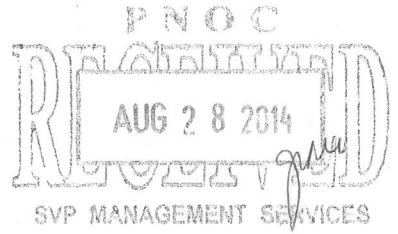




PHILIPPINE NATIONAL OIL COMPANY

CORPORATE GOVERNANCE MANUAL





12 August 2014

HON. CARLOS JERICHO L. PETILLA
DOE Secretary and Chairman
HON. ANTONIO M. CAILAO
President and CEO
PHILIPPINE NATIONAL OIL COMPANY
 PNO Building IV, Energy Center
 Merritt Road, Fort Bonifacio, Taguig City

RECEIVED BY:	
PNO C - OFFICE OF THE PRESIDENT	
ON:	AUG 26 2014
TIME: <i>2:30pm</i>	NAME: <i>[Signature]</i>

RE: REVISED MANUAL OF CORPORATE GOVERNANCE

Dear Secretary Petilla and President Cailao,

Formally contained in this letter is the Governance Commission's evaluation of the **REVISED MANUAL OF CORPORATE GOVERNANCE** of the **PHILIPPINE NATIONAL OIL COMPANY (PNO C)** submitted to the GCG in the letter dated 01 August 2014.¹

We note that in the Revised Manual of Corporate Governance, PNO C adopted the following directives from the Governance Commission as contained in our letter dated 22 July 2014:

1. Amendment of the provision on the Annual Performance Evaluation of the Board; and
2. Submission of signed documents.

It is worth noting that the Manual of Corporate Governance of each GOCC must be duly adopted and promulgated by the GOCC's Governing Board. There being no indication in your submission, the Governance Commission directs the PNO C Board to adopt and promulgate the Revised Manual of Corporate Governance, as submitted to the Governance Commission.

The Governance Commission hereby accepts the submitted Revised Manual of Corporate Governance as full compliance with the Good Governance Conditions under GCG Memorandum Circular No. 2013-05 (Re-Issued) (2013 Interim Performance-Based Bonus [PBB]) and GCG Memorandum Circular No. 2013-06 (Re-Issued) (Interim Performance-Based Incentives [PBI]).

FOR YOUR INFORMATION AND GUIDANCE.

¹Formally received by the Governance Commission on 04 August 2014.

Very truly yours,
BY AUTHORITY OF THE COMMISSION:



CESAR L. VILLANUEVA
Chairman



MA. ANGELA E. IGNACIO
Commissioner



RAINIER B. BUTALID
Commissioner

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“Corporate Governance” refers to a system and process of ensuring that a company is governed in a manner consistent with the principles and practices of a free and open society and of a competitive market economy, assigning final authority and full oversight responsibility to a Board of Directors, whose decision-making process is collegial, participatory and transparent. The primary goal of corporate governance is to ensure that management enhances the value of PNOC for all of its stakeholders as it competes in an increasingly global market place.² To achieve this goal, it is necessary – among other things – to clearly set forth the principles of appropriate supervision and good management, and thereby lay the groundwork for development and implementation of value-creating activities. Moreover, it is as important that these agreed principles of governance are made transparent to all stakeholder participation in the corporate governance process.

The machinery for corporate governance of Philippine National Oil Company (“PNOC” or the “Company”) is principally contained in its Charter, P.D. 334 as amended (“Charter”), and its By-Laws and Code of Ethical Conduct. These constitutive documents lay down, among others, the basic structure of governance and the principal obligations and duties of the Board of Directors and officers of PNOC. The functions of this Code of Corporate Governance is to supplement the Charter, By-Laws and Code of Ethical Conduct by setting forth principles of good and transparent governance.

The Board of Directors, management, officers and employees of PNOC commit themselves to the principles and best practices of governance contained in this Manual as a guide in the attainment of its corporate goals. PNOC shall make a continuing effort to create awareness of good corporate governance within the organization. At the same time, the entire organization declares its continuing commitment to the Code of Ethical Conduct, its vision, mission statement and core values which are made an integral part of this Manual.

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Revisions to this Manual pertaining to company policies are subject to the approval of the PNOC Board of Directors, and revisions pertaining to operating procedures are subject to the approval of the Chairman. PNOC Internal Control Office shall be responsible for effecting and attesting changes to this Manual that the Board of Directors and/or the Chairman may authorize from time to time.

This Manual belongs to Philippine National Oil Company (PNOC) and is issued to an authorized copyholder who shall be responsible for its updating and safekeeping. Entitlement to hold copy of this Manual is on the position and should remain there whoever the occupant maybe. The copyholder should make this Manual available to his staff who may need it in the performance of his assigned tasks.

Each copy of this Manual is registered by number with PNOC Internal Control Office under the name of the occupant of the position entitled to hold copy of this Manual. In case the occupant is transferred to other position or leaves PNOC, he must advise PNOC Internal Control Office so that his accountability over this Manual can be cleared.

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PNOC by 2025: A world-class organization that executes the country's energy strategy towards self-sufficiency, sustainability, stability of prices, and security of supply (4S).

PNOC Board Resolution No. 2147, S'2013

PNOC MANUAL OF CORPORATE GOVERNANCE	Section INTRODUCTION	Section No. 1	Effective 08.12.14
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Through the efforts and initiative of world class professionals, PNOC is committed to:

1. Develop and implement projects and programs in a financially prudent and responsible manner aimed at increasing the country self-sufficiency level in oil, gas and other energy sources;
2. Ensure security of supply; contributing to energy price stability and affordability;
3. Foster sustainable and environmentally-friendly sources of energy; and
4. Promote and maintain the highest standards of service and corporate governance.

PNOC Board Resolution No. 2147, S'2013

PNOC MANUAL OF CORPORATE GOVERNANCE	Section INTRODUCTION	Section No. 1	Effective 08.12.14
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Integrity (*Mapapagkatiwalaan*)
Professional Excellence (*Maaasahan*)
Accountable and Results Oriented (*Walang Iwanan*)
Service (*Makatao*)

PNOC Board Resolution No. 2147, S'2013

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Energy Research Manager	7
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*Having been vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all the properties of PNOC, the Governing Board is primarily responsible for the governance of PNOC. Consequently, it is the Board and not Management, that is primarily accountable to the State for the operations and performance of PNOC.

**Concomitant with the power to elect the CEO from among their ranks and to appoint other Officers of PNOC, it is the duty of every Governing Board to ensure that they elect and/or employ only Officers who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity. The Board is therefore obliged to provide an independence check on Management.

***Although the day-to-day management of the affairs of PNOC may be with Management, the Board is, however, responsible for providing policy directions, monitoring and overseeing Management actions, as articulated in its Charter or Articles of Incorporation, and other relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:

- (a) Provide the corporate leadership of PNOC subject to the rule of law, and the objectives set by the National Government through the Supervising Agencies and the GCG;
- (b) Establish PNOC's vision and mission, strategic objectives, policies and procedures, as well as defining PNOC's values and standards through:
 - Charter Statements
 - Strategy Maps; and
 - Other control mechanism mandated by best business practices;
- (c) Determine important policies that bear on the character of PNOC to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;

*Article III, Sections 5 of GCG-MC 2012-07

**Article III, Sections 6 of GCG-MC 2012-0

***Article III, Section 7 of GCG-MC 2012-07

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- (d) Determine the organizational structure of PNOC, defining the duties and responsibilities of its Officers and employees and adopting a compensation and benefit scheme that is consistent with PNOC Compensation and Position Classification System (CPCS) developed by GCG and formally approved by the President of the Philippines;
- (e) Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;
- (f) Provide sound written policies and strategic guidelines of PNOC's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of PNOC;
- (g) Comply with all reportorial requirements, as required in the Charter or Articles of Incorporation and By-laws as well as applicable laws, rules and regulations;
- (h) Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurate report the results to the GCG; and
- (i) Ensure the fair and equitable treatment of all Stakeholders and enhancing PNOC's relations with its Stakeholders.

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*The Board of Directors shall have nine (9) members who shall be nominated by the President of the Republic of the Philippines. The term of office of each member of the Board shall be for one (1) year, unless sooner removed for cause, provided however, that each director shall continue to hold office until the successor is appointed and qualified.

The one year term of office shall begin 1 July of the year of appointments and ending on 30 June of the following year.

**An Appointive Director may be nominated by the GCG for reappointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors adopted for the GOCC.

*** Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a Director to fill such vacancy shall be in accordance with the manner provided for regular nomination, shortlisting and appointment of Appointive Directors.

*Article III, Section 14 of GCG-MC2012-07

**Article III, Section 14.2 of GCG-MC 2012-07

***Article III, Section 14.3 of GCG-MC 2012-07

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*All members of the Board, the CEO and other Officers of the PNOC including Appointive Directors in Subsidiaries and Affiliates shall be qualified by the Fit and Proper Rule adopted by the GCG in consultation and coordination with the relevant government agencies to which PNOC is attached, and approved by the President, and shall include by reference the qualifications expressly provided for in the Charters or By-laws of PNOC.

To maintain the quality of management of PNOC, the GCG, in coordination with the Supervising Agencies shall, subject to the approval of the President, prescribe, pass upon and review the qualifications and disqualifications of individuals appointed as Directors, CEO and other Executive Officers and shall disqualify those found unfit.

In determining whether an individual is fit and proper to hold the position of an Appointive Director, CEO or Officer of PNOC, due regard shall be given to one's integrity, experience, education, training and competence.

**Minimum Qualifications of Appointive Directors and CEO. - Without prejudice to the qualifications set out in the Charter or By-laws of PNOC, every Appointive Director and CEO, must:

- (a) Be a Filipino citizen;
- (b) Be at least thirty five (35) years of age at the time of appointment to the Governing Board, (except when the Charter or By-Laws requires a higher minimum age, which requirement shall prevail) as provided for in the PNOC By-laws;
- (c) Be of good moral character, of unquestionable integrity, and of known probity;
- (d) Have a college degree, with at least five (5) years relevant work experience, except for a sectoral representative who only needs to be a bona fide member of the indicated sector or the association being represented as provided for in the Charter or By-laws;

*Article III, Section 13 of GCG-MC2012-07

**Article 5, Section II of GCG – MC2012-05

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- (e) Possess management skills and competence preferably relating to the operations of the GOCC to which he/she is appointed; and
- (f) Have attended, or will attend within three (3) months from the date of appointment, a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG.

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A director of PNOC shall exercise due discretion in accepting and holding directorships outside of PNOC.

- a. The capacity of a PNOC Appointive Board Member to serve with diligence shall not be compromised. As such, no PNOC Appointive Director, may hold more than two (2) other Board seats on other GOCCs, as provided for by laws or the primary functions of their position, including PNOC's subsidiaries and affiliates.*

*Article III, Section 11 of GCG-MC2012-07

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	Subject BOARD MEETINGS AND QUORUM REQUIREMENTS	Subject No. 5	Page 1 of 2

- A. Place of Meeting. All meetings of the Board shall be held at the principal office of PNOC unless the written notice for any of them fixes another venue within or outside the Philippines.
- B. Quorum. A majority of the Directors shall constitute a quorum for the transaction of business. Unless otherwise provided by law and/or these By-laws, all business acted upon by a majority of such quorum shall be valid as a corporate act of PNOC. In the determination of such a quorum and validity of the acts and decisions of the Board, the actual personal presence of a Director is required; provided, however, that a director may choose to attend and vote at any meeting of The Board via tele/videoconferencing in the manner and conditions allowed by the Securities and Exchange Commission under SEC Resolution No. 15, Series of 2001, which mode of presence, participation and voting at Board meetings are here adopted. No Director may attend, participate and vote by proxy in, any regular or special meeting of The Board.
- C. Majority Vote. To constitute as a valid act of PNOC, a majority vote of all Directors shall be required for the following acts:
- (1) Governance
 - 1.1 Material changes in PNOC's organizational structure and Position classification;
 - 1.2 Material changes in the compensation policy of senior management;
 - 1.3 Amendments to PNOC's Charter;
 - 1.4 Amendments to the By-laws;
 - (2) Financial and Strategic Planning
 - 1.1 Adoption of Long range business plans;
 - 1.2 Adoption or modification of capital and expense (operating) budgets where expenditure overruns greater than 10% thereof;

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(3) Financial Actions

- 1.1 Conversion of PNOC loans to and advances to equity of subsidiaries;
- 1.2 Infusion of additional equity to subsidiaries through transfer of funds and/or transfer of assets;
- 1.3 Grant of operating subsidy to subsidiaries;
- 1.4 Assumption of outstanding local or foreign loans of subsidiaries;
- 1.5 Funds allocation for investment in subsidiaries;
- 1.6 Reduction of investments in subsidiaries;
- 1.7 Investment of funds in another corporation or other form of business entity or for any purposes other than the primary purpose of The Company (except for temporary investments of surplus funds in marketable securities).

