



**CONQUERING
NEW HORIZONS**
2018 ANNUAL REPORT

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2018 Company Profile

Borne out of the energy crisis during the 70s, the Philippine National Oil Company was created in 1973, through Presidential Decree No. 334 as a government-owned and controlled corporation. 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.

Forty-five years later, the Company is faced with more challenging roles in supporting the government's thrust towards energy sufficiency. PNOC is ready to capitalize on its fresh mandate as an operating company and take advantage of the sustained investor confidence in developing energy projects aligned with the Duterte administration's energy policies and program of providing abundant and accessible energy to the Filipino people.



2019

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OUR COVER

As PNOC enters its 45th year of service to the country since its establishment, it continues to combine the guidance of its Board of Directors (blue), the vision of its management (yellow), and the efforts of its employees (red) in order to propel the Company forward (general direction of the three arrows) as it conquers new horizons to achieve its vision and fulfill its mandate of ensuring energy security.



Corporate Objectives

In 2018 the Management and Board of the Philippine National Oil Company approved the following strategic and management objectives with the corresponding strategic measures.

STRATEGIC AND FINANCIAL OBJECTIVES	MEASURE/TARGET
Contribute to Energy Security Targets	
Establishment of PNOC Batangas Liquefied Natural Gas (LNG) Hub Project	Board-approved Evaluation Criteria for evaluating the eligibility requirements of the proponents.
Establish a Comprehensive Relationship Management for Mutually Beneficial Linkages with Key Stakeholders	
Stakeholders 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)	P269 million
Maintain Efficient Management of Industrial Park	
Compliance to IMS System Standards	Pass PNOC Industrial Park 2nd Year Surveillance Audit
Provision of Water and Jetty Services to Locators	Supply 100% of Locators' requirements for the year with NO complaints
Redevelopment of Energy Center	Board Approved Minimum Performance specifications standards
Optimize Asset Productivity	
Lease out Properties	Expansion of Leased Area: PRII (6,000 square meters) Long Term Lease: SMC Consolidated (6.6 hectares)
Efficiency of Collection from PNOC-DMC Assets	100% Collection (P20.5 million) from CEPZA and Antonio Luna 50% Target Collection (P18 million) from PDMC Socialized Housing Project
Develop, Implement, and Maintain Efficient and Effective Systems	
PNOC ISO 9001 Certification	Pass PNOC QMS First Surveillance Audit
Acquire, Develop, Retain, and Motivate Talents for Peak Performance	
Meet Required Competencies	Establish Competency Baseline



FINANCIAL INDICATOR

Net income
of PHP 269 Million



NON-FINANCIAL INDICATORS

Board-approved Evaluation
Criteria for evaluating the
eligibility requirements of the
proponents for the LNG Project

Satisfactory Rating of 90% for
Stakeholders Satisfaction
Survey.

Passing of PNOC Industrial Park
2nd Year Surveillance Audit.

Provision of 100% Water and
Jetty requirements of locators
with no complaints.

Submission of Board-approved
Minimum Performance
Specification standards
for Redevelopment
of Energy Center.

Expansion of Leased Area
to PRII (6,000 square meters)
and SMC Consolidated
(6.6 hectares).

Improved Target Collection
for PNOC-DMC Assets.

Passing of PNOC QMS
First Surveillance Audit.

Establishment of Baseline
for Competencies Met.

For 2018, PNOC scored a high 98.37 percent performance in the Corporate Governance Scorecard (CGS) for government owned and -controlled corporation.

The CGS aims to recognize well-governed GOCCs, and raise corporate governance standards and practices.

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.

PNOC's whistleblowing policy can be found on the PNOC website by typing this case-sensitive link on your browser's address bar:

tinyurl.com/PNOCWBPolicy

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.

How our core businesses started

PNOC's areas of responsibilities have evolved in the past years to meet the country's growing and complex needs in the energy and oil sectors. This evolution is evidenced by the numerous subsidiaries created over time to address specific areas for development. In 1974, three tanker corporations were created after the purchase of the largest oil firm at the time, Esso Philippines, Inc., now Petron Corporation. Soon after, a stevedoring corporation, the precursor to the PNOC Shipping and Transport Corporation (PSTC), was acquired to facilitate the movement of oil products throughout the country.

