



PERFORMANCE AGREEMENT

This Performance Agreement has been executed pursuant to the **PERFORMANCE EVALUATION SYSTEM FOR THE GOCC SECTOR (GCG MC No. 2013-02 [Re-Issued])** between the –

GOVERNANCE COMMISSION FOR GOCCs (GCG)

- and -

DUTY FREE PHILIPPINES CORPORATION (DFPC)

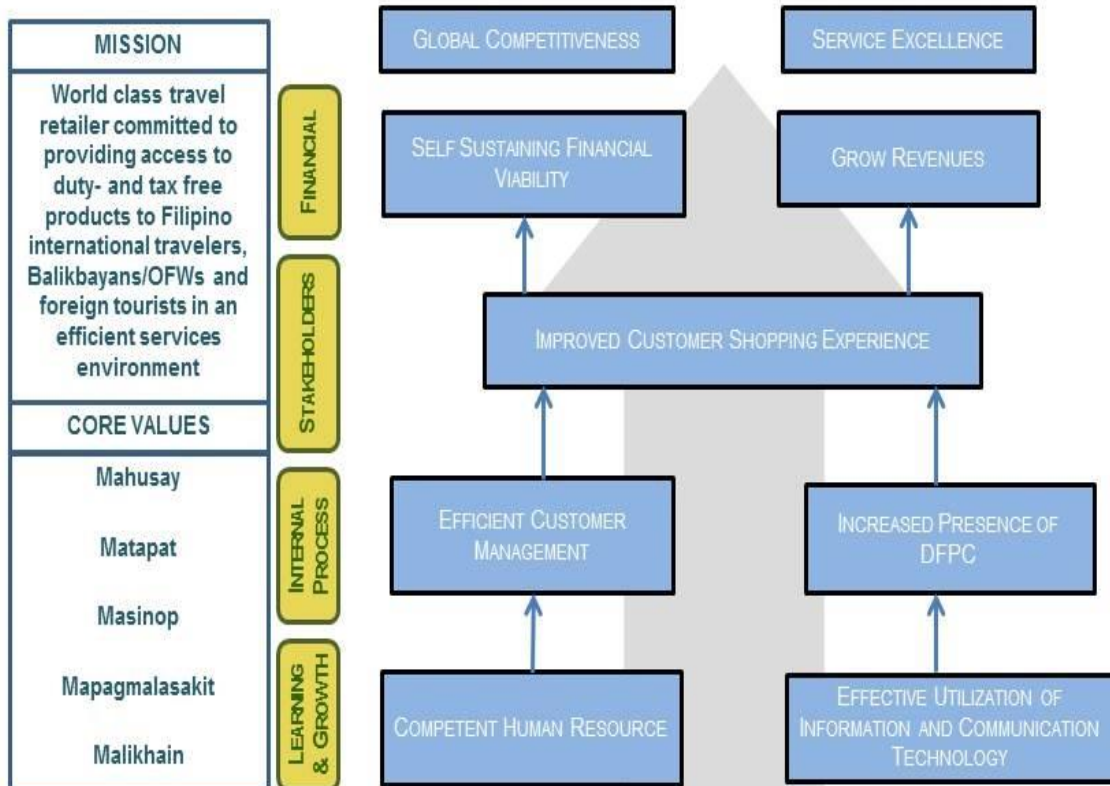
WITNESSETH: THAT –

The Parties agree to the following terms:

1. **Period.** – This Agreement shall be effective beginning from the execution of this Agreement and ending upon the determination by the Governance Commission of the eligibility of DFPC for the FY 2015 PBB and PBI.
2. **Charter Statement and Strategy Map.** – DFPC's Charter Statement and Strategy Map for the Period specified in Section 1 hereof, shall be as follows:

VISION

By 2019, a Premier duty- and –tax-free Retail Shop is Present in All of the Country's International Ports of Entry and in Major Tourist Destinations Showcasing Filipino Culture and Service Excellence



3. **Measurement of Performance.** – Based on the Performance Scorecard 2015 attached hereto as **Annex A**, the DFPC’s Performance for 2015 shall be based on the following Measures/Performance Indicators and Annual Targets, to wit:

