



Office of the Secretary of the Philippines
GOVERNANCE COMMISSION
 FOR GOVERNMENT OWNED OR CONTROLLED CORPORATIONS
 3/F, Citibank Center, 8741 Paseo De Roxas, Makati City, Philippines 1226



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10 December 2018

MR. RAMON M. LOPEZ
DTI Secretary and Chairperson
MS. MA. LOURDES F. REBUENO
General Manager (GM)
NATIONAL DEVELOPMENT COMPANY (NDC)
 NDC Building, 116 Tordesillas Street
 Salcedo Village, Makati City

Colette



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

Dear Secretary Lopez and GM Rebueno,

This is to formally transmit the validation result of NDC's 2017 Performance Scorecard. Based on the validation of documentary submissions, NDC gained an over-all score of **32.70%** (See **Annex A**). The same is to be posted in NDC's website, in accordance with Section 43 of GCG Memorandum Circular (M.C.) No. 2012-07.¹

We note that NDC did not submit its application for the grant of the 2017 PBB to eligible officers and employees. Be that as it may, NDC fails to satisfy the requirements of **GCG MEMORANDUM CIRCULAR (M.C.) NO. 2017-01²** 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. 10149³.

Consequently, pursuant to GCG M.C. No. 2016-01⁴, failure to qualify for the PBB means that the Appointive Members of the Governing Board of NDC shall not be qualified to receive the Performance-Based Incentive (PBI).

FOR YOUR INFORMATION AND GUIDANCE.

Very truly yours,

SAMUEL G. DAGPIN, JR.

Chairman

Michael P. Cloribel
MICHAEL P. CLORIBEL
Commissioner 1-8

Marites C. Doral
MARITES C. DORAL
Commissioner

c: COA Resident Auditor - NDC

¹ Code of Corporate Governance for GOCCs dated 28 November 2012.

² Interim Performance-Based Bonus, dated 09 June 2017.

³ GOCC Governance Act of 2011.

⁴ Compensation Framework for Members of the GOCC Governing Boards, dated 10 May 2016.

NATIONAL DEVELOPMENT COMPANY (NDC)
Performance Scorecard Evaluation

Component												Rating Scale	Target	NDC		GCG Validation		Supporting Documents	GCG Remarks	
Objective / Measure			Formula	Weight		2017	Actual	Rating	Score	Rating										
SOCIAL IMPACT	SO 1	Increase Value of Strategic Investments in Priority Sectors																		
	SM 1	Increase Investment Funds in Priority Areas (Agriculture and Renewable Energy)	Amount of investments in priority areas per annum / Total amount of investments for the year	20%	Actual / Target x Weight	75%	-	-	-	0.00%	None	No reported accomplishment.								
		Sub-total		20%				0.00%		0.00%										
FINANCIAL	SO 2	Sustain Profitability																		
	SM 2	Net Profit Margin	Net income / Total revenues	15%	Actual / Target x Weight	45%	66.91%	15.00%	66.91%	15.00%	<ul style="list-style-type: none">• Computation of Net Profit Margin• COA Annual Audit Report for 2017	<div><table><tr><th>Particulars</th><th>Amount in ₱ Billions</th></tr><tr><td>Net Income</td><td>2.36</td></tr><tr><td>Total Revenues</td><td>3.53</td></tr><tr><td>Net Profit Margin</td><td>66.91%</td></tr></table><p>As shown above, the GCG arrived at the same net profit margin of 66.91%. NDC exceeded the target.</p></div>	Particulars	Amount in ₱ Billions	Net Income	2.36	Total Revenues	3.53	Net Profit Margin	66.91%
	Particulars	Amount in ₱ Billions																		
Net Income	2.36																			
Total Revenues	3.53																			
Net Profit Margin	66.91%																			

Component			Rating Scale	Target	NDC		GCG Validation		Supporting Documents	GCG Remarks
Objective / Measure	Formula	Weight			Actual	Rating	Score	Rating		
SO 3 Generate Funds from Asset Management										
SM 3	Sales Proceeds for the Year	Actual amount of sales proceeds	5%	Actual / Target x Weight	₱8.7 Million	₱4.704 Million	2.70%	₱4.690 Million	2.70%	<ul style="list-style-type: none">Summary of Proceeds from Sale of PropertiesCash Receipt EntriesNDC Official Receipts <p>The GCG-validated actual accomplishment excluded the sales proceeds amounting to ₱14,410.32, due to the absence of supporting documents. Despite the adjustment in actual accomplishment, the rating remained at 2.70%.</p>
SM 4	Lease Income	Actual amount of lease income	5%	Actual / Target x Weight	₱150 Million	₱167.74 Million	5.00%	₱150.37 Million	5.00%	<ul style="list-style-type: none">Monthly and Annual Summary of Collections from RentalCash Receipt EntriesNDC Official Receipts <p>NDC exceeded the target. Note, however, that the GCG-validated actual accomplishment excluded the collections with no supporting documents, such as Official Receipts and Cash Receipt Entries, specifically for seven (7) tenants amounting to ₱17.36 Million.</p>
SO 4 Optimize the Economic Value of Portfolio Investments										
SM 5	Return on Investments	Amount of returns / Total investment infused net of allowance for impairment and excluding companies for	10%	Actual / Target x Weight	33%	31.12%	9.00%	Insufficient Supporting Document	0.00%	<ul style="list-style-type: none">Report on Return on Investment and Dividends ReceivedJournal VoucherCash Receipt Entries <p>NDC's computation was based on the total dividend income of ₱219.61 Million over net investments of ₱705.64 Million. As regards dividends, the GCG adapted the total dividend received as reported in the COA audited statement of cash flows amounting to ₱217.84 Million. Comparing it with the reported dividend income, it was noted that there was a variance amounting to ₱1.77</p>

