

PNOC
The Energy Company

PNOC
in the
Time of
COVID-19

Annual Report
2020



About the Cover

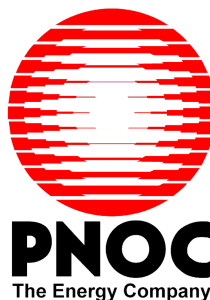
PNOC in the Time of COVID-19

The Filipino is known for his resiliency, self-belief and faith in God. Such qualities have made us rise through all adversities.

The year 2020 was an unprecedented one in Philippine history in terms of economic losses and its effect on our way of life. As we were about to take off with the gains in 2019, the year started with the Taal volcano eruption in January followed by the COVID-19 pandemic in March. The year was capped by typhoon Rolly and Ulysses which worsened our situation.

The Filipino spirit of PNOC was unbroken and managed to rise up. The company remained resilient and strong. We remained committed to our promise to deliver our commitment to the country.

This Annual Report shall tell the story of PNOC in the midst of the pandemic, maintaining its standard for excellence, keeping its core values intact, and extending its unending support to the national efforts to recover from this worldwide pandemic. PNOC showed the true qualities of the Filipino who can rise through adversities.

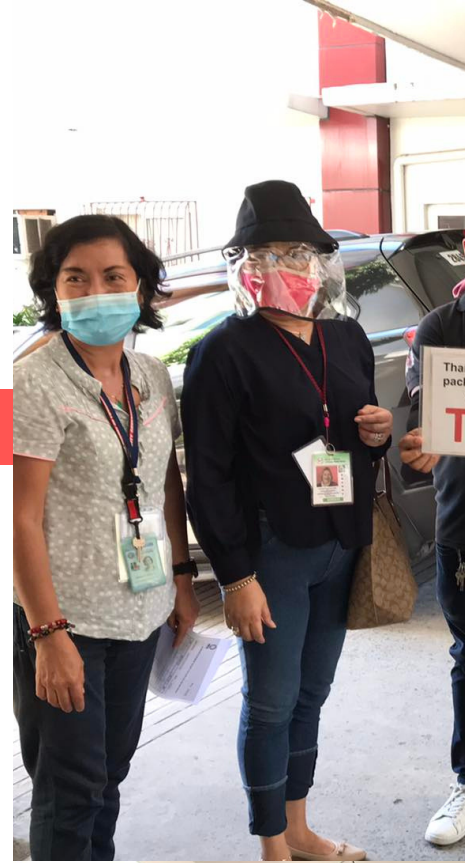


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Company Profile

The Philippine National Oil Company was created in 1973, through Presidential Decree No. 334 as a government-owned and -controlled corporation, in response to the oil crisis of the 70s. PNOC was mandated to provide and maintain an adequate and stable supply of oil and petroleum products for domestic requirements. In 1976, Presidential Decree 927 expanded PNOC's Charter to include exploration and development of non-oil and indigenous energy resources.

Guided by the Duterte Administration's thrust of providing cheap electricity to the people and ensuring energy sufficiency for the country, the Company became more dynamic, taking the challenges of the industry. As the corporate arm of the Department of Energy, PNOC continued to explore new ventures, new avenues, with a renewed vigor to fulfill its mandate while maintaining its status as a profitable government enterprise.

After 47 years in the energy business, PNOC continues to serve as the key institution in the exploration, development and utilization of indigenous oil and non-oil energy sources.

Vision

By 2030, PNOC has provided vital energy resource/development and energy infrastructure, conducive to a clean environment and balanced and sustainable economic growth.

Mission

Through the efforts and initiatives of world-class professionals, PNOC is committed to:

1. Develop and implement projects and programs in a financially prudent and responsible manner aimed at increasing the country's self-sufficiency level in oil, gas and other energy sources;
2. Foster sustainable and environment-friendly sources of energy and promote energy efficiency and conservation; and
3. Maintain the highest standard of service and corporate governance.



Corporate Objectives

Financial Performance Indicator

- Net income of PHP 317 million

Non-financial Performance Indicators

- Board-approved Targeted Fuel Relief Program Study
- Satisfaction rating of 90% for Customers Satisfaction Survey
- Pass PNOG Industrial Park IMS 1st Surveillance Audit
- Pass PNOG Energy Supply Base Certification QMS ISO 9001:2015
- Pass PNOG Head Office QMS ISO 9001:2015 Re-Certification Audit
- Board-Approved Detailed Engineering Design (DED) for ESB Master Plan
- 90% Occupancy Rate of the total 23,600 sqm ESB Warehouse Capacity
- Disposal through Sale of 5 Costa Verde Properties
- Board-Approved MOU/NDA with Potential Buyer of Banked Gas
- Post a Competency Rate of 80%



GCG Approved Targets for 2020

| STRATEGIC AND FINANCIAL OBJECTIVES | MEASURE/TARGET |
|---|--|
| Contribute to Energy Security Targets | |
| Petroleum Products Sourcing, Storage and Distribution Project | Board-approved Targeted Fuel Relief Program Study |
| Establish a Comprehensive Relationship Management for Mutually Beneficial Linkages with Key Stakeholders | |
| Customers Satisfaction Survey Rating | 90% Satisfied Customers (Lessees, PAFC locators, and ESB Customers) |
| Maintain a Sound Financial Condition | |
| Net Income (excluding all income or dividends received from operating subsidiaries) | PHP 317 million |
| Maintain Efficient Management of PNO Energy Facilities | |
| Compliance to IMS Standards PIP | Pass PNO Industrial Park 1st Surveillance Audit |
| Compliance to Quality Management Systems (QMS) Standards ESB | Pass Certification ISO 9001:2015 |
| Optimize Asset Productivity | |
| Operation of Energy Supply Base (ESB) | Board-Approved Detailed Engineering Design (DED) for ESB Master Plan |
| ESB Warehouse Occupancy Rate | 90% occupancy of the total 23,600 sqm. |
| Number of PDMC Assets Utilized/Disposed of at a Gain | Disposal through Sale of 5 additional Costa Verde Properties |
| Dispose of Banked Gas | Board-Approved MOU/NDA with Potential Buyer of Banked Gas |
| Develop, Implement, and Maintain Efficient and Effective Systems | |
| Compliance to Quality Standards (PNO Head Office) | Pass ISO 9001:2015 Re-Certification Audit |
| Acquire, Develop, Retain, and Motivate Talents for Peak Performance | |
| Percentage of Employees with Required Competencies Met | 80% of total number of employees with required competencies met |



How We Started

1970


 Complete dependence on US and UK-owned companies


 Six (6) major companies engaged in the marketing of oil products


FROM TOP LEFT TO BOTTOM RIGHT:
Shell, Mobil, Getty, Filoil Refinery, Esso, and Caltex





1973

 First 'Oil Shock'

 Increase of 21% in oil prices


 Joint attack by Egypt and Libya on Israel, Iraq took over of Mobil and Exxon oil interest

 Total embargo on oil ships to the US

 Pull-out of Gulf Oil Refinery and ESSO from the Philippine Market

(both constitute 35% of the country's oil market)

December 10
1973

 Issuance of **General Order 41** on December 10, 1973


"directing the supervision over all sale and distribution of all available stocks of crude oil and oil products, whether imported or produced by local oil refineries"

November 9
1973

 Creation of the **Philippine National Oil Company** through Presidential Decree 334 on November 9, 1973

- Need to build organizational and technical capability
- Energy Self Sufficiency
- Minimizing dependence on foreign oil company
- Ensure adequate supply of oil and gas products, power and energy for all users

1973

 Acquisition of ESSO Philippines


Assets of ESSO (Phils) by time of acquisition:

- 28 bulk plants
- more than 800 service stations
- 57% share in Bataan Refining Corporation

Renaming of ESSO to **Petrophil Corporation**

April 1
1974

April 1, 1974
Merger of Petrophil Corporation and Filoil Refinery Corporation, with Petrophil Corporation as the surviving company



Brand name: PETRON
Exclusive supplier of petroleum products to all government departments, bureaus, offices, and agencies

- 100% PNOC-owned corporation
- has ownership of bulk plants, service stations, and the Filoil and Bataan Refineries

1974-1986



PNOc and its Subsidiaries

- Purposely organizing subsidiaries
- Spin-off an energy activity managed by a specific department
- Creation of 24 subsidiaries
 - Energy Exploration and Development
 - Transport and Logistics
 - Petroleum Refining/Marketing

1980

CONGLOMERATE APPROACH TO MANAGEMENT

The approach enabled the key executives to concentrate on their respective tasks without having to worry about how to finance or staff their activities because PNOc as the mother company serviced these needs. Once PNOc acquired sufficient confidence to spin off an energy activity managed by a specific department, the subsidiary was set up.

