

III. PHILIPPINE NATIONAL OIL COMPANY

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, FY 2016
(In Thousand Pesos)
SUMMARY

A. PROGRAM/ACTIVITY/PROJECT	Current Operating Expenditures			
	Personnel Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
1. General Administration and Support	P 92,157	P 220,525	P 50,341	P 363,023
2. Support to Operations	16,779	4,732	300	21,811
3. Operations	3,803	835,836	228,980	1,068,619
TOTAL	P 112,739	P 1,061,093	P 279,621	P 1,453,453

III. PHILIPPINE NATIONAL OIL COMPANY

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, FY 2016
(In Thousand Pesos)
CORPORATE FUNDS

Schedule I

A. PROGRAM/ACTIVITY/PROJECT	Current Operating Expenditures			
	Personnel Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
1. General Administration and Support	P 92,157	P 220,525	P 50,341	P 363,023
2. Support to Operations	16,779	4,732	300	21,811
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TOTAL	P 112,739	P 1,061,093	a/P 279,621	P 1,453,453

a/ MOOE, net of allowance for depreciation of P39,847 Million

Special Provision(s)

1. Approval of the FY 2016 Corporate Operating Budget of the Philippine National Oil Company under R.A. No. 7638. The FY 2016 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, National Budget Circular (NBC) No. 446 dated November 26, 1995, as amended by NBC No. 446-A dated January 30, 1998, Budget Circular No. 2010-2 dated March 1, 2010 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 provisions of 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, payment of separation or retirement benefits shall be computed in accordance with the rates, conditions and procedure prescribed under existing separation or retirement laws and guidelines issued thereon.

4. **Budget Flexibility and Report.** The PNOC Board of Directors is authorized to realign 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) changes 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) Realigned funds shall not be used for the acquisition of motor vehicles and payment of travelling, representation, discretionary, or extraordinary and miscellaneous expenses;
- (b) Personnel Services (PS) deficiencies resulting from the implementation of the Compensation and Position Classification System for EOCs approved by the President, upon recommendation by the CGC, shall be covered from savings in NOC and Capital Outlays; and
- (c) PS 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 House Committee on Appropriations and Senate Committee on Finance, either in printed form or by way of electronic document, a comprehensive financial and narrative report on the aforesaid 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.

5. **Funds for Capital Outlays.** Notwithstanding the provisions of Special Provision No. 4, 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 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.

6. **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, and damages pursuant to any final and executory decision that may be rendered during the year.

7. **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.

8. **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.

9. **Transparency Seal.** To enhance transparency and enforce accountability, the PNOC shall maintain a Transparency Seal to be posted on its 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 supplier, contractor or consultant; (v) major programs and projects categorized in accordance with the five key results 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 projects; (vii) Budget and Financial Accountability Reports, pursuant to COB 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 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.