

**PHILIPPINE NATIONAL OIL CORPORATION (PNOC)  
Performance Scorecard**

Performance Measures			Targets	Accomplishment		CGO-B Validation		Supporting Documents	Remarks	
Description	Formula	Weight	2016	Actual	Rating	Score	Rating			
SO 1 Provided Vital Energy Infrastructure for the Development of the Energy Industry										
SM 1 Establishment of the Country's Natural Gas Infrastructure										
Batangas-Manila (BatMan) Gas Pipeline Project	TRB = 30% SLEX = 35% STAR = 35%	10%	MOU on the Final Alignment with Toll Regulatory Board (TRB), South Luzon Tollway Corp.(SLEX) and Southern Luzon Tollway Arterial Road (STAR)	Letter by TRB to toll operators dated 16 September 2016.	10%	Letter by TRB to toll operators dated 16 September 2016.	10%	<ul style="list-style-type: none"> <li>TRB Letter dated 16 September 2016 addressed to toll operators</li> </ul>	PNOC requested the revision of target to "Letter from TRB addressed to SLEX and STAR management." Considering the purpose for which the target was set, the letter from the TRB endorsing PNOC, and requesting the Tollway Companies' assistance, suffices.	
	80% = 1 90% = 2 100% = >2	5%	Acquisition of at least two (2) complete As-Built Plans from LGUs/tollway operators/utilities	Acquired three (3) As-built Plans from DPWH and TRB.	5%	Acquired three (3) As-built Plans from DPWH and TRB.	5%	<ul style="list-style-type: none"> <li>Three (3) As-built Plans from DPWH and TRB</li> </ul>	As-built plans acquired: 1. Rehabilitation and widening project of the Alabang-Calamba section of SLEX; 2. Extension project of Calamba-Sto. Tomas section of SLEX; and 3. Widening of Manila-Batangas Road, Tambo section.	
	80% = 1 90% = 2 100% = >2	10%	At least two (2) favorable endorsements from LGUs	Three (3) favorable endorsements from LGUs	10%	Three (3) favorable endorsements from LGUs	10%	<ul style="list-style-type: none"> <li>Municipal Resolutions</li> </ul>	PNOC obtained favorable endorsements from the Municipalities of Ibaan, Malvar and Carmona.	
SM 2	Establishment of the Country's Strategic Petroleum Reserve	Pass or Fail	5%	Final Recommendation by the Board on the directions for SPR	Secured PNOC Board Direction on the SPR.	5%	Secured PNOC Board Direction on the SPR.	5%	<ul style="list-style-type: none"> <li>Secretary's Certificate dated 22 June 2016</li> </ul>	PNOC Governing Board's approved target for 2017 on SPR is "oil stockpiling."

