



PERFORMANCE AGREEMENT

This Performance Agreement has been executed pursuant to the **PERFORMANCE EVALUATION SYSTEM FOR THE GOCC SECTOR (GCG MC No. 2013-02 [Re-Issued])** between the –

GOVERNANCE COMMISSION FOR GOCCs (GCG)

- and -

SMALL BUSINESS CORPORATION (SBC)

WITNESSETH: THAT –

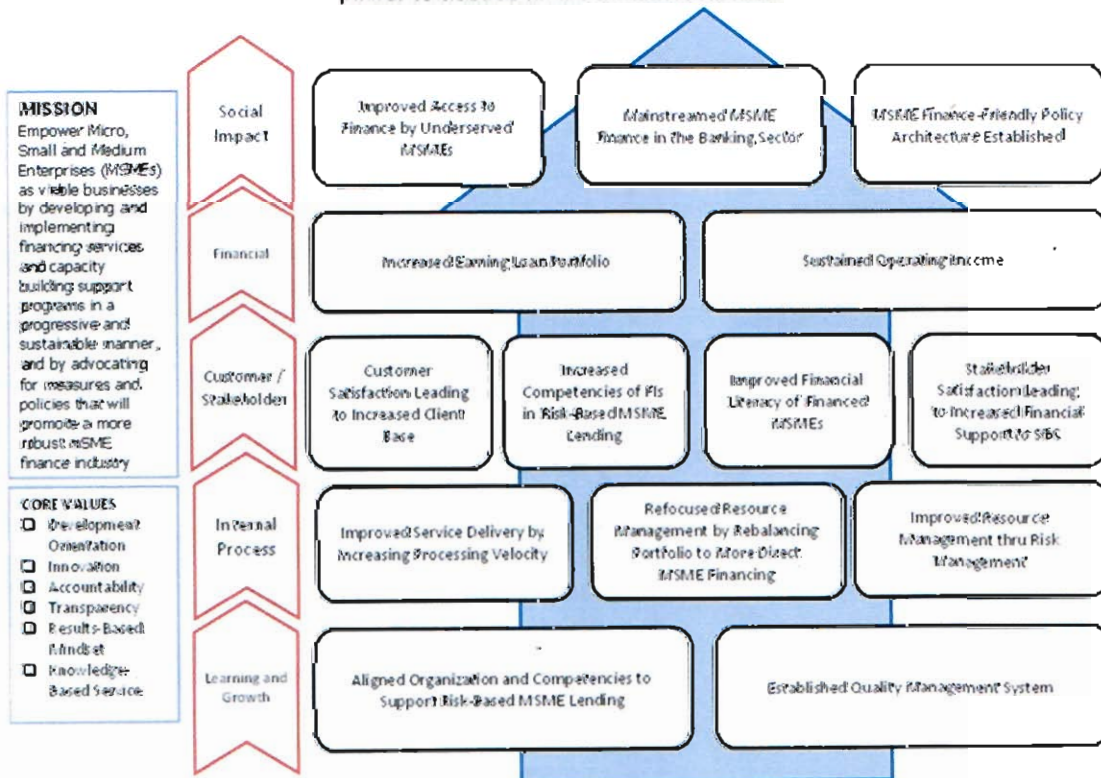
The Parties agree to the following terms:

1. **Period.** – This Agreement shall be effective beginning from the execution of this Agreement and ending upon the determination by the Governance Commission of the eligibility of SBC for the FY 2015 PBB and PBI.
2. **Charter Statement and Strategy Map.** – SBC's Charter Statement and Strategy Map for the Period specified in Section 1 hereof, shall be as follows:



VISION: Medium-Term Vision: By 2018, SBCorp will have effectively contributed to the strengthening of MSME finance in the country by reducing the number of unserved mSMEs

Long-Term Vision: We envision a country where mSMEs hold the power to access finance for themselves



3. **Measurement of Performance.** – Based on the Performance Scorecard 2015 attached hereto as **Annex A**, the SBC's Performance for 2015 shall

be based on the following Measures/Performance Indicators and Annual Targets, to wit:

