

**INFORMATION ON BOARD COMMITTEES AND ITS ACTIVITIES
CY2018**

COMMITTEE	ROSTER OF MEMBERS	ACTIVITIES
EXECUTIVE	<p><u>01 January - 14 September 2018</u> Chairman Alfonso G. Cusi President Reuben S. Lista Director Adolf P. Borje Director Rex V. Tantiongco</p> <p><u>14 September – 31 December 2018</u> Chairman Alfonso G. Cusi President Reuben S. Lista Director Adolf P. Borje Director Ramon Victor Antonio B. Mitra Director Hermann Roy M. Atienza</p>	<p>The Committee met jointly with the Governance Committee on 25 October 2018 after the PNOC Strategic Planning and Execution Workshop to discuss the 2018 accomplishment report of the PNOC Management and its plans and programs for 2019. In brief, the joint committee reviewed the report as follows:</p> <p>I. Major Accomplishments of PNOC Projects</p> <p>A. <u>Batangas Liquefied Natural Gas (LNG) Hub Project</u></p> <p>The Project is a complete value chain LNG facility to be used to receive, store, re-gasify, and distribute imported LNG.</p> <p>In 2018, PNOC adopted the concept of the unsolicited proposal; however, all of the eight (8) unsolicited proposals were disqualified either due to non-compliance to the Board-approved Eligibility/Qualification Criteria and rules under BOT Law or NEDA JV Guidelines, or due to incompleteness of proposals.</p> <p>On 15 August 2018, the Board approved, the Solicited Proposal Scheme under the National Economic and Development Authority’s Revised Guidelines and Procedures</p>

		<p>for Entering into Joint Venture Agreements between Government and Private Entities (NEDA JV Guidelines) and a Joint Venture Selection Committee (JV-SC), as required under the aforesaid Guidelines, was created.</p> <p>The Board also approved the Pre-qualification/eligibility Criteria for the Private Sector Participants and on 22 October 2018, the Instructions to Private Sector Participants were published in the PNOC website and in newspapers of general circulation. Three interested parties bought eligibility documents.</p> <p>PNOC submitted to the Energy Investment Coordinating Council (EICC) an application for its LNG Project to be certified as an Energy Project of National Significance and a letter request to the DOE Secretary was submitted on 07 November 2018, to issue a directive designating PNOC as the qualified Government Agency to spearhead the development of downstream gas value chain through the pioneering PNOC LNG Hub Project.</p> <p><i>B. <u>Monetization of PNOC Banked Gas</u></i></p> <p>The total remaining volume of the PNOC banked gas is equivalent to 97.67 PJ. With its continuing efforts in exhausting all possible ways to monetize its banked gas, the Banked Gas Disposal Committee was created by PNOC in April 2018.</p>
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		<p>On 22 June 2018, PNOC published in the leading newspapers and on the PNOC website an invitation to all interested parties to buy the PNOC Banked Gas. Simultaneous with the publication of sale, invitation letters were sent out to potential off-takers. However, offers received were non-compliant with the guidelines/procedures set for the purpose, e.g. the reserved price and/or other required parameters were not met.</p> <p>The PNOC Board directed PNOC Management to exhaust all possible actions to generate further interest, and get the best offers for the sale of Banked Gas. With this, PNOC re-published the sale of Banked Gas on 8 August 2018 but no offers were received.</p> <p>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 is now keen to enter into comprehensive discussions and/or negotiation to whoever is interested to buy the Banked Gas.</p> <p>In the meantime, the PNOC was assured that there will be no stranded banked gas as the consortium of Service Contract No. 38 (SC 38) is willing to sell and deliver the whole amount of the banked gas as long as they are the ones operating the service contract.</p>
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		<p>C. <u>Energy Supply Base Operations</u></p> <p>PNOC's Energy Supply Base (ESB) property has a total area of 19.2 hectares and is located in Mabini, Batangas.</p> <p>The joint PNOC and PNOC Exploration Corporation (PNOC EC) Technical Working Group prepared and proposed the "Transition and Turn-over Plan of the Energy Supply Base (ESB) Operations and Properties".</p> <p>The transition and turnover of ESB's operations and corporate services functions from PNOC EC to PNOC was completed on 31 December 2017. The administration and operations was assumed by PNOC on 01 January 2018.</p> <p>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.</p> <p>As of November 2018, the PNOC Board approved the ESB Master Development Plan. To date, the bidding process for the conduct of Detailed Feasibility Study (DFS) to implement the ESB Master Development Plan has started.</p> <p>Policies on accreditation and increase of tariff rate for the service fee of Cargo Handler Operators were also drafted and approved.</p>