D. Regular Meetings. Regular meetings of The Board shall be held every second Friday of each month, unless called or set on a different date per notice of the Corporate Secretary on instruction of The Board.

E. Special Meetings. Special meetings of The Board shall be held at the call of its Chairman or President-Chief Executive Officer of PNOC. It shall also be convened at the written request of at least two(2) Directors transmitted to the Corporate Secretary in the manner and form hereunder provided not less than three(3) days before the requested date thereof.

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- A. Directors and Officers are fiduciaries of the State in that: (a) they have the legal obligation and duty to always act in the best interest of PNOC, with utmost good faith in all dealings with the properties, interests and monies of PNOC; and (b) they are constituted as trustees in relation to the properties, interests and monies of PNOC.
- B. Directors and Officers are also Public Officials as defined by, and are therefore covered by the provisions of the "Code of Conduct and Ethical Standards for Public Officials and Employees," with its declared policies: (a) to promote a high standard of ethics in public service; and (b) Public Officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest.
- C. As Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause PNOC to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to PNOC in which they serve, and to act within the bounds of their Charter, Articles of Incorporation and By-Laws.
- D. The fiduciary duty of diligence of Directors and Officers to always act in the best interest of PNOC , with utmost good faith in all its dealings with the property and monies of PNOC, includes the obligation to:
- (a) Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of PNOC, using the utmost diligence of a very cautious person with due regard to all the circumstances;
 - (b) Apply sound business principles to ensure the financial soundness of PNOC and
 - (c) Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

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Every Director or Officer, by the act of accepting such position in PNOC, affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting the GOCC he is to serve, including the contents of its Charter, or Articles of Incorporation and By-laws, the requirements of the GCG, and where applicable, the requirements of other Supervising Agencies; and (2) to always keep himself informed of industry developments and business trends in order to safeguard PNOC's interests and preserve its competitiveness.

E. The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of PNOC, with utmost good faith in all its dealings with the property and monies of PNOC, includes the obligation to:

- (a) Act with utmost and undivided loyalty to PNOC;
 - (b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and
 - (c) Avoid (1) taking for themselves opportunities related to PNOC's business; (2) using PNOC's property, information or position for personal gain; or (3) competing with the PNOC business opportunities.
1. Directors and Officers shall at all times avoid any actual or potential conflict of interest with PNOC. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

Any question about a Director's or Officer's actual or potential conflict of interest with PNOC shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.

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2. Except for the per diem received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Directors or Officers in excess of that authorized by the GCG, stock options, dividends and other similar offers or grants from corporations where PNOC is a stockholder or investor, and any benefit from the performance of Directors or Officers acting for and in behalf of PNOC in dealing with its properties, investments in other corporations, management of Subsidiaries and other interest, are to be held in trust by such Director or Officer for the exclusive benefit of PNOC.
3. Where a Director or an Officer, by reason of his being a member of the Board or an Officer of PNOC, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the acquisition of shares in corporations where such PNOC has an interest, the use the properties of PNOC for his/her own benefit, the receipt of commission(s) on contract(s) with PNOC or its assets, or the taking advantage of corporate opportunities of PNOC, all such profits or benefits shall be subject to restitution pursuant to Section 24 of the Act (RA 10149), without prejudice to any administrative, civil or criminal action against members of the such Director or Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer risked his/her own funds in the venture.
4. Pursuant to Section 24 of the Act (RA 10149), upon the determination and report of the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, that properties or monies belonging to PNOC are in the possession of a Director or Officer without authority, or that profits are earned by the Director or Officer in violation of his/her fiduciary duty, or the aggregate per diems, allowances and incentives received in a particular year are in excess of the limits provided under the Act, the Director or Officer receiving such properties or monies shall immediately return the same to PNOC.

PNO C M A N U A L O F C O R P O R A T E G O V E R N A N C E	Section G O V E R N A N C E P O L I C Y S T A T E M E N T S	Section No. 2	Effective 08.12.14
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Failure by a Director or Officer to make the restitution within thirty (30) days after a written demand has been served shall, after trial and final judgment, subject such Director or Officer to the punishment of imprisonment for one (1) year and a fine equivalent to twice the amount to be restituted and, in the discretion of the court of competent jurisdiction, disqualification to hold public office.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
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In addition to those specified in its Charter or Articles of Incorporation and/or By-laws, the Board shall perform the following functions:

- (a) Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or minuted;
- (b) Determine the PNOC's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that PNOC survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- (c) Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;
- (d) Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan to ensure that the Officers of PNOC have the necessary motivation, integrity, competence and professionalism;
- (e) Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
- (f) Implement a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis;
- (g) Ensure the integrity of PNOC's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;

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- (h) Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
- (i) Adopt, implement and oversee the process of disclosure and communications;
- (j) Constitute an Audit Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions; and
- (k) Conduct and maintain the affairs of PNOC within the scope of its authority, as prescribed in its Charter or Articles of Incorporation, By-laws, and applicable laws, rules and regulation.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject SPECIFIC RESPONSIBILITIES OF EACH DIRECTORS	Subject No. 8	Page 1 of 2

A Director's office is one of trust and confidence. He should act in the best interest of PNOC in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing PNOC towards sustained progress over the long term.

In addition to the duties and responsibilities of a director set forth in PNOC's By-Laws and existing relevant statutes, a director shall:

- a. Conduct fair business transaction with PNOC and ensure that personal interest does not bias Board decisions.. A director shall not use his position to make profit or acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. He should observe the conflict of interest policy stated in this Manual.
- b. Devote time and attention necessary to properly discharge his duties and responsibilities. A director should prepare for, attend and actively participate in Board meetings. He is expected to devote substantial time and attention to the affairs of PNOC – and keep himself informed about PNOC's business.
- c. Act judiciously. Before deciding on any matter brought before the Board of Directors, every director should evaluate the issues, ask questions and seek such clarifications, as he may deem appropriate.
- d. Exercise independent, competent, honest and courageous judgment. A director should decide on each problem/situation in utmost good faith, being reasonably informed there on and rationally believing the action he takes is in the best interest of PNOC and support plans and ideas which he believes are beneficial to PNOC.
- e. Have working knowledge of the statutory and regulatory requirements affecting PNOC. This includes a firm knowledge of the contents of the Charter and By-Laws of PNOC and the amendments thereto, and where applicable, the requirements of other regulatory agencies.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject SPECIFIC RESPONSIBILITIES OF EACH DIRECTORS	Subject No. 8	Page 2 of 2

- f. Observe confidentiality and preserve confidential information A director shall observe the confidentiality of non-public information acquired by reason of his position as a director. He should not disclose any information to any other person without the authority of the Board.
- g. Ensure the continuing soundness, effectiveness and adequacy of PNOC's control environment. Each director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within PNOC.
- h. Prior to assuming office if possible, or soon thereafter, attend a seminar on corporate governance, which shall be conducted by a duly recognized private or government institution. If necessary, funds shall be allocated by PNOC for this purpose.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject RIGHTS OF DIRECTORS	Subject No. 9	Page 1 of 1

The law recognizes certain prerogatives as necessary to the performance of a director's duties. Among the important rights of a director are to:

- Communicate with and have separate and independent access to key executives, subject to reasonable time constraints;
- Inspect books and records and, subject to director's duty not to disclose PNOC's confidential information, to be provided with copies of such data as the director may reasonably request;
- Inspect plants and facilities as reasonably required for the performance of duties;
- Be given notice sufficiently in advance of all meetings, and all materials for such meetings in accordance with PNOC's By-Laws;
- Receive copies of all Board and committee meeting minutes or reports (subject to a director's duty not to disclose PNOC's confidential information), whether or not the director is a member of the committee;
- Have access to information within PNOC whether as a full Board or in their individual capacity in furtherance of their duties;
- Require and receive information that is not just historical or bottom line and financial-oriented but information that goes beyond assessing the quantitative performance of PNOC, including but not limited to customer satisfaction, product and service quality, market share, market reaction, environmental performance and so on, when dealing with any item on the agenda; and
- Have separate and independent access to the advice and services of the Corporate Secretary in connection with the performance of his duties;
- Place matters on the agenda for Board or Committee meetings he considers to be important to the business of PNOC.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE	Section No. 2	Effective 08.12.14
	Subject FIDUCIARY DUTIES OF THE BOARD AND OFFICERS	Subject No. 10	Page 1 of 1

As fiduciaries of the State, members of the Board of Directors and the Officers of PNOC have the legal obligation and duty to always act in the best interest of the PNOC, with utmost good faith in all its dealings with the property and monies of the PNOC.

The members of the Board and Officers of PNOC shall:

- (a) Act with utmost and undivided loyalty to the PNOC;
- (b) Act with due care, extraordinary diligence, skill and good faith in the conduct of the business of PNOC;
- (c) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board;
- (d) Apply sound business principles to ensure the financial soundness of the PNOC; and
- (e) Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

Where a member of the Board or an Officer, by virtue of the office, acquires or receives for oneself a benefit or profit, of whatever kind or nature including, but not limited to, the acquisition of shares in corporations where PNOC has an interest, using the properties of PNOC for their own benefit, receiving commission on contracts from PNOC's assets or taking advantage of the corporate opportunities of PNOC, all such profits or benefits shall be subject to restitution under Section 24 of the Republic Act No. 10149, without prejudice to any administrative, civil or criminal action against members of the Board of Directors or Officers. This provision shall be applicable notwithstanding the fact that such member of the Board or Officer risked one's own funds in the venture.*

The members of the Board and the Officers must exercise extraordinary diligence in the conduct of the business and in dealing with the properties of PNOC. Such degree of diligence requires using the utmost diligence of very cautious person with due regard for all the circumstances.*

*Section 19 and 21 of Republic Act No. 10149

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject COMPENSATION OF DIRECTORS	Subject No. 11	Page 1 of 1

- A. The compensation, per diems, allowances and incentives of members of the Board of Directors of PNOC shall be :
1. Determined by the GCG, using as a reference among others Executive Order No. 24, dated February 10, 2011;
 2. Directors shall not be entitled to retirement benefits as such directors; and
 3. The total yearly per diems and incentives in the aggregate which the Directors may receive shall be determined by the President upon recommendation of the GCG based on the achievement of PNOC of its performance target(s).

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject BOARD OFFICERS	Subject No. 12	Page 1 of 3

*The Board Officers of PNOC are the Chairman of the Board (who is the highest ranking of the Board Officers), the Vice-Chairman, the Corporate Secretary, and the Compliance Officer, who must all be Filipino citizens.

A. Chairman of the Board. - Ideally, the roles of the Chairman and the CEO should be with different individuals in order to ensure an appropriate balance of power, increased accountability, greater capacity of the Board for independent decision-making, and optimum capacity to exercise supervisory function over Management. The Chairman shall, when present, preside at all meetings of the Board. The Chairman's responsibilities may include:

- (1) Calling meetings to enable the Board to perform its duties and responsibilities;
- (2) Approving meeting agenda in consultation with the CEO and the Corporate Secretary;
- (3) Exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- (4) Assisting in ensuring compliance with the GOCC's guidelines on corporate governance.

The responsibilities set out above, may pertain only to the Chairman's role in respect to the Board proceedings, and shall not be taken as a comprehensive list of all the duties and responsibilities of a Chairman. For legal purposes, the Chairman of the Governing Board shall be considered as the "Head of Agency" of PNOC.

B. Vice-Chairman. - In the absence of the Chairman of the Board, the Vice-Chairman shall preside at the meetings of the Board.