PNOc

Energy Exploration and Management

- Malangas Coal Corporation
- PNOc Alcohol Corporation
- PNOc Coal Corporation
- PNOc Enercon Corporation
- PNOc Energy Development Corporation
- PNOc Energy Drilling, Inc.
- PNOc Energy Supply Base, Inc.
- PNOc Geothermal Technology Corporation
- PNOc Exploration Corporation

Transport and Logistics

- Petron Tankers Corporation
- Petrophil Tankers Corporation
- PNOc Crude Oil tankers, Inc.
- PNOc Dockyard and Engineering Corporation
- PNOc Marine Corporation
- PNOc Oil Carriers, Inc.
- PNOc Petroleum Carriers Corporation
- PNOc Petroleum Tanker, Inc.
- PNOc Shipping and Transport Corporation
- PNOc Tankers Corporation

Petroleum Refining/Marketing

- Bataan Refining Corporation
- Filoil Refinery Corporation
- Petrophil Corporation
- Petron TBA Corporation
- PNOc Petrochemical Development Corporation

1986

Reorganization of PNOc

COA Opinion dated October 9, 1986
"the contract of service resulted in an absurd situation where the subsidiary virtually absorbed the parent company"

1973-1992

- PNOc with only one regular employee
- Chairperson acting as President and CEO
- Manpower requirement provided by Petrophil

1993

Decentralization of PNOc

- Full manpower complement
- Functioned as a parent and holding company
 - Exercised general control, supervision, and coordinative authority over subsidiaries through:
 - Membership in Governing board
 - Retention of financial control
 - Assignment of principal officials
 - Requirement of periodic reports
 - Holding of regular meetings and planning conference

2015-2017

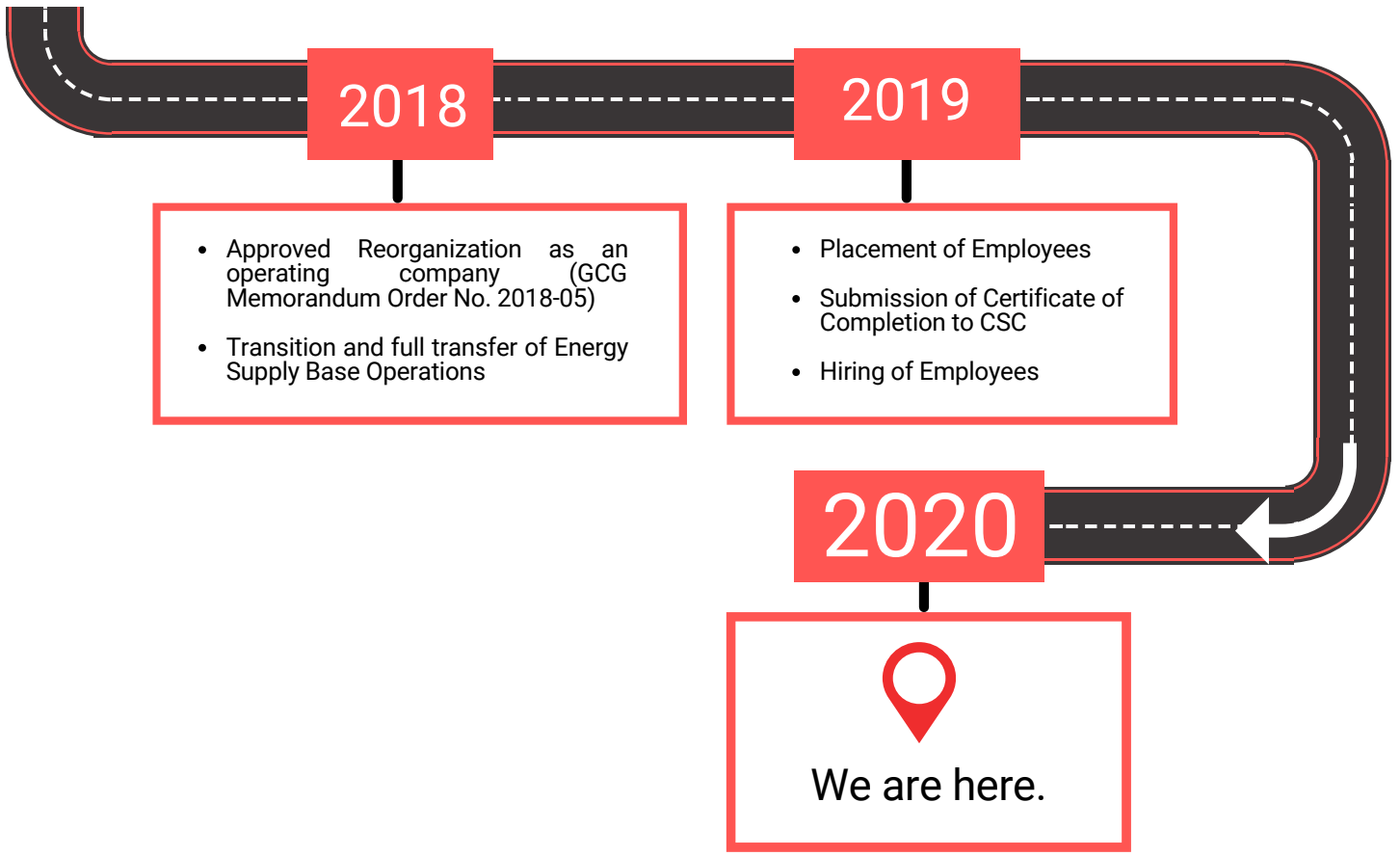
- Transition and absorption of the plans, programs, projects, functions and accountabilities of PNOc AFC and PNOc DMC
- Preparation and submission of the Reorganization Plan as a parent and operating company
- Turnover of Energy Supply Base from PNOc EC to PNOc

October 2014

- Mandate to organize as an operating company
- Abolition of PNOc Alternative Fuels Corporation (PNOc AFC) and PNOc Development and Management Corporation (PNOc DMC)

1993-2011

From 1993 to 2011, PNOc functioned as the parent and holding company over its subsidiaries. All these changed when GCG was created in June 6, 2011 and overshadowed the supervisory authorities of PNOc as the parent company.





Where We Are Now

In 2018, PNOC had a paradigm shift and started its journey to the transformation from a mere holding company to also an operating company. The reorganization of PNOC began in 2019 with the placement of its employees to the new reorganized positions. By the end of 2020, the majority of the positions under the Reorganized Table of Organization have been filled up using the PNOC Competency-Based Human Resources System.

With the reorganization as its backdrop, PNOC's operations now cover the management of assets of dissolved subsidiaries PNOC-AFC and PNOC-DMC; the management and disposal/optimization of PNOC's real estate properties, the management of the sale of the banked gas, and the development of energy programs and projects. These include exploring beneficial partnerships with both domestic and foreign companies for the LNG business or pushing for the development of the Strategic Petroleum Reserve. The Company also set its sights on improving the facilities and services of the PNOC Energy Supply Base in Mabini, Batangas, and the PNOC Industrial Park in Bataan as it continues to negotiate better and upgraded terms for its property leases to generate the most revenues for the government.

To say that 2020 was a challenging year would be a gross understatement. The emergence of the COVID-19 pandemic, in addition to several natural disasters – Taal Volcano eruption, Typhoons Quinta and Rolly, hugely affected PNOC's operations, especially in the Energy Supply Base (ESB) in Batangas and the PNOC Industrial Park (PIP) in Bataan. The development and execution of projects by the company's Energy Investments arm, including the Strategic Petroleum Reserve (SPR) project and the Liquefied Natural Gas (LNG) project, were also greatly impeded by the restrictions brought about by the pandemic, and by other legal, legislative and political matters which arose in the previous year, in addition to the challenges of the funding for its projects.

Despite all these challenges, PNOC remained committed to its mission to develop and implement programs that will increase the country's self-sufficiency in oil, gas, and other forms of energy.

PNOC's Projects

Monetization/Utilization of PNOC's Banked Gas

PNOC's asset called banked gas refers to the accumulated unused natural gas, equivalent to 108.6 Petajoules (PJ), from 2002 to 2008 by the Ilijan Power Plant, which was paid for by the National Government under the take-or-pay scheme of the Ilijan Gas Sales and Purchase Agreement (GSPA). The rights over this asset was originally subrogated to the Department of Energy but was transferred to PNOC when the company bought the same in September 2009. Currently, the remaining inventory of uncontracted banked gas of PNOC stands at 97.67¹ PJ in light of the withdrawal by the Power Sector Assets and Liabilities Management (PSALM) Corporation and sale to Pilipinas Shell Petroleum Corporation (PSPC).

In 2013, PSALM withdrew 4.61 PJ from PNOC's inventory of banked gas for the Ilijan power plant prior to its carving out from the Ilijan GSPA. Further, in 2016, PNOC signed a GSPA with Pilipinas Shell Petroleum Corporation (PSPC) for the sale of 6.324 Petajoules banked gas, from which PSPC started withdrawing in June 2018. However, due to PSPC's shutdown of its Tabangao refinery in Batangas, being the direct offtaker of the banked gas, there has been minimal withdrawal since May 2020. In November 2020, PSPC proposed for the mutual early termination of its existing GSPA with PNOC. PMD completed its evaluation of PSPC's proposal which was presented to the Risk Committee on December 17, 2020 and was elevated to the PNOC Board for further discussion.



The Malampaya Platform

¹The uncontracted 97.67 PJ of banked gas also includes the 2019 annual deficiency of PSPC equivalent to 0.008 PJ, which has not been withdrawn within the recovery limit of one year, i.e. until end of year 2020 for 2019 deficiency, pursuant to clause 9.3 of the PNOC-PSPC GSPA.

Meanwhile, PNOC has ongoing discussions with another party who signified interest to buy the banked gas. A Memorandum of Understanding and a Non-disclosure Agreement was proposed to formalize the discussion and to facilitate the exchange of information between parties. Moreover, PNOC continues to evaluate other banked gas offer/s received.

Establishment of PNOC's Strategic Petroleum Reserve (SPR)

Strategic Petroleum Reserves (SPR) are large stockpiles of crude oil and/or petroleum products, stored in facilities located around the country (and possibly overseas) that are released during periods of local or international oil supply disruptions.

In order to undertake a program that will mitigate the vulnerability of the country from the threat of oil supply and price disruptions, the DOE has mandated PNOC, through DOE MO 2019-11-0001 to conduct a feasibility study and formulate an implementation plan for the establishment and operation of the National SPR.