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		<p><u>D. PNOC Restructuring Plan</u></p> <p>The PNOC Restructuring Plan was approved by the GCG on 26 July 2018. The copy of the approval was officially received on 12 September 2018. Preparatory activities for the implementation of the Plan is ongoing.</p> <p><u>E. ISO Certification</u></p> <p>PNOC has successfully undergone the first surveillance audit conducted by AJA Registrars, Inc. on 26 June 2018 as part Continued certification of the PNOC in accordance with the requirements of ISO 9001:2015. The scope of certification is “management of the provision of vital energy resource development and energy infrastructure conducive to a clean environment and balanced and sustainable economic growth”.</p> <p><u>F. Public-Private Partnership for Progress</u></p> <p>PNOC adopted guidelines for pursuing Public-Private Partnership for Progress approach towards development, particularly on concessions and leases, providing for the procedure for selecting the private sector proponent, adopting a contract management framework (this was approved on 09 March 2018 and adopted by the Board of Directors under Resolution No. 2487, S’2018).</p>
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		<p>II. Plans and Programs for 2019</p> <p>A. <u>Batangas LNG Hub</u></p> <p>Due to the recent developments, the PNOC Batangas LNG Hub Project was terminated in favor of another activity.</p> <p>B. <u>Monetization of the PNOC Banked Gas</u></p> <ol style="list-style-type: none">1. Engage discussion/negotiation for conclusive result pending expiration of Ilijan GSPA with all potential offtakers such as PSPC, FirstGen and Ilijan to potentially fetch the best offer for the banked gas.2. Whether it would be SPEX or not, during possible negotiation for extension of contract, make it a condition to lift PNOC banked gas first.3. Talk with Ilijan to arrange for the sale of PNOC banked gas.4. Arrange with SC 38 higher offtake limit for PNOC banked gas.5. PNOC to make a study/take part in the study to determine the best option for SC 38 as and when it becomes expired.6. Create TWG to prepare a plan for the eventual transfer of SC38 facilities and actual operations. TWG to study and consider involvement of the Ayala group.
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		<p>C. <u>Energy Supply Base (ESB)</u></p> <ol style="list-style-type: none">1. Implementation of the PNOC Board approved Master Development Plan.2. Continue operations of the ESB. <p>D. <u>PNOC Industrial Park Operations</u></p> <ol style="list-style-type: none">1. Amendment of the Programmatic Environmental Compliance Certificate (PECC) to accommodate industries related to energy.2. Submission of the Programmatic Environmental Performance Report and Management Plan (PEPRMP) to DENR EMB – including the result of the PHAST/SAFETI re-run.3. Process the Application of the prospective locators (included in the 2018 re-run of the PHAST/SAFETI as scenarios).4. Conduct of Environmental Baseline Study (Budget for 2019: ₱10M).5. Rehabilitation/upgrading of the existing Raw and Fire Water Facilities and procurement of Fire Truck, Fire Pumps and Piping Appurtenances. The ongoing construction of the PRII expansion would require up to 220,000 metric tons of raw water per year or double of its current capacity. The
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		<p>expansion is targeted to be by 2019 and full operations will start in 2020.</p> <ol style="list-style-type: none">6. Rehabilitation of Jetty Facilities to replace 2 big and 9 small fenders. There is also a need to assess underwater piles to ensure structural soundness of the facility.7. Polypropylene Pipeline Laying from Petron Refinery at Limay to Petron PP Plant at Mariveles Bataan.8. Process Application of the prospective locators and conduct of Environmental Baseline Study, Integrated Management Systems Re-Certifications and study on the best use of the Bataan property. <p><u>E. Oil Storage and Distribution Project</u></p> <ol style="list-style-type: none">1. Conduct detailed studies to determine viability of the activity.<ul style="list-style-type: none">• Determine the volume that PNOC wants to play in the market. To make a dent or significant influence in the market, PNOC should have at least 5% share in market (approximately 600 thousand barrels or 95.4M liters per month).• Determine how far PNOC is willing to take a risk in the market.• Sensitivity analysis on the buffer stock. Accordingly current players are not keen on buffer stock because of the unpredictable market, nobody can control the supply
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		<p>and demand and usually products arrival are from 5 to 10 days only. The players find it costly and unpractical to stock.</p> <ol style="list-style-type: none">2. Actively seek partnership among key industry player to have direct access to data and information and logistics support.3. Study to revive/invoke COA directive for government entities to buy all fuel requirements from PNOC and or its partner.<ul style="list-style-type: none">• Supply fuel to bulk government entities requirements such as the Armed Forces of the Philippines, Philippine Coast Guard, Philippine National Police, and the likes.• Target bulk customers like bus and taxi companies, other corporations requiring bulk supply of oil and its by-products.• Distribute oil and oil products via retail in other areas within the Philippines.• Store fuel products necessary to cushion supply and price impact of supply disruptions both man made or natural calamities. <p><i>F. <u>Petron Case/Renewal of Lease Agreements</u></i></p> <ol style="list-style-type: none">1. Engage the services of private counsel to handle PNOC case against Petron.2. Continue with the negotiations for resolution of the case and for better lease terms.