Component			Rating Scale	Target	NDC		GCG Validation		Supporting Documents	GCG Remarks		
Objective / Measure	Formula	Weight			Actual	Rating	Score	Rating				
		dissolution and pre-operating expenses							<ul style="list-style-type: none">• Official Receipts• Breakdown of Net Investments• 2017 COA Annual Audit Report	Million which was equivalent to the gain on the sale of stocks as part of the liquidating dividend received from PNB Venture Capital Corporation. However, the GCG cannot objectively validate the reported net investments since only the breakdown of investments was provided by NDC but without additional supporting documents relating to the amounts presented. Further, upon comparing the submitted breakdown of investments with the 2017 audited financial statements, it was found that the values for some investments do not tally with the book value per audited financial statements. As such, no score was given for the reported accomplishment.		
Sub-total			35%			32.13%		22.70%				
STAKEHOLDERS	SO 5 Enhance Investment Opportunities of Stakeholders											
	SM 6	Percent of Stakeholders Who Rated NDC as Good or Better	Number of stakeholders who rated NDC good or better as a partner / Total number of stakeholders surveyed	5%	All or nothing	100%	100.0%	5.00%	100%	5.00%	" Final Report on NDC 2017 Stakeholder Satisfaction Evaluation	Reported accomplishment is acceptable.
	Sub-total			5%			5.00%		5.00%			

	Component			Rating Scale	Target	NDC		GCG Validation		Supporting Documents	GCG Remarks	
	Objective / Measure	Formula	Weight			Actual	Rating	Score	Rating			
INTERNAL PROCESS	SO 6	Strengthen Investment Management Capacity										
	SM 7	Increase the Utilization Rate of Budgeted Investment Funds for Board-Approved Projects	Amount utilized for the year / Amount budgeted for the year	15%	100% = 15% 95-99% = 10% 90-94% = 5% <90% = 0%	100%	-	-	-	0.00%	None	No reported accomplishment.
	SO 7	Forge Partnerships with Foreign and Local Groups for Various Investment Areas										
	SM 8	Percentage of Agreements Signed After Compliance with all the Legal Requirements of Both Parties within the Applicable Time	Request processed within 15 working days / Total number of requests	10%	Actual / Target x Weight	100%	-	-	-	0.00%	None	No reported accomplishment.
	Sub-total			25%				0.00%		0.00%		
LEARNING AND GROWTH	SO 8	Build a High Performing Team Culture										
	SM 9	Implementation of a Knowledge Management Information System	-	5%	All or nothing	100% of the Deliverables accomplished based on the Terms of Reference	100% Deliverables	5.00%	Insufficient Supporting Document	0.00%	• Completion Certificate	Submitted supporting document is insufficient to determine the actual accomplishment and target deliverables based on the Terms of Reference.

Component			Rating Scale	Target 2017	NDC		GCG Validation		Supporting Documents	GCG Remarks
Objective / Measure	Formula	Weight			Actual	Rating	Score	Rating		
SM 10	Establishment of a Competency Model	Baseline of the competency model established	5%	All or nothing	Establish Baseline	Approved Baseline	5.00%	Competency Assessment was finalized in 2018	0.00%	<ul style="list-style-type: none"> NDC Summary of Competency Assessment Employee Competency Assessment as of 31 March 2018 NDC Competency Standards / Position Profiles <p>Assessment forms showed that the assessment was conducted in 2018. Moreover, assessment forms were based on employees' self-rating and was not validated or assessed by the immediate supervisor as evidenced by the lack of signature.</p>
Sub-total		10%				10.00%		0.00%		
SO 9 Institutionalize the Quality Management System										
SM 11	ISO 9001:2015 Certification	ISO 9001:2015 Certification	5.00%	All or nothing	ISO 9001:2015 Certification	ISO 9001:2015 Certified	5.00%	ISO 9001:2015 Certified	5.00%	<ul style="list-style-type: none"> ISO 9001:2015 Certificate <p>Acceptable.</p>
Sub-total		5%				5.00%		5.00%		
TOTAL		100%				51.70%		32.70%		