The National SPR Program is considered to be an extensive undertaking aimed to provide an oil stockpile, either crude oil, finished petroleum products, or both, equivalent to 90 days or more of the country's domestic oil requirements.

The target activities for the National SPR Program for 2020 entail the engagement of a Project Transaction Advisor. However, this had been postponed to 2021 due to the COVID-19 pandemic.

In 2020, PNOC was tasked to conduct related studies on the establishment of the

Interim Oil Stockpiling Program. This was seen as a preliminary initiative relative to the wider and more comprehensive and capital intensive National SPR Program. The pursuit of this study was in light of the opportunities presented with the substantial reduction in world fuel prices mainly brought about by the significant drop in fuel demand resulting from the worldwide economic restrictions due to the COVID-19 pandemic.

In conjunction with this, PNOC also crafted in 2020 a study on the Targeted Fuel Relief Program intended as a response mechanism of the government to mitigate the impact of fuel price volatility usually caused by global emergency situations or even mere speculations resulting from such situations. The program intends to provide fuel assistance to marginalized fuel-consuming sectors which are most vulnerable in times of oil emergency or crisis situations. The Pre-feasibility study for the Targeted Fuel Relief Program was presented to the Risk Committee on December 17, 2020, for endorsement to the PNOC Board for acceptance and approval.



Zoom meeting with Board of Directors

Business Operations

Industrial Park Operations

The Park Management Department manages the PNOC Industrial Park, a 530-hectare property located in Limay and Mariveles, Bataan. The PNOC Industrial Park (PIP) is home to companies involved in the Petrochemical and Energy-related industries. It provides basic services such as the provision of raw and fire water, power, and jetty services to its locators. To better serve its clients, the PIP continues to maintain and upgrade its facilities and equipment.

As the holder of the Programmatic Environmental Compliance Certificate, the only one of its kind in the Philippines granted by the Department of Environment and Natural Resources (DENR), the management of the PIP enforces strict compliance to Health, Safety, and Environmental protocols, establishing its Health, Safety, Security and Environmental (HSSE) Program.

The PNOC Industrial Park is ISO IMS Certified for its Quality Management Systems (ISO 9001:2015), Occupational Health and Safety Management Systems (ISO 45001:2018), and Environmental Management Systems (ISO 14001:2015). The PIP passed its first Surveillance Audit conducted on December 15, 2020 for the above international certifications, and has been recommended for continued certification.

The maintenance of strict anti-COVID-19 health protocols and standards resulted in a zero infection rate for PIP employees in 2020.

Energy Supply Base (ESB) Operations

The PNOC Energy Supply Base (ESB) is a 19.2-hectare property located in Mabini, Batangas. Primarily operated to provide logistical support to onshore and offshore exploration activities as well as to other energy activities, ESB has extended its



services to other commercial clients pursuant to the grant of a Permit-to-Operate as a private commercial port (Certificate of Registration No. 291) granted in October 1996 by the Philippine Ports Authority (PPA).

In 2019, the PNOC Management commissioned the conduct of a Detailed Feasibility Study (DFS), Detailed Engineering Design (DED), and Environmental Impact Assessment (EIA) for the development of its port facilities and eventual full implementation of the ESB Master Development Plan. In 2020, the DFS, DED & EIA were finalized and reviewed by Management for presentation to and approval by the PNOC Board.

certifications. A first for ESB.

With regard to the implementation of the Occupational Safety and Health Management, the ESB has neither incidents nor accidents involving ESB organic personnel and outsourced services. To ensure readiness in the event of an earthquake and fire emergency, a shake drill and a fire fighting drill using fire extinguishers were conducted. The drill was participated in by all ESB staff, duty guards, and duty custodial staff. Upon the delivery of the speedboat, a Piranha 480, 25 HP motor, the oil spill drill was conducted using the spill containment boom.



Recently, despite the challenges brought about by the COVID-19 pandemic, the ESB successfully passed the Integrated Management System Third-Party Audit carried out by SOCOTEC. ESB is now recommended for Quality Management System ISO 9001 series 2015 and Occupational Health and Safety Management System ISO 45001 series 2018

During the last quarter of 2020, three (3) typhoons directly hit the ESB area leaving damages to the fender wall of the triangular pier, roofing of warehouses, rip rap (slope protection) of the pier, the wreckage of the guardhouses, and the road connected to two (2) piers. In order not to hamper port operations, the damaged fender wall of the Triangular

Pier was retrieved from the seabed of the Batangas Bay with the help of a commissioned chartered tugboat, MT Harbor Star. This was done as the fender wall poses a berthing hazard for vessels with large drafts. The fender wall was dragged to a safer area between the triangular Pier and the Marginal Pier and buoyed for position reference.

The ESB continuously implements mitigation measures and programs on COVID-19. At this time, the ESB has NO cases of COVID-19 positive ESB personnel and locators. Significant too is ESB's accomplishment in generating a total annual gross revenue of PHP 111.42 Million, exceeding its target revenue of PHP 90.94 Million in 2020.

All these are victories amidst the pandemic and natural disasters that visited Batangas.

Asset Management

The Asset Management Department (AMD) administers a total of 379 PNOC lots of varying sizes, uses, and status, located nationwide with an approximate total area of 581 hectares. These assets are a source of substantial revenue for PNOC which reached PhP368M in 2020.

PNOC was also able to turn an idle property into another revenue-generating asset for PNOC by signing a long-term lease contract for its Sta. Mesa Property. The lease contract between PNOC and Wealth Horizon Development Corporation was signed on December 3, 2020.

AMD also administers the real estate properties of its abolished subsidiaries, the PNOC Development and Management Corporation (PDMC) and PNOC Alternative Fuels Corporation (PAFC).

For PDMC, the inventory consists of residential lots and condominium units, commercial and industrial lots as well as properties for distribution to socialized housing beneficiaries. For PAFC, the properties covering more or less 330 hectares make up its Industrial Park in Bataan that accommodates petrochemical and energy locators and lessees.

For PDMC, three lots in its Costa Verde Subdivision (CVS) Project were sold. Nine Deeds of Absolute Sale and one Contract to Sell were signed for CVS lots and the El Pueblo Condominium (EPC) Project, respectively. Collections from the Municipal Government of Rosario under a Supplemental Contract to Sell for the sale of PDMC lots in favor of socialized housing beneficiaries and income from the lease of PDMC's lot within the Cavite Export Processing Zone also generated revenues for PDMC. All told, PDMC assets posted PhP46.5M in 2020.

On the other hand, lease/reservation of PAFC's properties in its Industrial Park to Orica Philippines, Team Energy, Mabuhay Vinyl Corporation, SMC Consolidated Power Corporation, and Philippine Resins Industries, Inc. amounted to PhP59.6M in 2020.



The lease contract signing between PNOC President Reuben S. Lista and Wealth Horizon Development Corporation President Richard Lim

Accomplishments Done to Address the COVID-19 Pandemic

With the Enhanced Community Quarantine (ECQ) imposed in the entire Luzon and other parts of the country due to the COVID-19 pandemic, the PNOC Group of Companies heeded the call of President Rodrigo R. Duterte, and remitted a total of eight billion pesos (Php8,000,000,000) to the National Treasury. This was to help fund the program of the national government under the "Bayanihan to Heal as One Act" (Republic Act No. 11469).

The parent company's Board of Directors approved the recommendation of the management under its President and CEO, retired Admiral Reuben S. Lista, to remit five billion pesos (Php5,000,000,000.00) of its accumulated retained earnings during a Special Board Meeting held before the Holy Week break.

Moreover, PNOC undertook programs to reduce or eliminate the threat of the COVID-19 pandemic. The company implemented the PNOC Health, Safety and Food Aid Project under the PNOC CSR-GAD Program.



Phase 1 included the: (1) provision of rice subsidies to the provinces of Batangas and Bataan through their respective local government units in Mabini and Mariveles respectively, and to affected PNOC

service providers; (2) provision of surgical masks to the Provincial Health Facilities of Batangas and Bataan, Taguig Pateros District Hospital, PNP Mabini and Bataan, and PNOC service providers; and (3) provision of vitamins to BGC front liners (Traffic Marshalls), and Energy Center, ESB, and Industrial Park Service Providers. This Phase centered on assistance to those directly connected with PNOC operations or PNOC host communities.



Phase 2 provided: (1) rice subsidies to selected orphan caring facilities, recognizing that children are one of the most vulnerable sectors of the society, and (2) provision of food packs to medical frontliners in selected government hospitals in recognition of their continuing contribution in the fight against COVID-19. This Phase, although still in areas where PNOC has operations, has widened its scope and reach.

Phases 1 and 2 resulted in the distribution of 66,350 pcs (1,327 boxes) of surgical face masks, 1,318 sacks (25kg each) of rice, 31,200 Vitamin C tablets (312 boxes) and 2,040 meal packs (hospital front liners).

The implementation period of the above

project spanned from the last week of May 2020 up to July 2020.

The approved Project was compliant with the GCG and COA rules and/or guidelines.

The company also implemented minimum health standards in the office premises adapted from the DOH and CSC circulars. These standards are as follows:

1. Provided support for essential workforce such as transportation, lodging, and food, if necessary;
2. Established communication mechanisms such as posters and circulars on mental health, respiratory etiquette, and social distancing for the employees to strictly observe;
3. Issued guidelines on personal and environmental hygiene, such as:
 - a. Ensure daily monitoring and availability of hand soaps, sanitizers, and other disinfectants in restrooms and in all entrances and facilities,
 - b. Ensure routine cleaning of frequently touched surfaces and objects, and routine cleaning and

replacement of disinfectant solution in foot baths, and

c. Provision of face masks and face shields for all employees;

4. Reduced the exposure of vulnerable individuals (e.g., senior citizens, individuals with underlying health conditions) to prevent infection by providing alternative work arrangements to the elderly, individuals with underlying conditions, and pregnant women for the duration of the pandemic; and
5. Reduced the spread of infection by suspending face-to-face office meetings and mass gatherings, conducting temperature checks prior to entering the building/office spaces, and proper referral to appropriate facilities for symptomatic employees.