In 1976, after the discovery of oil in Palawan and the discovery of alternative energy sources, Presidential Decree No. 927 (PD 927) was enacted to promote the exploration and development of oil and other indigenous energy sources, effectively expanding PNOC's scope of operations. In the same year, the Coal Development Act of 1976 was enacted to establish a coal development program, which later on led to the creation of the PNOC Coal Corporation (PCC).

This year saw the creation of two of PNOC's more lucrative subsidiaries – the PNOC Energy Development Corporation (PNOC EDC) and the PNOC Exploration Corporation (PNOC EC). PNOC EDC put PNOC on the map by making the country the second largest producer of geothermal energy in the world. This geothermal energy considerably reduced to about 50 percent the country's dependence on imported oil. On the other hand, the \$5.0 billion Malampaya Deepwater Gas-to-Power Project heralded PNOC EC's participation in the largest and most important investment of its kind in the history of the Philippines.

PNOC also ventured into businesses that dealt with petrochemicals, real estate development and development of renewable energy.

In 1993, the Petrochem Park of the PNOC Petrochemical Development Corporation's (PPDC) was created and declared a flagship project under the Ramos Administration. PPDC has since been reorganized and renamed PNOC Alternative Fuels Corporation (PAFC) in response to the call to develop alternative

sources of energy.

In 1959, the PNOC Development and Management Corporation (PDMC) was incorporated. It was the only company in the PNOC Group of Companies empowered by its charter to engage in the development of vital energy infrastructure, such as refineries, pipelines, pumping stations and the like. In 2009, PDMC's corporate registration was renewed for another 50 years. PDMC was also empowered by its articles and by-laws to develop, manage and add value to all real estate properties under PNOC and its subsidiaries. The company was able to maximize the use of PNOC properties by renting or selling the same, and collecting revenues from these transactions.

In 2008, the PNOC Renewables Corporation (PNOC RC), formerly the PNOC Dockyard and Engineering Corporation, was organized and incorporated to become the primary vehicle of the government in promoting, developing and implementing renewable energy and energy efficiency programs in the country.

▶ OUR MISSION

Through the efforts and initiative 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 standards of service and corporate governance.

▶ OUR VISION

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

Changes

In 2014, the Office of the President approved the recommendation of the Governance Commission for GOCCs (GCG) that PNOC re-organize itself from a holding company to an operating one, subsequently dissolving two PNOC subsidiaries – the PNOC Alternative Fuels Corporation (PAFC) and the PNOC Development and Management Corporation (PDMC). During the following year, transition plans were submitted and the transition process ensued.

By 2018, full operation of the two

subsidiaries is already under the PNOC's wings.

In assuming the responsibilities and taking over the functions of PAFC and PDMC, the Company proved equal to the task of becoming an operating company.

Also in the same year, the Energy Supply Base (ESB), a commercial port operated by PNOC EC, was also turned over to PNOC in January. After four months, full PNOC Complement took over its operations.

With the approval of the Company's reorganization plan on 26 July 2018 through GCG Memorandum Order No.2018-05, the Company anticipates a re-energized organization with a more dynamic manpower, whose expertise and experience will bode well for the company's future in energy infrastructure development and reinstate its status as among the government's most profitable corporations.

Where we are now

With its new mandate, PNOC became an attractive partner to do business with, and so 2018 became a very busy year for the Company.

There was a renewed interest from local and foreign investors to pursue ventures with PNOC. With various projects lined up under the new leadership of the energy department, the Company aggressively pursued

exploratory talks with prospective partners in the field of LNG business, real property development and management and the sale of its banked gas asset.

