



**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

[Minutes of PNCC PAN Committee Meeting]
[October 25, 2023]

1 / 8

**MINUTES OF THE PAN COMMITTEE MEETING OF
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION (PNCC)
HELD AT THE PNCC BOARD ROOM
PNCC Complex, KM 15, East Service Road
Bicutan, Parañaque City
25 October 2023, 10:10 A.M.**

PRESENT:

Mariano Jesus S. Averia	Committee Chairman, PAN Committee
Herculano C. Co Jr.	Vice-Chairman, PAN Committee
Miguel E. Umali	Member, PAN Committee
Jonathan S. Avanceña	Member, PAN Committee
Evelina G. Escudero	Member, PAN Committee

ALSO PRESENT:

Lamberto B. Mercado Jr.	Director - (Observer)
Alan R. Luga	Director - (Observer)
Ruben D. Torres	Director - (Observer) <i>(via Zoom Platform)</i>
Alex L. Sembrano	Director - (Observer)
Kevin Jordan DL. Mendoza	Corporate Secretary
John Benedick R. Dela Cruz	Assistant Corporate Secretary
Renato M. Monsanto	Administrative Support-Corporate Secretariat
Rosalyn S. Delivios	Head – MIS Department

APOLOGIES:

Atty. Maan Vanessa L. Doctor	Chief Privatization Officer (PMO)
Atty. Juan Carlo O. Pielago	Deputy Privatization Officer (PMO)

I. CALL TO ORDER / ROLL CALL

During the committee meeting, all members of the PAN Committee were physically present, namely: (1) Committee Chairman Mariano Jesus S. Averia, (2) Vice-Chairman Herculano C. Co, Jr., (3) President & CEO Miguel E. Umali, (4) Director Jonathan S. Avanceña and (5) Director Evelina G. Escudero.

There being a quorum, Committee Chairman Averia called the meeting to order at 10:10 A.M. and presided over the same.

II. APPROVAL OF AGENDA

On motion duly made by Pres. Umali and seconded by Dir. Escudero, the Committee approved the Agenda for today's meeting.

III. PERFORMANCE EVALUATION SCORECARD FOR 2024

Committee Chairman Averia informed the committee that Ms. Rosalyn S. Delivios, Head of Management Information System of PNCC, will report on the Proposed Performance Evaluation Scorecard (PES) for CY 2024.

Ms. Delivios then reported the Proposed PES for CY 2024, to wit:

For Strategic Measure (SM) 1 – Construction and Development of Real Properties. The PNCC technical panel proposed to include the signed lease contract for Sta. Rita Property (3%) and Porac Property (7%) and retained the signed lease contract for Bicutan Property (3%) as targets with a total weight of 13%.

For SM 2 – Percentage of Satisfied Customers. This measure has been revised pursuant to joint memorandum circular dated 12 April 2023 of Anti-Red Tape Authority (ARTA) and Governance Commission for GOCCs (GCG). The aforesaid circular provides supplemental guidance to GOCCs regarding compliance with GCG Memorandum Circular 2023-01, also known as the "Performance Evaluation System for the GOCC Sector", and ARTA MC No. 2022-05, also known as the "Guidelines on the Implementation of the Harmonized

Client Satisfaction Measurement" specific for GOCCs. It also aims to reduce the cost of burden in compliance of GOCCs with Client Satisfaction Measurement (CSM) of ARTA and Customer Satisfaction Survey (CSS) of GCG. This measure was divided into two components, the a) Internal (5%) and b) External (5) with a total weight of 10% and the target is 85%.

For SM 3 – The panel included the Dissolution of Subsidiary as a new strategic measure. This SM is in accordance with the GCG's recommendation to abolish the non-performing PNCC Subsidiaries. The proposed weight for this new SM is 2% and the target is the Transfer of Assets of Alabang Sto. Tomas Development Inc. (ASDI) to PNCC. Pres. Umali suggested that the target should be the Completion of the Dissolution instead of Transfer of Assets and to replace ASDI with DISC Contractors, Builders and General Services Inc. (DISC). Pres. Umali added that DISC has already resolved its issue with the BIR.

For SM 4 – ISO Certification. This SM is retained considering that it is a standard measure of GCG and the panel assigned 15% weight. If the company will be awarded with ISO Certification, there is a requirement of surveillance every year. The PNCC is still waiting for the requisite Contract Review of the OGCC. Pres. Umali suggested to revise the target "Retain ISO Certification" with "Secure/Retain ISO Certification".