PNOC likewise utilized the Alternative Work Arrangements (AWAs) with the adoption of Work from Home (WFH) arrangements for employees while a skeletal workforce of essential personnel manned the offices during the Enforced Community Quarantine lockdowns.



PNOC President Reuben S. Lista, together with Senior Vice President for Finance and Admin Services Glenda G. Martinez, awarded certificates of recognition to Admin Manager Lino G. Calaor and General Services chief Jed E Ragasa for their dedication to duty despite danger to their own health and safety during the Enhanced Community Quarantine lockdown.

Where We Are Going

For the year 2021 to 2025, the PNOC Board approved the following strategic directions:

For energy infrastructure:

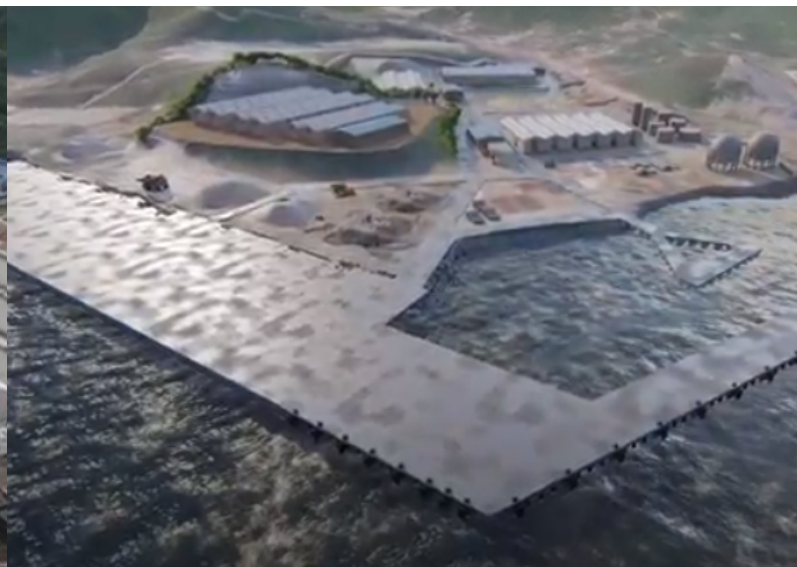
- ESB Port Development

For energy resource/development, PNOC will focus on oil and gas and undertake projects such as:

- Development of the Strategic Petroleum Reserve (SPR)
- Development of the Oil Depot / Crude Oil and Petroleum Products Storage Terminal and Distribution Project
- Development of PNOC's potential business ventures in the LNG industry
- Sale/Monetization/Utilization of Banked Gas

Major programs include:

- Disposal / Best Use of Real Estate Properties
- PNOC Industrial Park (PIP) Operations
- Learning and Development Initiatives





Financial Highlights

| Particulars (in million pesos) | 2020 (Unaudited) | 2019 (Audited) | Increase (Decrease) | % Change |
|-----------------------------------|---------------------|-------------------|------------------------|----------|
| Net Income | 583.60 | 714.14 | (130.54) | (18.28%) |
| Revenues | 1,192.26 | 1,363.63 | (171.37) | (12.57%) |
| Current Assets | 2,370.93 | 2,826.34 | (455.41) | (16.11%) |
| Total Assets | 36,197.25 | 40,482.52 | (4,285.27) | (10.59%) |
| Current Liabilities | 760.97 | 720.74 | 40.23 | 5.58% |
| Total Liabilities | 4,025.14 | 3,965.73 | 59.41 | 1.50% |
| Equity | 32,172.12 | 36,516.79 | (4,344.67) | (11.90%) |

Net Income

Net income registered at P583.60 million, a decrease of 18.28% or P130.54 million from last year's P714.14 million. This is mainly due to the decrease in selling price per GJ of banked gas to Pilipinas Shell Petroleum Corporation (PSPC) from the average US\$9.42 in 2019 to US\$8.42 in 2020. Moreover, the decrease in the dollar to peso exchange rate from the average of P51.64 in 2019 to P49.55 in 2020 has affected the revenue. Also, interest income in money market placements was reduced because of the P5.0 billion dividends remitted to the National Government pursuant to R.A. 7656 known as Dividend Law in support of R.A. 11469 or the "Bayanihan to Heal as One Act of 2020".

Total Assets:

PNOC's total assets decreased by 10.59% or P4.285 billion from 2019's P40.482 billion to 2020's P36.197 billion due to the maturity and termination of investments to fund the remittance of dividends to the National Government in April 2020.

Bulk of the Company's total assets are the Banked Gas Inventory (P13.43 billion) and Investment Property (P11.35 billion) which are 37.10% and 31.36% of total assets, respectively.

Total Liabilities

Total liabilities increased from P3.966 billion in 2019 to 4.025 billion in 2020, by P59.41 million or 1.50% due mainly to the 2020 accrual of capital expenditures for the repair of the Energy Supply Base warehouse and strengthening and installation of new fences/gates in Barangay Calamias.

Equity

The Company's total equity of P32.17 billion is P4.34 billion lower than last year's P36.52 billion due to the P5.0 billion dividend remittance to the National Government and partially offset by the net income for the period.

Our Corporate Commitments

Corporate Social Responsibility

PNOC CSR-GAD Program

In response to the call of President Duterte for all government agencies to render full assistance and cooperation and to mobilize the necessary resources to undertake official, urgent and appropriate response and measures in a timely manner to curtail and eliminate the Covid-19 threat, the Board of Directors on May 14, 2020, approved the implementation of the PNOC Health, Safety, and Food Aid Project under the PNOC CSR-GAD Program.

The approved Project consisted of two (2) phases: Phase 1 - CSR projects and Phase 2 - GAD attributable projects, all of which were compliant to the Governance

Commission for GOCCs (GCG) and Commission on Audit (COA) rules and/or guidelines.

PHASE 1

1. Provision of rice subsidies to the provinces of Batangas and Bataan through their respective local government units in Mabini and Mariveles respectively, and to affected PNOC service providers.
2. Provision of surgical masks to the Provincial Health Facilities of Batangas and Bataan, Taguig-Pateros District Hospital, PNP Mabini and Bataan, and PNOC service providers.



3. Provision of vitamins to BGC frontliners (Traffic Marshalls), and Energy Center, Energy Supply Base, and Industrial Park service providers.

PHASE 2

1. Provision of rice subsidies to SOS Children’s Villages located in PNOC areas of operation.



2. Provision of food packs (3 days for one week) to medical front liners in three selected government hospitals in the Taguig area.

The project implementation period spanned from the last week of May 2020 up to July 2020 as the items were delivered and the turnover to the proper authorities/ recipients were arranged.



PNOC Christmas Outreach

Last December, through the initiative of PNOC Board Chairperson DOE Secretary Alfonso Cusi and the support of PNOC President Reuben S. Lista, PNOC employees, together with volunteers from Duterte’s Kitchen and the local government, extended the Christmas spirit by giving gift bags to 1,000 families belonging to the Dumagat Tribe from Rodriguez, Rizal. The gift bags which were part of the Handog Pagmamahal Project of Secretary Cusi contained rice, spaghetti packs, cans of meat, and chocolate biscuits for each of the 1,000 beneficiaries from the upland barangay of Macabud in Rodriguez.



Gender and Development

PNOC likewise fully supports Gender and Development mainstreaming in its operations. At present, majority of PNOC employees and management have attended relevant GAD training and workshops covering Capacity Development Training for the GAD Focal Point System (GFPS) members and Basic GAD Orientation and Gender Fair Language and Administrative Rules on Sexual Harassment for all employees.



A GAD-Responsive Community Assessment Seminar/Workshop was conducted in February by Ms. Analie Bolo-Apostol from the Civil Service Commission. Likewise, in celebration of National Womens Month in March, PNOC facilitated a talk entitled “... and JUANA Takes Flight” by Captain Michelle Barja, a corporate helicopter pilot, on March 11, 2020. The GFPS also launched an Essay Writing Contest with the theme “The Woman in My Life/Ang Babae sa Buhay Ko”. However, due to the COVID-19 pandemic and the ECQ that was suddenly announced on March 15, 2020, two (2) other talks and a film showing were cancelled.

Meanwhile, the informal awarding for the essay contest was done later in July 2020, via the PNOC GAD Facebook Page, after the lifting of the community quarantines.

The company maintains a GAD Corner on its website, and a bulletin Board at the Company lobby where relevant news and issuances are posted.



Despite the pandemic situation, PNOC continued its gender mainstreaming efforts, utilizing the social media platform for a sustained information campaign. The GFPS explored the internet for free webinars for employees, that tackled women and children's issues, that, surprisingly, are still prevalent during the time of COVID. Very timely also were the webinars that focused on mental wellness, given the prolonged effects of COVID in the family and in the workplace. Online newspaper articles were also shared in the company's group chats. The GFPS chat group was also a sharing venue for updates, advisories, health protocols and ordinances regarding the pandemic.

On December 7, 2020, PNOC also joined 116 participants from various agencies via Zoom, in the forum sponsored by the Tourism Infrastructure and Enterprise Zone Authority (TIEZA), entitled Integrating Advocacy, Service and Commitment Towards Creating a VAW-Free Environment During the Pandemic.