	COMPONENT	WEIGHT	RATING SYSTEM	2015 TARGET	
SOCIAL IMPACT	SO 1	Improved Access to Finance by Underserved Micro, Small and Medium Enterprises (MSMEs)			
	SM 1	Partially-secured loan ratio (not more than 50% secured)	5%	(Actual/Target) x Weight	81%
	SM 2	Young enterprises ratio	5%	(Actual/Target) x Weight	25%
	SM 3	Enterprise rehabilitation financing for MSMEs damaged by calamity	5%	(Actual/Target) x Weight	₱700 Million
	SO 2	Mainstreamed MSME Finance in the Banking Sector			
	SM 4	Average guarantee contingent liability	5%	(Actual/Target) x Weight	₱250 Million
	SO 3	MSME Finance-Friendly Policy Architecture Established			
	SM 5	Policy endorsements	5%	All or nothing (2.5% weight for each target)	1) Signed resolution adopting the industry roadmap for MSME Finance 2) Congressional Oversight Committee (COC) Resolution on Magna Carta
		Sub-total	25%		
FINANCE	SO 4	Increased Earning Loan Portfolio			
	SM 6	Average earning loan portfolio balance plus total ERF portfolio and equity financing portfolio	10%	(Actual/Target) x Weight	₱2,940 Million
	SO 5	Sustained Operating Income			
	SM 7	Net Operating Income	2.5%	(Actual/Target) x Weight	₱7.4 Million
	SM 8	Operational Self-Sufficiency Ratio	2.5%	(Actual/Target) x Weight	78%
		Sub-total	15%		
CUSTOMER / STAKEHOLDER	SO 6	Customer Satisfaction Leading to Increased Client Base			
	SM 9	Customer Satisfaction Survey	5%	All or nothing	Satisfactory
	SM 10	No. of direct MSME clients	10%	(Actual/Target) x Weight	1,560
	SO 7	Increased Competencies of Financial Institutions (FIs) in Risk-Based MSME Lending			
	SM 11	No. of RBL FI graduates	5%	(Actual/Target) x Weight	55
	SM 12	No. of SME-oriented AO graduated leading to certification	5%	(Actual/Target) x Weight	30
	SO 8	Improved Financial Literacy of Financed MSMEs			

COMPONENT		WEIGHT	RATING SYSTEM	2015 TARGET	
SM 13	No. of EEPro graduates	5%	(Actual/Target) x Weight	60	
SO 9	Stakeholder Satisfaction Leading to Increased Financial Support to SBC				
SM 14	Level of new NG funding received and/or of low cost borrowings	0%		₱150 Million	
	Sub-total	30%			
INTERNAL PROCESS	SO 10	Improved Service Delivery by Increasing Processing Velocity			
	SM 15	Processing velocity	5%	(Actual/Target) x Weight	10.4
	SO 11	Refocused Resource Management by Rebalancing Portfolio to More Direct MSME Financing			
	SM 16	Share of direct financing to total portfolio	5%	(Actual/Target) x Weight	54%
	SO 12	Improved Resource Management thru Risk Management			
	SM 17	Sustainability rate of MSME borrowers	5%	(Actual/Target) x Weight	87%
		Sub-total	15%		
LEARNING AND GROWTH	SO 13	Aligned Organization and Competencies to Support Risk-Based MSME Lending			
	SM 18	Increased number of field officers competent on RBL MSME lending	2.5%	(Actual/Target) x Weight	42
	SM 19	Competency Framework	2.5%	All or nothing	Established competency framework
	SO 14	Established Quality Management System			
	SM 20	Automation capabilities	5%	All or nothing	fully automated loans receivable to cash process
	SM 21	ISO Certification	5%	All or nothing	ISO Certification
		Sub-total	15%		
	TOTAL	100%			

It is understood that the GOCC must achieve a weighted-average of at least 90% to be eligible to grant any Performance-Based Bonus.

4. **Strategic Initiatives.** – SBC hereby commits to undertaking the following key programs and/or projects identified as having a significant impact on its Performance Scorecard (PES Form 2) attached hereto as **Annex B**, to wit:
- (a) Strategic Initiative 1 – Strategic Expansion of Financing Portfolio;
 - (b) Strategic Initiative 2 – Advocacy for SME Finance as an Industry;
 - (c) Strategic Initiative 3 – Organizational Preparation through Reorganization; and
 - (d) Strategic Initiative 4 – Advocacy for Funding Support.

The Commitment herein includes obtaining all necessary approvals, if applicable, such as those for Major Development Projects under GCG MC

No. 2013-03. SBC shall include updates on the foregoing Strategic Initiatives in its submission of quarterly monitoring reports to the GCG.

5. **Quarterly Submission of Performance Monitoring.** – SBC shall submit a quarterly monitoring report to the GCG within thirty (30) calendar days from the close of each quarter using the monitoring report attached hereto as **Annex C**.