		COMPONENT	WEIGHT	RATING SCALE	2015 TARGET
FINANCIAL	SO 1	Grow Revenues			
	SM 1	Amount of Sales	25%	Actual/ Target x Weight	\$242 Million
	SO 2	Self Sustaining Financial Viability			
	SM 2	EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)	10%	Actual/ Target x Weight	₱371.355 Million
		Sub-total	35%		
STAKEHOLDER	SO 3	Improved Customer Shopping Experience			
	SM 3	Customer Satisfaction Rating (Overall - Int'l. Travelers)	7.5%	Actual/ Target x Weight	85%
	SM 4	Customers Satisfaction Rating (Balikbayan/OFWs)	7.5%	Actual/ Target x Weight	78%
	SM 5	Total Customer Count	10%	Actual/ Target x Weight	1,823,000
		Sub-total	25%		
INTERNAL PROCESS	SO 4	Efficient Customer Management			
	SM 6	Percentage of Resolved Customer Concerns	5%	Actual/ Target x Weight	Baseline + 1%
	SM 7	Customer Satisfaction on Payment Transaction	5%	Actual/ Target x Weight	Baseline + 1%
	SO 5	Increase Presence of DFPC			
	SM 8	Percentage of International Airports with DFP Shops/Outlets (Provided that the international airport has international flights and available retail area sufficient for duty free operations, an outlet shall be opened 6 months from the execution of the contract) and TEZ-designated areas viable for duty free store operations	5%	All or Nothing	100%
	Sub-total	15%			
LEARNING AND GROWTH	SO 6	Competent Human Resources			
	SM 9	Ratio of Employees Scheduled for Training versus Actual Attendance	5%	Actual/Target x Weight	90%
	SO 7	Effective Utilization of Information and Communication Technologies			
	SM 10	Percentage of User Accessing and Using ICT Tools	10%	Actual/Target x Weight	75%
	SM 11	Achieve and Maintain ISO 9001:2008 Certification Quality Management System	10%	Actual/Target x Weight	
	Sub-total	25%			
	TOTAL	100%			

It is understood that the GOCC must achieve a weighted-average of at least 90% to be eligible to grant any Performance-Based Bonus.

4. **Strategic Initiatives.** – DFPC hereby commits to undertaking the following key programs and/or projects identified as having a significant impact on its Performance Scorecard (PES Form 2) attached hereto as **Annex B**, to wit:
- (a) Strategic Initiative 1 – Store Development Program
 - (b) Strategic Initiative 2 – End-to-End Retail Solution (Integrated Finance, Merchandising, POS System)
 - (c) Strategic Initiative 3 – Social Media Campaigns
 - (d) Strategic Initiative 4 – Online Shopping Website (eCommerce Site)

The Commitment herein includes obtaining all necessary approvals, if applicable, such as those for Major Development Projects under GCG MC No. 2013-03. DFPC shall include updates on the foregoing Strategic Initiatives in its submission of quarterly monitoring reports to the GCG.

5. **Quarterly Submission of Performance Monitoring.** – DFPC shall submit a quarterly monitoring report to the GCG within thirty (30) calendar days from the close of each quarter using the monitoring report attached hereto as **Annex C**.

6. **Good Governance Conditions.** – In addition to the covered portions of the Performance Scorecard, the GOCC must fully comply with the Good Governance Conditions enumerated under GCG MC No. 2013-02 (Re-Issued), GCG MC No. 2014-02, and GCG MC No. 2014-03 namely:

6.1. *Conditions Common to National Government Agencies and GOCCs:*

- (a) Transparency Seal;
- (b) PhilGEPS Posting;
- (c) Cash Advance Liquidation;
- (d) Citizen’s Charter or its equivalent; and
- (e) Compliance with the submission and review requirements covering Statement of Assets, Liabilities and Networth (SALN);

6.2. *Conditions Specific to GOCCs Covered by R.A. No. 10149:*

- (a) Satisfaction of all statutory liabilities, including the payment of all taxes due to the Government, and declaration and payment of all dividends to the State as of the end of the applicable calendar year, whenever applicable. Liabilities that are still under dispute and there has been no final and executory judgment/decision as of the date of the release of the PBB by the GOCC shall be excluded for the purpose of this provision.
- (b) Submission and execution of concrete and time bound action plans for addressing Notices of Disallowances and Audit Observation Memoranda from the Commission on Audit (COA), if any.
- (c) Adoption of a “*Manual of Corporate Governance*” pursuant to Section 42 of the **CODE OF CORPORATE GOVERNANCE FOR GOCCs (GCG MC No. 2012-07)** that is approved by GCG and uploaded on the GOCC’s website.
- (d) Compliance with posting on the GOCC’s website the information enumerated under Section 43 of GCG MC No. 2012-07.

