



PERFORMANCE AGREEMENT

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

GOVERNANCE COMMISSION FOR GOCCs (GCG)

- and -

NATIONAL DEVELOPMENT COMPANY (NDC)

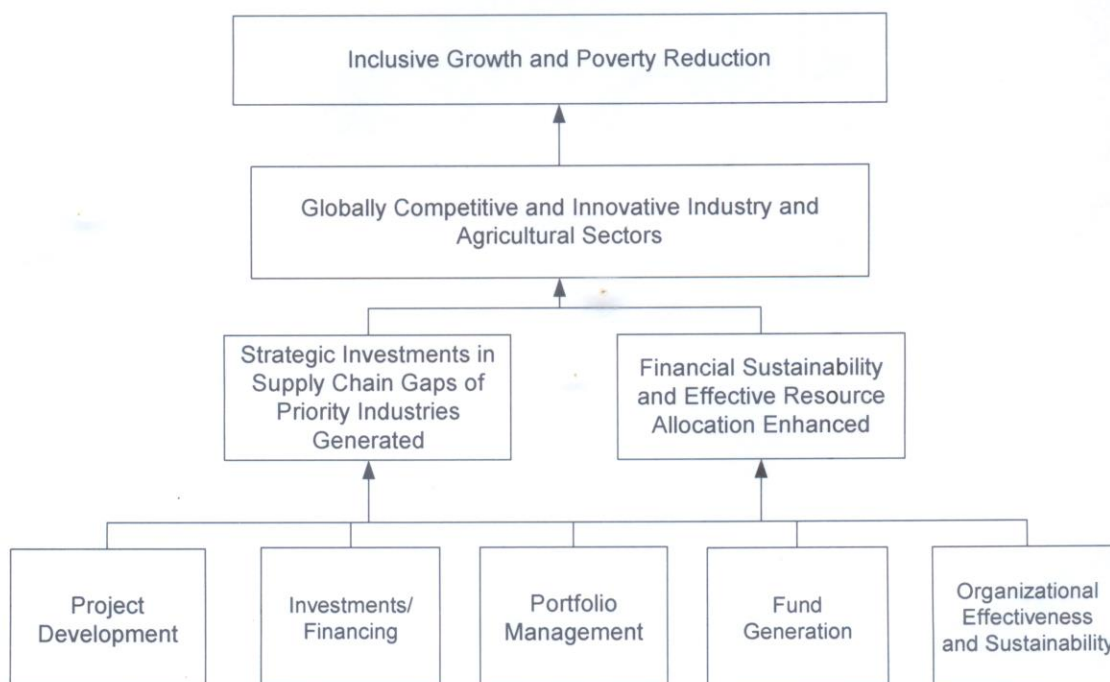
WITNESSETH: THAT –

The Parties agree to the following terms:

1. **Period.** – This Agreement shall be effective for a period of two (2) calendar years beginning from the execution of this Agreement and ending on 31 December 2014.
2. **Charter Statement and OPIF Logframe.** – NDC's Charter Statement and OPIF Logframe for the Period specified in Section 1 hereof, shall be 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, the preferred government investment arm serving as an effective catalyst for inclusive growth.



3. **Measurement of Performance.** – Based on the Interim Performance Scorecard 2013-2014 attached hereto as **Annex A**, the NDC's Performance for 2013-2014 shall be based on the following Measures/Performance Indicators and Annual Targets, to wit:

| MFO | Performance Indicator | Weight | | Baseline | Annual Targets | |
|---|---|------------|------------|--|----------------|-----------------|
| | | 2013 | 2014 | 2012 | 2013 | 2014 |
| MFO 1: Project Development | Quantity 1: No. of projects evaluated and endorsed to the ManCom with Board approval | 0% | 0% | 3 | 3 | 6 |
| | Quality 1: % of JV partners / proponents who rated NDC good or better as a partner | 2% | 2% | 100% | 100% | 100% |
| | Financial 1: Value of projects evaluated and endorsed to the ManCom for Board approval | 12% | 12% | P100 Million (NDC's share in the investment) | P700 Million | P1 Billion |
| | Timeliness 1: Average turn-around -time (TAT) for Projects Group to evaluate project proposals with complete documents. | 9% | 9% | 6 | 2 months | 2 months |
| | Timeliness 2: Average TAT for JV or partnership agreements to be signed after Board approval. | 2% | 2% | 100% | 3 months | 2 months |
| Subtotal of Weights: | | 25% | 25% | | | |
| MFO 2 : Investing and Financing | Quantity 1: No. of projects funded | 0% | 0% | 2 | 3 | 5 |
| | Quality 1: Percentage of proponents who found accessibility of NDC funds as good or better | 8% | 8% | 100% | 100% | 100% |
| | Financial 1: Funds released for investment/financing activities | 9% | 9% | P10.4 Million | P21.7 Million | P213.80 Million |
| | Timeliness 1: Percentage of funding for investment and financing activities released not more than 2 weeks after completion of documentation | 8% | 8% | 100% | 100% | 100% |
| Subtotal of Weights: | | 25% | 25% | | | |

