excluding ERF.

¹¹ Technical competencies (business regulation, business analysis, and risk management) and core or generic competencies (judgment and decision-making, planning and organizing, and technology orientation).

Objective/Measure		Component			SBC Submission		GCG Validation		Supporting Documents	GCG Remarks	
		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual			Rating
									<ul style="list-style-type: none"> • Memorandum on SBC's Learning and Development Interventions in 2017 as Compliance with the GCG Approved Scorecard • Accomplishment Report as presented by the Human Resource Management and Development Group • List of Learning and Development Interventions provided to SBC Officers and Employees • Copy of Training Certificates 		
SO 8 Strengthen Competencies of Employees in the Organization											
SM 12	ISO Certification	Actual accomplishment	5%	Both Maintenance of ISO 9001:2008 and	Maintain ISO 9001:2008 and Readiness	Passed Surveillance Audit and Conducted Training on	5%	Maintain ISO 9001:2008	2.50%	<ul style="list-style-type: none"> • Audit Report on the ISO 9001:2008 Standard recommen- 	Review of the submitted supporting documents shows that the SBC was able to maintain its ISO

Objective/Measure			Component		SBC Submission		GCG Validation		Supporting Documents	GCG Remarks
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating	Supporting Documents	GCG Remarks
			Readiness for ISO 9001:2015 Certification = 5% Either Maintenance of ISO 9001:2008 or Readiness for ISO 9001:2015 Certification = 2.50%	for ISO 9001:2015 Certification	Readiness for ISO 9001:2015				ding for the Maintenance of Existing Certification <ul style="list-style-type: none"> • ISO 9001:2008 Certification from TUV Rheinland • Contract of Service with BCJA Training and Travel Consultancy that the BAC recommended the Award of the Development of an ISO 9001:2015 Certifiable Quality Management System of SBC to the Corporation • Memorandum on the Awarding of Contract, Contract of Service and Awarding of Contract • Roadmap for the 	9001:2008 Certification. However, the SBC was unable to present a certificate or any form of attestation from a third party stating that it is ready to transition to 9001:2015. As such, the Governance Commission awards a weight of 2.50% for this measure.

Objective/Measure			Component				SBC Submission		GCG Validation		Supporting Documents	GCG Remarks
			Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
										Development of an ISO 9001:2015 Certifiable Quality Management System		
Sub-total				10%				10%		7.50%		
TOTAL				100%				93.90%		62.49%		