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		<p><u>G. ICONIC Tower Project</u></p> <ol style="list-style-type: none">1. Engage the PPP Center in the conduct of preparatory activities for the Iconic Tower.2. Submit application for the Project Development and Monitoring Facility Support for the conduct of detailed feasibility study.3. Negotiate on the alignment of the proposed subway project. <p><u>H. Real Estate Properties</u></p> <ol style="list-style-type: none">1. Maximize the use of prime properties by leasing or leasing with equity participation option for PNOC.2. Dispose idle properties which are not of strategic value to the pursuit of PNOC's mandate either through public bidding or negotiations (non-prime properties).3. Continue to resolve pending land issues (i.e. titling, dropping from the books, expropriation, encroachment, subjected to CARP, for land swapping, etc.) to prepare the same for disposal or utilization. <p><u>I. PNOC Restructuring Plan</u></p> <ol style="list-style-type: none">1. Placement of employees to equivalent positions.2. Filling up residual positions.
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<p>RISK MANAGEMENT</p>	<p><u>01 January - 14 September 2018</u> Director Rex V. Tantiogco Director Ramon Victor Antonio B. Mitra Director Jonas Guy S. De Leon</p> <p><u>14 September – 26 October 2018</u> Director Benjamin B. Magalong* Director Ramon Victor Antonio B. Mitra Director Jonas Guy S. De Leon Director Romeo V. Poquiz**</p> <p><i>*deemed resigned effective 19 October 2018</i> <i>**additional member (per Resolution No. 2548, S'2018 dated 28 September 2018)</i></p> <p><u>26 October – 31 December 2018</u> Director Romeo V. Poquiz Director Ramon Victor Antonio B. Mitra Director Jonas Guy S. De Leon</p>	<p>The PNOC Risk Management Committee conducted eighteen (18) Committee Meetings on the following dates: 11 January, 07 and 28 February, 09 and 21 March, 13 and 27 April, 02 and 11 May, 14 and 21 June, 17 August, 14 and 28 September, 04 October, 09 and 23 November and 18 December 2018.</p> <p>Joint meetings were also held with the Audit Committee on 15 January, 09 February, 20 July and 09 August 2018.</p> <p>Joint meetings with the Nomination and Remuneration Committee in 26 June, 15 August and with the Audit and Remuneration Committee on 07 December 2018. In both committee and joint meetings, the following topics were presented, discussed and deliberated:</p> <ul style="list-style-type: none"> ▪ Liquefied Natural Gas (“LNG”) Hub Project: <p style="margin-left: 40px;">Asian Development Bank (“ADB”) as Transaction Advisor, Pros and Cons of LNG project, Evaluation of Lloyds proposal, Qualification and Eligibility criteria, Unsolicited and Solicited mode.</p> ▪ SMC Consolidated Power Corporation (“SMC”) Lease Proposal and Energy Oil and Gas Holdings Inc. (“EOGHI”) ▪ Petron Renewal of Lease and Judicial Dispute Resolution (JDR) for negotiation of Petron Lease ▪ Payment of Overdue Obligations of PNOC Shipping and Transport Corporation (“PSTC”) ▪ Template for Lease proposals
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		<ul style="list-style-type: none"> ▪ Y2018 Budget Proposal of PNOC Renewables Corporation (“PNOC RC”), PNOC Alternative Fuels Corporation (“PNOC-AFC”) and PNOC Development and Management Corporation (“PNOC-DMC”) ▪ Y2017& Y2018 Financial Statements of PNOC and Corporate Priorities for 2018 ▪ Preparation for the hearing/deliberation on House Bill No. 1683, probe on PNOC Building retrofitting and Alexis Security Agency ▪ Procedure for Banked Gas Disposal ▪ Guidance on the Iconic Tower ▪ Memorandum of Agreement (“MOA”) with DTS Netherlands BV and Philippine Resins Industries Inc. (“PRII”) ▪ Revised Annual Procurement Plan (“APP”) for CY2018 for PNOC Contracted Services ▪ Meetings with GCG regarding Y2018 and Y2019 PAN ▪ PNOC Investment in Gulf Oil Philippines Inc. ▪ Energy Supply Base (“ESB”) Budget and Repair Rehabilitation of Pier Facilities ▪ Y2019 PNOC-DMC and PNOC-AFC Budget, Work Plans and APP <p>On 19 November 2018, the Committee, together with other directors, conducted a site visit to the PNOC-AFC Industrial Park located in Limay, Bataan. The Park Management conducted briefing and orientation about the Park, its locators and facilities,</p>