| MFO | Performance Indicator | Weight | | Baseline | Annual Targets | |
|---|---|-------------|-------------|----------|------------------|------------------|
| | | 2013 | 2014 | 2012 | 2013 | 2014 |
| MFO 3 : Portfolio Management | Financial 1: Return on Investment (based on total investments) | 10% | 10% | N/A | 21.7% | 21.8% |
| | Financial 2: Amount of dividends received | 10% | 10% | N/A | P140.1 Million | P139.7 Million |
| | Financial 3: Return on equity/proceeds from divestment of shares | 0% | 5% | N/A | 0 | P122.5 Million |
| Subtotal of Weights: | | 20% | 25% | | | |
| MFO 4: Fund Generation | Quantity 1: No. of properties sold | 0% | 0% | 0 | 2 | 4 |
| | Financial 1: Sales proceeds from sale of properties | 5% | 5% | 0 | P53.2M | P147.74M |
| | Quantity 3: No. of properties leased | 0% | 0% | 31 | 37 | 39 |
| | Financial 2: Lease income | 10% | 5% | P97.20M | P107.2M | P143.84M |
| | Financial 3: Amount of collected receivables | 0% | 0% | P188.4M | P108.4M | P140.4M |
| | Quality 1: Collection Efficiency | 5% | 5% | 100% | 85% | 90% |
| Subtotal of Weights: | | 20% | 15% | | | |
| GAS: Organizational Effectiveness and Sustainability | ISO Certification (4 processes: projects, fund generation, fund management and asset management. Last ISO Certification is on 2011) | 4% | 4% | N/A | 100% Recertified | 100% Certified |
| | PGS Certification | 3% | 3% | N/A | Initiation stage | Compliance stage |
| | IT Road map and implementation | 3% | 3% | N/A | 1 IT roadmap | 100% |
| Subtotal of Weights: | | 10% | 10% | | | |
| TOTAL OF WEIGHTS | | 100% | 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.** – 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 B**, to wit:

- (a) Strategic Initiative 1 – Asset Value Maximization Project
- (b) Strategic Initiative 2 – Strategic Business Dashboard
- (c) Strategic Initiative 3 – Content Management System

- (d) Strategic Initiative 4 – Financial Management System
- (e) Strategic Initiative 5 – Document Management System
- (f) Strategic Initiative 6 – Change Management

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.

5. **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 monitoring report attached hereto as **Annex C**.
6. **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, 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 Net Worth (SALN);¹
 - 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.

¹ See CIVIL SERVICE COMMISSION MEMORANDUM CIRCULAR NO. 3, S. 2013.

(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.

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 12 September 2013, in the City of Makati, Philippines.

**GOVERNANCE COMMISSION FOR
GOVERNMENT-OWNED OR –
CONTROLLED CORPORATIONS**

BY AUTHORITY OF THE COMMISSION:



