

III. PHILIPPINE NATIONAL OIL COMPANY

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, FY 2015

(In Thousand Pesos)

SUMMARY

A. PROGRAM/ACTIVITY/PROJECT	Current Operating Expenditures			
	Personnel Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
1. General Administration and Support	P 102,675	P 355,348	P 289,890	P 747,913
2. Support to Operations	17,818	7,072	80	24,970
3. Operations	9,630	163,179	150,000	322,809
TOTAL	P 130,123	P 525,599	P 439,970	P 1,095,692

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CORPORATE FUNDS

Schedule II

A. PROGRAM/ACTIVITY/PROJECT	Current Operating Expenditures			
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a/ MOOE, net of allowance for depreciation of P46.574 Million

Special Provision(s)

1. Approval of the FY 2015 Corporate Operating Budget of the Philippine National Oil Company under R.A. No. 7638. The FY 2015 Corporate Operating Budget (COB) of the PNOC is hereby approved by the Congress of the Philippines pursuant to Section 13, Chapter III of R.A. No. 7638.

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

3. Acquisition of Equipment. The acquisition of equipment, funded from internally generated funds, budgetary support or authorized borrowings included in the approved COB shall be subject to Corporate Budget Circular No. 17 dated February 9, 1996, National Budget Circular (NBC) No. 446 dated November 24, 1995, as amended by HBC No. 446-A dated January 30, 1998, Budget Circular No. 2010-2 dated March 1, 2010, and the applicable Presidential issuances and statutory requirements.

4. Budget Flexibility and Report. The PNOC, through its Board of Directors, is authorized to realign programs and projects, reallocate the corresponding budgetary requirements approved herein, as well as augment the requirements which may arise from factors beyond the PNOC's control. These may include, but shall not be limited to the following:

- (a) Currency depreciation;
- (b) Inflation;
- (c) Change in interest rates;
- (d) Changes in programs and projects;
- (e) Increase in taxes;
- (f) Increase in costs associated with the privatization of subsidiaries; and
- (g) Payment of obligations as a result of final judgment of the court:

PROVIDED, That the realigned funds shall not be used for the acquisition of motor vehicles and payment of travelling, representation, discretionary, or extraordinary and miscellaneous expenses: PROVIDED, FURTHER, That allocation for Personnel Services in the approved Corporate Operating Budget shall not be augmented by new funding sources: PROVIDED, FURTHERMORE, That savings from MOOE and Capital Outlays may only be used to augment the deficient Personnel Services allocation as a result of the implementation of the Compensation and Position Classification System for GOCCs approved by the President, upon recommendation by the Governance Commission for GOCCs.

The PNOC shall submit to the DBM, the House Committee on Appropriations and the Senate Committee on Finance a comprehensive financial and narrative report on the aforesaid budgetary adjustments within thirty (30) days after such adjustments are made. The President of PNOC and the Corporation's web administrator or his/her equivalent shall be responsible for ensuring that said report is posted on the official website of the PNOC, which shall be considered compliance with the said reportorial requirement.

5. Funds for Capital Outlays. Notwithstanding the provisions of Special Provision No. 4, Capital Outlays provided herein under Operations, Program 3, whether funded from internally generated funds, budgetary support or authorized borrowings, shall be utilized for the primary purposes of exploration, exploitation and development of indigenous energy resources as well as foster conditions related to oil or petroleum operations which shall include actual exploration, production, refining, tankage and/or shipping, storage, and transport: PROVIDED, That an amount not exceeding One Billion Pesos (P1,000,000,000) in the aggregate may be invested in entities not engaged in the said primary purposes: PROVIDED, FURTHER, That consistent with the privatization program of the government, such equity investment shall not exceed thirty six percent (36%) of the outstanding capital stock of any one such entity concerned: PROVIDED, FINALLY, That such Capital Outlays shall not be used as loans or advances to entities not engaged in the primary purposes stated herein. This provision shall apply to the PNOC and all its subsidiaries.

6. Augmentation Beyond Approved Corporate Operating Budget. The PNOC is hereby authorized to augment and disburse funds beyond the total amount approved in this Act for the payment of monetary claims, tax deficiency assessments, and damages pursuant to any final and executory decision that may be rendered in *Voltaire Rovira vs. PNOC*, Court of Appeals, Civil Case No. 5947 and such other case/s that may be filed and resolved during the year: PROVIDED, That the amount to be disbursed shall come from corporate funds.

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

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

9. Transparency Seal. To enhance transparency and enforce accountability, the PNOC shall maintain a transparency seal to be posted on its official website. The transparency seal shall contain the following information: (i) the Corporation's mandates and functions, names of its officials with their position and designation, and its contact information; (ii) year-end financial reports and trial balances for the last three (3) fiscal years; (iii) approved COB and corresponding targets immediately upon approval thereof; (iv) any amount of budgetary support from the National Government; (v) the major programs and projects categorized in accordance with the five (5) key result areas under E.O. No. 43, s. 2011; (vi) the programs/projects beneficiaries as identified in the applicable special provisions; (vii) the status of implementation of said programs/projects and project evaluation and/or assessment reports; and (viii) the annual procurement plan, contracts awarded and the name of contractors/suppliers/consultants.

The President of PNOC and the Corporation's web administrator or his/her equivalent shall be responsible for ensuring compliance with this requirement. For this purpose, the DBM shall post on its official website the status of compliance by the PNOC.