



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 -

NATIONAL DEVELOPMENT COMPANY (NDC)

WHEREAS, the Parties above entered into a Performance Agreement covering CY 2016;

WITNESSETH: THAT –

The Parties agree to the following terms:

1. **Renegotiation.** – NDC's Performance Scorecard in its 2015 Performance Agreement is hereby amended pursuant to the attached **Renegotiated Performance Scorecard**. All other conditions in the Performance Agreement covering CY 2015 shall remain effective.
2. **Mission and Vision.** – NDC's Mission, Vision and target breakthrough results for its vision year are as follows:

Mission : NDC invests in strategic areas where supply chain gaps exist

NDC manages a financially sustainable investment portfolio responsive to public interest and priorities.

NDC undertakes joint venture arrangements to promote and enhance the competitiveness in the industry and agriculture sectors.

Vision : By 2019, NDC shall be the preferred government investment arm serving as an effective catalyst for inclusive growth.

	2012 <i>Historical</i>	2015 <i>Baseline for the Vision</i>	2017 <i>Basecamp</i>	2019 <i>Vision Year</i>
<i>Percent of Investment funds in Priority Areas</i>	0%	70%	80%	85%
<i>Cumulative total value of projects preferably in Priority Areas</i>	₱7 M	₱2.7 B	₱5.65 B	₱9.38 B

The agreed Strategy Map for achieving the vision is attached hereto as **Annex A**. The above breakthrough results shall serve as the context of

performance negotiations of annual targets between the Governance Commission and the Board of the GOCC until the vision year.

2. **Measurement of Performance.** – Performance for 2016 shall be measured based on the Performance Scorecard attached hereto as **Annex B and B-1, respectively**. It is understood that the GOCC must achieve a weighted-average of at least 90% based on the agreed targets for 2016 to be eligible to grant any Performance-Based Bonus.
3. **Strategic Initiatives.** – NDC 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 C**, to wit:
 - (a) Strategic Initiative 1 – Core Process Optimization Program;
 - (b) Strategic Initiative 2 – Corporate Branding;
 - (c) Strategic Initiative 3 – Maximize utilization of assets based on comprehensive studies; and
 - (d) Strategic Initiative 4a and 4b – Build a High Performing Team.

The Commitment herein includes obtaining all necessary approvals, if applicable, such as those for Major Development Projects under GCG MC No. 2013-03. NDC shall include updates on the foregoing Strategic Initiatives in its submission of quarterly monitoring reports to the GCG.
4. **Quarterly Submission of Performance Monitoring.** – NDC shall submit a quarterly monitoring report to the GCG within thirty (30) calendar days from the close of each quarter using the monthly monitoring report attached hereto as **Annex D**.
5. **Good Governance Conditions.** – In addition to the covered portions of the Performance Scorecard, the GOCC 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:
 - 5.1. *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);
 - 5.2. *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 cleared by the Department of Finance (DOF), whenever applicable.
 - (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. 123 on "Budget Call for FY 2016;"
 - 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. 123.

6. NDC 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, NDC shall copy furnish the Governance Commission copies of all written communications between NDC 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.

7. 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 19th day of January 2016, in the City of Makati, Philippines.

**GOVERNANCE COMMISSION
FOR GOCCs**

BY AUTHORITY OF THE COMMISSION:



CESAR L. VILLANUEVA
Chairman




MA. ANGELA E. IGNACIO
Commissioner



RAINIER B. BUTALID
Commissioner


NATIONAL DEVELOPMENT COMPANY



ADRIAN S. CRISTOBAL JR.
Chairman
Secretary, Department of Trade and Industry



MA. LOURDES F. REBUENA
Board Member
General Manager



CESAR V. PURISIMA
Ex-Officio Board Member
Secretary, Department of Finance

FLORENCIO B. ABAD
Ex-Officio Board Member
Secretary, Department of Budget and
Management



