



**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

30 January 2020

Ref.No.: OP-MEU-010-2020L

MR. SAMUEL G. DAGPIN, JR.

Chairman

MR. MICHAEL P. CLORIBEL

Commissioner

MS. MARITES C. DORAL

Commissioner

GOVERNANCE COMMISSION FOR GOCCs

3rd Floor Citibank Center, 8741 Paseo De Roxas,
Makati City, Philippines



SUBJECT: PERFORMANCE EVALUATION SYSTEM (PES) FOR CY 2019

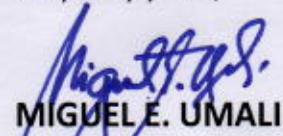
Gentlemen:

In compliance with your letter dated February 6, 2019 regarding the above-stated subject, we transmit herewith the Performance Evaluation System (PES) Monitoring Report for the fourth quarter of the Calendar Year 2019. For the strategic measures without status, we will submit it as soon as the data becomes available.

We trust that you will find the foregoing submission to be in order.

Thank you.

Very truly yours,


MIGUEL E. UMALI
President and CEO

w/att.



31 JANUARY 2020

ATTY. MIGUEL E. UMALI
President and CEO
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION (PNCC)
 Km. 15 East Service Road, Bicutan
 Parañaque City

ACKNOWLEDGEMENT RECEIPT

LETTER **30 JANUARY 2020**
 DATE:

RE: **SUBMISSION OF PNCC'S PERFORMANCE EVALUATION SYSTEM (PES)
 MONITORING REPORT FOR THE FOURTH QUARTER OF THE CALENDAR
 YEAR 2019**

The said document was officially received by the Governance Commission on 31 January 2020 and has been forwarded to the responsible GCG Officer for appropriate action.

To follow-up for further action on the document, you may contact us through telephone numbers (02) 328-2030 or (02) 318-1000. Please cite the GCG Document Management System (DMS) Barcode Number: **0-1019-31-01-2020-001640**.

THIS RECEIPT IS COMPUTER GENERATED AND DOES NOT REQUIRE SIGNATURE.

Received by:

 Signature over Printed Name

 Date and Time





PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

| OBJECTIVE / MEASURES | FORMULA | WEIGHT | RATING SCALE | 2019 | | Realization Rate (%) vs. Target | Weighted Average | |
|--|-----------------------------------|-----------------------|--------------|---|---|---|------------------|----|
| | | | | Target | 4 th QUARTER ACCOMPLISHMENT | | | |
| SO 1 Maximize Stakeholder Value | | | | | | | | |
| <i>Construction and Development of Real Properties</i> | | | | | | | | |
| SM1 | Porac | Actual Accomplishment | 4% | All or Nothing | Signed Lease Contract for Porac Property | Signed Lease Contract with Tokogawa Global Corp. on January 30, 2019 | 4% | 4% |
| | FCA | Actual Accomplishment | 4% | All or Nothing | Signed Lease Contract for the 3 Areas in FCA Property | FCA 1 – 3 has. (PCPI) • Contract of Lease between PNCC and PCPI was signed on October 8, 2019. | 2% | 2% |
| | | | | | | FCA 2 – 1 ha. and FCA 3 – 8.9 has. • Awaiting clearance from the Office of the President of the Philippines on the planned open bidding for the lease and development of the subject property. | | |
| | Bicutan | Actual Accomplishment | 4% | All or Nothing | Disposition of Bicutan Property | Awaiting instruction from the Board | | |
| SM2 | Percentage of Satisfied Customers | | 8% | Actual/Target x Weight 0% = If less than 80% | 90% | <ul style="list-style-type: none"> On 29 October 2019, request for consulting services to conduct the Customer Satisfaction survey was initiated pursuant to GCG letter dated 24 September 2019 in regard the Enhanced Standard Guideline on the Conduct of Customer Satisfaction Survey; request was approved by the President & CEO on 30 October 2019. (See Annex "B-1") The Corporate Legal submitted the draft Terms of Reference for the Third Party to conduct the Customer Service survey (See Annex "B-2") The corresponding procedure for the conduct of Customer Satisfaction was revised and reviewed by the ISO Core Team to incorporate the GCG's Enhanced Standard Guideline on the Conduct of Customer Satisfaction Survey. It was later approved by the President and CEO on November 13, 2019. (See Annex "B-3") | | |
| SUBTOTAL | | | 20% | | | | 6% | 6% |