**The President/CEO shall be the Vice-Chairman of the Board and as such shall assist the Chairman and act in his stead in his absence or incapacity. In case of the absence or incapacity of the Chairman and Vice-Chairman, The Board shall designate from among any if its members on acting or temporary Chairman for that meeting alone.

*Article III, Section 15 of GCG-MC2012-07

**Section 4 PNOC By-laws, May 24, 2006

PNOCC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject BOARD OFFICERS	Subject No. 12	Page 2 of 3

C. Corporate Secretary. - The Corporate Secretary need not be a member of the Governing Board. Ideally, the Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer. The Corporate Secretary shall have the following functions:

- (1) Serve as an adviser to the Board Members on their responsibilities and obligations;
- (2) Keep the minutes of meetings of the shareholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the CEO and other members of the Board as appropriate;
- (3) Keep in safe custody the seal of the GOCC and affix it to any instrument requiring the same;
- (4) For stock GOCCS, have charge of the stock certificate book and such other books and papers as the Board may direct;
- (5) Attend to the giving and serving of notices of Board and shareholder meetings, if applicable;
- (6) Be fully informed and be part of the scheduling process of other activities of the Board;
- (7) Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
- (8) Oversee the adequate flow of information to the Board prior to meetings; and

PNOG MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject BOARD OFFICERS	Subject No. 12	Page 3 of 3

(9) Ensure fulfilment of disclosure requirements to regulatory bodies.

(10) The Corporate Secretary shall have such other responsibilities as the Board may impose upon him. The Board shall have separate and independent access to the Corporate Secretary.

D. Compliance Officer. - The Board shall appoint a Compliance Officer who shall report directly to the Chairman. In the absence of such office or appointment, the Corporate Secretary, who is preferably a lawyer, shall act as Compliance Officer. The Compliance Officer shall perform the following duties:

- (1) Monitor compliance by the GOCC of the requirements under the Act, this Code, the rules and regulations of the appropriate Government Agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (2) Appear before the GCG when summoned in relation to compliance with this Code or other compliance issues and
- (3) Issue a certification every 30 May of the year on the extent of the PNOG compliance with the government corporate standards governing GOCCs for the period beginning 01July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation.

The appointment of a Compliance Officer shall not relieve the Governing Board of its primary responsibility vis-a-vis the State, acting through the GCG, to ensure that PNOG has complied with all its reportorial, monitoring and compliance obligations.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject BOARD COMMITTEES	Subject No. 13	Page 1 of 1

*The creation of Board Committees and other such oversight bodies enables the members of the Governing Board to efficiently manage their time and ensure the proper understanding and resolution of all issues affecting PNOC and the proper handling of all other concerns, and allows the Board to effectively utilize the expertise of its Directors.

- A. The Governing Board of PNOC shall therefore constitute the proper committees to assist them in performing their duties and responsibilities, providing each of the committees with written terms of reference defining the duties, authorities and the composition of the committees constituted. The committees shall report to the entire Board as a collegial body and the minutes of their meetings shall be circulated to all members of the Board. The existence of the committees shall not excuse the Board of Directors/Trustees of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.
- B. The Board shall be supported by the following specialized committees:
- b.1. Executive Committee
 - b.2. Audit Committee
 - b.3. Nomination and Remuneration Committee
 - b.4. Risk Management Committee
 - b.5. Governance Committee
- C. Combining the Mandatory Committees. - Nothing herein shall preclude the Governing Board from formally combining the functions of the committees into such combinations that will best seen the interest of PNOC.
- D. Other Committees Required by Law, Rules and Regulations. – In addition to the committees required in this Manual, PNOC, when so covered, shall also establish the committees required under the corresponding and applicable rules and regulations issued by the Bangko Sentral ng Pilipinas (BSP), the Insurance Commission (IC), the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), and other Supervising Agencies.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject EXECUTIVE COMMITTEE	Subject No. 14	Page 1 of 1

- A. The Board shall appoint from among its members an Executive Committee composed of three (3) members of the Board with the Chairman of the Board being the Committee Chairman.
- B. The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by 2/3 of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Company's By-Laws, except with respect to:
- (i) the filling of vacancies on the Board or in the Executive Committee;
 - (ii) the amendment or repeal of By-Laws or the adoption of new By-Laws;
 - (iii) the amendment or repeal of any resolution of the Board of Directors unless such authority has been granted to it by the Board;
 - (iv) the distribution of cash dividends;
 - (v) the exercise of powers delegated by the Board exclusively to other committees, if any.
- C. A majority of all the members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action and shall be subject to revision or alteration by the Board of Directors.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject AUDIT COMMITTEE	Subject No. 15	Page 1 of 1

The Audit Committee shall consist of three (3) Directors, whose Chairman should have audit, accounting or finance background. The Committee shall be responsible for the following:

- Overseeing, monitoring and evaluating the adequacy and effectiveness of PNOC's internal control system, engage and provide oversight of the PNOC's internal and external auditors. and coordinate with the Commission on Audit (COA);
- Reviewing and approving audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements;
- Receiving and reviewing reports of internal and external auditors and regulatory agencies, and ensuring that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- Ensuring that internal auditors have free and full access to all the PNOC's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and
- Developing a transparent financial management system that will ensure the integrity of internal control activities throughout PNOC through a procedures and policies handbook that will be used by the entire organization.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject NOMINATION AND REMUNERATION COMMITTEE	Subject No. 16	Page 1 of 1

The Nomination and Remunerations Committee shall consist of three (3) members of the Board. The Committee shall be responsible for the following:

- Installing and maintaining a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
- Reviewing and evaluating the qualifications of all persons nominated to positions in PNOC which require appointment by the Board;
- Recommending to the GCG nominees for the shortlist in line with the PNOC and its subsidiaries' Board composition and succession plan; and
- Developing recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with the PNOC's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject RISK MANAGEMENT COMMITTEE	Subject No. 17	Page 1 of 1

The Risk Management Committee shall consist of three (3) members, with at least one member having a background in finance and investments. The Risk Management Committee shall be responsible for the following:

- Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of PNOC, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
- Developing the Risk Management Policy of PNOC, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of PNOC, especially at the Board and Management level: and
- Providing quarterly reporting and updating the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals;

PNO C M A N U A L O F C O R P O R A T E G O V E R N A N C E	Section G O V E R N A N C E P O L I C Y S T A T E M E N T S	Section No. 2	Effective 08.12.14
	Subject G O V E R N A N C E C O M M I T T E E	Subject No. 18	Page 1 of 1

The Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee shall be composed of three (3) members of Board, and chaired by the Chairman of the Board. The Committee shall be responsible for the following:

- Overseeing the periodic performance evaluation of the Board and its committees and Management; and also conducting an annual self-evaluation of their performance;
- Deciding whether or not a Director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards;
- Recommending to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and
- Recommending the manner by which the Board's performance may be evaluated and proposing an objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder value.

PNOC MANUAL CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject ANNUAL PERFORMANCE EVALUATION OF THE BOARD*	Subject No. 19	Page 1 of 2

A systematic evaluation process of the Board shall be established as a necessary tool in enhancing its professionalism and as a useful incentive for Board Members to devote sufficient time and effort to their duties. The evaluation should also be instrumental in developing effective and appropriate induction and training programs for new and existing members of the Board.**

Corollary to the above, PNOC adopts the Performance Evaluation for Directors (PED) in the GOCC Sector (based on GCG Memorandum Circular No. 2014-03 dated April 7, 2014)

A. Coverage:

The PED shall cover all PNOC Appointive Director as the basis for the determination of whether they shall be recommended for reappointment. It shall also cover the Ex Officio Directors or their Alternates for purposes of being able to report to the President the performance of such Ex Officio Directors, as well as to allow the GCG to develop and evolve a good governance system for Ex Officio Directors in the GOCC Sector.

B. Components of the PED:

The PED measures the overall performance of PNOC's Appointive Director and Ex Officio Directors or their Alternates based on the following components:

- 1. PNOC's Performance based on Application of the Performance Evaluation System (PES) for GOCC's under GCG Memorandum Circular No. 2013-02: 60%**
- 2. Director Performance Evaluation: 20%**
 - (a) Self Appraisal Rating = 6%
 - (b) Peer Appraisal Rating = 14%

The guidelines on the Director Performance Review (DPR) shall be based on Sec. 3.2.1 of the GCG Memo Circular No. 2014-03, dated April 7, 2014 using the PED Forms 1 – 6, that can be downloaded from the GCG's website at www.gcg.gov.ph.

*GCG-MC 2014-03 – Performance Evaluation for Directors (PED) in the GOCC Sector

** Sec 17 GCG-MC 2012

PNOC MANUAL CORPORATE GOVERNANCE	Section GOVERNANCE POLICY STATEMENTS	Section No. 2	Effective 08.12.14
	Subject ANNUAL PERFORMANCE EVALUATION OF THE BOARD*	Subject No. 19	Page 2 of 2

3. Director Attendance Score: 20%

Rules on Attendance shall be based in Sec. 3.3.1 and 3.3.2 of GCG Memo Circular 2014-03 dated April 7, 2014.

C. Eligibility for Reappointment

PNOC Appointive Directors who receive an overall rating of less than 85% will not be qualified to be included in the shortlist of nominees for the following term; Provided, however, that no score in any component should be less than 50%; Provided, further, that when in the GCG's evaluation, the down-rating received by an Appointive Director is not warranted, the particular Appointive Director may still be included in the shortlist for proper consideration of the President with proper explanation thereof.

D. Results of the Performance Evaluation of Directors (PED)

On or before the 31st of March of each year, the Department of Energy and PNOC Chairman shall receive from the Governance Commission the summary report of the results of the PED. In addition, each Director shall receive a confidential report of his overall grade and concerns/issues raised in the Peer Appraisal Form (PAF).

E. Over-all Grade Equivalent

Overall Score	Scale	Equivalent
100% - 93%	5	OUTSTANDING
92.99% - 85%	4	ABOVE AVERAGE
84.99% - 80%	3	AVERAGE
79.99% - 75%	2	BELOW AVERAGE

F. Sanction

Failure of the PNOC Appointive Director to comply with the conditions of the PED shall be the basis for the GCG not to include his/her name in the shortlist of Appointive Directors and the non-entitlement to PBI.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section MANAGEMENT	Section No. 3	Effective 08.12.14
	Subject GENERAL RESPONSIBILITIES OF MANAGEMENT	Subject No. 1	Page 1 of 1

- A. The Management of PNOC stands as the center of decision-making for the day-to-day affairs of PNOC. It determines the PNOC activities by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets.

Management is responsible to the Board for implementing the infrastructure for the PNOC's success through the following mechanisms in its organization as set by the Board: organizational structures that work effectively and efficiently in attaining the goals of PNOC; useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; information systems that are defined and aligned with an information technology strategy and the business goals of PNOC; and a plan of success that formalizes the process of identifying, training and selection of successors in key positions in PNOC.

- B. Management is primarily accountable to the Board for the operations of PNOC. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of PNOC's performance, position and prospects on a monthly basis. This responsibility shall extend to interim and other price sensitive public reports and reports to regulators.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section MANAGEMENT	Section No. 3	Effective 08.12.14
	Subject MANAGEMENT'S RESPONSIBILITY FOR INFORMATION	Subject No. 2	Page 1 of 1

Management is primarily responsible to the Board for financial reporting and control. It shall also be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by management to the Board.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section MANAGEMENT	Section No. 3	Effective 08.12.14
	Subject EXECUTIVE OFFICERS OF THE COMPANY	Subject No. 3	Page 1 of 4

The Executive Officers of the Company are the President and Chief Executive Officer, the Executive Vice-President, the Senior Vice-President for Management Services and the Senior Vice-President for Legal, Administrative and Estate Management Services.

