

III. PHILIPPINE NATIONAL OIL COMPANY

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, FY 2018
(In Thousand Pesos)
SUMMARY

	<u>Current Operating Expenditures</u>			
	<u>Personnel Services</u>	<u>Maintenance and Other Operating Expenses</u>	<u>Capital Outlays</u>	<u>Total</u>
A. PROGRAM/ACTIVITY/PROJECT				
1. General Administration and Support	P 173,566	P 182,257	P 302,111	P 657,934
2. Support to Operations	45,609	39,918	175	85,702
3. Operations	13,557	408,596		422,153
4. Compensation Adjustment	106,756			106,756
TOTAL	P 339,488	P 630,771	P 302,286	P 1,272,545

III. PHILIPPINE NATIONAL OIL COMPANY

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, FY 2018
(In Thousand Pesos)
CORPORATE FUNDS

Schedule I

	<u>Current Operating Expenditures</u>			
	<u>Personnel Services</u>	<u>Maintenance and Other Operating Expenses</u>	<u>Capital Outlays</u>	<u>Total</u>
A. PROGRAM/ACTIVITY/PROJECT				
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a/ MOOE, net of allowance for depreciation at P30.042 Million

Special Provision(s)

1. Approval of the FY 2018 Corporate Operating Budget of the Philippine National Oil Company under R.A. No. 7638. The FY 2018 Corporate Operating Budget (COB) of the PNOC is hereby approved by the Congress of the Philippines pursuant to Section 13, Chapter III of R.A. No. 7638.

2. Acquisition of Equipment. The acquisition of equipment included in the approved COB shall be subject to the provisions of Corporate Budget Circular No. 17 dated February 9, 1996, Budget Circular No. 2016-5 dated August 22, 2016, as amended by Budget Circular No. 2017-1 dated April 26, 2017, and other guidelines issued thereon.

3. **Payment of Compensation and Benefits.** Payment of salaries, allowances and other benefits shall be made in accordance with applicable laws, rules and regulations such as, but not limited to P.D. No. 985, as amended, R.A. No. 6758, as amended, R.A. No. 10149, Corporate Compensation Circular No. 10 dated February 15, 1999, and Memorandum Order No. 20, s. 2001.

In addition, the amount of One Hundred Ninety Four Million Seven Hundred Ninety Seven Thousand Pesos (P194,797,000) shall be used exclusively for the implementation of the Compensation and Position Classification System and other salary adjustment as may be approved by the President.

4. **Payment of Terminal Leave, Separation and/or Retirement Benefits.** Payment of terminal leave, separation and/or retirement benefits shall be computed in accordance with the rates, conditions and procedure prescribed under applicable laws and guidelines issued thereon.

The amounts of Six Million Nine Hundred Sixty Thousand Pesos (P6,960,000) and Nine Hundred Fifteen Thousand Pesos (P915,000) shall be used exclusively for the payment of terminal leave and separation benefits, respectively, to the affected PNOC personnel based on the list submitted by PNOC to the DBM. In no case shall said amount be used to pay affected personnel who are eligible to receive separation and/or retirement benefits under applicable laws.

5. **Budget Flexibility and Report.** The PNOC Board of Directors is authorized to modify programs and projects, reallocate the corresponding budgetary requirements approved herein, as well as augment the deficiencies which may arise from factors beyond the PNOC's control such as, but not limited to: (i) currency depreciation; (ii) inflation; (iii) change in interest rates; (iv) change in programs and/or projects; (v) increase in taxes; (vi) increase in costs associated with the privatization of subsidiaries; and (vii) payment of obligations as a result of final judgment of the court.

In the exercise of said authority, the PNOC shall observe and/or comply with the following:

(a) Said funds shall not be used for the acquisition of motor vehicles and payment of travelling, representation, discretionary, or extraordinary and miscellaneous expenses; and

(b) Personnel Services allocation in the approved COB shall not be augmented by new funding sources.

The PNOC shall submit, within thirty (30) days after such adjustments are made, to the DBM, the Speaker of the House of Representatives, the President of the Senate of the Philippines, the House Committee on Appropriations, the Senate Committee on Finance, the House Committee on Energy, and the Senate Committee on Energy, either in printed form or by way of electronic document, a comprehensive financial and narrative report on the budgetary adjustments. The President of PNOC and the Corporation's web administrator or his/her equivalent shall be responsible for ensuring that said report is likewise posted on the PNOC website.

6. **Funds for PNOC Energy-Related Projects.** The amount of Six Hundred Forty Four Million Eight Hundred Seventy Nine Thousand Pesos (P644,879,000) shall be used exclusively for the following:

(a) Feasibility Study for the PNOC Batangas Liquefied Natural Gas Hub Project - P100,000,000

(b) Land Acquisition for Energy Supply Base Project - P279,879,000

(c) Tie-in cost for the Banked Gas Project - P265,000,000

In no case shall said amounts be used for any other purpose.

7. **Funds for Capital Outlays.** Notwithstanding the provisions of Special Provision No. 5, the PNOC and its subsidiaries shall utilize Capital Outlays provided herein for the primary purposes of exploration, exploitation and development of energy resources as well as the production, refining, tankerage and/or shipping, storage, and transport of oil or petroleum operations.

An amount not exceeding One Billion Pesos (P1,000,000,000) in the aggregate and with equity investment not to exceed thirty-six percent (36%) of the outstanding capital stock may be invested in entities not engaged in the above primary purposes.

In no case shall Capital Outlays be used as loans or advances to entities not engaged in the above primary purposes.

8. **Augmentation Beyond Approved Corporate Operating Budget.** The PNOC is hereby authorized to augment and disburse funds beyond the total amount approved in this Act, using corporate funds, for the payment of monetary claims, tax deficiency assessments, damages, and all other judgment obligations pursuant to any final and executory decision that may be rendered during the year.

In no case shall Personnel Services allocation be augmented beyond the total amount approved in this Act.

9. **Remittance of Cash Dividends.** Cash dividends equivalent to at least fifty percent (50%) of the annual net earnings of the PNOC shall be deposited with the National Treasury as income of the General Fund pursuant to R.A. No. 7656.

10. **Audit of Government Funds.** Government funds authorized herein to be invested as equity by the corporation to its subsidiaries, as well as the grant of subsidy, loan contribution or any kind of financial assistance to end-user entities both in private or public sector, shall be subject to audit by the COA pursuant to the provisions of P.D. No. 1445, as amended.

11. **Transparency Seal.** To enhance transparency and enforce accountability, the PNOC shall maintain a Transparency Seal to be posted on its official website. The Transparency Seal shall contain the following: (i) corporation's mandates and functions, names of its officials with their position and designation, and its contact information; (ii) approved COB and corresponding targets including any amount of budgetary support from the National Government; (iii) realignments made in its COB; (iv) annual procurement plan/s and contracts awarded with the winning suppliers, contractors or consultant; (v) major programs and projects categorized in accordance with the five key result areas under E.O. No. 43, s. 2011 and their target beneficiaries; (vi) status of implementation, evaluation and/or assessment reports of said programs or project; (vii) Budget and Financial Accountability Reports, pursuant to COA and DBM J.C. No. 2014-1 dated July 1, 2014; and (viii) year-end financial reports and trial balances for the last three (3) fiscal years.

The President of the PNOC and the Corporation's web administrator or his/her equivalent shall be responsible for ensuring compliance with this requirement.

The DBM shall post on its website the status of compliance of the PNOC.