Where we are going

In order to realize its metamorphosis from a purely holding company to a full-fledged operating company, the PNOC Board drew up a priority list of major energy projects, programs and activities, that it would develop and "operationalize:"

- To establish an integrated LNG Hub
- To optimize the use/value of the PNOC Banked Gas either through PNOC-initiated projects or through its public sale in terms most advantageous to the government as a whole
- By 2024, to provide a world class energy supply base port facilities compliant with international standards; and
- By 2022, to make the PNOC Industrial Park a fully integrated petrochemical, energy, and energy-related eco-industrial park with the facilities and services compliant with international standards



left:
The Malampaya Offshore Platform
Photo: PNOC Exploration Corporation

Our Projects

The PNOC Banked Gas

Banked gas is the accumulated unused gas by the Ilijan Power Plant (owned by Napocor/PSALM), which has an existing Gas Sale and Purchase Agreement (GSPA) with the SC38 consortium that is subjected to a take-or-pay (TOP) provision. Under TOP, a fixed quantity of gas is being paid for by the power plant every year, whether they use the gas or not. The Department of Energy (DOE) is subrogated to all the rights and entitlements of the banked gas. In September 2009, PNOC purchased from DOE all the rights, benefits and entitlements of the banked gas worth 108.6 Petajoules.

The banked gas, being classified as an inventory, can be disposed/sold in the regular course of PNOC's business as an energy company. With the Offtake Framework Agreement and a DOE-issued guidelines for Banked Gas Disposal and/or Sale

already in place, PNOC entered into a Joint Tender Agreement with the SC38 Consortium. With this, a public bidding was carried out to take advantage of the synergy of selling the combined volumes of banked gas and SC38's new gas. At the end of the joint tender, PNOC and SC 38 were able to sell 14 PJ to Pilipinas Shell Petroleum Corporation (PSPC), of which 6.324 PJ is PNOC's pro-rata share. With this joint sale to PSPC, and with Power Sector Assets and Liabilities Management (PSALM), who has previously drawn 4.611 PJ of banked gas for the Ilijan Power Plant, PNOC's remaining volume amounts to 97.67 PJ. PSPC started withdrawing from the banked gas on June 1, 2018 at a rate of 3.227 terajoules a day (or around 1.18 PJ a year) and will continue to do so until February 23, 2024.

Given the result of the joint tender, SC 38 and PNOC thoroughly discussed the most appropriate

mode of sale for the remaining volume of banked gas.

With this, an Ad Hoc Committee was created by the PNOC Board to study and evaluate proposals/options to monetize the remaining banked gas. As a result of the Committee's study, offering the banked gas for public sale was recommended. The objective is primarily to test the market demand and to be able to monetize the banked gas at the earliest time possible.

Pursuant to the Guidelines for the Disposal/Sale of Banked Gas, a Disposal Committee was activated to help the PNOC Board advertise the sale as well as to evaluate the offers/proposals. The Committee published the Invitation to Submit Offers to Buy the PNOC Banked Gas in the leading newspapers and on the PNOC website on 22 June 2018. Simultaneous with the publication of sale, invitation letters were sent

out to potential off-takers.

The Committee received three (3) offers, however, all were not compliant with the guidelines/procedures set for the purpose.

The PNOC Board directed PNOC management to exhaust all possible actions to generate interest and instructed the Committee to proceed with a second round of publication. The second round of invitation, however, turned out to be unsuccessful as there was no proposal/offer received from any party.

Having two unsuccessful invitations and with a PNOC Board Resolution authorizing the Management to negotiate, without making any commitment as to the price at which the banked gas can be disposed of, PNOC prepared to enter into comprehensive discussions and/or negotiation to whoever is interested to buy the Banked Gas. The selling price is subject to the approval of the PNOC Board of Directors. The terms and conditions of the

negotiation must be advantageous to the government and must be similar to the terms set by the SC 38 consortium, which have to be agreed upon by both PNOC and the interested buyer.

As of end 2018, interested buyers are approaching PNOC but they are yet to submit formal proposals.

