

PRESIDENTIAL DECREE No. 927

FURTHER AMENDING THE CHARTER OF THE PHILIPPINE NATIONAL OIL COMPANY (PNOC) AS PROVIDED FOR IN PRESIDENTIAL DECREE NO. 334, AS AMENDED, AND FOR OTHER PURPOSES.

WHEREAS, the Philippine National Oil Company was organized principally to assure an adequate and stable supply of oil and petroleum;

WHEREAS, the continuing increase in the cost of oil and petroleum makes it imperative that the exploration and development of other sources of energy be accelerated;

WHEREAS, the Philippine National Oil Company is best suited to undertake the task; at the same time, in order that the Philippine National Oil Company may better realize the purposes for which it has been organized and so that it may continue to be an effective instrument in the attainment of national goals, it necessary that its powers be broadened;

Section 1. Section 2, 3, 4, 5, 6, 8, 11, and 12 of Presidential Decree No. 334 are hereby amended to read as follows:

“Sec. 2. Declaration of Policy. It is the declared policy of the State to promote industrial and over-all economic development through the effective and efficient utilization of energy. In line with this policy, the establishment of an organized entity is necessary in order to assure adequate supply of oil and oil products as well as power and energy to all users and consequently enable the unimpeded and efficient growth of the economy.

“Sec. 3. Creation, Name, Domicile and Term. There is hereby created a body corporate to be known as the Philippine National Oil Company, hereinafter referred to as the “Company”, which shall undertake and transact the corporate business relative primarily to oil or petroleum operations and other energy resources exploitation as defined hereunder, and for that purpose, the

Company shall have capacity to sue and be sued.

“Oil or Petroleum Operations” shall include actual exploration, production, refining, tankering and/or shipping, storage, transport, marketing, and related activities concerning oil and petroleum products.

“Energy resources exploitation” shall include exploration, discovery, development, extraction, utilization, refining, processing, transport, and marketing of all forms of energy resources. “Energy resources” means any substance, mineral or otherwise, which by itself or in combination with other substances or after processing or refining or the application to it of technology emanates, gives off, generates or causes, the emanation or generation of heat or power or energy such as, but not limited to, petroleum or oil, coal, marsh gas, methane gas, geothermal sources of heat and power, uranium and other minerals and deposits.

The principal office of the Company shall be determined by its Board of Directors. It may establish such offices, agencies, subsidiaries, branches or correspondents in the Philippines or abroad as its business operation would require.

The Company shall have a term of fifty (50) years from the issuance hereof, which shall be deemed renewed for an equal period unless sooner dissolved by law.

“Sec. 4. Purposes. The Company shall have the following purposes:

- (a) To provide and maintain an adequate and stable supply of oil and petroleum products for the domestic requirement and for that purpose to engage in, control, supervise and regulate the transportation, storage, importation, exportation, refining, supply, sale and distribution of crude oil, refined petroleum and petroleum based products, whether imported or produced by local refineries;
- (b) To promote the exploration, exploitation and development of local oil, petroleum and other energy resources;

(c) To foster conditions relating to oil or petroleum operations and other energy resources exploitation conducive to a balanced and sustainable growth of the economy.

“Sec. 5. Powers and Functions of the Company. The Company shall have the following powers and functions:

(a) To undertake, by itself or otherwise, exploration, exploitation, and development of all energy resources of the country, including surveys and activities related thereto;

(b) To establish, maintain, control and direct in any area within the national territory as it may deem appropriate, a petroleum and energy base territory and construct, install or maintain therein duty-free ports adequate for the use of vessels engaged in offshore oil drilling operations, airports sufficient for direct service flights, telecommunications center and ship-to-shore communications facilities, provide electric power and fresh water supply, and perform such other acts as it may deem necessary and advantageous or convenient to such operations;

(c) To lease, at reasonable rates, to private domestic entities or person such portion or portions of the petroleum and energy base, including facilities necessary for warehousing, logistical centers for the storage of oil drilling and oil well supplies, fabrication of off-shore drilling components and structures, mechanical repair facilities and the like; spaces for the office, habitation and recreational requirements of personnel directly engaged in offshore oil drilling and in manning the various logistical support operations and their immediate dependents;

(d) To undertake all other forms of petroleum or oil operations and other energy resources exploitations;

(e) To enter into contracts, with or without public bidding, with any person or entity, domestic or foreign, and with governments for the undertaking of the varied aspects of oil or petroleum operation, and energy resources exploitation

including the acquisition, by way of purchase, lease or rent or other deferred payment arrangements of equipment and/or raw materials and supplies, as well as for services connected therewith under such term and conditions as it may deem proper and reasonable;