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		<p>rules and regulations as well as security and safety measures. This was to familiarize the new Chairman of the Risk Management Committee and also to have a better assessment of the condition of the Park and what the Risk Management Committee can do for the Park. The group was introduced to all the locators and was apprised of issues that are of concern of each locator.</p> <p>On 12 December 2018, the Committee, together with other directors went on a site visit to ESB in Bauan, Batangas. Again, like the PNOC-AFC visit, this was also to familiarize the members about the present condition of the ESB facilities. A briefing was conducted by the ESB group followed by brief tour of the pier.</p>
AUDIT	<p><u>01 January – 9 February 2018</u> Director Ramon Victor Antonio B. Mitra Director Marvel C. Clavecilla Director Bruce S. Concepcion*</p> <p><i>*replaced as Board Member effective 16 January 2018.</i></p> <p><u>9 February – 20 July 2018</u> Director Benjamin B. Magalong Director Marvel C. Clavecilla** Director Ramon Victor Antonio B. Mitra</p> <p><i>**resigned effective 28 March 2018.</i></p> <p><u>20 July – 14 September 2018</u> Director Benjamin B. Magalong Director Ramon Victor Antonio B. Mitra</p>	<p>I. <u>January to February 2018</u></p> <ul style="list-style-type: none"> ▪ The committee discussed the summary of the Commission on Audit (“COA”) Audit Observations. ▪ Joined the Risk Management Committee in the discussion on SMC lease from PNOC-AFC to present and orientation/familiarization on PNOC properties lease to Petron Corporation. <p>II. <u>March to September 2018</u></p> <ul style="list-style-type: none"> ▪ Prescribed scope of the Audit Committee by adopting the Audit Charter and Terms of Reference (TOR) of the Audit Committee approved during the time of Director Dante B. Canlas (based on Resolution No.: AC-001, s’2014).

	<p>Director Adolf P. Borje</p> <p><u>14 September – 31 December 2018</u></p> <p>Director Rex V. Tantiogco Director Adolf P. Borje Director Romeo V. Poquiz</p>	<ul style="list-style-type: none"> ▪ Discussed the 2018 Work Plans of the Internal Control Office. ▪ Attended the COA Exit Conference with PNOC. ▪ Discussed the fair market value of PNOC real estate properties. ▪ Gross profit analysis of PNOC and its subsidiaries. ▪ Joined several meetings with the Risk Management Committee and Nomination and Remuneration Committee. <p>III. <u>October to December 2018</u></p> <ul style="list-style-type: none"> ▪ The committee discussed the following: <ul style="list-style-type: none"> i. PNOC RC Work Plans and Budget ii. Letter to EOGHI iii. Petron Lease
<p>NOMINATION AND REMUNERATION</p>	<p><u>01 January – 9 February 2018</u></p> <p>Director Marvel C. Clavecilla Director Hermann Roy M. Atienza Director Bruce S. Concepcion</p> <p><u>9 February – 13 April 2018</u></p> <p>Director Marvel C. Clavecilla Director Hermann Roy M. Atienza</p>	<p>The committee has conducted five (5) committee meetings on the following dates: 08 February, 14 March, 14 June, 09 October, and 23 November 2018. Likewise, one (1) joint meeting was held on 11 May 2018 with the Audit Committee. In both committee and joint meeting, the following topics were presented, discussed and deliberated:</p>