6. **Good Governance Conditions.** – In addition to the covered portions of the Performance Scorecard, SBC must fully comply with the Good Governance Conditions enumerated under GCG MC No. 2013-02 (Re-Issued), GCG MC No. 2014-02, and GCG MC No. 2014-03 namely:
 - 6.1. *Conditions Common to National Government Agencies and GOCCs:*
 - (a) Transparency Seal;
 - (b) PhilGEPS Posting;
 - (c) Cash Advance Liquidation;
 - (d) Citizen's Charter or its equivalent; and
 - (e) Compliance with the submission and review requirements covering Statement of Assets, Liabilities and Networth (SALN);

 - 6.2. *Conditions Specific to GOCCs Covered by R.A. No. 10149:*
 - (a) Satisfaction of all statutory liabilities, including the payment of all taxes due to the Government, and declaration and payment of all dividends to the State as of the end of the applicable calendar year, whenever applicable. Liabilities that are still under dispute and there has been no final and executory judgment/decision as of the date of the release of the PBB by the GOCC shall be excluded for the purpose of this provision.
 - (b) Submission and execution of concrete and time bound action plans for addressing Notices of Disallowances and Audit Observation Memoranda from the Commission on Audit (COA), if any.
 - (c) Adoption of a "*Manual of Corporate Governance*" pursuant to Section 42 of the **CODE OF CORPORATE GOVERNANCE FOR GOCCs (GCG MC No. 2012-07)** that is approved by GCG and uploaded on the GOCC's website.
 - (d) Compliance with posting on the GOCC's website the information enumerated under Section 43 of GCG MC No. 2012-07.
 - (e) Adoption of a **No GIFT POLICY** approved by the GCG and uploaded on the GOCC's website pursuant to Section 29 of GCG MC No. 2012-07.
 - (f) Compliance with the deadlines and submission of reports through the Integrated Corporate Reporting System (ICRS) pursuant to GCG MC No. 2014-02.
 - (g) Compliance by all members of the Governing Board with the submission of all required forms for the Director Performance Review (DPR) pursuant to GCG MC. No. 2014-03 and implementing issuances pursuant thereto.
 - (h) Submission of Corporate Operating Budgets (COBs):

- i. For GOCCs receiving national government budgetary support, COBs shall be submitted to the Department of Budget and Management (DBM) for review and approval on or before the deadline indicated in DBM National Budget Memorandum No. 120 on "Budget Call for FY 2015;"
 - ii. For GOCCs without national government budgetary support, COBs shall be submitted to the Governance Commission using the same deadline as provided in DBM National Budget Memorandum No. 120.
7. SBC hereby undertakes to have its Performance Scorecard rated by its customers and solicit feedback on how the same may be improved. SBC shall determine the most effective method for accomplishing the said purpose. Such information shall be reported to GCG together with the quarterly monitoring report. The rating shall not affect the performance indicators/measures in SBC's Performance Scorecard, and shall be used solely as a reference by GCG and SBC during Performance Agreement Negotiations/Renegotiations.
8. SBC shall timely inform GCG of all audit observations and notices of disallowances within seven (7) working days from the time it receives the same from the Commission on Audit (COA) prior to the regular publication of the final annual audit report. Accordingly, SBC shall copy furnish the Governance Commission copies of all written communications between SBC and COA on such matters, inform GCG of the schedule of its exit interview with COA seven (7) working days before the schedule or as soon as practicable, and other efficient means of inter-agency coordination.

Failure to timely disclose such matters to the Governance Commission prior to the same becoming public information or the submission of the application for the Performance-Based Bonus (PBB) or Performance-Based Incentive (PBI) may be considered as non-compliance with the Good Governance Condition of submitting Concrete and Time Bound Action Plans on findings of COA, rendering the Governing Board **INELIGIBLE** to apply for the PBI, without prejudice to a further determination on the impact of the same on the GOCCs PBB application.
9. Nothing herein shall be construed as limiting the authority of GCG to initiate renegotiations and/or revoke Performance Agreements in accordance with existing laws, rules and regulations.

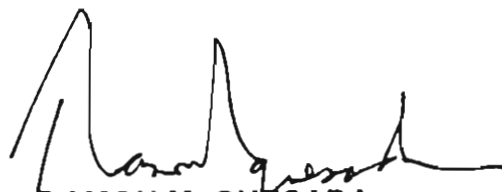
DONE, this 7th day of January 2015, in the City of Makati, Philippines.