CESAR L. VILLANUEVA
Chairman


MA. ANGELA E. IGNACIO
Commissioner


RAINIER B. BUTALID
Commissioner

**NATIONAL DEVELOPMENT
COMPANY**


GREGORY L. DOMINGO
Chairperson
Secretary, Department of Trade and
Industry


MA. LOURDES F. REBUENO
General Manager

CESAR V. PURISIMA
Board Member
Secretary, Department of Finance


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


CARLOS JERICO L. PETILLA
Board Member
Secretary, Department of Energy



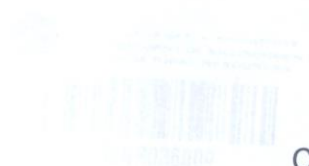

RAMON J. PAJE
Board Member *art*

Secretary, Department of Environment
and Natural Resources




AMANDO M. TETANGCO JR.
Board Member

Governor, Bangko Sentral ng Pilipinas




ADRIAN S. CRISTOBAL JR.
Board Member

Managing Head, Board of Investments




JOSE A. NUÑEZ, JR.
Board Member


Chairman, Development Bank of the
Philippines




VIRGILIO A. YUZON
Board Member

Representative, Private Sector




JEREMIAS N. PAUL, JR.
Alternate Director

Undersecretary, Department of Finance

000063

NATIONAL DEVELOPMENT COMPANY

| Performance Measures | | | | | | Baseline Data <i>(if available)</i> | | | Targets | |
|--|---|--------|------|--|---|--|------|--|--------------|------------|
| Description | Formula | Weight | | Rating System | Data Provider <i>(if applicable)</i> | 2010 | 2011 | 2012 | 2013 | 2014 |
| | | 2013 | 2014 | | | | | | | |
| MFO 1 : <i>Project Development</i> | | | | | | | | | | |
| Quantity 1: No. of projects evaluated and endorsed to the ManCom with Board approval | Absolute Number | 0% | 0% | N/A | | 2 | 3 | 3 | 3 | 6 |
| Quality 1: % of JV partners / proponents who rated NDC good or better as a partner | No. of JV partners who rated NDC good or better as a partner / total no. of JV partners | 2% | 2% | Actual/Target x Weight (but not to exceed assigned weight) | DAP | No data available | 100% | 100% | 100% | 100% |
| Financial 1: Value of projects evaluated and endorsed to the ManCom for Board approval | Absolute Amount | 12% | 12% | Actual/Target x Weight (but not to exceed assigned weight) | | N/A | N/A | P100 Million (NDC's share in the investment) | P700 Million | P1 Billion |

Performance Scorecard 2013-2014 (Annex A)

| Performance Measures | | | | | Baseline Data <i>(if available)</i> | | | Targets | | |
|--|---|------------|------------|---|---|------|------|---------|----------|----------|
| Description | Formula | Weight | | Rating System | Data Provider <i>(if applicable)</i> | 2010 | 2011 | 2012 | 2013 | 2014 |
| | | 2013 | 2014 | | | | | | | |
| Timeliness 1: Average TAT for Projects Group to evaluate project proposals with complete documents | Average no. of days Projects Group to evaluate project proposals with complete documentation for submission to ManCom | 9% | 9% | Weight - (((Actual/Target)/ Target) x Weight) (but not to exceed assigned weight) | | N/A | N/A | N/A | 2 months | 2 months |
| Timeliness 2: Average TAT for JV or partnership agreements to be signed after Board approval | Average no. months for JV or partnership agreements to be signed after Board approval. | 2% | 2% | Weight - (((Actual/Target)/ Target) x Weight) (but not to exceed assigned weight) | | N/A | N/A | N/A | 3 months | 2 months |
| Subtotal of Weights: | | 25% | 25% | | | | | | | |

Performance Scorecard 2013-2014 (Annex A)

| Performance Measures | | | | | Baseline Data (if available) | | | Targets | | |
|--|---|--------|------|--|----------------------------------|-------------------|----------------|---------------|---------------|-----------------|
| Description | Formula | Weight | | Rating System | Data Provider (if applicable) | 2010 | 2011 | 2012 | 2013 | 2014 |
| | | 2013 | 2014 | | | | | | | |
| MFO 2 : Investing and Financing | | | | | | | | | | |
| Quantity 1: No. of projects funded | Absolute number | 0% | 0% | N/A | | 0 | 1 | 2 | 3 | 5 |
| Quality 1: Percentage of proponents who found accessibility of NDC funds as good or better | No. of proponents who rated NDC as good or better / total no. of proponents | 8% | 8% | Actual/Target x Weight (but not to exceed assigned weight) | | No data available | 100% | 100% | 100% | 100% |
| Financial 1: Funds released for investment/financing activities | Absolute amount | 9% | 9% | Actual/Target x Weight (but not to exceed assigned weight) | | - | P207.5 Million | P10.4 Million | P21.7 Million | P213.80 Million |
| Timeliness 1: Percentage of funding for investment and financing activities released not more than 2 weeks after completion of documentation | Actual amount of funding released / total amount of target investment | 8% | 8% | Actual/Target x Weight (but not to exceed assigned weight) | | N/A | N/A | 100% | 100% | 100% |
| Subtotal of Weights: | | 25% | 25% | | | | | | | |