For SM 5 – Computerization of Accounting System. The panel included this measure as one of the strategic objective on the improve internal systems and procedure with assigned weight of 10% and target is Implementation of Computerized Accounting System. This project is now in the pipeline. The BAC Committee conducted the first bidding for the selection of the third party to provide the computerized accounting system. However, the first bidding failed and the second bidding will be scheduled tomorrow (26 October 2023).

For SM 6 – Metro Manila Skyway Stage 3. The panel retained the actual annual traffic count for MMSS3 with assigned weight of 10%. The target is 57 Million annual vehicle traffic. Upon the instance of Dir. Avanceña, Ms. Delivios stated that the target is manageable considering that for this year (2023), the company obtained 76% as of 3rd Quarter of 2023.

For SM 7 – Improve Collection Efficiency. The panel revised this SM from Collection to Improve Collection Efficiency, with assigned weight of 8%. The subject is the same which is the Ley Construction Development Corporation (LCDC), but instead of collection of consigned amount, it is replaced with the Decision of the Court (MTC) on Ejectment Case of LCDC.

For SM 8 – Increase in Total Assets (5 year average). This is a new SM with assigned weight of 5%. Ms. Delivios stated that this target is doable for 2024 because every 2 years, based on the appraisal of the FCA Property, there is a substantial increase in value.

Pres. Umali suggested that the weight for SM7 (8%) be interchange with SM8 (5%) which the committee members agreed.

For SM 9 - Revenues. The panel retained the Revenues but included in the formula "Other Income" which is the collection in Seaside Dampa. The assigned weight for this SM is 10% with a target of 699.91 Million (Based on COB 2024).

For SM 10 – Budget Utilization Rate (BUR). This is a standard measure required by the GCG, but the panel decreased the weight to 2% and the target to 25% BUR.

Pres. Umali made a comment that the reason why the company's BUR is low, was due to the allocated budget of Php 278 Million a year for payment of concession fees with the TRB. The COA is requiring PNCC to include in the budget the payment of concession fees as well as its interests and penalties although PNCC is not paying it. Pres. Umali said that he was planning to offset the payment of concession fees to TRB with PNCC's revenue shares for Skyway 1 & 2. He added that it was erroneous when Skyway 1 & 2 was transferred to the National Government considering that the said toll road was constructed under PD 1894 and not PD113 and accordingly the revenue shares for Skyway 1 & 2 rightfully belong to PNCC. Pres. Umali then said that he intend to write GCG to bring to their attention that the BUR should not be applicable to PNCC considering that PNCC's COB is generated from our income, unlike other government agencies whose COB comes through the general appropriation.

For SM 11 – Percentage of Employees Meeting Required Competencies. The panel retained this SM as this is a standard measure of GCG with assigned weight of 15% and the target is to establish a baseline. Ms. Delivios added that this SM is achievable considering that the Company has already finished all the documentation required and the required job description.

Upon motion duly made and seconded, the PAN Committee shall recommend to the Board for its appropriate approval the proposed PES 2024.

IV. PES ACCOMPLISHMENT REPORT – THIRD QUARTER OF 2023

Ms. Delivios then gave an update on the Third Quarter PES Monitoring Report, to wit:

For Strategic Measure (SM) 1 – Construction and Development of Real Properties. The target for this measure is to finalize the agreement with DOTr regarding the Bicutan Property. On 02 August 2023, the contractors of DOTr expressed its interest in leasing some part of the property identified by the DOTr, to be used as a site for the contractor. The company will submit a clarification letter to the DOTr because it seems that its contractor will lease only a portion of the whole property whereas, the subject of the Notice of Taking is the whole Bicutan Property. Because of this indefinite situation, Ms. Delivios commented that the panel intends to write a letter request to GCG to exclude this SM.

For SM 2 – Annual Vehicle Traffic of Metro Manila of Skyway Stage 3. The total traffic count as of 30 September 2023 is 41,526,326 (76.19%). The company achieved the target for 3rd Quarter which is 75%.