A. President / CEO

The CEO or the highest-ranking Executive Officer provided for in the Charter or By-laws, shall be elected annually by the members of the Board from among its ranks. The CEO shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause. In addition to the duties imposed on him by the Board, the CEO shall:

- (i) Exercise general supervision and authority over the regular course of business, affairs, and property of PNOC, and over its employees and officers;
- (ii) See to it that all orders and resolutions of the Board are carried into effect.
- (iii) Submit to the Board as soon as possible after the close of each fiscal year, and to the shareholders at the annual meeting, if applicable, a complete report of the operations of the GOCC for the preceding year, and the state of its affairs;
- (iv) Report to the Board from time to time all matters which the interest of PNOC may require to be brought to its notice; and
- (v) Perform such other duties and responsibilities as the Board may impose upon him.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section MANAGEMENT	Section No. 3	Effective 08.12.14
	Subject EXECUTIVE OFFICERS OF THE COMPANY	Subject No. 3	Page 2 of 4

B. Executive Vice-President

The Executive Vice-President shall be appointed by the Board of Directors. He shall be responsible for the following:

- (i) Provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of the corporate goals;
- (ii) Maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and to government regulatory bodies in compliance with statutory requirements;
- (iii) Strengthen internal controls by monitoring compliance with policies; recommend to management appropriate actions and changes in systems and procedures as necessitated by circumstances.

The Executive Vice-President shall have such other responsibilities as the Board of Directors may impose upon him.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section MANAGEMENT	Section No. 3	Effective 08.12.14
	Subject EXECUTIVE OFFICERS OF THE COMPANY	Subject No. 3	Page 3 of 4

C. Senior Vice Presidents: The Senior Vice-President for Management Services and Senior Vice-President for Legal, Administrative and Estate Management Services shall support the Executive Vice-President in the supervision of the operations of the departments under their jurisdiction. They shall have such other responsibilities as may be assigned to them by the President/CEO.

c.1 The Senior Vice President for Legal, Administrative and Estate Management Services shall have the following responsibilities:

- (i) Direct, supervise and control the work, activities and operation of the Legal, Administrative and Estate Management Services Departments;
- (ii) Assist the President/CEO and EVP in the formulation of policies and objectives pertaining to Legal, Administrative and Estate Management matters;
- (iii) Represent the President/CEO or any senior management officer in any event, occasion or appearance as he/she may assign or instruct such representation;
- (iv) Perform all other duties or assignments given him/her by the President/CEO, EVP, the Chairman of the Board or the Board.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section MANAGEMENT	Section No. 3	Effective 08.12.14
	Subject EXECUTIVE OFFICERS OF THE COMPANY	Subject No. 3	Page 4 of 4

c.2 The Senior Vice President for Management Services shall assume and discharge the following duties and responsibilities:

- (i) assist the President/CEO and EVP in the formulation of policies and objectives pertaining to Treasury, Corporate Planning and Accounting Departments;
- (ii) direct the general operations of the Treasury, Corporate Planning and Accounting Departments;
- (iii) represent, whenever directed, the President/CEO and EVP in any and all events pertaining to or involving his/her field or area of expertise and responsibility; and
- (iv) report to the President/CEO and perform all other duties inherent to his office and all other assignments to him/her by the latter, the Chairman of the Board or the Board.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section MANAGEMENT	Section No. 3	Effective 08.12.14
	Subject SENIOR MANAGEMENT COMMITTEE	Subject No. 4	Page 1 of 1

The Company shall have a Senior Management Committee to be composed of the President and Chief Executive Officer (CEO), Executive Vice President and Chief Operating Officer (COO), Senior Vice President for Legal, Administrative and Estate Management Services, and Senior Vice President for Management Services. Its duties and responsibilities shall be the following:

- a. Reviews the Annual Work Programs and Budgets of the Company and its subsidiaries, and makes the appropriate recommendation to the Board, thru the President/CEO.
- b. Acts on all matters of interest to the Company and its subsidiaries brought before it, and makes the appropriate recommendation to the Board, thru the President/CEO.
- c. Undertakes independent review and assessment of the progress in the implementation of approved Work Programs and Budgets of the Company and its subsidiaries and all other projects/proposals it has approved and ensures that these are in accordance with the decisions made by the Senior Management Committee or the Board, as the case may be.
- d. Coordinates with the Corporate Secretary on the agenda for the Board Meetings.
- e. Provides the President/CEO with quarterly reports of all matters reviewed and approved by the Senior Management Committee.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY ON CONFLICT OF INTEREST	Section No. 4	Effective 08.12.14
	Subject	Subject No. 1	Page 1 of 2

The personal interest of directors and officers should never prevail over the interest of the Company. They are required to be so loyal to the organization that they may not directly or indirectly derive any personal profit or advantage by reason of their position in PNOC. They must promote the common interest of all shareholders and PNOC without regard to their own personal and selfish interest.

- a. A Conflict of interest may arise when a director or an officer of PNOC:
- (i) Supplies or is attempting or applying to supply goods or services to the Company;
 - (ii) Supplies or is attempting to supply goods, services or information to an entity in competition with PNOC;
 - (iii) By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to PNOC;
 - (iv) Is offered or receives consideration for delivering PNOC's business to a third party;
 - (v) Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interest of PNOC.

The foregoing enumeration is not exclusive. PNOC recognizes that other situations of conflict may arise.

- b. Directors and Officers shall at all times avoid any actual or potential conflict of interest with PNOC. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

Any question about a Director's or Officer's actual or potential conflict of interest with PNOC shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.*

PNOC MANUAL OF CORPORATE GOVERNANCE	Section GOVERNANCE POLICY ON CONFLICT OF INTEREST	Section No. 4	Effective 08.12.14
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- c. Where a Director or an Officer, by reason of his being a member of the Board or an Officer of PNOC, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the acquisition of shares in corporations where PNOC has an interest, the use of properties of PNOC for his/her own benefit, the receipt of commission(s) on contract(s) with PNOC or its assets, or the taking advantage of corporate opportunities of PNOC, all such profits or benefits shall be subject to restitution pursuant to Section 24 of the Code of Corporate Governance for GOCCs, without prejudice to any administrative, civil or criminal action against members of the such Director or Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer risked his/her funds in the venture. **
- d. The foregoing is without prejudice to the Company's Code of Ethical Conduct for its officers, employees and staff.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section OBLIGATIONS OF PNOC TO DIRECTORS AND OFFICERS	Section No. 5	Effective 08.12.14
	Subject	Subject No. 1	Page 1 of 1

- A. Providing for Staff Support to Directors. – PNOC shall provide the members of its Governing Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.
- B. Obtaining of Directors and Officers Liability Insurance (DOLI). - Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, i.e., that of extraordinary diligence, it is equitable that when PNOC itself and/or the members of the Board and Management are sued before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent measure therefore for PNOC to obtain "Directors and Officers Liability Insurance" (DOLI) coverage for itself and the members of the Governing Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecuting, the actions that may be filed against PNOC arising from the actions of the Governing Board and/or Management that may cause loss or damage to third parties
- C. Nothing in this section shall be construed as to authorize the reimbursement or the incurring of costs, such as the payment of premiums on DOLI coverage, by PNOC on the litigation expenses incurred and the judgment liability decreed against a Director or Officer for breach of any of his fiduciary duties or for fraud committed in the performance of his or her duties to PNOC and/or its stakeholders.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section CORPORATE SOCIAL RESPONSIBILITY	Section No. 6	Effective 08.12.14
	Subject RATIONALE	Subject No. 1	Page 1 of 2

The World Business Council for Sustainable Development defined Corporate Social Responsibility (CSR) as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

It is generally understood as a balance of economic, environmental and social concerns while upholding the expectations of shareholders and stakeholders. It directly enhances the PNOC's reputation and goes beyond charity, donations and sponsorship.

CSR can lead to a variety of competitive advantages, such as peaceful co-existence with stakeholders, grassroots support to the project, enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.

This PNOC Group Policy on Corporate Social Responsibility is being adopted in accordance with the following legal provisions:

1. PNOC Board Resolution No. 1847, S'2009 approving the PNOC Group Policy on Corporate Social Responsibility;
2. Section 9, Article II of the 1987 Constitution which states that "The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all";
3. Section 6, Article XII of the 1987 Constitution which states that "The use of property bears a social function, and all economic agents shall contribute to the common good. Individuals and private groups, including corporations, cooperatives, and similar collective organizations, shall have the right to own, establish, and operate economic enterprises, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands";

PNOC MANUAL OF CORPORATE GOVERNANCE	Section CORPORATE SOCIAL RESPONSIBILITY	Section No. 6	Effective 08.12.14
	Subject RATIONALE	Subject No. 1	Page 2 of 2

4. Section 16, Article XII of the 1987 Constitution which states that “The Congress shall not, except by general law, provide for the formation, organization, or regulation of private corporations. Government-owned or controlled corporations may be created or established by special charters in the interest of the common good and subject to the test of economic viability;
5. Section 1, Article XIII of the 1987 Constitution which states that “The Congress shall give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, reduce social, economic, and political inequalities, and remove cultural inequities by equitably diffusing wealth and political power for the common good. To this end, the State shall regulate the acquisition, ownership, use, and disposition of property and its increments”; and
6. Section 1, Title XIV of Executive Order No. 292 or the Administrative Code of the Philippines, which states that “The State shall ensure, for the benefit of the Filipino people, the full exploration and development as well as the judicious disposition, utilization, management, renewal and conservation of the country's forest, mineral, land, waters, fisheries, wildlife, off-shore areas and other natural resources, consistent with the necessity of maintaining a sound ecological balance and protecting and enhancing the quality of the environment and the objective of making the exploration, development and utilization of such natural resources equitably accessible to the different segments of the present as well as future generations.”

PNOC MANUAL OF CORPORATE GOVERNANCE	Section CORPORATE SOCIAL RESPONSIBILITY	Section No. 6	Effective 08.12.14
	Subject POLICY STATEMENT	Subject No. 2	Page 1 of 1

The PNOG Group shall work together with stakeholders, integrating social, economic, and environmental concerns into its business operations, to uplift the well-being and improve the lives of the Filipino people

PNOC MANUAL OF CORPORATE GOVERNANCE	Section CORPORATE SOCIAL RESPONSIBILITY	Section No. 6	Effective 08.12.14
	Subject OBJECTIVES	Subject No. 3	Page 1 of 1

1. Create a hospitable social environment for PNOC's business operations by encouraging partnerships with stakeholders in the implementation of our CSR projects.
2. Ensure that transparency and adherence to ethical business standards are observed in the conduct of CSR activities.
3. Promote good corporate citizenship among company employees by involving them in CSR activities.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section CORPORATE SOCIAL RESPONSIBILITY	Section No. 6	Effective 08.12.14
	Subject SCOPE	Subject No. 4	Page 1 of 1

This policy applies to PNOC and all its subsidiaries and shall cover identified stakeholders. A subsidiary shall have its own CSR policy statement but should be aligned and anchored on the PNOC Group's CSR policy statement/policy. Each subsidiary shall formulate its own implementing rules and regulations (IRR) based on its specific project needs, working and social environment, business and social objectives. The CSR policies/IRR of the PNOC subsidiaries must be presented to the PNOC Board for its information.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section CORPORATE SOCIAL RESPONSIBILITY	Section No. 6	Effective 08.12.14
	Subject GENERAL PRINCIPLES	Subject No. 5	Page 1 of 1

The PNOC Group recognizes that good and effective CSR contributes to nation building.

1. CSR shall be integrated into PNOC's energy projects/business operations.
2. CSR programs shall give priority to areas where the PNOC Group operates and shall seek the active participation of host communities within or nearby communities.
3. CSR activities shall seek to make PNOC Group's projects and initiatives more socially acceptable.
4. CSR programs should contribute to the socio-economic development of the stakeholders.
5. PNOC shall work together with its stakeholders to address their expectations, nature of interests, and concerns.
6. PNOC shall implement key strategies and activities to build relationships and prevent conflict, resolve existing conflicts, and ensure reconciliation with affected stakeholders.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section CORPORATE SOCIAL RESPONSIBILITY	Section No. 6	Effective 08.12.14
	Subject IMPLEMENTATION FRAMEWORK	Subject No. 6	Page 1 of 1

1. Identify opportunities, issues and threats related to the Company's presence in the community.
2. Develop a CSR Strategy: Identify CSR programs and activities that can help maximize social and economic impact of PNOC Group's CSR projects and activities.
3. Develop and implement CSR programs.
4. Measure, evaluate and monitor impact of CSR programs and activities.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section CORPORATE SOCIAL RESPONSIBILITY	Section No. 6	Effective 08.12.14
	Subject CSR COMMITTEE FUNCTIONS	Subject No. 7	Page 1 of 1

PNOC shall create a CSR Committee to be chaired by a Senior Vice President of PNOC, and shall have two other members. Members may either be a CSR Officer, Community Relations Officer, External Relations Officer, Public Relations Officer or any personnel designated for this purpose.