Finally, PNOC participated in the annual observance of the 18-day Campaign to End Violence Against Women from November 25 to December 12. More than 100 PNOC employees participated in the talk entitled “CARING FOR SURVIVORS OF DOMESTIC VIOLENCE, NEGLECT AND ABUSE” given by Norieta Calma-Balderrama, M.D., FPPA (Life) FPSCAP, on December 10, 2020, via Zoom.

Whistleblowing Policy

It is essential for PNOC to provide a safe and trustworthy environment so that the company's employees feel comfortable and protected when they have information to share. It is therefore important for top management to promote, demonstrate and commit to the inclusion of whistleblowing within their business culture. A successful whistleblowing culture can be implemented by being open and honest, following through on procedures, treating employees with respect, and investigating the issues thoroughly with the highest level of confidentiality. Towards this end, the Whistle Blowing Policy was approved in 2017 by virtue of Board Resolution No. 2429, and a standing PNOC Whistleblowing Committee (PWBC) was constituted.

The GCG created a web portal www.whistleblowing.gcg.gov.ph as a primary reporting channel for whistleblowers. A quick link to this portal is also provided in PNOC's website. Pending face to face meetings with GCG officers and employees while in the midst of the pandemic, whistleblowers may also submit whistleblowing reports through email: feedback@gcg.gov.ph; through mail: 3F Citibank Center, 8741 Paseo De Roxas, Makati City; and through contact numbers: 5328-2030 to 33.

Details of the PNOC Whistleblowing Policy can be accessed through this link: tinyurl.com/PNOCWBPpolicy.

Risk Oversight Policy

In its Terms of Reference (TOR) and in its Audit Committee Charter, the PNOC Audit Committee is responsible for overseeing, monitoring, and evaluating the adequacy and effectiveness of PNOC and its subsidiaries' internal control system as well

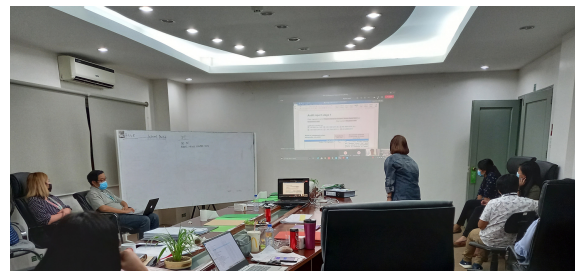
as the Company's process for assessing significant risks or exposures.

Meanwhile, the PNOC Risk Management Committee performs oversight risk management functions specifically in the areas of operations, legal, reputational, and other risks of PNOC and ensures that the risk management process and compliance are embedded throughout the operations of PNOC, especially at the Board and Management level.

Quality Management System



Despite the global COVID-19 pandemic, PNOC honored its QMS/IMS Commitments. Maintaining an efficient management of PNOC Energy Facilities and the continuous Development, Implementation and Maintenance of Efficient and Effective Systems are part of PNOC's Strategic Objectives. As PNOC's way to uphold and commit to these objectives, PNOC is certified by Quality Management Standards (ISO 9001:2015) for nineteen (19) management processes since October 10, 2017 and was successfully QMS Re-Certified on



December 18, 2020 without any non-conformities. This year's QMS' scope expanded with the inclusion of some departments and divisions which were not part of the QMS' original scope, necessitating the complete revision of the QMS Manual based on the reorganized structure of PNOC. The new QMS Manual describes PNOC's approach in managing its business and operations in accordance with the ISO 9001:2015 QMS standard. The manual makes reference to relevant documents such as policies, procedures, and instructions that applies to the entire PNOC.

Meanwhile, PNOC's two (2) operating business units were also recommended for Certification. The PNOC Industrial Park - PNOC Park Management Department (PIP), was recommended for continued certification to Integrated Management System (IMS) Standards (ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018) since December 7, 2016 as it hurdled well the First Surveillance Audit on December 15, 2020. The Energy Supply Base (ESB) was also recommended for certification after it passed the two (2) Stage Audits for the Integrated Management System (IMS) Standards (ISO 9001:2015 and 45001:2018) on November 27 and December 11, 2020, respectively.

Customers Satisfaction Survey

PNOC aims to continue to operate in a highly effective and efficient organization focused on meeting its customers' needs while pursuing its goals and objectives.

To keep a constant pulse on the state of the company's relationship with its customers, PNOC engaged a third-party consultant to conduct a customer satisfaction survey to determine the level of satisfaction of PNOC's customers, i.e., PNOC Lessees, Industrial Park Locators, and Energy Supply Base Customers).






The Customer Satisfaction Survey in 2020 resulted in an overall rating of "Very Satisfactory". The top three satisfiers leading to the company's overall rating are the competence of its staff and their willingness to assist customers; its facilities and office premises being safe and secure; and the company's information and communication systems. The survey used a 5-point Likert scale based on the enhanced standard methodology provided by the Governance Commission for GOCCs.

PNOC will continue to measure its customers' satisfaction to gain insights into their perception of the company's business operations. This vital

PNOC's Corporate Governance Scorecard

The company's Corporate Governance Scorecard can be accessed by clicking the "GCG Scorecard" link on the company's official website, www.pnoc.com.ph. It is under the Quick Links section on the left side of the homepage.

Quick Links

-  **Transparency Seal**
Transparency Seal
-  **GCG Requirements**
GCG Requirements
-  **GGS**
Corporate Governance Scorecard
-  **Service Charter**
Service Charter
-  **GCG Whistleblowing Portal**
GCG Whistleblowing Portal

information identifies what actions are needed to improve and add value to our services to retain customers' loyalty to the company.

Corporate Governance Statement

The Philippine National Oil Company (PNOC) affirms its full compliance with the provisions of the Code of Corporate Governance (GCG Memorandum Circular No. 2012-07 dated November 2012) and its own Manual of Corporate Governance. Per Memorandum Order No. 2018-05, the PNOC is undergoing a reorganization which will transform it from a holding company to an operating company that will serve to actively implement current and future energy programs and projects.

Meanwhile, PNOC remains governed by the principles of good corporate governance and the principles of accountability and transparency. The PNOC remains true to its mandate and will continue to develop the groundwork for the implementation of value-creating activities in the fields of oil, gas, and renewable energy.

Governance Structure

The machinery for corporate governance of the PNOC is contained in its Charter, P.D. 334, as amended, and its By-Laws and Code of Ethical Conduct. This Charter vest the PNOC Board of Directors (BOD) with full final authority and full oversight

responsibility for the governance of the Company. As a result, the PNOC BOD is held accountable to the State for the operation and status of PNOC, including its performance in various state activities and projects.

To assist the Board and the PNOC Management in decision-making processes, the members of the BOD have constituted sub-committees that gather to discuss various issues and establish recommendations for the review and approval of the PNOC BOD. The sub-committees are as follows: (1) the Executive Committee; (2) the Risk Management Committee; (3) the Audit Committee; (4) the Nomination and Remuneration Committee; (5) the Governance Committee.

On the other hand, the PNOC Senior Management is composed of the Executive Officers comprising the President and CEO, the Senior Vice President for Energy Investments; Senior Vice President for Energy Business, and the Senior Vice President for Finance and Administrative Services.

The PNOC Senior Management is responsible for ensuring that the PNOC adheres and implements its mandate while at the same time, complies with its corporate duties and responsibilities especially those concerning its social, environmental, and economic commitments to its stakeholders and the Filipino people.



Our Subsidiaries

PNOC Exploration Corporation

In 2020, PNOC EC continues to maximize the value of the country's oil, gas, and coal resources by seeking the most efficient ways to harness such natural resources within its areas of interest. Through its exploration activities, PNOC EC works to discover new sources of energy to expand the country's energy efficiency.

Natural Gas Production

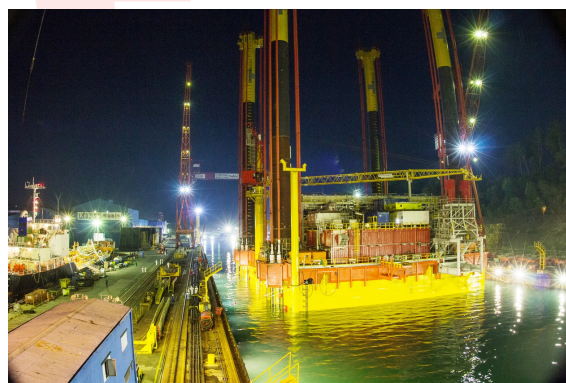
SC 38 - Malampaya Gas Project

PNOC EC owns 10% stake in the upstream component of the Malampaya Deepwater Gas-to-Power Project, together with Shell Philippines Exploration B.V., the Operator (45%), and Chevron Malampaya LLC (45%). First gas from the Malampaya Deepwater Gas-to-Power Project flowed to the platform in December 2001.



In 2020, the Malampaya project continued to provide the gas fuel requirement of its power plant customers in Batangas, namely Sta. Rita (1,000 MW), San Lorenzo (500 MW), Ilijan (1,200 MW), San Gabriel (414

MW), and Avion (97 MW). The said project also supplies the gas fuel requirements of Pilipinas Shell Petroleum Corporation (PSPC) in Tabangao, Batangas.



For the year, total natural gas offtake was 135.52 billion standard cubic feet (BCF), which is lower than the natural gas sales in 2019 of 149.91 BCF. The total condensate sale was 3.32 mmbbls against 2019 of 4.23mmbbls.