ZENAIDA Y. MONSADA
Ex-Officio Board Member
Secretary, Department of Energy

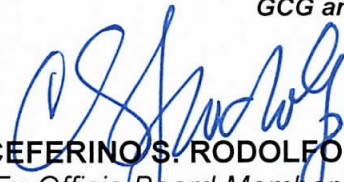


RAMON JESUS P. PAJE
Ex-Officio Board Member
Secretary, Department of Environmental and
Natural Resources



AMANDO M. TETANGCO JR.
Ex-Officio Board Member
Governor, Bangko Sentral ng Pilipinas



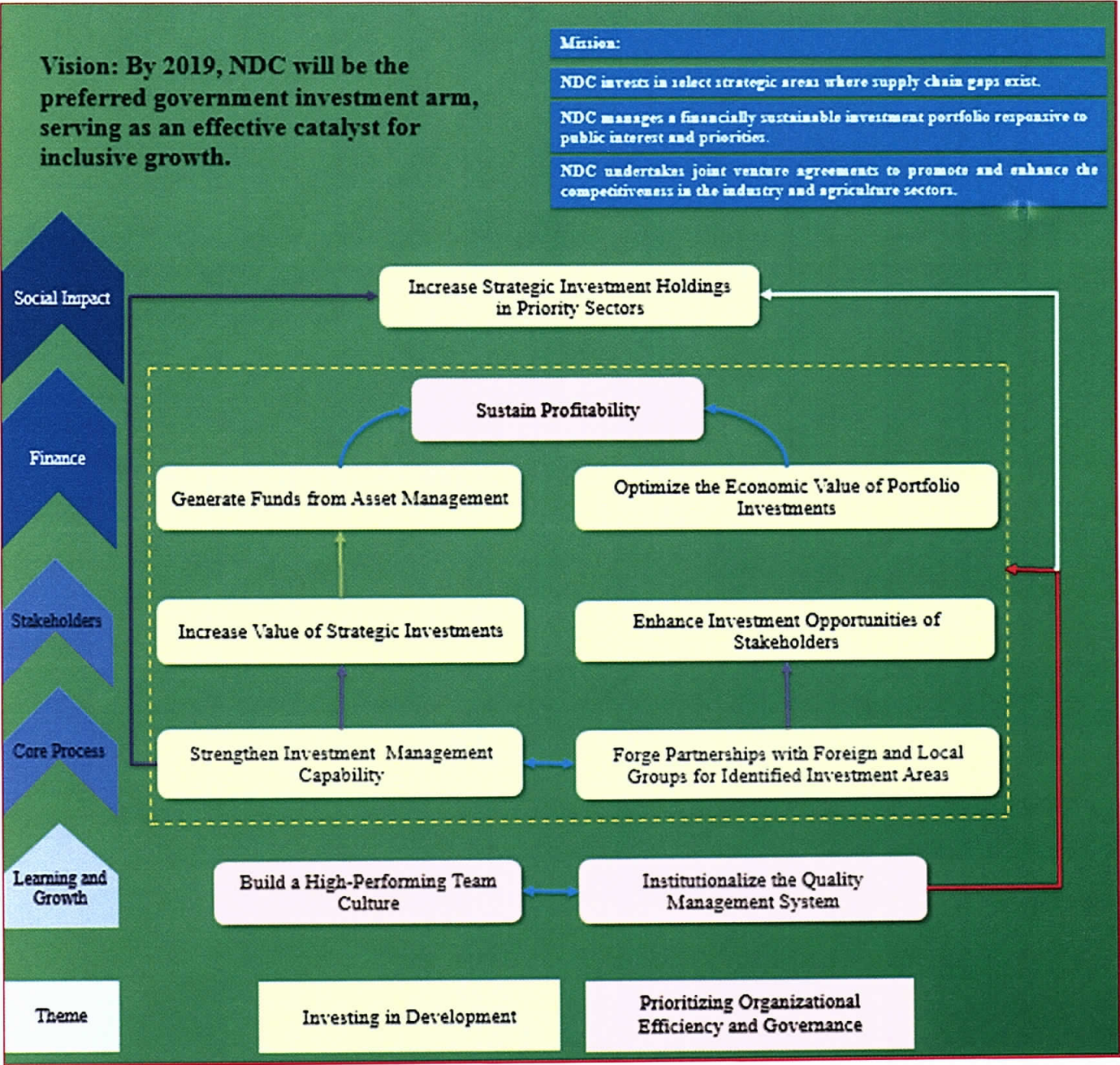


CEFERINO S. RODOLFO
Ex-Officio Board Member
Managing Head, Board of Investments



JOSE A. NUÑEZ, JR.
Board Member
Chairman, Development Bank of the
Philippines

NATIONAL DEVELOPMENT COMPANY



NATIONAL DEVELOPMENT COMPANY

Component					Rating Scale	Baseline Data			Target
		Objective/Measure	Formula	Weight		2012	2013	2014	2015
Social Impact	SO 1	Increase value of strategic investment							
	SM 1	Cumulative total value of projects preferably in agriculture and power	Actual Cumulative value of projects	15%	Actual Increase / Target Increase x Weight	₱7 M	₱500 M	₱1,237 M	₱2,737 M
	SO 2	Enhance investment opportunities of stakeholders							
	SM 2	% of JV partners/proponents who rated NDC good or better as partner	Number of JV partners/proponents who rated NDC as good or better / Total number of JV partners/proponents surveyed	5%	Actual / Target x Weight	-	100%	100%	100%
	SM 3	% of investment funds in agriculture and power	Amount of investments in Agriculture and Power per annum / Total Amount of Investments per annum	15%	Actual / Target x Weight	-	18%	65%	70%
		Sub-total		35%					
Financial	SO 3	Sustain profitability							
	SM 4	Net profit margin	Net Income / Total Revenues	10%	Actual / Target x Weight	40%	57.18%	28.15%	43.35% (net of impairment loss)