Performance Scorecard 2013-2014 (Annex A)

| Performance Measures | | | | | | Baseline Data <i>(if available)</i> | | | Targets | |
|--|--|--------|------|--|---|--|----------|---------|------------------------------------|------------------------------------|
| Description | Formula | Weight | | Rating System | Data Provider <i>(if applicable)</i> | 2010 | 2011 | 2012 | 2013 | 2014 |
| | | 2013 | 2014 | | | | | | | |
| MFO 3 : Portfolio Management | | | | | | | | | | |
| Financial 1: Return on Investment | Amount of returns / total investment infused net of allowance for impairment and excluding companies for dissolution and pre-operating companies | 10% | 10% | Actual/Target x Weight (but not to exceed assigned weight) | | N/A | N/A | N/A | 21.7% (based total investments) | 21.8% (based total investments) |
| Financial 2: Amount of dividends received | Actual amount of dividends received net of liquidating dividends | 10% | 10% | Actual/Target x Weight (but not to exceed assigned weight) | | P80.7M | P242.22M | P183.7M | P140.1 Million | P139.7 Million |
| Financial 3: Return of equity/ proceeds from divestment of shares | Actual amount of dividends received net of liquidating dividends | 0% | 5% | Actual/Target x Weight (but not to exceed assigned weight) | | P1.26M | P5.6M | P0.26M | 0 | P122.5 Million |
| Subtotal of Weights: | | 20% | 25% | | | | | | | |

Performance Scorecard 2013-2014 (Annex A)

| Performance Measures | | | | | | Baseline Data <i>(if available)</i> | | | Targets | |
|---|---|--------|------|--|---|--|-----------------|----------------|----------------|-----------------|
| Description | Formula | Weight | | Rating System | Data Provider <i>(if applicable)</i> | 2010 | 2011 | 2012 | 2013 | 2014 |
| | | 2013 | 2014 | | | | | | | |
| MFO 4 : Fund Generation | | | | | | | | | | |
| Quantity 1: No. of properties sold | Absolute number | 0% | 0% | | | 2 | 1 | - | 2 | 4 |
| Financial 1: Sales proceeds from sale of properties | Actual amount of sales proceeds | 5% | 5% | Actual/Target x Weight (but not to exceed assigned weight) | | P192 Million | P163.26 Million | - | P53.2 Million | P147.74 Million |
| Quantity 3: No. of properties leased | Absolute number | 0% | 0% | | | 26 | 30 | 31 | 37 | 39 |
| Financial 2: Lease income | Actual amount of lease income | 10% | 5% | Actual/Target x Weight (but not to exceed assigned weight) | | P114.74 Million | P116.96 Million | P97.20 Million | P107.2 Million | P143.84 Million |
| Financial 3: Amount of collected receivables | Actual amount of receivables collected | 0% | 0% | | | P149.6 Million | P147.3 Million | P188.4 Million | P108.4 Million | P140.4 Million |
| Quality 1: Collection Efficiency | Actual collection of receivables / target receivables | 5% | 5% | Actual/Target x Weight (but not to exceed assigned weight) | | 100% | 100% | 81% | 85% | 90% |
| Subtotal of Weights: | | 20% | 15% | | | | | | | |

Performance Scorecard 2013-2014 (Annex A)

| Performance Measures | | | | | | Baseline Data <i>(if available)</i> | | | Targets | |
|--|-----------------------|--------|------|----------------|---|--|----------------|------------------|------------------|------------------|
| Description | Formula | Weight | | Rating System | Data Provider <i>(if applicable)</i> | 2010 | 2011 | 2012 | 2013 | 2014 |
| | | 2013 | 2014 | | | | | | | |
| GAS - Organizational Effectiveness and Sustainability | | | | | | | | | | |
| ISO Certification (4 processes: projects, fund generation, fund management and asset management. Last ISO Certification is on 2011) | Actual accomplishment | 4% | 4% | All or Nothing | | N/A | 100% Certified | 100% Recertified | 100% Recertified | 100% Certified |
| PGS Certification | Actual accomplishment | 3% | 3% | All or Nothing | | N/A | N/A | N/A | Initiation stage | Compliance stage |
| IT Road map and implementation | Actual accomplishment | 3% | 3% | All or Nothing | | N/A | N/A | N/A | 1 IT roadmap | 100% |
| Subtotal of Weights: | | 10% | 10% | | | | | | | |
| TOTAL OF WEIGHTS: | | 100% | 100% | | | | | | | |

NATIONAL DEVELOPMENT COMPANY

STRATEGIC INITIATIVES PROFILE

Strategic Initiative 1

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 | | | |
| Bidding and Awarding of Consultancy Service | June 2013 | | P360,000 | Internally generated cash | Done |
| Review local ordinances relative to property development. | 2013 | | | | On-going |