CUSTOMERS / STAKEHOLDERS

| INTERNAL PROCESS | OBJECTIVE / MEASURES | FORMULA | WEIGHT | RATING SCALE | 2019 | | Realization Rate (%) vs. Target | Weighted Average | |
|------------------|----------------------|--|-----------------------|--------------|----------------|---|--|------------------|--|
| | | | | | Target | 4 th QUARTER ACCOMPLISHMENT | | | |
| | SO 2 | Establish Sound Legal and Ethical Internal Investment Framework | | | | | | | |
| | SM 3 | Expansion of Presidential Decree (P.D.) 1894 | Actual Accomplishment | 5% | All or Nothing | Filing of Bill for the Amendment of P.D. 1894 | No update yet | | |
| | SO 3 | Improve Internal Systems and Procedures | | | | | | | |
| | SM 4 | ISO Certification | Actual Accomplishment | 6% | All or Nothing | ISO Certification 9001:2015 | <ul style="list-style-type: none"> • The ISO Core Team has reviewed the following procedures and approved by the President and CEO for implementation on given dates: <ol style="list-style-type: none"> a. Communication – 10/10/2019 (Annex C-1) b. Control of Non-conforming Products/Service and Corrective Action – 10/15/2019 (Annex C-2) c. Contracts Administration, Monitoring and Control – 10/15/2019 (Annex C-3) d. Guidelines on ICT Repair and Technical Assistance – 10/15/2019 (Annex C-4) e. Guidelines on Acquisition, Delivery and Inspection of Computers and Related peripherals – 10/15/2019 (Annex C-4) f. Guidelines on Software Installation – 10/22/2019 (Annex C-4) g. Customer Satisfaction – 11/13/2019 (Annex B-3) h. Property Management – 11/28/2019 (Annex C-5) i. Contract Review – 11/28/2019 (Annex C-6) j. Property Disposition – 11/28/2019 (Annex C-7) k. Asset Property Disposal – 12/10/2019 (Annex C-8) • Internal Audit Training course was attended by selected employees on September 3-4, 2019. (See Annex C-9) • The President & CEO appointed the Internal Quality Auditors for PNCC's QMS. (See Annex C-10) • The Deputy Quality Management Representative and Lead Internal Quality Auditor (IQA) has attended the 5-day | | |

| OBJECTIVE / MEASURES | FORMULA | WEIGHT | RATING SCALE | 2019 | | Realization Rate (%) vs. Target | Weighted Average | |
|---|---|-----------------------|--------------|----------------|--|--|------------------|----|
| | | | | Target | 4 th QUARTER ACCOMPLISHMENT | | | |
| | | | | | training for CQI and IRCA Certified ISO 9001:2015 Lead Auditor Training course on October 21-25,2019. (Annex C-11) <ul style="list-style-type: none"> • PNCC has appointed the Lead IQA for QMs on October 29, 2019 (see Annex (C-12). • QMS Planning scheduled on November 27-29, 2019 was moved to December 12-13 due to intervening activities that some members has to attend to. (See Annex C-13). However, the said schedule was further moved to 1st quarter of 2020 to give ample time to process owners to complete the required documentation. • ISO awareness training was conducted to all employees who were not involved in any ISO related trainings. (See Annex C-14). | | | |
| SO 4 Enhance Mobility of People and Commerce | | | | | | | | |
| <i>Construction and Development of Expressway</i> | | | | | | | | |
| SM 5 | a. Pasig River Expressway Project (PAREX) | Actual Accomplishment | 5% | All or Nothing | Memorandum of Agreement on PAREX Submitted to the NEDA and GCG for Approval | <ul style="list-style-type: none"> • On November 11, The Office of the President of the Philippines approved the Assignment of Usufruct for the project in favor of the joint venture company to be formed between PNCC and SMHC. (See Annex "D-1") • PNCC assumes the accomplishment of its target as the Memorandum of Agreement is equivalent to the signed Business Joint Venture Agreement entered into by PNCC and SMHC on 26 November 2019. • Pursuant to DOJ Opinion No. 6 series of 2018, the DOJ affirmed that PNCC has the right not to bid out the construction, operation and maintenance of tollways under its legislative franchise (PD 1894) and its choice of Joint Venture Partners. (See Annex "D-2"). | 5% | 5% |
| | b. Lucena-Matnog Expressway / SLEX TR5 | Actual Accomplishment | 5% | All or Nothing | Approval of Joint Investment Proposal | <ul style="list-style-type: none"> • PNCC designated its representatives who shall discuss and negotiate with TRB | | |