Petroleum Exploration and Development

SC 37 - Cagayan Basin

The SC 37 is an onshore block located in the southern part of Cagayan Basin. It was awarded by the Department of Energy (DOE) to PNOC EC on 18 July 1990. The SC has an area of 2,200 sq. km. covering Santiago City and the municipalities of Ramon, San Isidro, Echague, and Cordon in Isabela province, and the towns of Saguday and Diffun in Quirino province. SC 37 covers the San

Antonio gas field which produced the 3 billion cubic feet (BCF) of gas supplied to the 3MW San Antonio Gas Power Plant (SAGPP) in Echague, Isabela from 1994 to 2008. Although SAGPP was modest in size, it was the first gas power plant in the Philippines which signaled the birth of the natural gas industry in the country.

As part of PNOC EC's commitment to harness indigenous sources of energy, the Company continued to explore the block which led to the drilling of the Mangosteen-1 well in March 2015 which was later confirmed by the DOE as a Discovery Well. This is the first gas discovery since the 1992 Malampaya gas discovery.



In 2020, PNOC EC continued to mature other prospects in the block, including the Chico structure. The final results of the Passive Seismic Tomography of Mangosteen-Mabolo structure were presented by the contractor, Tekton Geometrix Inc (TGI). For the planned well drilling of Chico prospect, the Company has completed the site preparation design.

SC 57 - Calamian

The SC 57 was awarded to PNOC EC on 15 September 2005. The block covers an area of 7,200 sq. km., and is located in Offshore Northwest Palawan, west of the Calamian Islands. China National Offshore Oil

Corporation (CNOOC) International Ltd, and Mitra Energy Ltd (Mitra) farmed-in into SC 57 in 2006, with 51% and 21% participating interests, respectively.

Although both joint venture partners, CNOOC and Mitra, have already spent for the acquisition of more than 2,000 km. of 2D seismic data and the reprocessing of 1,078 km. of vintage 2D data as part of their contractual obligation to the Service Contract, the Deed of Assignment to officially recognize them as partners have not been issued by the DOE. PNOC EC is currently administering the license pending the DOE approval of PNOC EC's transfer of its participating interests to CNOOC and Mitra Energy.

In 2020, PNOC EC continued discussions with the DOE and the Office of the President (OP) to resolve issues on PNOC EC's request for the approval of the transfer of its participating interests to CNOOC and Mitra Energy. Further, the IRR for EO 80 "Rationalizing the Rules of the Engagement of Third-Party Participants under Petroleum Service Contracts" by the DOE became effective on 21 March 2020.

SC 58 - West Calamian

The SC 58 was awarded to PNOC EC on 12 January 2006. This block is a deepwater acreage which covers an area of 13,440 sq. km. in Offshore Northwest Palawan and located west of the Malampaya oil and gas field. Nido Petroleum Ltd (NIDO) of Australia farmed-in into SC 58 in CY 2006 and acquired 50% participating interest and operatorship of the block. NIDO is committed to carry PNOC EC up to the drilling of the first exploration well.

In 2015, DOE granted NIDO Petroleum's request for the suspension of the performance of work commitments and obligations on the basis of Force majeure until DOE notifies NIDO Petroleum to commence drilling.

In 2020, DOE lifted the force majeure status of the block on 16 October 2020. At present, NIDO is in communication with the DOE for the way forward of the block.

SC 59 - West Balabac

The SC 59 was awarded to PNOEC on 13 January 2006. This block is located offshore west of Balabac Island in the Southwest Palawan Basin covering an area of 14,760 sq. km. In 2009, BHP Billiton farmed-in into SC 59 acquiring 75% participating interest and operatorship with PNOEC retaining 25%. In exchange, BHP Billiton agreed to shoulder all the exploration costs up to the drilling of three (3) wells. In 2015, BHP Billiton withdrew from the Service Contract and which was approved by the DOE together with the transfer of operatorship to PNOEC.

Since 2018, SC 59 is under force majeure until the West Philippine Sea maritime dispute is resolved. Although under suspension, PNOEC continued its technical evaluation of the block with the interpretation of data acquired through a multi-client 2D (MC2D) acquisition project of Compagnie Générale de Géophysique (CGG). Data acquired are 2D seismic, gravity and magnetic data.

In 2020, PNOEC, through Geoscience Foundation Inc. (GFI), completed the gravity and magnetic data interpretation. PNOEC also completed the field engineering study. Further, the IRR for EO 80 "Rationalizing the Rules of the Engagement of Third-Party Participants

under Petroleum Service Contracts" by the DOE became effective on 21 March 2020. On 14 October 2020, the DOE lifted the force majeure status of the block.

SC 63 - East Sabina

The SC 63 was awarded to PNOEC and NIDO on 24 November 2006. The block covers an area of 10,560 sq. km. located in Offshore Southwest Palawan. PNOEC is the operator holding 50% participating interest and NIDO holds the remaining 50%. In 2014, Dragon Oil farmed-in acquiring 40% interest. With the farm-in, PNOEC's interest was reduced to 40% and NIDO to 20%. The consortium drilled the Baragatan Prospect but the well only encountered several thin gas-charged zones, which were deemed non-commercial. In November 2015, Dragon Oil decided to withdraw from the block.

In 2016, the DOE granted a three-year (3) technical moratorium from November 2015 to November 2018 to allow the partners to farm-out the block. In 2017, DOE approved the transfer of participating interest from Dragon Oil to PNOEC and NIDO, and the Deed of Assignment and the transfer of operatorship from PNOEC to NIDO.

In 2020, NIDO and PNOEC decided to relinquish the block due to unfavorable results of the study. DOE approved the relinquishment on 9 December.

SC 74 - Linapacan

The SC 74 is located offshore northwest of the Calamian Islands. It was awarded by DOE to joint bidders Pitkin Petroleum Limited (Pitkin) and The Philodrill Corporation (Philodrill) on 13 August

2013 during the Philippine Energy Contracting Round (PECR) 4. In 2015, PNOC EC acquired 5% of Philodrill's participating interest. In 2016, the DOE approved Pitkin Petroleum's transfer of its 70% interest and operatorship to PXP Energy Corporation (formerly Philex Petroleum). At present, the block is under a consortium composed of Philodrill (25%), PXP Energy (70%), and PNOC EC (5%), with PXP Energy as the operator.

In 2020, the Consortium completed the overall data integration of gravity, magnetic and seismic interpretation, Quantitative Interpretation (QI) study of Linapacan and West Linapacan structures, and biostratigraphic and geochemical analysis of Calamian field samples.

SC 75 - Northwest Palawan

PNOC EC was advised by the DOE in 2013 as part of the Consortium with PXP Energy Corporation and Petro Energy which was considered winning bidder for the SC 75, with PNOC EC holding 35% participating interest.

The DOE also granted PXP Energy Corporation its request for force majeure to SC 75 work commitments for Sub-Phase 2 effective upon the end of Sub-Phase 1, on 27 December 2015, due to the current situation in the West Philippine Sea.

On 14 October 2020, the DOE lifted the force majeure status of the block. PXP is in communication with the DOE for the way forward of the block.

New Areas

PNOC EC continued to evaluate prospective new ventures and exploration opportunities, both here and overseas.

Under domestic opportunities, PNOC EC

completed the due diligence of the four (4) Pre-determined Areas (PDA) offered under the DOE's Philippine Conventional Energy Contracting Program (PCECP). The due diligence aims to identify prospective areas among the PDA. The result of the evaluation will aid PNOC EC in deciding whether or not to exercise its option to enter as partner on a newly-awarded SC.

PNOC EC and DOE conducted a joint study of the Cagayan Basin with DOE. Both parties completed the Cagayan Basin Stratigraphy and its corresponding write up. PNOC EC and DOE continued data gathering on the well-to-well correlation study.

PNOC EC completed technical review of the nominated area in the Cotabato Basin.

In overseas venture, PNOC EC continued to scout and assess opportunities to acquire producing and development assets. Several producing assets were evaluated such as those in the ASEAN region, Australia, and USA.

Coal Exploration and Development

COC 41 - Malangas Project Operations

PNOC EC holds interest in COC 41 within the Malangas Coal Reservation in Zamboanga Sibugay, straddling the municipalities of Malangas, Diplahan and Imelda. PNOC EC operated a large-scale coal mine known as the Integrated Little Baguio (ILB) colliery, which was the largest semi-mechanized underground coal mine in the country. As holder of the COC, the Company also monitors and supports the mining operations of various small-scale coal miners within the COC 41.



Due to unfavorable market conditions, all development and production activities of PNOC EC in ILB were stopped since 1 March 2013. Despite market challenges, PNOC EC continued active exploration activities in areas within the COC, such as Malongon/Sta. Barbara, Gotas North Limb, Mine 3, and Lower Butong.

In 2019, PNOC EC obtained the required Certification Precondition from the National Commission on Indigenous Peoples NCIP for the development of the COC 41 Mine 3 Area.



In 2020, PNOC EC completed the following programs (1) installation of power, water and air lines in main shaft, (2) construction of warehouse maintenance shop, welding shop and arc bending shop through Nascon Builders, (3) installation of hoist system by

Paramina, and (4) mine layout and panel sequence. During the year, PNOC EC continued Mine 3 development activities in preparation for its eventual production.

COC 122 - Isabela Coal Mine Development Project

PNOC EC is the holder of COC 122 which straddles portions of the City of Cauayan and municipalities of Naguilian and Benito Soliven in the province of Isabela.

The Isabela Coal Mine Development Project under COC 122 is being developed by PNOC EC in cooperation with the DOE for the Province of Isabela. Lignite coal will be mined from mining areas in Cauayan City, Benito Soliven and Naguilian, with total reserves of 28 million metric tons (MMT). The mine can supply coal as fuel to a power plant, which may be situated in Cauayan City.