The CSR Committee may appoint a Technical Secretariat to assist in the performance of its functions.

The subsidiaries shall also create their own CSR Committees subject to their specific needs.

Functions of the Committee:

1. Coordinate the CSR programs / projects of PNOC.
2. Monitor status of implementation and review effectiveness of CSR programs/projects and recommend measures to increase effectiveness or revise/terminate ineffective CSR program.
3. Identify existing PNOC Group projects that maybe replicated or institutionalized.
4. Undertake special projects or activities considered necessary or urgent but such projects should be consistent with the general principles of this policy.
5. Forge and establish relationships and networks with other CSR groups and organizations
6. Review and/or propose amendments to the PNOC Group Policy on CSR and the PNOC CSR Policy Implementing Guidelines (Attached as Annex 10.2) as deemed necessary for the effective implementation of the CSR projects, for the approval of the PNOC President.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section NO GIFT POLICY	Section No. 7	Effective 08.12.14
	Subject RATIONALE	Subject No. 1	Page 1 of 2

- A. In compliance with Section 29 of the Code of Corporate Governance for GOCCs (GCG Memorandum Circular No. 2012-07, s. 2012) which mandates that: “*x x x Every Governing Board shall formally adopt a ‘No Gift Policy’ within the GOCC and ensure its full advertisement to the community and its strict implementation by particular set of rules*”; and
- B. Pursuant to the following constitutional and legal provisions:
1. Section 27, Article II of the 1987 Constitution which states that “*The State shall maintain honesty and integrity in the public service and take positive and effective measures against graft and corruption*”;
 2. Section 1, Article XI of the 1987 Constitution which provides that “*Public office is a public trust. Public officers and employees must, at all times, be accountable to the people; serve them with utmost responsibility, integrity, loyalty and competence, act with patriotism and justice; and lead modest lives*”;
 3. Section 1 of the Anti-Graft and Corrupt Practices Act (RA 3019) which provides that: “*It is the policy of the Philippine Government, in line with the principle that a public office is a public trust, to repress certain acts of public officers and private persons alike which constitute graft or corrupt practices or which may lead thereto*”;
 4. Section 3 (b) and (c) of RA 3019 which declares as a corrupt practice the acts of: “*Directly or indirectly requesting or receiving any gift, present, share, percentage, or benefit, for himself or for any other person, in connection with any contract or transaction between the Government and any other party, wherein the public officer in his official capacity has to intervene under the law*” and “*Directly or indirectly requesting or receiving any gift, present or other pecuniary or material benefit, for himself or for another, from any person for whom the public officer, in any manner or capacity, has secured or obtained, or will secure or obtain, any Government permit or license, in consideration for the help given or to be given, x x x.*”;

PNOC MANUAL OF CORPORATE GOVERNANCE	Section NO GIFT POLICY	Section No. 7	Effective 08.12.14
	Subject RATIONALE	Subject No. 1	Page 2 of 2

5. Section 7 (d) of the Code of Conduct and Ethical Standards for Public Officials and Employees (RA 6713) which mandates that *“Public officials and employees shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan anything of monetary value from any person in the course of their official duties or in connection with any operation being regulated by, or any transaction which may be affected by the functions of their office. x x x; and*

6. PNOC Board Resolution No. 2153, S. 2013, it was resolved that the Philippine National Oil Company, its Directors, Officers and employees, shall not solicit or accept, directly or indirectly, any gift, gratuity, favor entertainment, loan, or use, anything of monetary value (“Gift”) from any person, groups, association, or juridical entities where such gift:
 - (a) Would be illegal or violation of the law;
 - (b) Is part of an attempt or agreement to do anything in return;
 - (c) Has a value beyond what is normal and customary in the GOCCs business;
 - (d) Is being made to influence the member of the Board’s, or Officer’s, or employee’s actions as such; or
 - (e) Could create the appearance of a conflict of interest.

Under the said PNOC Board Resolution, it was further resolved that PNOC Directors, Officers and employees, be, as they hereby are, REQUIRED to professionally inform any individual or organization with any actual or potential business with the corporation of this “No Gift Policy”, the reasons for the adoption and request that such individual or organization respect such policy. Notices informing walk-in clients and visitors of the Policy shall likewise be posted in conspicuous areas within the PNOC premises.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section NO GIFT POLICY	Section No. 7	Effective 08.12.14
	Subject COVERAGE	Subject No. 2	Page 1 of 1

This No Gift Policy shall apply to all employees of PNOC and the members of its Board of Directors.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section NO GIFT POLICY	Section No. 7	Effective 08.12.14
	Subject RULES	Subject No. 3	Page 1 of 3

A. No Gift Policy – PNOC’s Board of Directors, its officers, and employees, shall NOT SOLICIT OR ACCEPT, directly or indirectly, any gift, gratuity, favor, entertainment, loan, or use, anything of monetary value from a person, groups, associations, or juridical entities, whether from the public or the private sectors, at any time, on or off the work premises, in the course of their official duties or in connection with any operation being regulated by, or any transaction which may be affected by the functions of, their office.

B. Prohibitions on Solicitation and Acceptance of Gifts – the prohibitions shall include, but not limited to:

1. Honoraria, in cash or in kind, regardless of amount, other than per diem (as cited under Item 5 of Exceptions), given as speaker or resource person in seminars or where the Company’s director or officer or employee is participating by reason of his/her office with the Company;
2. Sponsorship in any form of any of the internal programs, activities, and affairs of PNOC such as Christmas parties, anniversary, commemorations, and other similar events;
3. Advertisements, publicities or promotions in the publication of the Company;
4. Discounts, rebates, waivers and other forms of monetary incentives or benefits given to directors, officers, and employees for their own personal benefit/use, in availing of the services and/or facilities of persons or entities having business transactions with the Company.
5. Gifts which would be illegal or in violation of law;
6. Gifts which is part of an attempt or agreement to do anything in return;
7. Gifts which are being made to influence the actions of any member of the PNOC Board, officer, or employee; and
8. Gifts which would create the appearance of a conflict of interest.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section NO GIFT POLICY	Section No. 7	Effective 08.12.14
	Subject RULES	Subject No. 3	Page 2 of 3

C. Exceptions to the Prohibitions on Acceptance and Giving of Gifts – the following shall be exempted from the prohibition under this Policy:

1. Gifts or tokens offered given as a symbol of kinship or partnership during gatherings, conferences to which PNOC is a member, participant, host or sponsor;
2. Gifts that are given among members of energy sector to which PNOC belongs, in the customary and normal course of business.
3. Acceptance of certificates, plaques, cards, thank you notes, or other forms of souvenir or mark of courtesy, recognition, or appreciation;
4. Acceptance of seminar bags and contents that members of the PNOC Board, officers and employees get hold of at conferences, seminars, trainings and the like and are given equally and uniformly to all members attend the said conference, training and/or seminar.
5. Acceptance of books, pamphlets, publications, data and other information or reading materials that are directly useful to PNOC in the performance of its mandates, objectives, and are given by individuals or organizations that have no pending business with PNOC as to create an actual or potential conflict of interest;
6. Unsolicited gifts of small or insignificant value given as a mere ordinary token of gratitude or friendship on special occasions between and among members of the PNOC Board, officers and employees.
7. Acceptance by members of the PNOC Board, officers and employees of a scholarships or fellowship grants, travel grants or expenses for travel taking place within or outside of the Philippines (such as allowances, transportation, food and lodging) if appropriate and consistent with the interest of the government with prior approval of the Chairman of PNOC, consistent with Section 7 (d) (iii) of Republic Act No. 6713, the Code of Conduct and Ethical Standards for Public Officials and Employees.
8. Acceptance or availment by PNOC of grants from local or foreign institutions in the pursuit of mandates, projects and activities, such as those coming from ADB, World Bank, USAID, etc., provided that the availment thereof shall be strictly in compliance with applicable procurement laws, rules and regulations.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section NO GIFT POLICY	Section No. 7	Effective 08.12.14
	Subject RULES	Subject No. 3	Page 3 of 3

9. Honoraria given as speaker or resource person in seminars when such honoraria are authorized under existing laws, rules and regulations and subject to compliance with all the requirements prescribed therein. In the absence of such law, the honoraria must be prescribed especially if the speaker or resource person is speaking by reason of his/her office with PNOC.

10. Working lunches or dinners with clients, and other stakeholders of PNOC, that are of modest value and not beyond what is normal or customary in the business of PNOC. If such lunches or dinners are inevitable in the course of official transactions.

D. Requirement to Inform – Members of the PNOC Board, Officers and Employees are required to professionally inform any individual or organization with any actual or potential business with PNOC of this “No Gift Policy”, the reasons the PNOC has adopted this policy, and request that such individual or organization respect such policy.

Corresponding notices informing clients and visitors of this policy shall be posted within the premises and in the website of PNOC.

E. Return and Acknowledgement – If any members of the PNOC Board, officers and employees, receive a gift covered by the prohibition under this “No Gift Policy”, such gift shall be immediately and politely declined. An acknowledgement letter shall be sent to the donor informing him/her of the “No Gift Policy” and that the gift has been returned or donated to a charitable or social welfare institution.

F. Adoption of “No Gift Policy” in all Contracts of PNOC – A provision adopting this Policy shall be incorporated in all contracts entered into by PNOC with its consultants, contractors, suppliers, service providers, vendors or other such persons and institutions who have business, contractual or other similar dealings or transactions with PNOC.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section NO GIFT POLICY	Section No. 7	Effective 08.12.14
	Subject PENALTIES FOR VIOLATION	Subject No. 4	Page 1 of 1

Any violation of PNOC's No Gift Policy shall be subject to administrative sanctions under PNOC Employee Handbook, Civil Service Law, and other applicable rules and regulations.

PNO C M A N U A L O F C O R P O R A T E G O V E R N A N C E	Section DISCLOSURE AND TRANSPARENCY REQUIREMENTS	Section No. 8	Effective 08.12.14
	Subject MANDATORY WEBSITE	Subject No. 1	Page 1 of 2

- A. Transparency as the Essence of Corporate Governance. – the essence of corporate governance is transparency; the more transparent the internal workings of PNO C are, the more difficult it will be for the Board and/or Management to mismanage the Company or to misappropriate its assets. It is therefore imperative that PNO C disclose all material information to the National Government and the public, its ultimate stakeholder, in a timely and accurate manner at all times.
- B. Mandatory Website. - In accordance with Section 25 of the Act, PNO C shall maintain a website and post therein for unrestricted public access:
- b.1. On Institutional Matters:
- (a) The latest version of its Charter;
 - (b) List of Subsidiaries and Affiliates; and
 - (c) Government Corporate Information Sheet (GCIS) as mandated by the GCG in its Memorandum Circular No.2012-01.
- b.2. On the Board and Officers:
- (a) Complete listing of the Directors and Officers with attached resume, and their membership in Board Committees;
 - (b) Complete compensation package of all the board members and officers, including travel, representation, transportation and any other form of expenses or allowances;
 - (c) Information on Board Committees and their activities;
 - (d) Attendance record of Directors in Board and Committee meetings.
- b.3. Financial and Operational Matters.
- (a) Their latest annual Audited Financial and Performance Report within thirty (30) days from receipt of such Report;

PNO C MANUAL OF CORPORATE GOVERNANCE	Section DISCLOSURE AND TRANSPARENCY REQUIREMENTS	Section No. 8	Effective 08.12.14
	Subject MANDATORY WEBSITE	Subject No. 1	Page 2 of 2

- (b) Audited Financial Statements in the immediate past three (3) years;
- (c) Quarterly, and Annual Reports and Trial Balance;
- (d) Current Corporate Operating Budget (COB);
- (e) Local and foreign borrowings;
- (f) Government subsidies and net lending;
- (g) All borrowings guaranteed by the Government;
- (h) Any material risk factors and measures taken to manage such risks; and
- (i) Performance Evaluation System (PES).

b.4. On Governance Matters.