**GOVERNANCE COMMISSION FOR
GOCCs**

BY AUTHORITY OF THE COMMISSION:

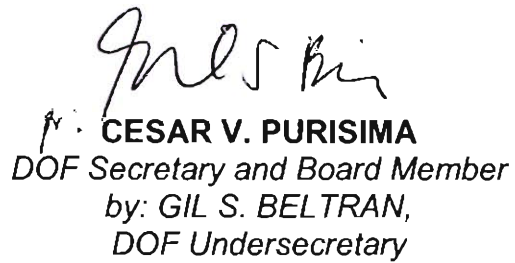

CESAR L. VILLANUEVA
Chairman

SMALL BUSINESS CORPORATION


RAMON M. QUESADA
Chairman



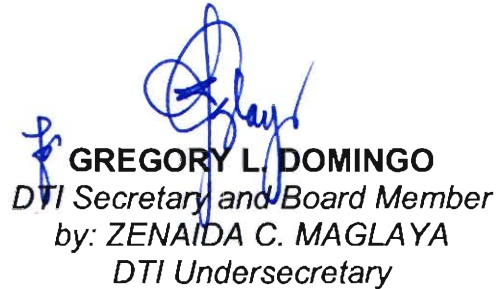
MA ANGELA E. IGNACIO
Commissioner



CESAR V. PURISIMA
DOF Secretary and Board Member
by: GIL S. BELTRAN,
DOF Undersecretary



RAINIER B. BUTALID
Commissioner

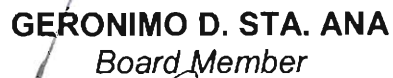


GREGORY L. DOMINGO
DTI Secretary and Board Member
by: ZENAIDA C. MAGLAYA
DTI Undersecretary

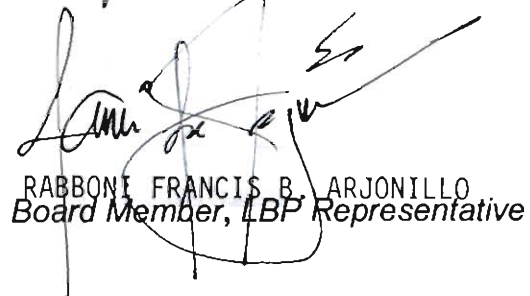
- on travel -
MERLY M. CRUZ
Board Member



AJIJUL ADAM TARADJI
Board Member



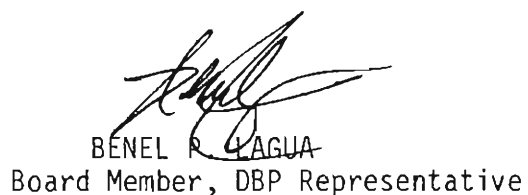
GERONIMO D. STA. ANA
Board Member



RABBONE FRANCIS B. ARJONILLO
Board Member, LBP Representative



ANDRES C. SARMIENTO
Board Member, LBP Representative



BENEL R. CAGUA
Board Member, DBP Representative

SMALL BUSINESS CORPORATION

		Component				Baseline (if applicable)		Target	
	Strategic Measure	Formula	Weight	Rating System	Data Provider	2013	2014	2015	
SOCIAL IMPACT	SO 1	Improved Access to Finance by Underserved MSMEs							
	SM 1	Partially-secured loan ratio (not more than 50% secured)	Number of unsecured borrowers (not more than 50% secured) / Total number of borrowers - Retail and Credit Guarantee (Universe is approved accounts for the year)	5%	(Actual/Target) x Weight		75%	78%	81%
	SM 2	Young enterprises ratio	Number of borrowers not more than 5 years in business / Total number of borrowers - Retail and Venture Capital (Universe is approved accounts for the year)	5%	(Actual/Target) x Weight		13%	19%	25%
	SM 3	Enterprise rehabilitation financing for MSMEs damaged by calamity	Cumulative term loans or equity released in million PHP - Retail and Equity Financing	5%	(Actual/Target) x Weight		N/A	₱275 Million	₱700 Million
	SO 2	Mainstreamed MSME Finance in the Banking Sector							
	SM 4	Average guarantee contingent liability	Monthly average	5%	(Actual/Target) x Weight		₱130.6 Million	₱180 Million	₱250 Million
	SO 3	MSME Finance-Friendly Policy Architecture Established							
	SM 5	Policy endorsements	Absolute	5%	All or nothing (2.5% weight for each target)		N/A	N/A	1) Signed resolution adopting the industry roadmap for MSME Finance 2)

