

DUTY FREE PHILIPPINES CORPORATION (DFPC)
Revalidation of 2018 Performance Scorecard

	Component				DFPC Submission		GCG Revalidation		Supporting Documents	GCG Remarks		
	Objective/Measure	Formula	Wt.	Rating Scale	Target	Actual	Rating	Actual			Rating	
SOCIAL IMPACT	SO 1 Showcase Premium Local Products to International Travelers											
	SM 1	Increase the Sales of Local Products	Sales from Local Products / Total Sales	5%	(Actual / Target) x Weight	3%	4.06%	5%	4.06%	5%	Sales Report for Local Products; Sales Summary of All Locations	Acceptable. DFPC exceeded the target. Sales for local products reached US\$8,854,778, which is equivalent to 4.06% of total DFPC sales amounting to US\$217,909,226.
	SO 2 Contribute to Tourism Programs and Projects											
	SM 2	Increase Remittance to Fund Tourism Programs and Projects	Absolute Amount	10%	(Actual / Target) x Weight Less than 50% of Net Profit Remitted = 0%	At least 50% of Previous Year's Net Profit	₱89,858,288.95	10%	₱89,858,289	10%	Official Receipts Issued by DOT; Letter from DOT re over-remittance; 2017 COA Annual Audit Report	Acceptable. DFPC's 2017 Net Income per COA Annual Audit Report was ₱179,716,578. The target was revised from "₱95 Million" to "At least 50% of Previous Year's Net Profit" considering that, per validation, DFPC's remittance to the Department of Tourism shall be based on the previous year's financial statements as audited by the COA.
	Sub-total		15%				15%		15%			
FINANCE	SO 3 Achieve Continuous Growth and Sustainability											
	SM 3	Increase Total Revenues	Absolute Amount	10%	<u>\$254 Million and Above = 10%</u> <u>\$235 Million to \$253 Million = 7%</u> <u>\$215 Million to \$234 Million = 5%</u> <u>\$215 Million and Below = 0%</u>	\$254.20 Million	\$217,909,226.15	0%	<u>Accomplishment cannot be validated</u>	0%	Consolidated Sales Report; Unaudited FS as submitted to COA; Management Letter from COA	<u>The request to adjust the rating scale is APPROVED.</u> <u>However, the Governance Commission retains the 0% rating due to the absence of COA Audit Report which is the primary supporting document for this measure. The rating is without prejudice to the resubmission or revalidation upon availability of the COA AAR.</u>

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SM 4	Improve EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Absolute Amount	10%	₱205 Million and Above = 10% ₱188 Million to ₱205 Million = 7% ₱171 Million to ₱187 Million = 5% ₱170 Million and Below = 0%	₱205 Million	₱375,910,429	10%	Cannot be validated	0%	Unaudited FS as submitted to COA	Considering that the reported EBITDA and the unaudited FS as submitted to COA incorporated the adjusted Capital Outlay allotment which excluded the budget for the NAIA T3 Level 2 Landside construction, the Governance Commission cannot objectively validate the accomplishment. Separate investigations by DFPC and GCG-OGC found that there was serious inefficiency on the part of then DFPC management in the planning, conceptualization and implementation of the project, which resulted in delays and eventual cancellation. Pending the release of the COA Annual Audit Report for 2018, DFPC is awarded 0% for this measure.
SM 5	Improve Budget Utilization Rate	Total Obligations (Net of PS) / Total DBM Approved Corporate Operating Budget (Net of PS)	5%	All or Nothing	Not Less Than 90% But Not More Than 100%	87%	0%	<u>Accomplishment cannot be validated</u>	0%	DBM-Approved COB; DFPC's Computation of BUR; Management Letter from COA	<u>Request for reconsideration DENIED.</u> As discussed in the previous SM, it was found out that there was serious inefficiency on the part of then DFPC Management in the planning, conceptualization and implementation of the project. The effects of which were carried over to 2018. These findings were supported by COA. In its 2018 Management Letter, COA stated that "the DFPC could have saved on pre-occupancy rent expenses amounting to P144.305 Million and other related costs had it properly/judiciously planned its project of opening a Duty Free store outlets

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											<p><i>[sic] at the Ninoy Aquino International Airport (NAIA) Terminal 3 before entering into a Lease and Concession Contract with the MIAA...</i></p> <p>Moreover, since the EBITDA cannot be properly computed absent the COA AAR, the 0% rating is retained without prejudice to its revalidation upon availability of the COA AAR.</p>	
		Sub-total	25%				10%		0%			
SO 4 Enhance the DFPC Brand as a Standard for Quality and Sustainable Shopping Experience												
CUSTOMERS	SM 6	Improve Top of Mind Awareness Rating	Market Survey Result	5%	All or Nothing	Establish Baseline	32%	5%	32%	5%	Final Report as submitted by Market Relevance Corp.	Acceptable. Survey was conducted by Market Relevance Corp. on 28 to 30 December 2018 in all three NAIA Terminals.
	SM 7	Percentage of Satisfied Customers on:										
	Increase Overall Satisfaction	Total Number of Respondents who gave a Rating of at least Satisfactory / Total Number of Respondents	7.5%	(Actual / Target) x Weight If less than 90% = 0%	93.50% (Top 2 Box)	95.80%	7.5%	Result not acceptable	0%	Final Report as submitted by People Dynamics, Inc.; Sample accomplished survey forms;	<p>The request for reconsideration is DENIED. The submitted justification is not acceptable. Revision of the question on overall satisfaction is not compliant with Item 6.a.(b) of the GCG Standard Methodology which provides that questions under the main questionnaire are fixed and may not be altered.</p>	