The PNOC Batangas Liquefied Natural Gas (LNG) Hub Project

The PNOC Batangas LNG Hub Project originated with the Department of Energy's policy directive for PNOC to develop a 200-megawatt army reserve using natural gas. The concept eventually broadened into a more comprehensive project, covering the whole LNG value chain and the development of an LNG Hub. The aim is for sustainability of gas supply and to provide the requirements of the existing Malampaya-dependent natural gas power plants upon the expiration of the SC38 contract. This major project is expected to likewise encourage investment in related

industries, infrastructure and facilities that will further develop the local natural gas industry. Being strategically close to the location of the country's major gas-fired power plant developments, PNOC is considering various locations in Batangas as potential project sites.

Initially, the chosen modality for this project was a Government-to-Government transaction. However, such modality did not materialize for the LNG Project.

PNOC then adopted the concept of the unsolicited proposals under the 2013 Revised NEDA Joint Venture Guidelines and the Build-Operate-Transfer (BOT) Law. Under this scheme, PNOC received eight (8) proposals. These proposals were evaluated by PNOC with the assistance from the Asian Development Bank (ADB) as the company's transaction advisor for the project using the Board-approved Eligibility/Qualification Criteria, and relevant laws, rules and regulations that governs the unsolicited proposals scheme. This scheme turned out to be unsuccessful having all eight (8)

right:
Flaring activities
at a processing plant



unsolicited proposals rejected either due to non-compliance to the Board-approved Eligibility/Qualification Criteria and rules under BOT Law or NEDA JV Guidelines.

In view of the above, the PNOC Board directed the PNOC Management to proceed with the Solicited Proposals Scheme under the NEDA's Revised Guidelines and Procedures for Entering into Joint Venture Agreements between Government and Private Entities (NEDA JV Guidelines). With this, PNOC created a Joint Venture Selection Committee (JVSC) as required under the aforesaid Guidelines.

PNOC adopted a two-stage process under this scheme, namely: the pre-qualification stage; and the request for proposals stage. PNOC launched the pre-qualification (PQ) stage for the selection of its Joint Venture partner through the publication of the invitation to private sector participants (PSP) for eligibility pre-qualification in newspapers of general circulation and on the PNOC website. Three interested parties purchased the pre-qualification documents.

As of December 31, 2018, the JVSC, together with ADB is still finalizing details as required by the project and continuously entertaining inquiries from interested Private Sector Proponents.

The Iconic Tower

Sitting on a prime property in the new bustling district that is the Bonifacio Global City, the 5.2-hectare Energy Center, owned by DOE and PNOC, is prospected to be redeveloped into a mixed use area with an Iconic Building as its centerpiece.

On January 2018, PNOC and DOE entered into a MOA to jointly undertake the development of the Project.

PNOC created its Minimum Performance Standards and Specifications (MPSS) for the Project, which was approved by the Board on June 2018.

Three (3) unsolicited proposals from private sector proponents were submitted to PNOC and DOE for the Project. After evaluation, the proponents were formally informed that their respective proposals were returned due to incomplete submission based on specific guidelines.

The Joint Technical Working Group of PNOC-DOE met with several agencies to look for a general consultant to provide the over-all advisory services covering legal, technical, financial and real estate for the Project.

The Joint TWG also met with the Public Private Partnership Center (PPPC) to consult the latter on pursuing the Project as a PPP and the possibility of applying for the Project Development and Monitoring Facility (PDMF) support for project development.

Energy Supply Base Operations

PNOC owns several landholdings located in various parts of the country. Among these properties is the Energy Supply Base (ESB) in Brgys. Mainaga and San Francisco, Mabini, Batangas, about 120 km from Manila.

The ESB property has a total area of 19.2 hectares; of which 10.55 hectares serves as the site of the energy supply base operation; 4.27 hectares is leased by Petron for its bulk plant/depot operation; and 4.40 hectares is located in the hilly/eroded area. It is created primarily to provide logistical support for the energy industry. The ESB's Permit



left:
PNOC Energy Supply Base
Mabini, Batangas

right:
A discussion regarding
PNOC's projects in the 2018
Strategic Planning Workshop



to operate as a private commercial port (Certificate of Registration No. 291) was granted on October 1996 by the Philippine Ports Authority (PPA).

PNOC-Exploration Corporation was in-charge of the ESB operations until the PNOC and PNOC-EC Boards approved the transfer of operations of the ESB from PNOC-EC in 2017.