- (a) Charter Statement/Mission-Vision Statements;
- (b) Performance Scorecards and Strategy Map;
- (c) Organizational Chart;
- (d) Manual of Corporate Governance;
- (e) CSR Statement; and
- (f) Balance Scorecard.

Such other information or report that the GCG may require.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section DISCLOSURE AND TRANSPARENCY REQUIREMENTS	Section No. 8	Effective 08.12.14
	Subject STATEMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE OFFICERS	Subject No. 2	Page 1 of 1

The Board of Directors and Executive Management have considered and approved the Annual Report of the Philippine National Oil Company for the financial year January 1 – December 31, 20 __.

PNOC's Financial Statement are prepared in accordance with International Financial Reporting Standards as adopted and in conformity with the Company's Accounting Policies.

In our opinion, the accounting policies used are appropriate, and the Company's internal controls relevant to preparation and presentation of the Annual Report are adequate. The PNOC's Financial Statement give a true and fair view of the financial position at December 31, 20 __, of the results of the Parent Company operations, cash flows for the financial year 20 __.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Parent Company, of the result for the year, and of the financial position of the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Parent Company.

In our opinion, PNOC adheres to the accountability principles, and environmental and social data are stated in accordance with the accounting policies.

02 April 2014
Executive Management

PNOC MANUAL OF CORPORATE GOVERNANCE	Section DISCLOSURE AND TRANSPARENCY REQUIREMENTS	Section No. 8	Effective 08.12.14
	Subject LIST OF DISCLOSURES	Subject No. 3	Page 1 of 1

In the spirit of transparency and good governance, the Members of the Board of Directors of PNOC shall disclose the following:

- A. Sworn Statement of Assets, Liabilities and Networth (SALN)
 - 1. All business interest/ownership, including that of the spouse and children;
 - 2. Disclosure of list of relatives within the 4th civil degree of consanguinity in the government;
 - 3. Shares of Stock/Stock Options, both in Public and Private Companies
- B. Other Directorship Position, both in Public and Private Companies
- C. Overall Qualification of the Board of Directors
- D. Statement of Non-Conflict of Interest by the Board of Directors

PNOC MANUAL OF CORPORATE GOVERNANCE	Section DISCLOSURE AND TRANSPARENCY REQUIREMENTS	Section No. 8	Effective 08.12.14
	Subject CHARTER OF EXPECTATION	Subject No. 4	Page 1 of 2

I, name of Board of Director, who serve on the board of directors of the Philippine National Oil Company (PNOC), will perform my role, duties and responsibilities with utmost good faith in all its dealings with the property and monies of PNOC and to always act in the best interest of the company including the following obligations:

1. Provide corporate leadership of the company, within a framework of prudent and effective controls which enable risk to be assessed and managed.
2. Approve the company's strategic aims, ensuring that the necessary financial and human resources are in place for the company to meet its objectives and review management performance.
3. Set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met.
4. Act in accordance with the Specific Duties and Responsibilities of Directors, as stated in Section 2, Subject 7 and 8 of the PNOC Code of Corporate Governance Manual to include:
 - Only exercising powers within the authority given and acting in accordance with the company's constitution and by-laws;
 - At all times acting not only in good faith and honesty, but also in the company's best interests and to promote the success of the company for all its members, whilst having regard to the impact on the long-term consequences of any decisions on employees, suppliers, and customers, the community and the environment, and the need to act fairly as between members of the company;
 - Exercising independent judgment in carrying out their duties;
 - Exercising reasonable care, skill and diligence in carrying out their duties commensurate with their knowledge and experience;
 - Avoiding conflict of interest between their personal interests and their duties to the company, including not accepting a benefit from a third party and declaring an interest, direct or indirect, in a proposed transaction or arrangement with the company.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section DISCLOSURE AND TRANSPARENCY REQUIREMENTS	Section No. 8	Effective 08.12.14
	Subject CHARTER OF EXPECTATION	Subject No. 4	Page 2 of 2

In addition, I must ensure that PNOC does everything that is required of it by law and regulation, (e.g., ensuring the preparation of accounts which give a true and fair view of the state of affairs of the company at the end of each financial year).

Name of Board of Director

Date

PNOC MANUAL OF CORPORATE GOVERNANCE	Section REPORTORIAL REQUIREMENTS	Section No. 9	Effective 08.12.14
	Subject	Subject No. 1	Page 1 of 3

- A. PNOC Must Be Active Participants in the Integrated Corporate Reporting System. - In the pursuit of national development and providing better service to the public, and to ensure PNOC's faithful performance of their mandate using the standards of good governance, transparency, accountability and responsibility, the National Government, through the GCG, shall develop an Integrated Corporate Reporting System (ICRS) to provide an extensive database and comprehensive information on PNOC, pursuant to the following parameters:
- a.1. The ICRS shall provide a platform for the electronic submission by PNOC of various reportorial requirements such as financial statements, list of directors and officers, compensation, operating budgets and performance commitments;
 - a.2. Reports provided under the Disclosure and Transparency Requirements in the Ownership and Operations Manual for PNOC and the government corporate standards governing PNOC shall also be incorporated into the System;
 - a.3. The ICRS shall also be linked initially to National Government Agencies with GOCC dealings, such as with the Commission on Audit (COA), Department of Finance (DOF), the Department of Budget and Management (DBM), and eventually to the Public Financial Management System and the Government Integrated Financial Management Information System (GIFMIS); and
 - a.4. Every GOCC, acting through its Board and Management, shall ensure that it becomes an active and responsible member and contributor to the ICRS.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section REPORTORIAL REQUIREMENTS	Section No. 9	Effective 08.12.14
	Subject	Subject No. 1	Page 2 of 3

B. Mandatory Reports. - The Board shall regularly submit, as may be required by the GCG and other Government Agencies, the following:

- b.1. Performance Scorecards;
- b.2. Implementation of the audit recommendations of COA; and
- b.3. Compliance with commitments on servicing loans to, and borrowings guaranteed by, the National Government.

C. Other Reportorial Requirements. – PNOC shall also submit to the GCG periodically in electronic form to the GCG the following:

- c.1. Common Form financial statements based on annual audited financial statements within thirty (30) days from receipt of the report;
- c.2. Dividend computations and payments in accordance with Republic Act No. 7656, also known as "The Dividends Law;
- c.3. Cash and investment balances;
- c.4. For GFIs, actual and projected Statement of Cash Surplus/Deficit;
- c.5. Capital expenditure program;
- c.6. Statement of Financial Operations;
- c.7. Acquisition or disposition of assets;
- c.8. Off Balance Sheet transactions; and

PNO C M A N U A L O F C O R P O R A T E G O V E R N A N C E	Section R E P O R T O R I A L R E Q U I R E M E N T S	Section No. 9	Effective 08.12.14
	Subject	Subject No. 1	Page 3 of 3

c.9. Reports for the annual corporate budget call such as but not limited to the following:

- (a) Physical and Financial Performance reports (the immediately preceding three (3) years); and
- (b) Sources and Uses of Funds (the immediately preceding three (3) years) and the proposal for the coming year.

D. The format and schedule of submission for the various reports shall be provided by the GCG in consultation with the Department of Finance (DOF), Department of Budget and Management (DBM), Commission on Audit (COA) and other Government Agencies as may be proper.

PNOC MANUAL OF CORPORATE GOVERNANCE	Section PENALTIES FOR NON- COMPLIANCE	Section No. 10	Effective 08.12.14
	Subject WATCHLISTING	Subject No. 1	Page 1 of 3

To provide a central information file to be used as a reference in passing upon and reviewing the qualifications of persons nominated, elected or appointed as Appointive Directors pursuant to the Fit and Proper Rule, the GCG shall maintain a watchlist of disqualified nominees, applicants or previously appointed Directors and Officers ("Watchlist") under the following procedures;

- A. Watchlist Categories: Watchlisting shall be categorized as follows:
 - (a) Disqualification File A (Permanent) - Directors/Officers/employees permanently disqualified by the GCG or relevant Supervising Agency, such as the BSP, from holding a Director and/or Officer position; and
 - (b) Disqualification File B" (Temporary) - Directors and/or " Officers temporarily disqualified by the GCG or relevant Supervising Agency, such as the BSP, from holding a Director and/or officer positions.

- B. Inclusion of Directors and Officers in the Watchlist: upon recommendation by the Supervising Agency, the inclusion of a Director or Officer in Watchlist Disqualification Files "A'and'B" on the basis of final and executory decisions, actions or reports of the courts, banks, quasi,-banks, BSP, National Bureau of Investigation (NBI), Ombudsman or any other administrative agencies shall require the prior written approval by the GCG.

- C. Notification of Directors/Officers: Upon written approval by the GCG, the concerned Director or Officer shall be informed through registered mail, with registry return receipt card, at his/her last known address of his/her inclusion in the Watchlist of persons disqualified to be a Director or Officer in any GOCC covered by the Act.

- D. Confidentiality. Watchlisting shall primarily be for determining the applicability of the Fit and Proper Rule for individuals who are nominees for Appointive Directors in the GOCC Sector, but may be accessed or queried upon by Supervising Agencies or regulatory authorities in pursuing their functions.

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E. Delisting: All delistings from the Watchlist shall be approved by the GCG upon recommendation of Supervising Agencies or regulatory authorities, except in cases of persons known to be dead where delisting shall be automatic upon proof of death Delisting from Watchlist Disqualification File "B" (Temporary), may be approved by the GCG in the following cases:

- (a) After the lapse of the specific period of disqualification
- (b) When the conviction by the courts or the tribunals for crimes involving dishonesty, breach of trust and/or violation of banking laws becomes final and executory, in which case the director/officer/employee is re-listed to Watchlist Disqualification File "A" (Permanent); and
- (c) Upon favorable decision or clearance by the appropriate body, ie., court, NBI, Supervising Agency, or the relevant regulatory agency where the concerned individual had a derogatory record.

Directors and Officers delisted from the Watchlist Disqualification File B other than those upgraded to Watchlist Disqualification File A shall be eligible for re-nomination and consideration for appointment for Appointive Director or Officer.

F. Recommendation on the Suspension or Removal of Any Member of the governing Board. - With due regard to the principles of due process and to the filing of administrative and criminal charges the GCG and Supervising Agencies may recommend:

- (a) To the Governing Board of PNOC, the suspension of any its member who participated by commission or omission in the approval of any act which constitutes a violation or noncompliance with the Act, this Manual, the Fit and Proper Rule, or the Code of Corporate Governance for GOCCs, for a period depending on the nature and extent of damage cause, and during which period the Director shall not be entitled to any emolument;

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- (b) To the President of the Philippines, the removal of any Appointive Director for any breach of fiduciary duties, or a violation of, or non-compliance with, the provisions of the Act, this Manual, the Fit and Proper Rule, or the Code of Corporate Governance for GOCCs.

A complaint for the suspension or removal of an Appointive Director may be brought formally through a written complaint before the GCG. Ensuring the due process is afforded the respondent Appointive Director, the GCG may pursue any of the following actions:

- (a) Dismiss the complaint outright for want of palpable merit;
- (b) Submit a formal recommendation to the Governing Board for the removal of the respondent Appointive Director for cause; or
- (c) Indorse to the proper Government Agency such as the Office of the Ombudsman, the pursuit of the criminal and or administrative process against the respondent Appointive Director;

The suspension or removal of an Appointive Director who is also the CEO shall have the legal effect of suspending or removing him as CEO of PNOC.

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For purposes of this Manual, the following terms shall have the following meanings:

"Act" refers to Republic Act No. 10149, and officially named the "GOCC Governance Act of 2011."

"Affiliate" refers to a corporation fifty percent (50%) or less of the outstanding capital stock of which is owned or controlled, directly or indirectly, by the GOCC.

"Appointive Directors" refer to: (1) in the case of Chartered GOCCS, all members of its Board of Directors/Trustees who are not ex officio members thereof; (2) in the case of Non-chartered GOCCS, members of its Board of Directors/Trustees whom the State nominates, or is entitled to nominate, to the extent of its percentage shareholdings in such GOCC; and (3) in the case of Subsidiaries and Affiliates, members of its Board of Directors/Trustees whom the GOCC nominates, or is entitled to nominate, to the extent of its percentage shareholdings in such Subsidiary or Affiliate.