	SO 4	Generate funds from asset management							
	SM 5	Sales proceeds for the year	Actual amount of sales proceed	5%	Actual / Target x Weight	₱0.5 M	₱55.5 M	₱0.46 M	₱73.5 M

Component					Rating Scale	Baseline Data			Target
	Objective/Measure	Formula	Weight			2012	2013	2014	2015
	SM 6	Lease income	Actual amount of lease income	5%	Actual / Target x Weight	₱84.4 M	₱114.5 M	₱131 M	₱176 M
	SO 5	Optimize the economic value of portfolio investments							
	SM 7	Return on investments	Amount of Returns / Total Investment infused net of allowance for impairment and excluding companies for dissolution and pre-operating expenses	10%	Actual / Target x Weight	22.19%	22.67%	20.95%	32.34%
		Sub-total		30%					
Core Process	SO 6	Strengthen investment management capability							
	SM 8	% of funds released (internal or external source) for investment/financing activities within TAT of not more than 2 weeks after completion of documentation	Funds release w/in TAT of not more than 2 weeks after completion of documentation / Total funds released after completion of documentation	10%	Actual / Target x Weight	-	100% (14 calendar days)	100% (14 calendar days)	100% (12 calendar days)
	SO 7	Forge partnerships with foreign and local groups for identified investment areas							
	SM 9	Average TAT for JV or partnership agreements for signing after approval of the NDC Board	No. of days for JV or partnership agreements to be signed after approval of all parties concerned	10%	Actual / Target x Weight	-	90 calendar days	600 calendar days	50 calendar days
		Sub-total		20%					