The transition and turnover of ESB's operations and corporate services functions was completed on December 31, 2017. The administration and operations was assumed by PNOC on January 1, 2018.

The policies on accreditation of Cargo Handler Operators in the ESB were approved by the PNOC President in May 2018. Part of the Board-approved Project Strategies in October 2018 was its approval of the initial Master Development Plan for the ESB Port. To validate this initial plan, the bidding process for the conduct of the Detailed Feasibility Study was started.

To improve the ESB Port and other facilities, and increase vessel berthing, the PNOC Board awarded the following projects in December 2018:

- Re-strengthening of Deck 3 Piles and Slabs and Repair Works of Concrete Slabs and Beams of Decks 1, 2, and 4 of ESB Triangular Pier
- Repair of Deteriorated Concrete Pavement
- Construction of Concrete Pavement with Curb and Gutter Going to RoRo Pier
- Repair of Deteriorated Concrete Pavement of Access Road Going to Triangular Pier

PNOC's vision for ESB is that by 2024, PNOC will provide world class energy supply base port facilities and offer services compliant with International Standards.

Management of PNOC Estate Properties

For the PNOC's 530-hectare Industrial Park in Limay, Bataan, PNOC signed a Land Lease Agreement with San Miguel Consolidated Power Corporation for 6.6 hectares, and a supplemental MOA with the Philippine Resins Industries Inc. for 6,600 square meters for the locators' expansion activities. A second supplemental MOA with PRII for 5 hectares was also completed during the year.

The Company's efforts to promote businesses to locate in its industrial

Park attracted the interest of several companies. Proposals from DTS Netherlands, United Union Oil & Gas Inc., Limay LNG Power Corp, Mabuhay Vinyl Corporation and the PRII were evaluated while Letters of Intent were replied to for Emirates National Oil Company, Dow Chemical, Solar Philippines, Harbor Star Shipping Services, Inc., Infunde Development PTE Ltd and Lloyds Energy.

PNOC continued to manage the Industrial Park's operations by providing basic services such as raw and fire water, power supply, and jetty services to the locators within the Park. The Health, Safety, Security and Environmental (HSSE) Programs were also implemented throughout the Park.

Meanwhile, negotiations with Goldenlights Realty Corporation are ongoing for the lease of the 7,500 square-meter Sta. Mesa property. The contract for the renewal of lease of PNOC property in Colon, Cebu for GADC-McDonalds was also signed during the year.

PNOC continued to assume collections from past sales and receivables, and long-term lease of its dissolved subsidiary, the PNOC Development and Management Corporation's assets. Receivables were mainly from down payments and amortization from its Costa Verde inventories and El Pueblo Condormitel units.

ISO Certification

PNOC secured its first ISO Certification 9001:2015 in October 2017. All the processes at PNOC have been found compliant with the requirements of the standard for a quality management system.

PNOC has been found to demonstrate the ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, and enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to the requirements of the standard.

An internal quality audit was conducted in May 2018 and PNOC passed the 1st Surveillance Audit conducted in June 2018.

The PNOC Alternative Fuels

Corporation (PAFC), now the PNOC Industrial Park, had successfully undergone its 2nd surveillance audit conducted by AJA Registrars Inc. in accordance with the requirements of ISO 9001:2015, ISO 14001:2015 & ISO 18001:2007 on September 25, 2018. The scope of certification is Industrial Park Administration and Facility Operations and Maintenance.

PAFC Integrated Management System (IMS) is scheduled for re-certification in October 2019.

PNOC EC was also officially certified in October 2018 to Management Systems, ISO 9001-2015 for its Petroleum and Coal Exploration Reporting System while PNOC Renewables Corporation maintained its ISO 9001:2015 in November 2018 for its Preparation of Feasibility Studies for Renewable Energy and Energy Efficiency Projects. Both subsidiaries were certified by TUV Rheinland Phils Inc.