For SM 3 – Percentage of Satisfied Customers. Ms. Delivios informed the Committee that there is a new guideline from ARTA which is the Conduct of the Client Satisfaction Measurement which supersedes the Customer Satisfaction Survey of the GCG. The panel will clarify this with the GCG when they conduct its validation for the 3rd Quarter of 2023.

For SM 4 – ISO Certification. The Company is waiting for the actual audit of the certifying body, once we received the necessary contract review of the OGCC.

For SM 5 – Construction and Development of Expressway Project.

For the Lucena-Matnog Expressway/SLEX TR 5, Ms. Delivios said that the company has yet to receive update from SMHC. The accomplishment report of SMHC as of 31 July 2023, the Detailed Engineering Design (DED) is accomplished at 85% for segment 1.

For Pasig River Expressway Project (PAREX), the company has achieved the target for this measure because the DED services is at 55% accomplishment and our target is 50%.

For North Access Link (NALEX), ongoing DED and studies at 25% accomplishment, while the completion on advance work is ongoing at 80.1% accomplishment. Thus, the company achieved the target for this measure.

For Southern Access Link (SALEX), ongoing DED services at 50% and the target is 60% completion of DED.

For the Central Access Link (CALEX), there is no update yet and our target is the completion of STOA negotiation.

Finally, for C6 Project (FTI-Bicutan), as of 30 September 2023, the DED for Section 2 Realignment is at 80% accomplishment and the target is 50% completion of DED.

Upon the instance of Committee Vice-Chairman Co, Pres. Umali said that the Office of the President has already approved the NALEX, SALEX and CALEX. All of the projects have STOA except CALEX.

For SM 6 – Percentage of Receivables Collected. The PNCC, through its statutory counsel, the OGCC filed a Motion to Cite LCDC in contempt for its failure to comply with the lawful Order of the court directing it to consign their

monthly rental payments. The Court then issued an Order dated 03 July 2023, citing LCDC for Indirect Contempt of Court and was ordered to pay a fine a Php 30,000.00, with a stern warning that a repetition of similar act/s of disobedience to the order of the court will be dealt with more severely.

For SM 7 – Revenues. The total revenue as of the 3rd quarter of 2023 amounts to 496,039,069.41 which translates to 72.24% of the total projected revenue. The total projected revenue at the end of 3rd quarter should be 75% of the total projected revenue which is PhP 514.9575 Million, thus, PNCC is short of around 18.91 Million. Pres. Umali clarified that the income from the FCA Seaside Dampa Property is not yet included in this revenue.

For SM8 – Conversion of Debt-to-equity. There is no significant change as the company is waiting for the Decision of the Office of the President on PNCC's Motion for Reconsideration.

For SM9 – Budget Utilization Rate (BUR). As of 3rd Quarter, based on the total actual disbursement as of 3rd quarter is 54.24%.

Dir. Escudero made a query on why the company failed to achieve the 90% target for the BUR and Pres. Umali answered that as he had previously discussed, it is because of the concession fee allotted in the COB in the amount of Php 278 million per year which the COA requires to include in the budget although the Company is not paying the same.

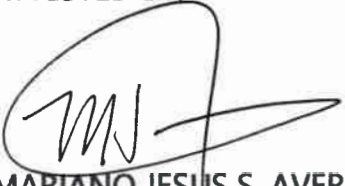
For SM10 – Percentage of Employees Meeting Required Competencies. The ISO Subcommittee on Competency Framework has completed the review of the Job Description for each position and now drafting an assessment form for each employee. Upon completion, it will be presented to the Board for approval. The assessment of competency level will be undertaken before the end of the year (2023).

Upon motion of Pres. Umali and duly seconded by Dir. Avanceña, the accomplishment report of Ms. Delivios on the PES Third Quarter of 2023 was noted.

V. ADJOURNMENT

There being no further business to transact, on motion duly made and seconded, the meeting was adjourned at 10:41 A.M.

ATTESTED BY:



MARIANO JESUS S. AVERIA
Chairman, PAN Committee



HERCULANO C. CO JR.
Vice-Chairman, PAN Committee

MIGUEL E. UMALI
Member, PAN Committee



JONATHAN S. AVANCEÑA
Member, PAN Committee



EVELINA G. ESCUDERO
Member, PAN Committee

Certified Correct:



KEVIN JORDAN D.L. MENDOZA
Corporate Secretary



JOHN BENEDICK R. DELA CRUZ
Assistant Corporate Secretary