"Articles of Incorporation" refers to primary franchise of a Non-chartered GOCC that, once approved and registered with the Securities and Exchange Commission (SEC) by the issuance of the certificate of incorporation under its official seal, commences the existence of the GOCC as a separate juridical person with a right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence.

"Board Officers" refer to Officers whose primary task is to serve the Board or to pursue the immediate functions of the Board, such as the Chairman, Vice-Chairman and the Corporate Secretary.

"Board of Director/Directors" or "Board" or "Governing Board" ("Board") refers to the members of the Board of Directors of PNOC.

"By-laws" refers to the basic instrument adopted by a Non-chartered GOCC and duly registered with the Securities and Exchange Commission (SEC) for its internal government, and to regulate the conduct and prescribe the rights and duties of its stockholders or members towards the GOCC and among themselves in reference to the management of its affairs.

"Charter Statement" refers to a statement of the GOCC'S vision, mission and core values.

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"Chief Executive Officer" ("CEO") refers to the highest ranking corporate executive who heads Management, who could be named as the President or the General Manager, Chairman or the Administrator of a GOCC.

"Confidential Information" refers to all non-public information entrusted to or obtained by a member of the Board or Officer by reason of his/her position as such with the GOCC. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the GOCC or its customers/stakeholders if disclosed, such as: (1) non-public information about the GOCC's financial condition, prospects or plans, its marketing and sales programs and research and development information, as well as information relating to mergers, acquisitions, divestitures, stock splits and similar transactions; (2) non-public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that the GOCC is under obligation to keep confidential; and (3) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.

"Corporate Social Responsibility (CSR)" refers to programs and activities that the PNOC Group shall implement to support the affected stakeholders in PNOC project areas.

"Chartered GOCC" refers to a GOCC, including a GFI, created and vested with functions by a special law.

"Director" refers to any member of the Governing Board of a GOCC, whether it be formally referred to as the "Board of Directors" or "Board of Trustees" or some other term in its Charter, Articles of Incorporation or By-Laws.

"Employee" includes regular, temporary and co-terminous rank and file employees and officers of PNOC.

"Ex Officio Board Member" (Ex Officio Director) refers to any individual who sits or acts as a member of the Board of Directors/Trustees by virtue of one's title to another office, and without further warrant or appointment.

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"Executive Officer" ("Officer") refers to the CEO or whoever is the highest ranking officer in the GOCC, and such other corporate officer of the GOCC as expressly provided for in its Charter (for a Chartered GOCC) or Bylaws (for a Non-chartered GOCC), such as the Vice-President, Chief Financial Officer, Chief Investment Officer, and General Manager. As distinguished from Board Officers, Executive Officers primarily form part of the Management of the GOCC.

"Extraordinary Diligence" refers to the measure of care and diligence that must be exercised by Directors and Officers in discharging their functions, in conducting the business and dealing with the properties and monies of GOCCS, which is deemed met when Directors and Officers act using the utmost diligence of a very cautious person taking into serious consideration all the prevailing circumstances and Material Facts, giving due regard to the legitimate interests of all affected Stakeholders.

"Fit and Proper Rule" refers to a set of standards for determining whether a member of the Board of Directors/trustees or the CEO is qualified to hold a position in a GOCC which shall include, but not be limited to, standards on integrity, experience, education, training and competence as such standards are set forth under GCG Memorandum Circular No. 2012-05.

Gift refers to a thing or a right disposed of gratuitously, or any act of liberality, in favor of another who accepts it. It shall include, but not limited to, any gratuity, favor, service, discount or price concession, legacy (except from a relative), fee, compensation, cash, securities, entertainment, simulated sale or loan, or use of anything of monetary value, whether real or personal property.

"Government Agency" refers to any of the various units of the Government of the Republic of the Philippines, including a department, bureau, office, instrumentality or GOCC, or a local government or a distinct unit therein.

"Government Financial Institution ("GFI") refers to any financial institution or corporation in which the government directly or indirectly owns majority of the capital stock and which are either: (1) registered with or directly supervised by the Bangko Sentral ng Pilipinas ("BSP"); or (2) collecting or transacting funds or contributions from the public and places them in financial instruments or assets, such as deposits, loans, bonds and equity, including but not limited to, the Government Service Insurance System and the Social Security System.

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"Government Instrumentalities with Corporate Powers" ("GICP") Government Corporate Entity' (GCE,) refer to an instrumentality or agency of the government, which is neither a corporation nor an agency integrated within the departmental framework, but vested by law with special functions or jurisdictions, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy, usually through a Charter.

"Government-Owned or -Controlled Corporation ("GOCC") refers to any agency organized as a stock or non-stock corporation, vested with functions relating to public needs, whether governmental or proprietary in nature and owned by the Government of the Republic of the Philippines, directly or through its instrumentalities, either wholly or, where applicable, as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. The term includes Government Instrumentalities with Corporate Powers ('G/CP'), Government Corporate Entities ("GCE") and Government Financial Institutions ("GFI"). The term also includes a Subsidiary of a GOCC.

"Management' refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of the GOCC.

"Material Information ("Material Fact') refers to information which a reasonable investor, stakeholder or Supervising Agency would consider important in determining whether: (1) to buy, sell, hold or otherwise transact with the securities issued by a GOCC; or (2) to the exercise with reasonable prudence voting rights related to securities held with such GOCC, or relating to corporate acts, contracts and transactions which would adversely affect the operations of the GOCC.

"Non-chartered GOCC" refers to a GOCC organized and operating under Batas Pambansa Bilang 68, or "The Corporation Code of the Philippines".

"Non-Stock GOCC" refers to a Chartered or Non-chartered GOCC which has no equity represented by shares of stock.

"Officers" refer to both Board Officers and Executive Officers."

"Per Diems" refer to the compensation granted to members of Governing Boards of a GOCC for actual attendance in meetings.

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"Performance Evaluation System" ("PES") refers to the process of appraising the accomplishments of GOCCs in a given fiscal year based on set performance criteria, targets and weights.

"Performance Scorecard" refers to a governance and management tool forming part of the performance evaluation system which consists of a set of measures, targets and initiatives that facilitate the achievement of breakthrough results and performance through the effective and efficient monitoring and coordination of the strategic objectives of the GOCC.

"PNOC" refers to the Philippine National Oil Company.

"PNOC Group" refers to the Philippine National Oil Company and all its subsidiaries"

"Public Officials" or "Public Officers" refers to elective and appointive officials and employees, whether permanent or temporary, whether in the career or non-career service, whether or not they receive compensation, regardless of amount," who are in the National Government, and all other instrumentalities, agencies or branches of the Republic of the Philippines, including government-owned-or-controlled corporations, and their subsidiaries.

"Receiving any gift" includes the act of accepting directly or indirectly a gift from a person other than a member of the public officer's immediate family, in behalf of himself or of any member of his family or relative within the 4th civil degree, either by consanguinity or affinity, even on the occasion of a family celebration or national festivity like Christmas, if the value of the gift is under the circumstances manifestly excessive.

"Stakeholder" refers to a group or organization that is affected by PNOC's projects, plans, and programs, and other company-related activities.

"Stock GOCC" refers to either a Chartered or Non-chartered GOCC in which its equity or capital is represented by shares of stock.

"Strategy Map" refers to an integrated set of strategic choices or objectives drawn by the governing body, the successful execution of which results in the achievement of the GOCC's vision in relation to its mission or purpose for having been created.

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"Subsidiary" refers to a corporation where at least a majority of the outstanding capital stock is owned or controlled, directly or indirectly, through one or more intermediaries, by the GOCC.

"Supervising Agency" refers to a Government Agency to which a GOCC is attached to for purposes of policy and program coordination and for general supervision.

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INTRODUCTION

These “Implementing Guidelines” provide PNOC the general direction for implementing its CSR activities in compliance with the requirements of the Governance Commission for GOCCs.

I. PNOC’S KEY STAKEHOLDERS AND THEIR EXPECTATIONS, INTERESTS/CONCERNS

PNOC shall integrate social, economic, and environmental concerns into its business operations. PNOC shall work together with the following stakeholders to address their expectations, interests, and concerns.

Key Stakeholders	Expectations, Nature of Interest/Concerns
1. The General Public	<ul style="list-style-type: none"> • Strict compliance with the National Government’s (NG) and Local Govt. Units’ (LGUs) laws and regulations, and other applicable international standards or commitments and practices; recognize the rights of all stakeholders. • Appropriate use of project funds; project profitability and sustainability; adequate mechanism for controls and project monitoring, and funds disbursements. • Support to government policies on economic advancement, environmental and social development agenda and regulations in ensuring fair play in markets. • Good corporate citizenship and corporate governance through ethical and responsible business practices. • High transparency, accountability and professionalism of the enterprise/proponent. • Clear and consistent business ownership policy. • Payment of appropriate fees, taxes, royalties and revenues to NG/LGUs.

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Key Stakeholders	Expectations, Nature of Interest/Concerns
2. National Government (NG), Local Government Units (LGUs), Host Communities, and Indigenous Peoples	<ul style="list-style-type: none"> • Strict compliance with NG/LGU's/Host Community's laws, ordinances, and regulations; and other applicable international standards or commitments and best practices. • Appropriate use of project funds; project profitability and sustainability; adequate mechanism for controls and project monitoring, and funds disbursements. • Recognize the rights of all stakeholders; ensure fair play in markets/other opportunities; job creation. • Support to government policies on economic advancement, environmental and social development agenda. • Sustainable use of natural resources and compliance with environmental laws, safety policies and regulations; prevention of accidents and disasters at project sites. • Respect for human rights, local traditions and culture to be reflected in the operational policies and procedures of project proponents. • Cross functional collaborative works with affected local communities, Indigenous peoples, NGOs/COs/Media. • Institutionalize mechanism for handling community relations building, effective management of conflict and untoward incidents, and reconciliation with communities/other stakeholders by establishing Community Relations (ComRel) Group. • Proper compensation for displaced/affected families/members of communities. • Generation of appropriate fees, taxes, royalties, and revenues. • Good governance, high transparency, accountability and professionalism of the enterprise/proponent. • Clear and consistent business ownership policy.

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Key Stakeholders	Expectations, Nature of Interest/Concerns
3. Road/Tollways/Railroad Administrators/Operators that will be affected/traversed by PNOC's project infrastructures	<ul style="list-style-type: none"> • Strict compliance with NG/LGU's laws and regulations and Agreements on right-of-way (ROW) acquisition for Company's projects. • Payment of easements fees/lease rental for ROW. • Good governance, high transparency, accountability and professionalism of the enterprise/proponent. • Clear and consistent business ownership policy.
4. Funding/ Business Partners	<ul style="list-style-type: none"> • Appropriate use of project funds; project profitability and sustainability; adequate mechanism for controls and project monitoring, and funds disbursements. • Good governance, high transparency, accountability and professionalism of the enterprise/proponent. • Clear and consistent business ownership policy. • Support to government policies on economic advancement, environmental and social development agenda; ensure fair play in markets/other opportunities.
5. PNOC Management and Employees	<ul style="list-style-type: none"> • Appropriate use of project funds; project profitability and sustainability; adequate mechanism for controls and project monitoring, and funds disbursements. • Respect for human rights and diversity. • Fair treatment and compensation. • Security of tenure, opportunities for growth; development of skills and capabilities. • Ensure occupational health and safety.