Reorganization

Directed by the Governance Commission for GOCCs (GCG) to dissolve its subsidiaries - PNOC Development and Management Corporation and the PNOC Alternative Fuels Corporation

(PAFC) - and transform itself into to an operating company to take over the assets and ongoing projects of these dissolved subsidiaries, a new organizational structure and staffing pattern was created. The PNOC Reorganization Plan was designed, aiming to attain optimum efficiency levels in the allocation of resources and services by minimizing organizational levels, combining common functions and reorganizing its current structure and staffing pattern appropriate to equip PNOC with necessary skills and competence in developing new energy projects, taking over the operations of existing energy projects, and managing all its assets.

With GCG's approval of PNOC's Reorganization Plan on July 26, 2018, the PNOC Change Management Team convened and formed the Placement Committee to start the placement process. This will be followed by hiring and promotion for which PNOC will implement a Competency-based Human Resource System in the areas of recruitment, training and development, rewards/incentives and performance evaluation.



Corporate Social Responsibility

The social and environmental impact of its projects has always been a major concern of the Company. As a responsible government corporation, PNOC ensures that its projects creates goodwill with its host communities, as well as protects its environment.

For 2018, PNOC implemented the regular coastal cleanup in its Industrial Park shorelines and actively participated in the International Coastal Cleanup Day and provincial eco-tourism, and supported the Marine Fisheries Reserve Program of the province of Bataan. It also promoted the Clean and Green Campaign, engaging 115 volunteers to plant a total of 1,500 seedlings.

The PNOC Industrial Park continued with its Feeding Program for Malnourished Children in its host barangays, and participated in Operation Tuli and Brigada Eskwela.

To further improve its environment-friendly practices and community-oriented programs, a regular meeting with the CSR representatives of the locators and local officials is initiated by the Park's community relations unit.

FROM TOP TO BOTTOM:
PNOC Parkwide Sports Activity; International Coastal Cleanup Day; Pawaiikan Festival; and Tree Planting Activity



Gender and Development



PNOC supports the government's effort to raise awareness on the equal opportunities and roles of women and men in development not just within the company but also among its stakeholders.

In 2018, the Company facilitated the **Gender-Inclusive Community-Based Disaster and Risk Reduction Management** for its employees. This was replicated in the communities of Barangays Alion, Lamao and Batangas Dos in Limay, Bataan where the PNOC Industrial Park is located. Conducted by the Center for Disaster Preparedness, the workshop tackled gender-specific needs in a disaster preparedness program.



With Making Change Work for Women as the theme of this year's Women's Month celebration the Company screened "**Owl Butterfly**", with no less than the scriptwriter and lead actor as the resource speaker sharing her insights on sexual abuse and women empowerment.



As part of its gender mainstreaming program, PNOC employees underwent **Basic GAD Orientation on the Use of Gender-Fair Language, and on Administrative Rules on Sexual Harassment**. The Company likewise adopted all Civil Service Issuances on Gender and Development issues, and created its own **Committee on Decorum and Investigation (CODI)**.

PNOC also participated in the **18-Day Campaign to End Violence Against Women**.

FROM TOP TO BOTTOM:
Gender-Inclusive Community-Based Disaster and Risk Reduction Management, Basic GAD Orientation on the Use of Gender-Fair Language, 'Owl Butterfly' screening



Our Subsidiaries

above:
A PNOC EC staff member
conducting maintenance activities

PNOC Exploration Corporation

PNOC Exploration Corporation (PNOC EC) is the upstream oil, gas, and coal subsidiary of the state-owned Philippine National Oil Company. A government-owned and controlled corporation, the Company was incorporated on 20 April 1976 and is mandated by the government through the Department of Energy (DOE) to take the lead in exploration, development, and production of the country's petroleum and coal resources.

At present, PNOC EC has eight (8) petroleum Service Contracts (SCs), namely: SC 37 (Cagayan), SC 38 (Malampaya), SC 57 (Calamian), SC 58 (West Calamian), SC 59 (West Balabac), SC 63 (East Sabina), SC 74 (Linapacan) and SC 75 (Northwest

Palawan). The Company is the operator in SC 37, SC 57, and SC 59 and an active partner in SC 38, SC 58, SC 63, SC 74, and SC 75.