Component					Rating Scale	Baseline Data			Target
		Objective/Measure	Formula	Weight		2012	2013	2014	2015
Learning and Growth	SO 8	Build a high performing team culture							
	SM 10	PGS Certification	Milestone/s achieved	5%	All or Nothing	-	Initiation	Compliance	Passing the pre-audit assessment for proficiency
	SO 9	Integrate Support Process through Automation							
	SM 11	No. of functional automated systems	Absolute number	5%	Actual / Target x Weight	-	2	2	1
	SO 10	Institutionalize the Quality Management System							
	SM 12	ISO Certification	Milestone/s achieved	5%	All or Nothing	-	Re-certified	Re-certified	Re-certification for the 4 core processes; certification for 2 processes
		Sub-total		15%					
		TOTAL		100%					

NATIONAL DEVELOPMENT COMPANY

Component						Baseline Data			Target	
		Objective/Measure	Formula	Weight	Rating Scale	2012	2013	2014	2015	2016
Social Impact	SO 1	Increase Value of Strategic Investment								
	SM 1	Increase investment funds in Priority Areas, such as power and logistics per annum	Amount of investments in Priority Areas, such as power and logistics per annum / Total amount of investments for the year	15%	Actual / Target x Weight	0%	18%	65%	70%	75%
	SM 2	Cumulative total value of projects preferably in Priority Areas	Actual cumulative value of projects endorsed to the Board for approval	15%	Actual Increase / Target Increase x Weight	₱7 M	₱500 M	₱1.2 B	₱2.7 B	₱4.2 B
		Sub-total		30%						
Financial	SO 2	Sustain Profitability								
	SM 3	Net profit margin		10%	Actual / Target x Weight	40%	57.18%	28.15%	24.81% (65.44% if net of impairment loss)	a) If Dividend Income of Semirara is included, it should be 40.4% b) If Semirara is disposed, then 94.52%
	SO 3	Generate Funds from Asset Management								
	SM 4	Sales proceeds for the year	Actual amount of sales proceed	5%	Actual / Target x Weight	₱0.5 M	₱55.5 M	₱0.46 M	₱73.5 M	a)Semirara is not disposed, ₱33.62 M

Component						Baseline Data			Target	
		Objective/Measure	Formula	Weight	Rating Scale	2012	2013	2014	2015	2016
										b) If Semirara is disposed, ₱4.4 B
	SM 5	Lease income	Actual amount of lease income	5%	Actual / Target x Weight	₱84.4 M	₱114.5 M	₱131 M	₱176 M	₱152 Mn
	SO 4	Optimize the Economic Value of Portfolio Investments								
	SM 6	Return on investments	Amount of Returns / Total Investment infused net of allowance for impairment and excluding companies for dissolution and pre-operating expenses	10%	Actual / Target x Weight	22.19%	22.67%	20.95%	32.34%	a) If Dividend Income of Semirara is included, it should be 22.8% b) If Semirara is disposed, then 8.10%
		Sub-total		30%						
Stakeholders	SO 6	Enhance Investment Opportunities of Stakeholders								
	SM 7	% of JV partners/proponents who rated NDC good or better as partner	No. partners who rated NDC good or better as a partner / total no. of JV partners surveyed	5%	Actual / Target x Weight	-	-	-	-	Satisfactory
		Sub-total		5%						
Internal Process	SO 5	Strengthen Investment Management Capability								
	SM 7	Increase the utilization rate of budgeted investment funds for Board-approved projects	Amount utilized for the year / Amount Budgeted for the year	10%	Actual / Target x Weight	-	-	-	7.69%	70%

Component						Baseline Data			Target	
		Objective/Measure	Formula	Weight	Rating Scale	2012	2013	2014	2015	2016
Internal Process	SO 6	Forge Partnerships with Foreign and Local Groups for Identified Investment Areas								
	SM 8	Average TAT for JV or partnership agreements for signing after approval of the NDC Board	Average processing time	10%	(1- (Actual – Target) / Target) x Weight	-	-	-	-	45 calendar days
		Sub-total		20%						
Learning and Growth	SO 7	Build a High Performing Team Culture								
	SM 9	PGS Certification	Milestone/s achieved	5%	All or nothing	-	Initiation	Compliance	Passing the pre-audit assessment for proficiency	Proficiency
	SM 10	Establishment of a Competency Model	Milestone/s achieved	5%	All or nothing	-	-	-	-	Board approved Competency Model
	SO 8	Institutionalize the Quality Management System								
	SM 12	ISO Certification for all process	Milestone/s achieved	5%	All or nothing	-	Re-certified	Re-certified	Re-certification	Re-certification
		Sub-total		15%						
		TOTAL		100%						