In 2016, PNOC EC was able to secure a favorable DOJ opinion that it can enter into power generation business and submitted to the National Economic and Development Authority (NEDA) a position paper on the exemption from certain provisions of the Revised JV Guidelines. In 2017, PNOC EC, through its contractor, completed the valuation of coal assets in COC 41 which includes coal resource estimation.

In 2020, PNOC EC secured the endorsement and full support for the proposed mine-mouth power plant from the Municipality of Benito Soliven. The Company also completed site development plan and cost estimates for the Project. Further, PNOC EC submitted to the DOE the revised Five-Year Work Program for COC 122.

COC 185 - Buug - Malangas, Zamboanga Sibugay Coal Exploration

The DOE awarded PNOEC the COC 185 on 15 February 2013. COC 185 is located on the northeastern end of the Malangas Coal District, Sibugay Peninsula where underground coal mines are extensively worked. Adjacent to its location are two development and production COCs, COC 41 and COC 130.

In 2014, the National Commission on Indigenous Peoples (NCIP) Region IX provided PNOEC a map that shows that COC 185 overlaps with the Buug CADT. As such, no exploration activities are allowed until the Certificate Precondition is issued by the NCIP. In 2016, PNOEC obtained the Free and Prior Informed Consent (FPIC) of the concerned Indigenous Cultural Communities/Indigenous Peoples upon the signing of the MOA between PNOEC, NCIP, and leaders of the indigenous peoples living in the three (3) municipalities covered in the project areas. In 2018, the Energy Investment Coordinating Council (EICC) approved the application for COC 185 and 186 as Energy Projects of National Significance (EPNS).

In 2019, the Certificate Precondition has been issued by the NCIP.

In 2020, PNOEC continued coordination with LGU of Buug for their endorsement of the Project.

COC 186 - Imelda - Malangas, Zamboanga Sibugay Coal Exploration

The DOE awarded PNOEC the COC 186 on 15 February 2013. COC 186 is located on the central part of the Malangas Coal District in the Sibugay Peninsula where underground coal mines are extensively worked. Adjacent to its location is COC 41.



In 2014, the National Commission on Indigenous Peoples (NCIP) Region IX provided PNOEC a map that shows that COC 186 overlaps with the Imelda CADT. As such, no exploration activities are allowed until the Certificate Precondition is issued by the NCIP. In 2016, PNOEC obtained the Free and Prior Informed Consent (FPIC) of the concerned Indigenous Cultural Communities/Indigenous Peoples upon the signing of the MOA between PNOEC, NCIP, and leaders of the indigenous peoples living in the three (3) municipalities covered in the project areas. In 2018, the Energy Investment Coordinating Council (EICC) approved the application for COC 185 and 186 as Energy Projects of National Significance (EPNS).

In 2019, the Certificate Precondition has been issued by the NCIP.

In 2020, PNOEC continued coordination with LGU of Imelda for their endorsement of the Project. For

Malangas area, PNOC EC spudded fourteen (14) drill holes with total drilling meterage of 3,874.85 meters since commencement in September 2019.

Coal Production and Sales

In 2020, total aggregate coal production from COC 41 was registered at 4.28 thousand metric tons (MT) coming from the production of small-scale coal miners. This is 29% of the targeted 15.00 thousand MT for the year.

On the other hand, PNOC EC's coal marketing and trading business continued to serve and supply the coal requirements of its customer from local small scale coal mine sources.

In 2020, direct sales volume was registered at 481 MT which is lower than the sales in 2019 of 4.72 thousand MT, and no volume for 2020 was traded under marketing arrangement as compared to 2019 with registered volume of 23.23 thousand MT. The low coal sales are attributed to majority of large industries are already directly dealing with Semirara Mining Corporation and other mining companies and new traders in the market.

PNOC Renewables Corporation

PNOC RENEWABLES CORPORATION is the Government's arm in the development and implementation of Renewable Energy and Energy Efficiency projects. PNOC RC is the most suitable vehicle of the Philippine Government in promoting, developing and implementing new and renewable energy and energy efficiency programs in the country. Through these projects, PNOC RC seeks to reduce the country's dependence on imported oil while mitigating the effects

of climate change. Development of these type of projects play an important role in the country's drive towards energy self-sufficiency, security and independence.

Throughout 2020, the organization has been proactive in partnering with government institutions and private organizations to explore the tremendous and untapped potentials of the country's clean energy resources. For this year, PNOC RC entered into a Memorandum of Understanding (MOU) with Bases Conversion Development Authority (BCDA) for the exploration for the Waste-to-Energy technology and solid waste management for New Clark City and Clark Freeport Special Economic Zone (CFSEZ). It also signed Non-Disclosure Agreements (NDA) with Hitachi Zosen Corporation and Consolidated Mines Inc. for potential partnership in developing renewable energy projects in the country. The corporation was also able to complete the detailed Feasibility for the proposed Waste-to-Energy Project in Baguio City and four (4) Technical and Financial Studies for its potential projects namely: 1 MW ARIS Sta. 3+611 Hydropower Project, 5 MWp Floating Solar PV Project in Marinduque, MMSU Solar Power Project and TESDA Solar Power Project.

As it continues its journey, PNOC RC is motivated to pursue its goals with enthusiasm of its partner agencies that have chosen to join its worthwhile undertakings. It is optimistic that reaching the summit of climate change mitigation through sustainable development will be a shared goal for everyone.

Physical Accomplishments

As of December 2020, the company was able to generate 6.77MW of energy from

Solar PV and renewable energy projects, broken down as follows:

| PROJECT | CAPACITY (MW) | STATUS/REMARKS |
|-----------------------------|---------------|---|
| Solar Rooftop Installations | 2.57 | On-going commercial operations |
| Maibarara Geothermal | 3.2 | On-going commercial operations, 10% share |
| Rizal Hydropower | 1 | On-going commercial operations |
| TOTAL | 6.77 | |

Details of completed and on-going projects are as follows:

Solar Rooftop Program with Government Agencies/Local Government Units

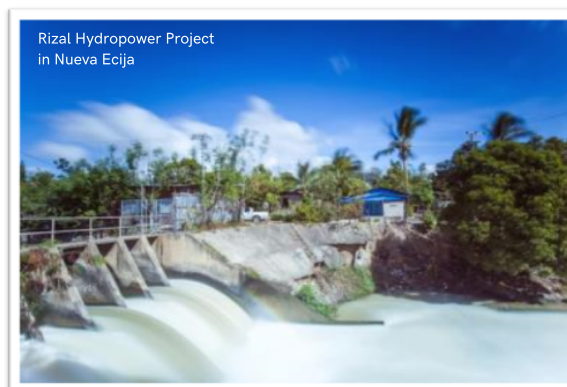
| | TOTAL (in kW) | AGENCIES | CAPACITY (in kW) | LOCATION | STATUS |
|------|---------------|---|------------------|------------------|------------------------------------|
| 2015 | 200 | Philippine Heart Center (PHC) | 100 | Quezon City (QC) | Operations and Maintenance |
| | | Department of Science and Technology (DOST) | 100 | Taguig City | Operations and Maintenance |
| 2016 | 620 | Department of Environment and Natural Resources - Energy Management Bureau (DENR-EMB) | 100 | QC | Operations and Maintenance |
| | | Philippine Coconut Authority (PCA) | 80 | QC | Operations and Maintenance |
| | | University of the Philippines (UP) Diliman | 240 | QC | Operations and Maintenance |
| | | Commission on Audit (COA) | 200 | QC | Operations and Maintenance |
| 2017 | 600 | BSP | 600 | Manila and QC | Operations and Maintenance |
| 2018 | 1,150 | PICC | 1,050 | Manila | On-going testing and commissioning |
| | | LGU Naga | 100 | Cebu | Operations and Maintenance |

Energy Efficiency Program with Government Agencies (EEL)

| | PROJECTS | CAPACITY (LED bulbs) | LOCATION | STATUS |
|------|---|----------------------|----------|----------------------------|
| 2016 | Philippine Public Safety College (PPSC) Phase 1-2 | 2,168 | Cavite | Operations and Maintenance |
| 2017 | Philippine Public Safety College (PPSC) Phase 3 | 1,557 | Cavite | Operations and Maintenance |
| | | 3,725 | | |

Renewable Energy Development

| | PROJECT | CAPACITY (in kW) | LOCATION | STATUS |
|------|--------------------------------|------------------|---------------------|----------------------------|
| 2014 | MAIBARARA GEOTHERMAL PROJECT | 20,000 | Sto. Tomas Batangas | Operations and Maintenance |
| 2015 | RIZAL HYDROPOWER PROJECT | 1,000 | Rizal, Nueva Ecija | Operations and Maintenance |
| 2018 | MAIBARARA GEOTHERMAL EXPANSION | 12,000 | Sto. Tomas Batangas | Operations and Maintenance |
| 2019 | ARIS | 1,000 | Pangasinan | For Project Implementation |
| | TOTAL | 34,000 kW | | |





Corporate Social Responsibility

Corporate Social Responsibility (CSR) is integrated in PNOC RC’s business operations as stipulated under its corporate vision and mission. PNOC RC ensures that its project beneficiaries and partners are aware of its commitments and contributions towards carbon offsetting and reduction of carbon footprint through its RE project portfolio in geothermal, hydropower, solar farm, biomass, wind and ocean, including solar rooftop for government facilities. As a matter of fact, its existing projects were able to reduce/avoid 2,837.34 of equivalent greenhouse gas (GHG).