| OBJECTIVE / MEASURES | FORMULA | WEIGHT | RATING SCALE | 2019 | | Realization Rate (%) vs. Target | Weighted Average | |
|--|--|--|-----------------------|--|--|--|---|----------|
| | | | | Target | 4 th QUARTER ACCOMPLISHMENT | | | |
| | | | | | | the STOA for the project which was subsequently responded by TRB on 3 September 2019 | | |
| | c. Bulacan-Tuguegarao Expressway (BUTEX) | Actual Accomplishment | 5% | All or Nothing | Signed Memorandum of Agreement (MOA) on BUTEX | No update yet | | |
| INTERNAL PROCESS | <i>Increased Annual Daily Traffic</i> | | | | | | | |
| | SM 6 | a. Buendia-Plaza Dilao | Actual Accomplishment | a. i. 1% ii. 1% iii. 1% iv. 1% b. 5% | All or Nothing | Completion of Segmental Works: i. San Juan River ii. Section 3 iii. Section 4 iv. Balintawak | No update yet, awaiting the updated Gantt Chart from JV partner | |
| | | b. FTI-Bicutan | Actual Accomplishment | 5% | All or Nothing | 5% of Segment 1 Completed | No update yet | |
| | Sub – total | | | 40% | | | | 5% 5% |
| SO 5 Reinforce Collection System | | | | | | | | |
| SM 7 | Percentage of Receivables Collected | Actual Accomplishment | 5% | (Actual / Target) x Weight | Collection of at Least 10% of Judgement / Monetary Award | Collected P100,058,945.34 from Manila International Airport Authority (MIAA) on March 20, 2019. Collection corresponds to 100% of Judgement Award based on COA Decision dated June 14, 2016. | 5% 5% | |
| SO 6 Improved Equity and Debt Management Service Strategies | | | | | | | | |
| SM 8 | Revenues | Service Income + Rental Lease Income + Share in JVAs + Dividend Income + Interest Income | 10% | (Actual / Target) x Weight | 8% Increase from 2018 Revenues | Data not available yet | | |
| SM 9 | Lease Income | Actual Amount | 5% | (Actual / Target) x Weight | 13% increase from 2018 Lease Income | Data not available yet | | |
| SM 10 | Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA) | Net Income (before Other Comprehensive Income/Loss, Gains and other Non-Operating Income) + Depreciation + Income Taxes + Interest Expense | 10% | (Actual / Target) x Weight | Positive EBITDA | Data not available yet | | |

| OBJECTIVE / MEASURES | | FORMULA | WEIGHT | RATING SCALE | 2019 | | | | |
|------------------------------|------------------------------|---|-----------------------|----------------|---|--|---------------|--|--|
| | | | | | Target | 4 th QUARTER ACCOMPLISHMENT | | | |
| SM 11 | Conversion of Debt-to-Equity | Actual Accomplishment | 3% | All or Nothing | Negotiation of Terms of Debt Payment with PMO | No update yet | | | |
| Sub – total | | | 33% | | | | | | |
| LEARNING & GROWTH | SO 7 | Development of Manpower | | | | | | | |
| | SM 12 | Percentage of Employees Meeting Required Competencies | Actual Accomplishment | 7% | All or Nothing | Board-approved Competency Framework | No update yet | | |
| | Sub – total | | | 7% | | | | | |
| | TOTAL | | | 100% | | | | | |



**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

ANNEX A 1/2

30 January 2020
OP-MEU-009-2020L

ATTY. JOHANN CARLOS S. BARCENA
Director – Corporate Governance Office B
Governance Commission for Government Owned or Controlled Corporation
3/F Citibank Center, 8741 Paseo De Roxas, Makati City

Attention : Ms. Dara Abegail M. De Vera
Corporate Governance Officer



Dear Director Barcena:

This is in regard to the Strategic Measure 1 of the approved 2019 Performance Scorecard of the Philippine National Construction Corporation (PNCC) specifically on the construction and development of real property – FCA. The property was divided into three parts such as FCA 1 – 3 hectares, FCA 2 – 1 hectare and FCA 3 – 8.9 hectares having a 4% weight with “All or Nothing” rating scale.

In view of the fact that a contract of lease has been signed between PNCC and PCPI on October 8, 2019, we respectfully request that we be given a due consideration by your good office to at least 2% rating for this accomplishment.

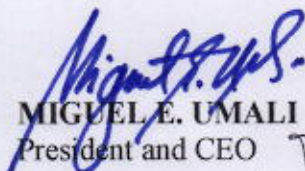
The non-accomplishment of the target for the remaining portion of the FCA property is due to the following reasons:

1. There are existing structures and establishments on the 9.9-hectare portion of the FCA property which were put up by former lessees who refuse to vacate the property despite the expiration of their lease contracts.
2. More than 4 hectares of the subject property are currently under litigation in view of the obstinate refusal of the present occupants to vacate the property even PNCC has filed ejectment cases against them.
3. The said occupants even filed separate suits against PNCC, and one former lessee was even able to secure an injunction order from a Pasay City Trial court to prevent its eviction from the property.
4. For purposes of transparency and to obtain the most reasonable and advantageous terms for the company, the PNCC Board decided to lease out the development of the 9.9-hectare portion via open bidding on a “As Is, Where Is” basis. The Terms of Reference (TOR) for the said public bidding was submitted to the Office of the President for its information, comment and appropriate action on July 17, 2019.

The PNCC Board is keen on immediately developing the property with the end view of augmenting the company's income and increase the property's intrinsic value. However, the resolution of the first 3 issues above and more importantly the much needed guidance from the Office of the President, particularly the approval of the TOR, are necessary before PNCC can proceed to its envisioned development. Consequently the same has vital impact in accomplishing our target in Strategic Measures 8 – Increase in Revenues and 9 – Increase Lease Income. Nonetheless, as stated above, the development of the 3-hectare portion of the property by PCPI is now on its way. Hence, we are requesting consideration that the same be considered as partial accomplishment which would merit at least 2% rating.

We hope you find our justification in order.

Very truly yours,


MIGUEL E. UMALI
President and CEO *gk*

Cc: Chairman Dagpin
Comm. Doral
Comm. Cloribel
Att: a/s