- (e) Adoption of a **No GIFT POLICY** approved by the GCG and uploaded on the GOCC's website pursuant to Section 29 of GCG MC No. 2012-07.
 - (f) Compliance with the deadlines and submission of reports through the Integrated Corporate Reporting System (ICRS) pursuant to GCG MC No. 2014-02.
 - (g) Compliance by all members of the Governing Board with the submission of all required forms for the Director Performance Review (DPR) pursuant to GCG MC. No. 2014-03 and implementing issuances pursuant thereto.
 - (h) Submission of Corporate Operating Budgets (COBs):
 - i. For GOCCs receiving national government budgetary support, COBs shall be submitted to the Department of Budget and Management (DBM) for review and approval on or before the deadline indicated in DBM National Budget Memorandum No. 120 on "Budget Call for FY 2015;"
 - ii. For GOCCs without national government budgetary support, COBs shall be submitted to the Governance Commission using the same deadline as provided in DBM National Budget Memorandum No. 120.
7. DFPC hereby undertakes to have its Performance Scorecard rated by its customers and solicit feedback on how the same may be improved. DFPC shall determine the most effective method for accomplishing the said purpose. Such information shall be reported to GCG together with the quarterly monitoring report. The rating shall not affect the performance indicators/measures in DFPC's Performance Scorecard, and shall be used solely as a reference by GCG and DFPC during Performance Agreement Negotiations/Renegotiations.
8. DFPC shall timely inform GCG of all audit observations and notices of disallowances within seven (7) working days from the time it receives it receives the same from the Commission on Audit (COA) prior to the regular publication of the final annual audit report. Accordingly, DFPC shall copy furnish the Governance Commission copies of all written communications between DFPC and COA on such matters, inform GCG of the schedule of its exit interview with COA seven (7) working days before the schedule or as soon as practicable, and other efficient means of inter-agency coordination.
- Failure to timely disclose such matters to the Governance Commission prior to the same becoming public information or the submission of the application for the Performance-Based Bonus (PBB) or Performance-Based Incentive (PBI) may be considered as non-compliance with the Good Governance Condition of submitting Concrete and Time Bound Action Plans on findings of COA, rendering the Governing Board **INELIGIBLE** to apply for the PBI, without prejudice to a further determination on the impact of the same on the GOCCs PBB application.
9. Nothing herein shall be construed as limiting the authority of GCG to initiate renegotiations and/or revoke Performance Agreements in accordance with existing laws, rules and regulations.

DONE, this 17th day of November 2014, in the City of Makati, Philippines.

**GOVERNANCE COMMISSION FOR
GOCCs**

BY AUTHORITY OF THE COMMISSION:

CESAR L. VILLANUEVA
Chairman

MA. ANGELA E. IGNACIO
Commissioner

RAINIER B. BUTALID
Commissioner

**DUTY FREE PHILIPPINES
CORPORATION**

RAMON R. JIMENEZ, JR
DOT Secretary and Chairperson

LORENZO C. FORMOSO
COO

CESAR V. PURISIMA
*DOF Secretary and
Ex Officio Board Member*

GREGORY L. DOMINGO
*DTI Secretary and
Ex Officio Board Member*

MARIA PAZ R. ALBERTO
Board Member

JOHN PATRICK Y. CHAN
Board Member

JOAN DENISE Y. TIU
Board Member

DUTY FREE PHILIPPINES CORPORATION

Component						Baseline Data (if applicable)			Target	
	Objective/Measure	Formula	Weight	Rating System ^{a/}	Data Provider	2012	2013	2014	2015	
FINANCIAL	SO 1	Grow Revenues								
	SM 1	Amount of Sales ^{b/}	Absolute amount	25%	Actual/ Target x Weight		\$234 Million	\$237 Million	\$235 Million	\$242 Million
	SO 2	Self Sustaining Financial Viability								
	SM 2	EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)	Absolute amount	10%	Actual/ Target x Weight		₱561 Million	₱395 Million	₱314 Million	₱371.36 Million
		Sub-total		35%						
STAKEHOLDER	SO 3	Improved Customer Shopping Experience								
	SM 3	Customer Satisfaction Rating (Overall - Int'l. Travelers)	Customer Satisfaction Survey	7.5%	Actual/ Target x Weight	PPSRC	84%	85%	85%	85%
	SM 4	Customers Satisfaction Rating (Balikbayan/OFWs)	Customer Satisfaction Survey	7.5%	Actual/ Target x Weight	PPSRC		71%	76%	78%
	SM 5	Total Customer Count	Absolute number	10%	Actual/ Target x Weight		1,682,343	1,723,574	1,740,000	1,823,000
		Sub-total		25%						
	SO 4	Efficient Customer Management								

Component					Baseline Data (if applicable)			Target	
	Objective/Measure	Formula	Weight	Rating System ^{a/}	Data Provider	2012	2013	2014	2015
	SM 6	Percentage of Resolved Customer Concerns	Number of customer concerns resolved over total number of customer concerns received	5%	Actual/ Target x Weight			Establish Baseline	Baseline + 1%
	SM 7	Customer Satisfaction on Payment Transaction	Customer Satisfaction Survey	5%	Actual/ Target x Weight	PPSRC		Establish Baseline	Baseline + 1%
	SO 5	Increase Presence of DFPC							
	SM 8	Percentage of International Airports with DFP Shops/Outlets (Provided that the international airport has international flights and available retail area sufficient for duty free operations, an outlet shall be opened 6 months from the execution of the contract) and TEZ-designated areas viable for duty free store operations	Number of international airports and TEZ-designated areas with DFP shops/outlets over total number of international airports and TEZ-designated areas	5%	All or Nothing			100%	100%
		Sub-total		15%					
	SO 6	Competent Human Resources							

Component						Baseline Data (if applicable)			Target	
	Objective/Measure	Formula	Weight	Rating System ^{a/}	Data Provider	2012	2013	2014	2015	
	SM 9	Ratio of Employees Scheduled for Training versus Actual Attendance ^{c/}	Employee attendance in training over total scheduled employee participant	5%	Actual/Target x Weight	Based on the Board-approved Competency Framework/ Manual			90%	90%
	SO 7	Effective Utilization of Information and Communication Technologies								
	SM 10	Percentage of User Accessing and Using ICT Tools	Number of active users over total number of users	10%	Actual/Target x Weight			Establish Baseline	75%	
	SM 11	Achieve and Maintain ISO 9001:2008 Certification Quality Management System (all sites, all processes)		10%	All or Nothing	Certifying Body			ISO Certification all sites all processes	
		Sub-total		25%						
		TOTAL		100%						

a/ But not to exceed the weight assigned per indicator

b/ If Sales Incentive Program is approved by the President, target will increase to \$250 Million

c/ Board approved Manpower Training Framework shall be submitted to GCG before 31 December 2014.

DUTY FREE PHILIPPINES CORPORATION

STRATEGIC INITIATIVES PROFILE

I. STRATEGIC INITIATIVE PROFILE I

1. Name of Project: Store Development Program

2. Contact Person/Project Team Head:

Lead: Bernardine R. Belmonte

Support: Raphael G. Mondragon
 Engr. Joel R. Perez
 Jennifer F. Start
 Maria Gilda R. San Juan

3. Project Description:

This program aims to ensure that DFPC is present in international airports. It entails establishment of new and development of existing duty free stores in all international ports and select major tourist destinations.

The opening of the following duty free store is subject to the availability of retail space and presence of international flights.