		Component				Baseline (if applicable)		Target	
	Strategic Measure	Formula	Weight	Rating System	Data Provider	2013	2014	2015	
								Congressional Oversight Committee (COC) Resolution on Magna Carta	
	Sub-total		25%						
FINANCE	SO 4	Increased Earning Loan Portfolio							
	SM 6	Average earning loan portfolio balance plus total ERF portfolio and equity financing portfolio	Average monthly earning loan portfolio of wholesale lending and incubation-graduation retail plus total ERF portfolio; in million PHP	10%	(Actual/Target) x Weight		₱2,734 Million	₱2.8 Billion	₱2,940 Million
	SO 5	Sustained Operating Income							
	SM 7	Net Operating Income	Total Operating Income less Operating Expenses	2.5%	(Actual/Target) x Weight		₱3.88 Million		₱7.40 Million
	SM 8	Operational Self-Sufficiency Ratio	Core Operating Income / Total Expenses	2.5%	(Actual/Target) x Weight		68%		78%
		Sub-total		15%					
CUSTOMER / STAKEHOLDER	SO 6	Customer Satisfaction Leading to Increased Client Base							
	SM 9	Customer Satisfaction Survey	Absolute	5%	All or nothing		N/A	N/A	Satisfactory
	SM 10	No. of direct MSME clients	Absolute count, retail lending, equity financing and credit guarantee	10%	(Actual/Target) x Weight		0	983	1,560

		Component				Baseline (if applicable)		Target	
	Strategic Measure	Formula	Weight	Rating System	Data Provider	2013	2014	2015	
	SO 7	Increased Competencies of Financial Institutions (FIs) in Risk-Based MSME Lending							
	SM 11	No. of RBL FI graduates	Cumulative	5%	(Actual/Target) x Weight		23	35	55
	SM 12	No. of SME-oriented AO graduated leading to certification	Absolute count, excluding SBC staff	5%	(Actual/Target) x Weight		N/A	N/A	30
	SO 8	Improved Financial Literacy of Financed MSMEs							
	SM 13	No. of EEPro graduates	Cumulative, inclusive of enrollees finishing at least their business plan	5%	(Actual/Target) x Weight		N/A	N/A	60
	SO 9	Stakeholder Satisfaction Leading to Increased Financial Support to SBC							
	SM 14	Level of new NG funding received and/or of low cost borrowings	Cumulative	0%			N/A	₱100 Million	₱150 Million
		Sub-total		30%					
INTERNAL PROCESS	SO 10	Improved Service Delivery by Increasing Processing Velocity							
	SM 15	Processing velocity	Number of clients/ Number of total employees	5%	(Actual/Target) x Weight		5.5	7.2	10.4
	SO 11	Refocused Resource Management by Rebalancing Portfolio to More Direct MSME Financing							
	SM 16	Share of direct financing to total portfolio	Sum of retail lending + venture capital portfolios divided by total portfolios	5%	(Actual/Target) x Weight		N/A	33%	54%
	SO 12	Improved Resource Management thru Risk Management							

		Component					Baseline (if applicable)		Target
	Strategic Measure	Formula	Weight	Rating System	Data Provider	2013	2014	2015	
	SM 17	Sustainability rate of MSME borrowers	Percent BRR 1 to 6 / Total number of risk-rated borrowers as of beginning of year under retail lending, excluding ERF	5%	(Actual/Target) x Weight		85%	86%	87%
		Sub-total		15%					
LEARNING AND GROWTH	SO 13	Aligned Organization and Competencies to Support Risk-Based MSME Lending							
	SM 18	Increased number of field officers competent on RBL MSME lending	No. of normal-risk AOs and of DOs by first quarter of the year, trained by year-end under SBC SME Finance capacity building program	2.5%	(Actual/Target) x Weight		N/A	N/A	42
	SM 19	Competency Framework	Approved and adopted by the Board	2.5%	All or nothing		N/A	N/A	Established competency framework
	SO 14	Established Quality Management System							
	SM 20	Automation capabilities	As internally audited	5%	All or nothing		N/A	fully automated cash to loans receivable process	fully automated loans receivable to cash process
	SM 21	ISO Certification	Certification granted to SBC	5%	All or nothing		N/A	N/A	ISO Certification
			Sub-total		15%				
		TOTAL		100%					