PNOC EC used to operate the very first natural gas facility in the country, the San Antonio Gas Power Plant within SC 37 before joining the Malampaya consortium (SC 38) in 1999 with a 10% stake. Malampaya is the country's single biggest investment of its kind. PNOC EC also holds four (4) Coal Operating Contracts (COCs), namely: COC 41 (Malangas), COC 122 (Isabela), COC 185 (Buug-Malangas) and COC 186 (Imelda-Malangas). PNOC EC also successfully obtained Certificate of Energy Project of National Significance for its COC 185 in Buug-Malangas and COC 186 in Imelda-Malangas.

On oil trading, PNOC EC also pursued the importation of low priced diesel in support of the DOE's programs aimed to provide cushion and address the effect of rising prices of oil products in the local market. The Company established its policy guidelines and procedures for this undertaking and initiated the invitation for offers from possible suppliers of diesel product.

On coal trading, PNOC EC continued to supply coal to industrial customers from the deliveries of Small-Scale Coal Mining (SSCM) permittees in COC 41 Malangas and other local sources.

PNOC Renewables Corporation

The PNOC Renewables Corporation was created to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and systems including but not limited to solar, wind, water heat, steam, ocean, tidal, biomass, biogas, chemical, mechanical, electrical, synthetic, agricultural, and other natural, fossil, or non-fossil fuel based, artificial, organic or otherwise, and of energy systems that use new, renewable and any energy sources applying new and efficient energy conversion and/or utilization technologies for commercial application and promote their efficient utilization. Throughout 2018, the subsidiary has been proactive in partnering with government institutions to explore the untapped potentials of the country's clean energy resources.

The subsidiary ended the year with the inauguration of its 1.05MW

Solar PV Rooftop Project at the Philippine International Convention Center (PICC), the largest rooftop solar PV system that PNOC RC has installed as of date, showcasing it on the world-class facility for global conventions and exhibits of PICC. For the same year, a 100kW solar project at LGU Naga in Cebu was also installed, bringing to 2,510KW its total solar installation since 2015.

PNOC RC was able to forge links with various partners such as government agencies, financial institutions and private companies for the development and implementation of RE and EE projects. Memorandum of Agreements were signed with Technical Education and Skills Development Authority (TESDA) and Mariano Marcos State University (MMSU) as partner agencies for Solar PV Rooftop Projects portfolio. It also inked a deal with National Irrigation Administration for the development

and implementation of 1MW Agno River Irrigation System (ARIS) Mini Hydropower Project. Just recently, PNOC RC signed a Memorandum of Agreement with Landbank of the Philippines for the financing program for renewable energy and energy efficiency and conservation projects for the Local Government Units.

As it continues its journey, PNOC RC is motivated to pursue its goals with enthusiasm of its partner government 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.



above:
One of PNOC RC's
Solar PV Rooftop Projects



The Board of Directors

Hon. Alfonso G. Cusi
BOARD CHAIRPERSON
DEPARTMENT OF ENERGY SECRETARY



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, and it was during his stint that the mothballed NAIA Terminal 3 officially opened, in 2008.

He later served as Director General of the Civil Aviation Authority of the Philippines, laying the groundwork for the restoration of the Category 1 status of the Philippine Aviation Industry. A successful businessman, Chairman Cusi was the chairman of Starlite Ferries, upgrading 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, maritime engineering, and convenience stores. He also served as board member Intex Resources Philippines, Inc. of Norway-based Intex Resources. 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 PCG (Ret)
PNOC PRESIDENT AND CHIEF EXECUTIVE OFFICER

ADM Reuben S Lista PCG (Ret), the PNOC President, brings with him years of military discipline and remarkable business acumen. He holds three Masters Degrees, one in International Resource Planning and Management (MIRPM), and another in National Security Administration (MNSA), both from the prestigious US Naval Postgraduate School (USPNS) in Monterey, California, and still another in Business Administration from the

Ateneo de Manila University. The Admiral also holds the distinction as the first ever commander of the Marine Environmental Command, a qualification most useful with regard to balancing energy projects with environmental protection. Aside from his stints in the Philippine Navy and the Philippine Coast Guard and other maritime posts, President Lista has a very diverse background – working as a consultant in transportation and

communication, public works and highways, and even spearheading corporate social responsibility as he is credited for his brainchild “Adopt a Lighthouse” Program which works for 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.