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		Formula	Wt.	Rating Scale	Target	Actual	Rating	Actual	Rating		
	Increase Availability of Promo Items		2.5%	(Actual / Target) x Weight If less than 90% = 0%	93.50% (Top 2 Box)	91.30%	2.5%	Result not acceptable	0%	Data Collection Quality Control Report	
	Ensure Value for Money of Products		2.5%	(Actual / Target) x Weight If less than 90% = 0%	93.50% (Top 2 Box)	90.70%	2.5%	Result not acceptable	0%		
	Offer Competitive Prices		2.5%	(Actual / Target) x Weight If less than 90% = 0%	91.50% (Top 2 Box)	91.50%	2.5%	Result not acceptable	0%		
SO 5 Address Customer Needs and Expectations											
SM 8	Increase Market Penetration Rate	Customer Count / Total International Travelers (Arrivals and Departure)	10%	(Actual / Target) x Weight If less than 8% = 0%	10%	6.97%	7%	6.97%	0%	Pax Count Report for the Year 2018; OAG Traffic Analyser as provided by DOT	Target not met. Validation was based on the Pax Count Report (1,943,036) submitted by the DFPC and the total number of international travelers (27,859,444), sourced from Official Aviation Guide (OAG) Aviation Worldwide Ltd. through the DOT.
<i>Sub-total</i>			30%				27%		5%		

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SO 6 Enhance Marketing Strategies												
LEARNING & GROWTH	SM 9	Ensure Positive Return on Marketing Investment	(Previous Year's Gross Profit on Sales – Current Year's Gross Profit on Sales) / Marketing Investment	5%	(Actual / Target) x Weight If less than 65% = 0%	140%	197%	5%	<u>Accomplishment cannot be validated</u>	0%	2018 Unaudited FS as submitted to COA; 2017 COA Annual Audit Report; Management Letter from COA	<u>Validated accomplishment was revised since the reported accomplishment cannot be properly computed absent the COA AAR. The same shall be subject to revalidation upon availability of the COA AAR.</u>
	SM 10	Increase Average Purchase per Customer	Absolute Amount	10%	(Actual / Target) x Weight If less than \$130 = 0%	\$140	\$112.15	8%	\$112.15	0%	APC Report; Pax Count Report for the Year 2018; Consolidated Sales Report	Target not met.
	SM 11	Improve Business Model	Actual Accomplishment	5%	All or Nothing	Acceptance by Project Study Committee (PPP Center, DFPC, and DOT) of Feasibility Study and Market Sounding Report	The TAA was submitted to DOT for approval on 06 August 2018. However, in lieu thereof, a TWG will be created for the purpose of evaluating appropriate business model	5%	<u>Excluded Measure</u>	-	Minutes of the 21 March 2019 Board Meeting; DOT Department Order No. 2019-74	<u>The request to grant 5% for the measure is denied, however, the measure is excluded as the project is put on hold pending the result of the evaluation of the TWG per DOT Department Order No. 2019-74.</u>

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SO 7 Enhance Quality Management System											
SM 12	Attain ISO 9001:2015 Certification	Actual Accomplishment	5%	All or Nothing	Pass Surveillance Audit for ISO 9001:2015	Obtained ISO Certification 9001:2015 All Sites, All Processes	5%	Passed Surveillance Audit for ISO 9001:2015 for all sites and processes	5%	ISO Certificates Issued by TUV Rheinland	Acceptable.
		<i>Sub-total</i>	25%				23%		5%		
SO 8 Build a Team of Highly Motivated, Competent and Productive Employees											
SM 13	Increase Human Capital Value Added	(Net Income + PS Cost) / Total Number of Employees	5%	All or Nothing	₱61,000	₱66,833	5%	<u>Accomplishment cannot be validated</u>	0%	Unaudited FS as submitted to COA; <u>Management Letter from COA</u> Summary of HCVA computation; Certification on the number of employees	<u>Validated accomplishment was revised since the reported accomplishment cannot be properly computed absent the COA AAR. The same shall be subject to revalidation upon availability of the COA AAR.</u>
		<i>Sub-total</i>	5%				5%		0%		
		TOTAL	100%				80%		25% out of 95%		
									26.32% out of 100%		