(f) To borrow money from local and foreign sources as may be necessary for its operations;

(g) Any provision of law to the contrary notwithstanding, including but not limited to Section 13 of Act 1459, as amended, to invest its funds as it may deem proper and necessary in any activity related to its purposes, including in any bonds or securities issued and guaranteed by the Government of the Philippines and the Company may organize and incorporate subsidiary corporations for the purpose. The capital stock of corporations organized and incorporated by the Company may be subscribed in whole or in a part by the Company. Where the Company has a controlling interest of not less than fifty-one percent (51%) of the issued and outstanding capital stock, of such subsidiaries, the securities, including shares of capital stock, issued by the subsidiaries and corporations owned and/or controlled by it, as well as the sale of and/or subscription to such securities and shares of capital stock shall be exempt from registration, licensing or other requirements imposed under the Securities Act (C. A. No. 83, as amended) any other law, decree, order or regulation.

(h) To purchase, hold alienate, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bond, security of other corporations or associations of this or any other country; and while the owner of said stock, to exercise all the rights of ownership, including the right to vote thereon;

(i) To hold lands and acquire rights over mineral lands in excess of the areas permitted to private corporations, associations and persons by statute;

(j) To engage in export and import business of oil, petroleum, other forms and sources of energy and their derivatives, as well as in related activities;

- (k) To acquire assets, real or personal, or interest therein, and encumber or otherwise dispose the same as it may deem proper and necessary in the conduct of its business;
- (l) Subject to existing regulations, if it deems necessary, to establish and maintain such communication system, whether by radio, telegraph or any other manner, without the need of a separate franchise therefor;
- (m) To determine its organizational structure, and the number and salaries of its officer and employees;
- (n) To establish and maintain offices, branches, agencies, subsidiaries, correspondents or other units anywhere as may be needed by the Company and reorganize or abolish the same as it may deem proper;
- (o) To exercise the right of eminent domain as may be necessary for the purpose for which the Company is created;
- (p) Subject to payment of the proper amount, to enter private lands for the purpose of conducting geological or geophysical studies in connection with petroleum, mineral and other energy resources, exploration and exploitation;
- (q) To acquire easement over public and private lands necessary for the purpose of carrying out any work essential to its petroleum operation and energy resources exploitation, subject to payment of just compensation;
- (r) To establish and maintain a technical educational system for the sustained development of the necessary manpower to manage and operate its affairs and business;
- (s) To adopt a code of by-laws to complement this charter;
- (t) To adopt and use a corporate seal which shall be judicially noticed;
- (u) To perform such acts and exercise such functions as may be necessary for the attainment of the purposes and objectives herein specified;
- (v) To perform such other functions as may be provided by law.

“Sec. 6. Governing Body. The Company shall be governed by a Board of Directors, hereinafter referred to as the “Board” which shall be composed of

nine (9) members, to be appointed by the President of the Philippines. The members of the Board shall serve for a term of three (3) years or until their successors shall have been appointed and qualified. In case of any vacancy in the Board, the same shall be filled by the President of the Philippines for the unexpired term.

No person shall be appointed as member of the Board unless he is a natural born citizen of the Philippines, at least thirty-five (35) years of age and of established integrity.

The Chairman of the Board, who shall be the chief executive officer of the Company, as well as the President of the Company shall be appointed by the President of the Philippines. The other officers of the Company shall be appointed by the Board.

“Sec. 8. Duties and Responsibilities of the Chairman of the Board and President. The Chairman of the Board and the President shall exercise such powers and perform such duties as may be provided in the By-Laws or as may be vested in them by the Board.

“Sec. 11. Auditor. Any provision of law to the contrary notwithstanding, the Commission on Audit shall appoint, subject to the approval of the Board, a representative who shall be the Auditor of the Company and such personnel as may be necessary to assist said representative in the performance of his duties. The salaries of the Auditor and his staff shall be approved by the Board. The auditors of corporations owned or controlled by the Company who shall be reputable accounting and auditing firms shall be appointed by their respective boards of directors.

“Sec. 12. Appointment, Control and Discipline of Personnel. Any provision of law to the contrary notwithstanding, the “Board”, upon recommendation of the President of the Company, shall appoint the officers and employees of the Company and its subsidiaries; fix their compensation, allowances and benefits, their working hours and such other conditions of employment as it

may deem proper; grant them leaves of absence under such regulations as it may promulgate; discipline and/or remove them for cause; and establish and maintain a recruitment and merit system for the Company and its affiliates and subsidiaries.”

Section 2. This Decree shall take effect immediately.

Done in the City of Manila, this 30th day of April in the year of Our Lord, nineteen hundred and seventy-six.