

PHILIPPINE NATIONAL OIL COMPANY



19 July 2016

HON. MA. ANGELA E. IGNACIO
Officer-in-Charge Chairman
GOVERNANCE COMMISSION FOR GOCCS
3/F Citibank Center
8741 Paseo De Roxas
Makati City



Dear Chairman Ignacio:

Pending approval of our request for renegotiation of our FY 2016 Performance Agreement Negotiation (PAN) submitted on June 24, 2016, we are pleased to submit PNOC's "Monitoring Report of Performance Targets" for the **Second Quarter of 2016**.

Should you need additional information and/or clarification, please do not hesitate to contact the undersigned.

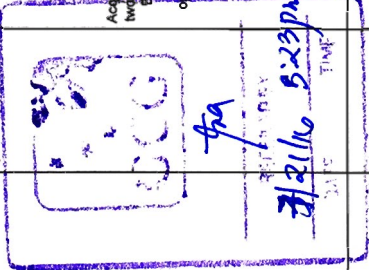
Thank you.

Very truly yours,

JOHN J. ARENAS
President & CEO

PHILIPPINE NATIONAL OIL COMPANY
MONITORING REPORT OF CY 2016 TARGETS

Component		Baseline				Target	CY 2016						
		2014	2015	2016	1 st Quarter		2 nd Quarter	3 rd Quarter	4 th Quarter	Actual	Target	Actual	
Objective/Me	Formula	Weight	2014	2015	2016	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 1	Provided Vital Energy Infrastructure for the Development of the Energy Industry												
SM1	Establishment of the Country's Natural Gas Infrastructure	TRB = 30% SLEX = 35% STAR = 35%	Completed Technical Study	DFS Certified by DOE	MOU on the Final Alignment with Toll Regulatory Board (TRB), South Luzon Tollway Corp.(SLEX) and Southern Luzon Tollway/Arterial Road (STAR)	Sent letter of request for meeting/ presentation with TRB, SLEX & STAR Tollways. Coordinated/met with representatives from TRB, SLEX & STAR Tollway	Conducted coordinations/ meetings with TRB, SLEX & STAR Tollways for securing of MOU to facilitate the conduct of due diligence on the infrastructures within the tollways that may interface with the project.						MOU on the Final Alignment with Toll Regulatory Board (TRB), South Luzon Tollway Corp.(SLEX) and Southern Luzon Tollway/Arterial Road (STAR)
	Batangas-Manila (BatMan) Gas Pipeline Project	80% = 1 90% = 2 100% = >2	N/A	N/A	Acquisition of at least two (2) complete As-Built Plans from LGUs/tollway operators/utilities	Conducted meetings/ presentation of BatMan 1 project to various LGUs, DPWH District 2 & 4 Engineering Offices of Lipa & Batangas Cities respectively for the acquisition of the as-built plans	Secured the "As Built" plan of Manila-Batangas Road, Tambo Section, Lipa City, Batangas and inventory/ inspection data of infrastructures particularly bridges along the national highways to be traversed by the pipeline which were all under the administration of DPWH District 2, Batangas City, Batangas last April 6, 2016 [See Annex I]						Acquisition of at least two (2) complete As-Built Plans from LGUs/tollway operators/utilities
		80% = 1 90% = 2 100% = >2	N/A	N/A	At least two (2) favorable endorsements from LGUs	Conducted meetings/ presentation of project to LGUs in Batangas & Laguna & at the Prov' Development Council of Laguna. Secured an endorsement from Municipal Council of Ibaan, Batangas	Conducted continuous coordination, meeting and presentation of the BatMan 1 Project with various LGUs of Batangas, Laguna and Cavite to secure their endorsement of the project.						Secure two (2) Favorable Endorsements from LGUs
SM 2	Establishment of the Country's Strategic Petroleum Reserve	Pass or Fail	N/A	Concept Paper for SPR Approved by the Board	Final Recommendation by the Board on the directions for SPR	Coordination/ Meetings/ Presentation to LGUs in Batangas, Laguna, Cavite & Metro Manila	Coordination/ Meetings/ Presentation to LGUs in Batangas, Laguna, Cavite & Metro Manila						N/A