4. Project Milestones:

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
1. Store Opening at Bacolod Silay International Airport a. Feasibility Study b. Negotiation and Contract Signing c. Preparation and Procurement d. Construction e. Store Preparation and Launching	10 wd 60 wd 90 wd 60 wd 15 wd		₱55,000 per square meter	COB	
2. Store Opening at Puerto Princesa International Airport a. Feasibility Study b. Negotiation and Contract Signing c. Preparation and Procurement d. Construction e. Store Preparation and Launching	10 wd 60 wd 90 wd 60 wd 15 wd		₱55,000 per square meter	COB	
3. Store Opening at Panglao Bohol International Airport			₱55,000 per square	COB	

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
a. Feasibility Study b. Negotiation and Contract Signing c. Preparation and Procurement d. Construction e. Store Preparation and Launching	10 wd 60 wd 90 wd 60 wd 15 wd		meter		
4. Store Opening at Bicol International Airport a. Feasibility Study b. Negotiation and Contract Signing c. Preparation and Procurement d. Construction e. Store Preparation and Launching	10 wd 60 wd 90 wd 60 wd 15 wd		₱55,000 per square meter	COB	
5. Store Opening at Entertainment City a. Feasibility Study b. Negotiation and Contract Signing c. Preparation and Procurement d. Construction e. Store Preparation and Launching	10 wd 60 wd 90 wd 180 wd 15 wd		₱75,000 per square meter	COB	
6. NAIA Terminal 3 Expansion a. Feasibility Study b. Negotiation and Contract Signing c. Preparation and Procurement d. Construction e. Store Preparation and Launching	Mar 2014 Apr 2014 Jun 2014 Jun 2014 Jan 2015 Jul 2015	Mar 2014 Jun 2014 Dec 2014 Jun 2015	₱45,000 per square meter	COB	
7. Fiestamall Atrium and CRR Lobby Renovation a. Preparation and Procurement b. Construction	Nov 2015 Jun 2016	May 2016 Aug 2016	₱50,000 per square meter	COB	
TOTAL			₱390,000		

5. Measures Affected:

- Amount of Sales
- EBITDA
- Percentage of international airports with DFP shops/outlets
- Balibayan/OFW Customer Count

6. Risk Assumption:

- Availability of space in all airports with international flights
- Timely release of permit to operate from BOC
- Timely procurement process
- Timely execution of lease contracts
- Timely compliance and approval of all documentary and legal requirements
- Timely execution of PPP contracts

II. STRATEGIC INITIATIVE PROFILE II

1. Name of Project: End-to-End Retail Solution (Integrated Finance, Merchandising, POS System)

2. Contact Person/Project Team Head:

Lead: Charles A. Merioles
Support: Business Users

3. Project Description:

Currently, DFPC has distinct and separate solutions for its Financials System, Merchandising System and Point of Sales (POS) with little or very minimal interfaces in between them and which desperately need an update to keep up with the demands of the retail business. To make DFPC stores competitive with the increasing presence of new malls sprouting all over the country, what is needed is a complete, fully integrated, enterprise software solution specifically designed for the retail business. This would allow DFPC to actively monitor majority of its business processes and activities in real-time and make intelligent business decisions using advanced data analytics, self-service BI, to name just a few.

4. Project Milestones:

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
1. Requirements Planning	July 2014	Dec 2014	P27M	COB	
2. Sourcing and assessment of available solutions	Jan 2015	Apr 2015			
3. Bidding	May 2015	Oct 2015			
4. Development and Implementation	Nov 2015	Apr 2016			
5. User acceptance Testing	May 2016	May 2016			
6. Deployment	June 2016	Oct 2016			
Total			P27M		

5. Measures Affected:

- Amount of Sales
- Customer Satisfaction Rating (Overall)

- Customer Satisfaction Rating (Balikbayan/OFW)
- Customer Satisfaction on Payment Transaction
- Percentage of users accessing and using the centralized data repository for reporting and management decisions
- Percentage of users accessing the intranet

6. Risk Assumption:

- Management commitment and business user support to the new system

III. STRATEGIC INITIATIVE PROFILE III

1. Name of Project: Social Media Campaigns

2. Contact Person/Project Team Head:

Lead: Charles A. Merioles
Support: Business Users

3. Project Description:

Social media campaigns on Facebook, Youtube, etc. is all about providing something of value to DFPC's current and potential customers online. In support to the traditional advertising channels, such as: TV, radio and print, digital media provides an excellent opportunity for DFPC to reach a much wider reach (global, in fact) and targeted audience (according to specific demographics) at the lowest possible cost per campaign per pax. It also has the unique advantage of providing an accurate measure and analytics of the results of each online marketing execution.

