

DUTY FREE PHILIPPINES CORPORATION (DFPC)
2017 Performance Scorecard Evaluation

Objective/Measure	Component		Rating Scale	Target	DFPC Submission		GCG Validation		Supporting Documents	GCG Remarks		
	Formula	Weight			Actual	Rating	Actual	Rating				
SO 1 Showcase Premium Local Products to International Travelers												
SM 1	Percentage of Local Products from Total Duty Free Sales	Sales from Local Products / Total Sales	5%	(Actual/Target) x Weight	2%	2.90%	5.00%	2.90%	5.00%	<ul style="list-style-type: none"> 2017 Sales Report for DFP's Local Products 	Acceptable.	
SO 2 Generate Employment in Areas of Operation (New Jobs Due to Expansion)												
SOCIAL IMPACT	SM 2	Jobs Generated	Absolute Number	5%	(Actual/Target) x Weight	100	0	0.00%	0	0.00%	<ul style="list-style-type: none"> Letter exchanges between DFPC and MIAA Turnover Documents from SMPHI (Accepted by DFPC) Memorandum from Facilities and Management Department to the Deputy COO for Administration DFPC letters addressed to SMPHI 	<p>DFPC reported that no jobs were created for the year due to the delayed opening of NAIA T3 Landside and Luxe Stores.</p> <p>DFPC represented that the delay in the opening of the said stores was caused by MIAA, mainly due to the long turnaround time in replying to their letters/submissions and for asking requirements which were difficult to comply, i.e. construction bond from GSIS.</p> <p>As previously ruled by the GCG, while the DFPC assigns fault to MIAA, our review and evaluation of the documents and facts presented shows that the problems encountered by the</p>

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										<p>DFPC which caused the delay of the projects could have been avoided or mitigated if only an adequate and acceptable degree of extraordinary diligence was exercised by the DFPC Board and Officers.</p> <p>In relation to the Luxe Duty Free outlet which was expected to open on 1 October 2017, DFPC justified that the postponement was due to the delays in the construction of SM Prime Holdings, Inc. (SMPHI). The area should have been retail-ready and turned over to DFPC by 31 March 2017, however, the physical possession of the property was only turned over on 06 November 2017.</p> <p>However, DFPC was not able to provide proper documentation on the actions it has undertaken in order to raise the delay to SMPHI. Documentation as to formal communication with SMPHI related to the 8-</p>

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										<p>month delay cannot be provided by DFPC. Which gives an impression on the inaction on the part of DFPC to address and resolve the issue at hand.</p> <p>Moreover, it was noted that while DFPC accepted the turnover on 06 November 2017, a memorandum dated 5 March 2018 addressed to the Deputy COO, the Facilities Management Department Manager pointed out that the turnover on 06 November 2017 should not be considered as a formal turnover since major works were not included in the turnover documents. However, the concerns raised were not spelled out in the turnover document.</p> <p>In both cases, DFPC exhibits serious negligence. In line with this, DFPC merits no score for this measure.</p>	
Sub-Total		10%					5.00%		5.00%		

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SO 3 Achieve Continuous Growth and Sustainability												
FINANCIAL	SM 3	Total Revenues	Absolute Amount	10%	Less than \$220 Million = 0% \$220 Million to \$230 Million = 5% \$231 Million to \$240 Million = 7% Above \$240 Million = 10%	\$230 Million	\$213.57 Million	0.00%	\$213.57 Million	0.00%	<ul style="list-style-type: none"> Summary of Dollar Net Sales per Location COA Annual Audit Report 	DFPC failed to achieve the target as well as the minimum acceptable level. Its accomplishment was lower by 2.13% than the previous year's accomplishment of \$218,225,172.
	SM 4	EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)	Absolute Amount	10%	Less than ₱165.15 Million = 0% ₱166 Million to ₱220 Million = 5% ₱221 Million to ₱230 Million = 7% Above ₱230 Million = 10%	₱220 Million	₱171.098 Million	5.00%	₱171.158 Million	5.00%	<ul style="list-style-type: none"> Breakdown of Operating Income and EBITDA per Quarter Detailed EBITDA Computation of DFPC COA Annual Audit Report 	Validated score reflects audited figures from the 2017 COA Audited Financial Statements

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SM 5	Budget Utilization Rate (Excluding PS)	Percentage	5%	All or Nothing	Not less than 90% but not more than 110%	87.65%	0.00%	90.07%	5.00%	<ul style="list-style-type: none"> DBM-Approved COB COA Annual Audit Report 	DFPC achieved the target. The GCG-validated score was based on the DBM-approved CY 2017 COB and 2017 COA Annual Audit Report.
Sub-Total			25%				5.00%		10.00%		
SO 4 Enhance the DFPC Brand as a Standard for Quality and Sustainable Shopping Experience											
SM 6	Top of Mind Rating (Market Survey)	Market Survey	5%	All or Nothing	Establish Baseline	49.00%	5.00%	Baseline established not acceptable	0.00%	<ul style="list-style-type: none"> 2017 Customer Satisfaction Survey for Duty Free Philippines prepared by Market Relevance Corp 	Reported baseline is not acceptable. As reported by the DFPC during the 2018 Technical Panel Meeting, the survey should not be considered as baseline due to the improper conduct of the survey which used DFPC's existing customers as respondents instead of travelers.
SM 7	Overall Customer Satisfaction Survey (Top Box)	Customer Satisfaction Survey	7.50%	(Actual/Target) x Weight	60%	49%	6.13%	49%	6.13%	<ul style="list-style-type: none"> 2017 Customer Satisfaction Survey for Duty Free Philippines prepared by Market Relevance Corp 	Acceptable.
	Availability of Promo Items		2.50%	(Actual/Target) x Weight	52%	46%	2.21%	46%	2.21%		
	Value for Money of Products		2.50%	(Actual/Target) x Weight	50%	49%	2.45%	49%	2.45%		
	Competitive Prices		2.50%	(Actual/Target) x Weight	47%	45%	2.39%	45%	2.39%		