**PHILIPPINE NATIONAL OIL COMPANY
MONITORING REPORT OF CY 2016 TARGETS**

Perspective	CY 2016													
	Component		Baseline		Target		1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter	
	Objective/Me	Formula	Weight	2014	2015	2016	Target	Actual	Target	Actual	Target	Actual	Target	Actual
STAKEHOLDERS	SO 2	Operated in an Environment of Fairness and Transparency in our Dealing with Stakeholders												
	SM 3	Stakeholder Satisfaction Rating	90 and above = 100% 80 to 89 = 90% 70 to 79 = 80% 60 to 69 = 70% 59 and below = 0%	5%	N/A	Very Satisfactory	Satisfactory (DOE, CSC, House Committee on Approx., Senate LBRMO, DBM, COA, PNOC-EC, PNOC-RC, SC 38 Consortium (Shell & Chevron))	Completion of TOR for the conduct of Stakeholder Satisfaction Survey	TOR for the conduct of Stakeholder Satisfaction Survey completed	Bid/Procurement of Consultancy Firm	Notice of Award was given to UPLB as consultant for the conduct of 2016 Stakeholder Satisfaction Survey [See Annex III]	Signing of an Agreement with the Consulting Firm	Completion of Survey Tool/Instrument	
			Scale for recommendation to third party surveyor											
FINANCE	SO 3	Ensure Sound Financial Condition												
	SM 4	Net Income (excluding all income or dividends received from operating subsidiaries and Banked Gas) Based on profitability formula on Item 6 in the GCG MC 2014-05 (Re-issued)	Actual Net Income/ Target Net Income	10%	P1,983 billion	P301.88 million	P148.50 million	P43.5 million	P59.3 million	P43.7 million	P78.85 million [See Annex IV]	P34.2 million	P27.1 million	
	SO 4	Ensure Optimal Use of Assets												
	SM 5	Sale of Banked Gas	Actual over Target	10%	N/A	Signed Joint Tender Agreement	Notice of Award (NOA) to winning bidder of at least 30% (29.1 PJ) of total remaining volume of 97 PJ	Signed the Memorandum of Agreement with PNOC Exploration Corporation	Signed the Memorandum of Agreement with PNOC Exploration Corporation	On-going discussions on the draft term sheet between SC38/PNOC-EC/PNOC and the prospective buyer	On-going discussions on the draft term sheet between SC38/PNOC-EC/PNOC and the prospective buyer	Notice of Award (NOA) to winning bidder of at least 30% (29.1 PJ) of total remaining volume of 97 PJ		
			Actual over Target	10%	N/A	Signed Joint Tender Agreement	Signed Gas Sales Purchase Agreement (GSPA) for winning bidder of at least 30% (29.1 PJ) of total volume of 97 PJ	Signed the Memorandum of Agreement with PNOC Exploration Corporation	Signed the Memorandum of Agreement with PNOC Exploration Corporation	On-going discussions on the draft term sheet between SC38/PNOC-EC/PNOC and the prospective buyer	On-going discussions on the draft term sheet between SC38/PNOC-EC/PNOC and the prospective buyer	Signed Gas Sales Purchase Agreement (GSPA) for winning bidder of at least 30% (29.1 PJ) of total volume of 97 PJ		
			Pass or Fail	10%	N/A	N/A	Favorable Recommendation by Accredited 3rd Party Certifying Body	Hiring of IMS Consultant (TOR, Bidding Process, Proposals)	Completed hiring of IMS Consultant (TOR, WOR, Bidding Process, Proposals). NOA & NTP have been signed on 3/18/2016	Signing of Agreement with IMS Consultant (NTP/ Contract)	Signed Agreement with IMS Consultant. [See Annex V]	Preparation for the Documentation and Requirements for the Certification of the IMS	Favorable Recommendation by Accredited 3rd Party Certifying Body	
GROWTH	SO 6	Develop Full Employee Potential												
	SM 7	% Implementation of the PNOC Restructuring Plan	Pass or Fail	10%	N/A	Executed a MOA with Development Academy of the Philippines	Submission of the Board-approved Restructuring Plan	Presentation to MANCOM	TO as proposed by DAP presented to MANCOM.	Board Presentation and approval	PNOC Table of Organization & its functional statements approved by the Board on June 17, 2016 [See Annex VI]	Submission of the Board-approved Restructuring Plan	N/A	