Strategic Initiatives Profile (Annex B)**Strategic Initiative 2**

1. Name of Project : **Strategic Business Dashboard**
2. Contact Person / Project Team Head : Colette H. Cordial
3. Project Description

The NDC Strategic Business Dashboard is a new platform of an Executive Information System. It is a web-based application that provides business information real-time at a glance. It has two (2) parts: internal and external. The internal system has three (3) kinds of dashboards: operational, tactical and strategic. The operational dashboard is an open-access customized system based on the requirements of the different workgroups in which data and information are encoded. The tactical and strategic dashboards are restricted interfaces intended for management's use. It is composed of widgets of accomplishments, project milestones, and financial status, among others, in graphics. These allow the top management to efficiently monitor the work progress of NDC's various workgroups and gauge exactly how well the agency is performing overall as the system enables them to capture updated reports of specific data points in real time.

The external dashboard is a public interface with various widgets of NDC's financial status, profile of its various projects, and of its various assets either for sale or lease, and historical investment performance. It includes a feedback mechanism for the evaluation of NDC's performance based on its quality service indicators. Through this dashboard, NDC allows its publics to gauge its performance by a click-away on its website -- breaking the traditional way of gathering information to assess such, and engage its publics in participatory governance.

4. Project Milestones

| Activities | Timeline | | Budget | Funding Source | Status |
|--|--------------|-----------|----------|---------------------------|--------|
| | Start | End | | | |
| Development and Approval of the System | January 2013 | June 2013 | P500,000 | Internally generated cash | Done |

Strategic Initiatives Profile (Annex B)**Strategic Initiative 3**

1. Name of Project : **Content Management System**
2. Contact Person / Project Team Head : Colette H. Cordial
3. Project Description

The CMS is a computer program that allows publishing, editing and modifying content as well as maintenance from a central interface. Such systems of content management provide procedures to manage workflow in a collaborative environment. The procedures will be an automated cascade. The CMS will complement the Strategic Business Dashboard and will be NDC on-line database.

4. Project Milestones

| Activities | Timeline | | Budget | Funding Source | Status |
|----------------------------------|---------------|--------------|-----------|---------------------------|----------|
| | Start | End | | | |
| Bidding and Awarding of Contract | July 2013 | | P 500,000 | Internally generated cash | On-going |
| Development of the System | August 2013 | October 2013 | | | |
| Implementation | November 2013 | | | | |

Strategic Initiatives Profile (Annex B)**Strategic Initiative 4**

1. Name of Project : **Financial Management System**
2. Contact Person / Project Team Head : Josephine G. Lopez
3. Project Description

A financial management system is the methodology and software that NDC will use to oversee and govern its income, expenses, and assets with the objectives of maximizing profits and ensuring sustainability. It will have several interfaces linking the various functions of Accounting, Treasury, Purchasing and HR Management.

4. Project Milestones

| Activities | Timeline | | Budget | Funding Source | Status |
|----------------------------------|------------------|-----------|-----------|---------------------------|--------|
| | Start | End | | | |
| Bidding and Awarding of Contract | January 2014 | | P 300,000 | Internally generated cash | N / A |
| Development of the System | February 2014 | June 2014 | | | |
| Implementation | July-August 2014 | | | | |

Strategic Initiatives Profile (Annex B)**Strategic Initiative 5**

1. Name of Project : **Document Management System**
2. Contact Person / Project Team Head : Colette H. Cordial
3. Project Description

Document Management Systems (DMS), is the use of a computer system and software to store, manage and track electronic documents and electronic images of paper based information captured through the use of a document scanner. The term document is defined as recorded information or an object which can be treated as a unit. DM systems allow documents to be modified and managed but typically lack the records retention and disposition functionality for managing records

4. Project Milestones

| Activities | Timeline | | Budget | Funding Source | Status |
|----------------------------------|----------------|---------------|-----------|---------------------------|--------|
| | Start | End | | | |
| Bidding and Awarding of Contract | September 2013 | | P 400,000 | Internally generated cash | N / A |
| Development of the System | October 2013 | November 2013 | | | |
| Implementation | December 2013 | | | | |

Strategic Initiatives Profile (Annex B)**Strategic Initiative 6**

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. | January 2013 | December 2014 | | Internally generated cash | On-going |
| Design the agency's structure, system and processes | January 2015 | December 2015 | | | N/A |
| Secure regulatory approvals on the approved changed structure, functions, systems and processes. | 2016 | | | | N/A |

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]