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Key Stakeholders	Expectations, Nature of Interest/Concerns
6. Non-Governmental Organizations (NGOs)/Civil Organizations (COs) within PNOC's areas of operations.	<ul style="list-style-type: none"> • Strict compliance with NG/LGU's/Host Community's laws, ordinances, and regulations; • Sustainable use of natural resources and compliance with environmental laws, safety policies and regulations; prevention of accidents and disasters at project sites. • Appropriate use of project funds; project profitability and sustainability; adequate mechanism for controls and project monitoring, and funds disbursements. • Respect for human rights, local traditions and culture to be reflected in the operational policies and procedures of project proponents. • Cross functional collaborative works with affected local communities, Indigenous peoples, NGOs/COs/Media. • Institutionalize mechanism for handling community relations building, effective management of conflict and untoward incidents, and reconciliation with communities/other stakeholders by establishing Community Relations (ComRel) group. • Proper compensation for displaced/affected families/members of communities. • Payment of appropriate fees, taxes, royalties, and revenues to the NG/LGUs. • Good governance, high transparency, accountability and professionalism of the enterprise/proponent. • Clear and consistent business ownership policy

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Key Stakeholders	Expectations, Nature of Interest/Concerns
7. Media	<ul style="list-style-type: none"> • High transparency, good governance, accountability and professionalism of the enterprise/proponent. • Strict compliance with NG/LGU's/Host Community's laws, ordinances, and regulations; • Respect for human rights, local traditions and culture to be reflected in the operational policies and procedures of project proponents. • Appropriate use of project funds; project profitability and sustainability; adequate mechanism for controls and project monitoring, and funds disbursements. • Sustainable use of natural resources and compliance with environmental laws, safety policies and regulations; prevention of accidents and disasters at project sites. • Cross functional collaborative works with affected local communities, Indigenos Peoples, NGOs/COs/Media. • Institutionalize mechanism for handling community relations building, effective management of conflict and untoward incidents, and reconciliation with communities/other stakeholders by establishing Community Relations (ComRel) Group. • Proper compensation for displaced/affected families/members of communities. • Payment of appropriate fees, taxes, royalties, and revenues to the NG/LGUs. • Clear and consistent business ownership policy.

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II. PNOC's KEY STRATEGIES/ACTIVITIES FOR RELATIONSHIP BUILDING AND CONFLICT PREVENTION, CONFLICT RESOLUTION AND RECONCILIATION

PNOC shall implement the following key strategies and activities to build relationships and prevent conflict, resolve existing conflicts, and ensure reconciliation with affected stakeholders.

Stage I. Relationship Building and Conflict Prevention	
PNOC Goals	Key Strategies/Activities
Build trust and maintain good relationships and reputation with stakeholders.	<ul style="list-style-type: none"> • Institutionalize within the corporate culture the importance of building trust, maintaining good relationships and reputation with stakeholders. • Develop effective partnership/networking with various stakeholders through regular consultations, reporting, and dialogue before, during, and after project implementation. • Conduct Stakeholders' Needs Analysis to align PNOC's goals with that of key stakeholders, particularly, the communities directly affected by the projects. • Establish shared roles and responsibilities and maintain clear lines of communication between stakeholders and PNOC. • Develop communication capabilities to ensure that ComRel personnel who interact with stakeholders/communities have the capabilities and the authority to make decisions needed to resolve conflicts/issues. • Utilize existing local processes/instruments to ensure early resolution and thus, prevent escalation of grievances and conflicts. • Establish mechanisms for transparency through proper information, education, and communication activities. • Establish mechanisms and provide the required funding for ComRel building, community advancement and environmental management; • Implement the required multi-partite environmental monitoring, protection, pollution control and impact mitigation. • Initiate or support appropriate social upliftment and other environmental sustainability programs. • Establish social performance metrics/systems indicators in assessing the effectiveness of relationship building and prevention of conflict processes. • Support to stakeholders, especially LGU/Host communities that may include educational assistance to deserving students.

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Stage II. Conflict/Dispute Resolution	
PNOC Goals	Key Strategies/Activities
Manage grievances and resolve conflicts effectively in an appropriate, timely and responsible manner.	<ul style="list-style-type: none"> • On a regular basis, in a PNOC project area, hold a multi-partite team meeting to assess grievances, resolve conflicts, and ensure closure. • Utilize existing local processes / instruments for conflict assessment, resolution and application of remedies. • Provide funds and other resources as may be required for the remedies to resolve conflicts. • Monitor enforcement of remedies. • Maintain regular dialogue with parties concerned to ensure transparency. • Establish social performance metrics/systems indicators in assessing the effectiveness of the conflict resolution processes.

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Stage III. Reconciliation	
PNOC Goals	Key Strategies/Activities
<ul style="list-style-type: none"> • Rebuild relationships, trust and maintain peace. • Demonstrate that change is possible and lessons have been learned. 	<ul style="list-style-type: none"> • Ensure that causes of grievances and conflicts are not repeated. • Organize appropriate multi-partite team for rebuilding and restoration, including processes for psychological healing, as may be needed. • Maintain participatory process and transparency throughout all stages of reconciliation. • Keep track of commitments to communities/affected parties. • Regularize/institutionalize successful methods/modes of engagements with communities. • Determine and document the actual costs incurred as a result of conflict with communities. • Actively support/implement strong community relations and dialogue-based approaches to dispute resolution. • Establish social performance metrics/systems indicators in assessing the effectiveness of the reconciliation processes.

At all stages under Section II, PNOC's CSR Groups shall measure, evaluate, and monitor the impact of CSR programs and activities, and shall report the same to the PNOC CSR Committee.

III. Integration of CSR into Energy Projects/Business Operations

PNOC shall ensure that CSR is integrated in all energy projects and business operations. CSR shall be considered from conceptualization, planning, implementation, up to decommissioning stage of the Project concerned.

PNOC shall form CSR Group/s composed of qualified personnel dedicated to the preparation of CSR work programs, and implementation of the CSR activities.

In the implementation of its CSR activities, PNOC shall integrate the requirements and standards of both local and international bodies, to include among others, the Extractive Industries Transparency Initiative (EITI) principles,

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Organization for Economic Cooperation and Development (OECD) Guidelines on Corporate Governance of State-Owned Enterprises, and the Guiding Principles on Business and Human Rights of the United Nations (UN) Office of the High Commissioner.

IV. Conduct of Socio-Economic and Environmental Baseline Study

The CSR Group/s shall gather and keep an updated socio-economic baseline data for the project, as well as an updated environmental baseline study.

The baseline data shall include the following information, among others:

- Description of project area's geographical location and map of the community.
- Socio-demographic information, quantitative and qualitative, of the community to include population, location, land area, educational status, livelihood, community facilities, political and cultural structure, and local resources.
- Composition of LGUs and Offices, point persons, and contact information.
- Documentation of the community's issues, interests, concerns, and perceptions towards PNOC and concerned project.
- Details of groups supporting the project, groups against the project, their leadership structure, extent of influence, and composition.
- Existing comprehensive land use plan (CLUP) and community integrated development plan (CIDP).
- Environmental baseline data as required for the preparation of the Environmental Impact Assessment (EIA) and issuance of Environmental Compliance Certificate (ECC).

V. Conduct of Project Impact and Risk Assessment

The CSR group/s shall document the energy projects'/business operations' impact and potential risks to the identified stakeholders and shall institute measures to prevent or minimize the projects'/operations' adverse impacts.

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The project's impact and risk assessment shall include the following information, among others:

- Potential risks to the community's health, safety, and security.
- Possibility for land acquisition and the accompanying physical and economic displacement of residents.
- Impact to Indigenous Peoples.
- Identification of human rights component that may arise due to social impacts.
- Identification of preemptive measures for all significant negative impacts.
- Determination of need to engage services of consultants on risk management.

VI. Conduct of Information, Education, and Communication (IEC) Activities

Consultations and information dissemination shall be transparent, comprehensive, appropriate, and understandable by the general public.

PNOC shall regularly communicate to the affected stakeholders the projects'/business operations' status and impact to the community. IEC should be done throughout the life of the project to demonstrate PNOC's serious intent to contribute to the project's success. A strategic partnership with the community is encouraged from the very beginning.

IEC campaigns shall be led, facilitated, and coordinated by the CSR group/s, and participated in by consultants and/or government/regulatory agencies on behalf of PNOC, as needed.

The CSR Group/s shall develop strategies in conducting IEC campaigns and dialogues, which may include the following:

- IEC presentation approach and materials must be suitable and understandable to the target audience.
- There must be full disclosure of relevant information to the affected community, to include the preemptive or mitigating measures that PNOC will undertake.

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- There must be proper documentation of the IEC or consultation activities, and highlights of discussions, including commitments and agreements made by PNOC and the communities.
- Two-way communication shall be ensured during the conduct of IEC campaigns.
- A grievance mechanism or committee to address all issues and concerns related to the project shall be created as needed. This shall be composed of representatives from PNOC, the community, and appropriate government/non-government entities.

VII. Addressing Land and Resettlement Concerns

PNOC shall adhere to existing laws and standards on land acquisition and resettlement issues.

Whenever possible, PNOC shall avoid projects that will displace a significant number of residents within a project area. Otherwise, PNOC shall implement the project in a manner that will minimize displacement of residents.

Should involuntary resettlement or displacement measures be necessary, the positive and negative impacts of the undertaking shall be thoroughly communicated to the affected residents. The free and voluntary consent of the affected residents shall be documented by the CSR group/s concerned.

The CSR Group/s shall work closely with the CSR Committee on these land and resettlement concerns.

VIII. Addressing Concerns of Indigenous Peoples (IP)

In areas inhabited by indigenous peoples, PNOC shall respect their rights and shall acknowledge their unique social and legal status under national and international laws, conventions, and declarations. As such, the PNOC shall:

- Recognize IPs' ownership rights over ancestral domains and lands. Where relocation is necessary, the IPs' free and prior informed consent (FPIC) shall be ensured and documented;

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- Recognize their right to self-determination i.e., to freely determine their political status and freely pursue their economic, social, and cultural development, and their right to utilize commonly accepted justice systems, conflict resolution institutions, peace-building mechanisms, and other customary laws;
- Recognize their right to participate in decision-making, and to give or deny their consent to PNOC's projects and activities that will affect their lives, lands, and territories;
- Recognize their right to equal opportunity and treatment as that enjoyed by the rest of the Filipino citizens; and
- Preserve and protect their culture, traditions, and institutions to include their religious, cultural, ceremonial sites and resources; their knowledge, skills, and practices; and their right to access various cultural opportunities towards self-determination.

IX. Addressing Community Health, Safety, and Security

Where significant project impacts to health, safety, and security are identified, the CSR Group/s shall work closely with the host communities to address the identified risks and impacts.

As may be required, the CSR group/s shall facilitate the identification and selection of representatives to the Multipartite Monitoring Team (MMT) to ensure that relevant sectors in the community are well represented to achieve optimal support. The MMT will be responsible for monitoring the activities of PNOC in managing the social and environmental impacts of the project, with reference to the agreements and commitments made during the community consultations.

X. Resolving Conflicts and/or Addressing Conflict of Interests of Various Stakeholders

To prevent conflicts and/or determine possible conflict of interests between and among various stakeholders, PNOC shall conduct stakeholders' needs and/or interest analysis to align PNOC's goals with the needs and interests of key stakeholders. Likewise, PNOC shall align the needs and interests of different stakeholders, particularly, the communities directly affected by the projects.

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Should conflicts and grievances arise in areas of operation, assessment shall be undertaken to determine their validity, nature, causal factors and extent, and the possible and mutually acceptable remedies. PNOC shall implement the remedies identified including provision of funds and other resources as may be required for early resolution. Monitoring of enforcement of remedies and regular dialogue with affected parties shall be conducted to ensure effective conflict resolution and transparency.

PNOC shall resolve conflicts and grievances by adhering to existing laws and standards and utilizing applicable local processes, hierarchy system and instruments of resolving conflicts to ensure early resolution and prevent escalation of conflicts.

XI. Conduct of CSR Work Program

The CSR Group/s shall submit an Annual CSR Work Program and Budget to the CSR Committee, for approval of PNOC management. The CSR Work Program and Budget shall take into consideration the following:

- Sustainable Development. Ensure that the Work Program shall address the host community's current needs without undermining the ability of the future generation to meet their own needs.
- Self-sufficiency and Empowerment. CSR activities must enable the host community to increase control over the factors and decisions that shape their lives.
- Transparency and Accountability. PNOC must be transparent in its disclosure of credible information about its business strategies, goals, and standards.
- Gender sensitivity and Cultural suitability. CSR activities must build on the prevailing norms, practices, and traditions of the host communities.

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XII. Conduct of Monitoring and Evaluation

The CSR Group/s shall regularly monitor, evaluate, and report the progress of their CSR programs and activities to the CSR Committee.

Based on the reports of the CSR Group/s, the CSR Committee shall provide PNO Management with regular feedback on the progress and achievement of the desired results of CSR activities. These may include: Timeliness, Budgetary Expenditures, and achievement of targets.