Dir. Rex V. Tantiongco

MEMBER OF THE BOARD

Director Rex V. Tantiongco has worked in various capacities for the energy sector. He was chairman of the Energy Regulatory Board (now Energy Regulatory Commission) from 1991 to 1996 and was consultant for water and energy affairs in the Office of the President. He also worked at the private sector as a local consultant to World

Bank, 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 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 BA Accounting degree 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.

Dir. Ramon Victor Antonio B. Mitra

MEMBER OF THE BOARD



A general management professional, Director Ramon Mitra has extensive experience in administration and operations management acquired from more than 29 years' experience in the military, private business and

family-owned corporations. He has been in the information technology, transportation, agriculture, bio-technology and energy business. Dir. Mitra also served as Chairman of the PNOC Development and

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



Dir. 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 Aerodome 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.

DIRECTORS' TRAININGS AND CONTINUING EDUCATION



With the high level of responsibility entrusted to them, the PNOC Board demonstrates the highest standard of performance, equipping themselves with the necessary skills, knowledge and sound judgement for good governance. The PNOC Board underwent training and workshops on Performance Governance through the Institute of

Corporate Directors, and Public Corporate Governance for BOD/BOT 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.



Dir. Adolf P. Borje
MEMBER OF THE BOARD

Rear ADM Adolf P Borje AFP (Ret) joined PNOG in February. He has a very extensive background in military, security, intelligence, community relations, and public safety. He has 37 years in military and government positions, which honed his skills in conflict resolution,

managing and deploying security forces and judicious allocation of resources, with an active experience in government budgeting and programming. A graduate of the Philippine Military Academy, he has a Master of Science degree in 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.



Dir. 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 president's anti-criminality and anti-corruption drive. Director de Leon manages and

co-owns business establishments. He graduated with a Bachelor of Science in Nursing from the University of Northern Philippines in 2013.



Dir. Benjamin B. Magalong
MEMBER OF THE BOARD

A graduate from PMA (cum laude) and the FBI national Academy, Director Magalong specialized in intelligence, investigation, counter terrorism, crisis negotiations, anti-drug and anti-money laundering operations and command

management. He occupied various positions of command in the Philippine National Police. Respected for being an advocate of honesty and truth, he headed the Board of Inquiry for the Mamasapano case. A decorated officer, Dir. Magalong

retired from military service after 38 years. He later served as Senior Vice President for Operations of Steel Asia before his appointment as PNOG Board Director.



Dir. Romeo V. Poquiz
MEMBER OF THE BOARD

Before his appointment as PNOG Director, Dir. Poquiz was a Board Director of the Bases Conversion and Development Authority, the Fort Bonifacio Development Corporation, and the Bonifacio Transport Corporation. He was

also a consultant at the Philippine Economic Zone Authority. Presently, he is also a Trustee of the AFP Mutual Benefit Association and a consultant at the National Security Council. A bemedaled military officer, he graduated with a Bachelor of Science

degree in PMA and a Master of Science in Management at the Naval Postgraduate School in the US. He was a major general of the Armed Forces of the Philippines when he retired from the service.

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 will remain 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; (5) the Governance Committee.

On the other hand, the PNOC Management comprises of the Executive Officers: the President and CEO, the Offices of the Senior Vice-Presidents, and Corporate Officers. The three (3) offices of the Senior

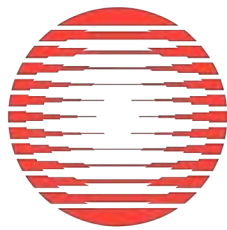
Vice Presidents are: (1) the Office for Energy Investment; (2) the Office for Energy Business; and (3) the Office for Finance and Administrative Services.

The PNOC 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.

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.





PNOC
The Energy Company

PHILIPPINE NATIONAL OIL COMPANY
pnoc.com.ph