Customer Satisfaction Survey

The customer satisfaction survey is part of PNOC RC’s responsibility to inform individual and corporate beneficiaries the importance of renewable energy and energy efficiency programs. The survey also aims to determine stakeholder’s satisfaction to services provided by PNOC RC during pre-development, installation or construction, and operation and maintenance. For 2020, PNOC RC conducted the survey in-house. Out of the 10 partner agencies identified as respondents, five (5) were Very Satisfied, three (3) were Satisfied and two (2) were neither Satisfied nor Dissatisfied.

Organizational Development

PNOC RC, through its Human Resources Department provides support by addressing manpower development needs of the organization. Despite the challenges encountered in 2020, the company endeavored to provide learning development interventions to employees by capitalizing on resources available to

the organization and continue its efforts to enhance workforce competencies. In 2020, PNOC RC embraced the virtual mode of learning delivery. It organized online learning sessions on the Minimum Health Standards for the prevention and control of COVID-19 in the workplace, and procurement guidelines for BAC Technical Working Group members. The HR department also facilitated participation of employees to free webinars conducted by the Department of Energy and Resilient.Ph, Civil Service Institute, Philippine Commission on Women, and Government Procurement Policy Board.

For 2020, only 2 out of 38 employees, which is equivalent to 5.26% met the required relevant competencies. This score is influenced by various factors including the COVID-19 pandemic restrictions and limited financial resource

Board of Directors



HON. ALFONSO G. CUSI
*Board Chairperson
Secretary of Energy*

Energy Secretary and PNOC Chairman Alfonso G. Cusi has an impressive record in leading both private and public entities. He started his government service as General Manager of Philippine Ports Authority where he was instrumental in launching the "Strong Republic Nautical Highway". He later served as General Manager of the Manila International Airport Authority from 2004 to 2010. Under his tenure, the delayed NAIA Terminal 3 was officially opened in 2008. He later served as Director-General of the Civil Aviation Authority of the Philippines, wherein he laid the groundwork for the restoration of the

Category 1 status of the Philippine Aviation Industry.

A successful businessman, Secretary Cusi was also the chairman of Starlite Ferries, the company which upgraded the domestic shipping industry with its acquisition of brand new ro-ro commercial vessels. He also founded and served as Chairman and President of several companies engaged in logistics and distribution, manning and crewing, and maritime engineering, as well as the management/ownership of convenience stores. He also served as a Board Member of Intex Resources Philippines, Inc. of Intex Resources, a Norway-based corporation.

Chairman Cusi earned his Bachelor of Science degree in 1972 from La Salle College in Bacolod, his Master's degree in Business Administration in 1976 from UP-Cebu, and his Doctorate in Business, honoris causa, in 2008 from the Polytechnic University of the Philippines.



ADM REUBEN S. LISTA (RET)
*President and Chief
Executive Officer*

ADM Reuben S. Lista (Ret) has several years of experience in military discipline and remarkable business acumen. He holds Master's Degrees for International Resource Planning and Management (MIRPM) and National Security Administration (MNSA) from the prestigious US Naval Postgraduate School (USPNS) in Monterey, California, and another Master's Degree in Business Administration from Ateneo de Manila University. The

Admiral also holds the distinction of being the very first-ever commander of the Marine Environmental Command, a qualification that assists him in balancing energy projects with environmental protection.

Aside from his dedicated service in the Philippine Navy, the Philippine Coast Guard, and other maritime posts, President Lista has a very diverse background. He worked as a consultant in transportation and communication and public works and highways and even spearheaded a corporate social responsibility program with his brainchild project "Adopt a Lighthouse" which fosters the upkeep and maintenance of historical lighthouses.

He graduated top of his class in BS Marine Transportation at the Philippine Merchant Marine Academy in 1969.



**REX V.
TANTIONGCO**

Member of the Board

Director Rex V. Tantiongco has held many distinctive positions in the energy industry. He was the Chairman of the Energy Regulatory Board (now Energy Regulatory Commission) from 1991 to 1996, was Executive Director of the Independent Philippine Petroleum Companies Association, and Head of the

Advisory Group of Cathay Pacific Steel, to name a few. He was also a consultant for water and energy affairs in the Office of the President, and a local consultant to the World Bank.

Director Tantiongco is also a part of the academe, being a member of the Board of Trustees of the University of Rizal System, and having taught at the University of the East, the De La Salle University, and the CPA Review School of the Philippines.

Director Tantiongco graduated with a Bachelor of Arts degree in Accounting at the University of the East in 1966 where he also earned his MBA units in 1977. He received his Doctor of Technology degree from the University of Rizal System in 2009.



**RAMON VICTOR
B. MITRA**

Member of the Board

A general management professional, Director Mitra has extensive experience in administration and operations management acquired from more than 29 years experience

in the military, private businesses, and family-owned corporations. He also has wide-ranging interest in information technology, transportation, agriculture, biotechnology and energy business. Dir. Mitra also served as Chairman of the former PNOC subsidiary, the PNOC Development and Management Corporation.

A Philippine Military Academy graduate, Director Mitra also took the Enterprise Management Program at JAD Institute, an off-campus program of the Asian Institute of Management.



**HERMANN ROY
M. ATIENZA**

Member of the Board

Director Hermann Roy Atienza is a committee member for administration/Treasury of the ACDI Multipurpose Cooperative in Davao City.

Previously, he served the Philippine Air Force for 20 years, starting as Line Pilot in 1990 until he became Aerodrome and Base Operations Commander in 2007, exhibiting his knowledge and espousing projects leading to improvements and upgrades in air bases operations.

A San Beda BSC Marketing graduate in 1986, Director Atienza took Basic Air Cargo Operations at the Philippine Airlines in the same year and in 1990, took UPT in the Philippine Airforce Flying School. He completed his MBA at the University of Mindanao in 1997.



ADOLF P. BORJE

Member of the Board

Rear ADM Adolf P Borje AFP (Ret) has an extensive background in military, security, intelligence, community relations, and public safety. For over 37 years, Director Borje held

several distinctive military and government positions, which honed his skills in conflict resolution, government budgeting and programming, and management and deployment of security forces and other resources, among others.

Director Borje is a graduate of the Philippine Military Academy and earned a degree for International Resource Planning and Management from the US Naval Postgraduate School in Monterey, California. He also holds an equivalent Degree in Masters in National Security Administration from the National Defense College of the Philippines.



JONAS GUY S. DE LEON

Member of the Board

An environmentalist at heart, Director Jonas Guy S. de Leon works with various NGOs and organizations advocating for a clean and green

world in the midst of industrial and economic growth. He also firmly believes that transparency and accountability are the cornerstones of good governance, steadfastly supporting the current president's anti-criminality and anti-corruption drive.

Director de Leon also manages and co-owns several business establishments. He graduated with a Bachelor of Science degree in Nursing from the University of Northern Philippines in 2013.



ROMEO V. POQUIZ

Member of the Board

Before his appointment as PNOC Director, Director Poquiz was a Board Director several companies, such as the Bases Conversion and Development Authority, the Fort Bonifacio Development Corporation, and the Bonifacio

Transport Corporation. He was also an expert consultant for the Philippine Economic Zone Authority.

Presently, Director Poquiz is a Trustee of the AFP Mutual Benefit Association and a consultant at the National Security Council. A military officer with honors, he graduated with a Bachelor of Science degree from the Philippine Military Academy and a Master of Science in Management from the US Naval Postgraduate School.

He was a Major-General of the Armed Forces of the Philippines before he retired from active duty and service.



MICHAEL TED R. MACAPAGAL

Member of the Board

Director Macapagal was a member of the Board of Directors of the Clark Development Corporation prior to his appointment as PNOC Director. He brings with him an impressive and consistent record of building sustainable, scalable and profitable businesses that have

created long-term employment opportunities for minorities in the San Francisco Bay area. He was also President and CEO of 1st Reliance International, Inc., a locally-based corporation, and Reliance Logic, Inc., currently located in California. Both companies are into real estate development. Director Macapagal was also Division President and Country Manager of the California-based corporation, Stewart Title Company.

Director Macapagal graduated with a Bachelor's Degree in History, and a certificate program in Human Resource Management from the University of California, Berkeley.

Directors Training and Continuing Education

The PNOC Board has established themselves as true advocates of public governance. Armed with relevant training on Corporate Governance through the Institute of Corporate Directors, and Public Corporate Governance for Board Members of GOCCs with Modules on Understanding Fundamentals of Public Corporate Governance and Exercising Fiduciary Functions for Improved Public Corporate Governance, at the Development Academy of the Philippines their skills developed during trainings are further honed in the boardroom. Additional training like Introduction to the Strategic Thinking Process was also availed of. The Board continues to upgrade and update themselves with appropriate training to further enhance their performance as committed public servants.

PNOC Board Committees for 2020

Executive Committee

Chairman:

Alfonso G. Cusi

Members:

Reuben S. Lista

Hermann Roy M. Atienza

Ramon Victor Antonio B. Mitra

Romeo V. Poquiz

Risk Management Committee

Chairman:

Romeo V. Poquiz

Members:

Ramon Victor Antonio B. Mitra

Jonas Guy S. De Leon

Audit Committee

Chairman:

Rex V. Tantiogco

Members:

Adolf P. Borje

Hermann Roy M. Atienza

Nomination And Remuneration Committee

Chairman:

Hermann Roy M. Atienza

Members:

Rex V. Tantiogco

Michael Ted R. Macapagal

Governance Committee

Chairman:

Alfonso G. Cusi

Members:

Reuben S. Lista

Adolf P. Borje

Jonas Guy S. De Leon

Michael Ted R. Macapagal

Period covered: 1 January 2020 to 31 December 2020

**Membership in accordance with PNOC Board Resolution No. 2643, S'2019.*