4. Project Milestones:

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
1. Requirements Planning	Apr 2014	Aug 2014		COB	
2. Execute campaigns for 2014	Aug 2014	Dec 2014	\$4,000		
3. Execute campaigns for 2015	Jan 2015	Dec 2015	\$6,000		
4. Execute campaigns for 2016	Jan 2016	Dec 2016	\$10,000		
5. Execute campaigns for 2017	Jan 2017	Dec 2017	\$12,000		
6. Execute campaigns for 2018	Jan 2018	Dec 2018	\$15,000		
7. Execute campaigns for 2019	Jan 2019	Dec 2018	\$15,000		
Total			\$62,000		

5. Measures Affected:

- Amount of Sales
- Customer Satisfaction Rating (Overall)
- Customer Satisfaction Rating (Balikbayan/OFW)

6. Risk Assumption:

- No identified risk

IV. STRATEGIC INITIATIVE PROFILE IV

1. Name of Project: Online Shopping Website (eCommerce Site)

2. Contact Person/Project Team Head:

Lead: Charles A. Merioles
Support: Business Users

3. Project Description:

To provide Duty Free Philippines Corporation (DFPC) with an online retail store where it can support value-added services, such as, online shopping, price catalogue, and other subscription-based services to all qualified international travelers, specially, OFWs, Balikbayans and foreign tourists.

4. Project Milestones:

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
1. Requirements Planning	Jan 2017	June 2017	P5M	COB	
2. Sourcing and assessment of available solutions and vendors	July 2017	Sep 2017			
3. Bidding	Oct 2017	Jan 2018			
4. Development and Implementation	Feb 2018	May 2018			
5. User acceptance Testing	June 2018	July 2018			
6. Deployment	Aug 2018	Aug 2018			
Total			P5M		

5. Measures Affected:

- Amount of Sales
- Customer Satisfaction Rating (Overall)
- Customer Satisfaction Rating (Balikbayan/OFW)
- Percentage of users accessing and using the controlled data repository for reporting and management decision

6. Risk Assumption:

- Approval and consent to operate an online shopping website from the Bureau of Customs.

Component				Baseline	2015										
					1 st Quarter		2 nd Quarter		Revised Full Year Target	3 rd Quarter		4 th Quarter			
	Objective/Measure	Formula	Weight	2014	Target	Actual	Target	Actual			Target	Actual	Target	Actual	
	SM 4	Customers Satisfaction Rating (Balikbayan/OFWs)	Customer Satisfaction Survey	7.5%	76%								76%		
	SM 5	Total Customer Count	Absolute number	10%	1,740,000	473,980		455,730			419,290		473,980		
		Sub-total		25%											
INTERNAL PROCESS	SO 4	Efficient Customer Management													
	SM 6	Percentage of Resolved Customer Concerns	Number of customer concerns resolved over total number of customer concerns received	5%	Establish Baseline									Baseline + 1%	
	SM 7	Customer Satisfaction on Payment Transaction	Customer Satisfaction Survey	5%	Establish Baseline									Baseline + 1%	
	SO 5	Increase Presence of DFPC													

Component				Baseline	2015								
					1 st Quarter		2 nd Quarter		Revised Full Year Target	3 rd Quarter		4 th Quarter	
	Objective/Measure	Formula	Weight	2014	Target	Actual	Target	Actual			Target	Actual	Target
	SM 8	Percentage of International Airports with DFP Shops/Outlets (Provided that the international airport has international flights and available retail area sufficient for duty free operations, an outlet shall be opened 6 months from the execution of the contract) and TEZ-designated areas viable for duty free store operations	Number of international airports and TEZ-designated areas with DFP shops/outlets over total number of international airports and TEZ-designated areas	5%	100%	100%	100%				100%		100%
		Sub-total		15%									
LEARNING AND GROWTH	SO 6	Competent Human Resources											
	SM 9	Ratio of Employees Scheduled for Training versus Actual Attendance	Employee attendance in training over total scheduled employee participant	5%	90%	90%	90%				90%		90%
	SO 7	Effective Utilization of Information and Communication Technologies											