CUSTOMERS

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SO 5 Increase Market Penetration by Addressing Customer Needs and Expectations										
SM 8	Market Penetration Rate	Pax Count over Total International Travelers	10%	(Actual/Target) x Weight	10%	8.90% ¹	8.90%	Cannot be validated due to insufficient data	0.00%	<ul style="list-style-type: none"> • MIAA report on international passenger traffic • Pax Count Report for the Year 2017 • Quarterly APC 2017 <p>Although NAIA remains to be the main gateway to the Philippines, the data from MIAA does not capture the data from other Philippine international airports. The reported market penetration rate of DFPC, as a result, is distorted as this included passenger count for all of its stores, including those located outside Metro Manila, but disregarding the total number of international travelers in all Philippine international airports.</p> <p>Considering the insufficient data submitted by DFPC for the GCG to objectively verify the reported accomplishment, DFPC receives 0% for this measure.</p>
		Sub-Total	30%				27.08%		13.18%	

¹ Based on recomputed Market Penetration Rate submitted through a letter dated 14 September 2018

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SO 6 Create a Research-Based Marketing System and Enhance Marketing Strategies											
SM 9	Average Purchase per Customer	Absolute Number	10%	10% - greater than \$140 5% - \$140 0% - less than \$140	\$140	\$114.03 ²	0.00%	\$114.03	0.00%	<ul style="list-style-type: none"> APC Report Pax Count Report for 2017 Summary of Net Sales for All Locations 	Acceptable.
SO 7 Expand Merchandising Systems Aligned to Customers' Needs											
SM 10	Improve Business Model	Absolute Number	5%	All or Nothing	Submit to the appropriate body the Board approval determining the appropriate Business Model based on the results of the feasibility study	Per PPP Center, DFPC's proposed revisions in the TAA conflicts with the PDMF process established in accordance with the PDMF and ADB guidelines	0.00%	Excluded Measure	-	<ul style="list-style-type: none"> Duty Free Retail Development Project Chronology of Events 	<p>Request to exclude this measure is <u>ACCEPTABLE</u>.</p> <p>It is understandable that the delay of the project is not the sole responsibility of DFPC as coordination with other agencies is necessary. Moreover, the delay was already considered in the finalization of 2018 Performance Scorecard.</p>
SO 8 Enhance Quality Management System											
SM 11	ISO Certification	Actual Accomplishment	5%	All or Nothing	ISO Certification 9001:2015 on All Sites, All Processes	ISO Certification 9001:2015 on all sites, all processes	5.00%	ISO Certification 9001:2015 on all sites, all processes	5.00%	<ul style="list-style-type: none"> ISO Certificates issued by TUV Rheinland 	Acceptable.
		Sub-total	20%				5.00%		5.00%		

INTERNAL PROCESS

² Based on recomputed APC submitted through a letter dated 14 September 2018

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S0 9 Build a Team of Highly Motivated, Competent and Productive Employees										
SM 12	Productivity Ratio	Cost of People/Gross Profit	5%	[1- (Actual - Target/ Target)] x Weight	24%	23.65%	5.00%	30.32%	3.69%	<ul style="list-style-type: none"> • Cost of People and Productivity Ratio per Quarter • COA Annual Audit Report <p>Rating scale was revised in order to provide a more appropriate score (i.e. lower productivity ratio the better, thus higher score).</p> <p>Validated score was based on the 2017 COA Audited Financial Statement, as follows:</p> <p>PS Cost: 618.73 Million; Training: 1.46 Million; JO Expenses: 46.12 Million; Total Gross Profit: 2,197.33 Million.</p>
SM 13	Organization's Competency Level	Actual Accomplishment	5%	All or Nothing	Competency-Based Job Description for Unaffected Core Positions ²	No unaffected core positions in the divisions specifically identified by GCG	5.00%	No Competency-Based Job Descriptions for Unaffected Core Positions established	0.00%	<ul style="list-style-type: none"> • CBHRS Timeline • CBHRS Briefing Presentation • MOA between DFPC and CSC • Attendance Sheets • Justification <p>During the onsite validation, DFPC made representation that there are no unaffected positions as its reorganization would merge departments and changes in the support functions will cause competency requirements to expand. DFPC also justified that completion of the target will not be used until the approval of the appropriate OSSP.</p>

LEARNING AND GROWTH

Objective/Measure	Component		Rating Scale	Target	DFPC Submission		GCG Validation		Supporting Documents	GCG Remarks	
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										DFPC was not able to provide proper documentation providing that an analysis was made in order to arrive at the conclusion that no position will be unaffected due to its impending reorganization. Hence, a 0% score is awarded for this measure.	
SO 11 Build a Corporate Culture that Embodies the Corporate Values											
SM 14	Employee Satisfaction Survey	Actual Accomplishment	5%	All or Nothing	Establish Baseline	43.00%	5.00%	43.00%	5.00%	<ul style="list-style-type: none"> Result of the in-house survey re overall satisfaction Sample questionnaires 	Acceptable.
Sub-Total		15%					15.00%		8.69%		
							57.08% out of 100%		41.87% out of 95%		
TOTAL		100%					57.08%		44.07%		