	<p>Director Benjamin B. Magalong</p> <p><u>13 April – 14 September 2018</u> Director Benjamin B. Magalong Director Hermann Roy M. Atienza Director Jonas Guy S. De Leon</p> <p><u>14 September – 31 December 2018</u> Director Romeo V. Poquiz Director Hermann Roy M. Atienza Director Rex V. Tantiogco</p>	<ul style="list-style-type: none"> ▪ Implementation of the Third Tranche of the Modified Salary Schedule (“MSS”), and the Fourth Tranche thereafter, based on the Department of Budget and Management (“DBM”) Memorandum Circular No. 572 dated 03 January 2018 ▪ Endorsement of the Board of Directors approval to implement the PNOC Scrap and Build Plan based on GCG Memorandum Circular No. 2015-04 “Reorganization, Rationalization and Personnel Planning in the GOCC Sector”, dated 08 April 2015 ▪ COA’s Audit Observation Memorandum for 2017 ▪ Endorsement of the approval for the grant of 2018 Mid-Year Bonus equivalent to one (1) Month Compensation of two (2) PSTC employees ▪ PNOC Competency-Based Human Resource System (“CBHRS”) Framework and Competency Table <p>Grant of Year-End Bonus to PNOC-AFC Personnel for CY2018 based on GCG Memorandum Circular No. 2018-03 dated 09 May 2018.</p>
GOVERNANCE	<p><u>01 January – 9 February 2018</u> Chairman Alfonso G. Cusi President Reuben S. Lista Director Hermann Roy M. Atienza Director Adolf P. Borje</p>	<p>The Committee met jointly with the Executive Committee on 25 October 2018 after the PNOC Strategic Planning and Execution Workshop to discuss the 2018 accomplishment report of the PNOC Management and its plans and programs for 2019. In brief, the joint committee reviewed the report as follows:</p>

	<p><u>9 February – 14 September 2018</u> Chairman Alfonso G. Cusi President Reuben S. Lista Director Rex V. Tantiongco Director Adolf P. Borje</p> <p><u>14 September – 31 December 2018</u> Chairman Alfonso G. Cusi President Reuben S. Lista Director Adolf P. Borje Director Benjamin B. Magalong* Director Jonas Guy S. De Leon</p> <p><i>*deemed resigned effective 19 October 2018</i></p>	<p>I. Major Accomplishments of PNOC Projects</p> <p>A. <u>Batangas Liquefied Natural Gas (LNG) Hub Project</u></p> <p>The Project is a complete value chain LNG facility to be used to receive, store, re-gasify, and distribute imported LNG.</p> <p>In 2018, PNOC adopted the concept of the unsolicited proposal; however, all of the eight (8) unsolicited proposals were disqualified either due to non-compliance to the Board-approved Eligibility/Qualification Criteria and rules under BOT Law or NEDA JV Guidelines, or due to incompleteness of proposals.</p> <p>On 15 August 2018, the Board approved, the Solicited Proposal Scheme under the National Economic and Development Authority’s Revised Guidelines and Procedures for Entering into Joint Venture Agreements between Government and Private Entities (NEDA JV Guidelines) and a Joint Venture Selection Committee (JV-SC), as required under the aforesaid Guidelines, was created.</p> <p>The Board also approved the Pre-qualification/eligibility Criteria for the Private Sector Participants and on 22 October 2018, the Instructions to Private Sector Participants were published in the PNOC website and in newspapers of general circulation. Three interested parties bought eligibility documents.</p>
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		<p>Systems Re-Certifications and study on the best use of the Bataan property.</p> <p><i>E. <u>Oil Storage and Distribution Project</u></i></p> <ol style="list-style-type: none">1. Conduct detailed studies to determine viability of the activity.<ul style="list-style-type: none">• Determine the volume that PNOC wants to play in the market. To make a dent or significant influence in the market, PNOC should have at least 5% share in market (approximately 600 thousand barrels or 95.4M liters per month).• Determine how far PNOC is willing to take a risk in the market.• Sensitivity analysis on the buffer stock. Accordingly current players are not keen on buffer stock because of the unpredictable market, nobody can control the supply and demand and usually products arrival are from 5 to 10 days only. The players find it costly and unpractical to stock.2. Actively seek partnership among key industry player to have direct access to data and information and logistics support.3. Study to revive/invoke COA directive for government entities to buy all fuel requirements from PNOC and or its partner.
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