Strategic Initiatives Profile (Annex C)

NATIONAL DEVELOPMENT COMPANY
STRATEGIC INITIATIVES PROFILE

I. STRATEGIC INITIATIVE PROFILE 1 – Core Process Optimization Program

- 1. **Name of Project:** Expansion of Operations
- 2. **Contact Person/Project Team Head:** AGM Saturnino H. Mejia
- 3. **Project Description:** The project entails the conduct of road shows to the various regions through the Regional Development Council, Local Government Units, reintroducing NDC as the government’s investment arm.
- 4. **Project Milestones:**

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
Coordination with the 8 RDCs	2016-2018		₱500,000	Internally generated cash	On-going
Roadshows					
	Total		N/A		

II. STRATEGIC INITIATIVE PROFILE 2 – Corporate Branding

- 1. **Name of Project:** Renewal of Operations
- 2. **Contact Person/Project Team Head:** Colette H. Cordial
- 3. **Project Description:** The project entails the conceptualization, design and implementation of the various marketing collaterals that would re-introduce and re-brand NDC. This initiative is design to increase and retain awareness about NDC’s mandate, functions and history so that it would be the preferred government’s investment arm.
- 4. **Project Milestones:**

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
Consultation with Ms. Yoly Ong, member of NDC's Multi-sectoral Governance Council	2016		₱2,000,000	Internally generated cash	N/A
Bidding of Consultancy Service					
Development	2016-2018				
Implementation	2019				
Total			N/A		

III. STRATEGIC INITIATIVE PROFILE 3 – Maximize utilization of assets based on comprehensive studies

1. **Name of Project:** Asset Value Maximization Project
2. **Contact Person/Project Team Head:** AGM Lilia L. Arce
3. **Project Description:** The project entails the engagement of a consultancy service for the determination of the different NDC assets' best and highest value options.
4. **Project Milestones:**

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
Implementation of the Asset Roadmap	2016 – 2018		₱500,000	Internally generated cash	On-going

IV. STRATEGIC INITIATIVE PROFILE 4a – Build a High Performing Team

1. **Name of Project:** Philippine Governance System (PGS)
2. **Contact Person/Project Team Head:** GM Ma. Lourdes F. Rebuena
3. **Project Description:** NDC advocates the performance-based governance through the Performance Governance System. This advocacy is aligned with the government's thrust of "daang-matuwid policy". NDC will undergo the various stages of the system to be PGS conferred.
4. **Project Milestones:**

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
Revalida of Proficiency	2016		₱600,000	Internally generated cash	On-going
Conduct of 3rd Party Audit for Institutionalization	2017				
Revalida Institutionalization	2018				

V. STRATEGIC INITIATIVE PROFILE 4b – Build a High Performing Team

1. **Name of Project:** Change Management
2. **Contact Person/Project Team Head:** AGM Lilia L. Arce
3. **Project Description:** The change management project diagnoses some of the persistent root causes of the agency's performance problems and recommends adaptive changes. The expected changes in the structure, functions and processes may result in the recommendation of the upgrade some existing



positions or create new ones to improve considerable the agency’s execution and performance of its mandates.

4. Project Milestones:

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
Diagnose agency’s gaps	December 2015		₱1,500,000	Internally generated cash	On-going
Design competency model framework	January 2016 - June 2016				
Secure regulatory approvals on the approved changed structure, functions, systems and processes implementation	2016				