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<b>SO 2 Operated in an Environment of Fairness and Transparency in Dealing with Stakeholders</b>																		
SM 3	Stakeholder Satisfaction Rating	90 and above = 100% 80 to 89 = 90% 70 to 79 = 80% 60 to 69 = 70% 59 and below = 0%	5%	Satisfactory (DOE, CSC, House Committee on Appro., Senate LBRMO, DBM, COA, PNOC-EC, PNOC-RC, SC 38 Consortium (Shell & Chevron))	Very Satisfactory (DOE, CSC, House Committee on Appro., Senate LBRMO, DBM, COA, PNOC-EC, PNOC-RC, SPEX and PSPC)	5%	Very Satisfactory (DOE, CSC, House Committee on Appro., Senate LBRMO, DBM, COA, PNOC-EC, PNOC-RC, SPEX and PSPC)	5%	<ul style="list-style-type: none"> <li>PNOC's Stakeholders Satisfaction Survey conducted by UP Los Baños Department of Social Development Studies (DSDS) College of Human Ecology (CHE)</li> </ul>	PNOC requested the substitution of some of the respondents in its Stakeholder Satisfaction rating because they no longer have direct interface with them. The survey resulted to an average mean of 4.6/5.00 or 92% (adjectival rating of "Very Satisfactory").								
<b>SO 3 Ensure Sound Financial Condition</b>																		
SM 4	Net Income (excluding all income or dividends received from operating subsidiaries and Banked Gas)	$\frac{\text{Actual Net Income}}{\text{Target Net Income}}$	10%	₱148.50 million	₱246.06 million	10%	₱245.58 million	10%	<ul style="list-style-type: none"> <li>PNOC's COA Audited Report FY 2017</li> </ul>	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Net Income</td> <td>₱ 968,780,095</td> </tr> <tr> <td>All Income or dividends received from operating subsidiaries</td> <td>(723,202,773)</td> </tr> <tr> <td><b>Total</b></td> <td><b>₱ 245,577,322</b></td> </tr> </tbody> </table> <p>The ₱0.48 Million difference between the submitted accomplishment (based on Unaudited Statement of Comprehensive Income) vis-à-vis GCG validation (based on COA Audit Report) is due to the adjustment in the provision for tax and in the Fair Value of Available-for-Sale Investments.</p>	Particulars	Amount	Net Income	₱ 968,780,095	All Income or dividends received from operating subsidiaries	(723,202,773)	<b>Total</b>	<b>₱ 245,577,322</b>
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<b>SO 4</b> Ensure Optimal Use of Assets																
SM 5	Sale of Banked Gas	Actual over Target	20%	Notice of Award (NOA) to winning bidder of at least 30% (29.1 PJ) of total remaining volume of 97 PJ	Term sheet signed as agreed between rep. of PNOC & SC- 38 Consortium.	20%	Term sheet signed as agreed between rep. of PNOC & SC- 38 Consortium.	0%	<ul style="list-style-type: none"> <li>Gas Sale and Purchase Agreement (GSPA) Non- Binding Key Terms Sheet</li> </ul>	<p>PNOC requested the revision of target to "Finalized term sheet of the Negotiation/Sale," with the following sub-targets:</p> <table border="1"> <thead> <tr> <th>Target</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>As agreed between representatives of PNOC and SC-38 Consortium</td> <td>15%</td> </tr> <tr> <td>As approved by PNOC Board</td> <td>5%</td> </tr> </tbody> </table> <p>Request for revision of target denied. The completion of the sale is within the influence of PNOC. Moreover, the decision to pursue a joint negotiation instead of a joint tender is a business judgment on the part of PNOC and is not a "substantial change in circumstance" as contemplated in GCG MC No. 2013-02 (Re-issued).<sup>7</sup></p>	Target	Weight	As agreed between representatives of PNOC and SC-38 Consortium	15%	As approved by PNOC Board	5%
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<b>SO 5</b> Build Operating Company Capabilities																
SM 6	IMS Certification for PAFC Industrial Park	Pass or Fail	10%	Favorable Recommendation by Accredited 3 <sup>rd</sup> Party Certifying Body	Completed IMS Certification by Accredited 3 <sup>rd</sup> Party Certifying Body.	10%	Completed IMS Certification by Accredited 3 <sup>rd</sup> Party Certifying Body.	10%	<ul style="list-style-type: none"> <li>IMS Attestation for PNOC AFC Industrial Park</li> <li>Certificate of registration of PNOC AFC Industrial Park on 7 December 2016 with expiration on 19 October 2019</li> </ul>							

<sup>7</sup> "PERFORMANCE EVALUATION SYSTEM (PES) FOR THE GOCC SECTOR," 23 June 2014.

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SO 6	Develop Full Employee Potential									
SM 7	% Implementation of the PNOC Restructuring Plan	Pass or Fail	10%	Submission of the Board-approved Restructuring Plan	Board-approved PNOC Reorganizational Plan submitted to GCG on 20 Dec 2016.	10%	Board-approved PNOC Reorganization Plan	10%	<ul style="list-style-type: none"> <li>PNOC Board-approved Reorganization Plan</li> </ul>	Received by the Governance Commission on 20 December 2016
SM 8	Average Percentage of Required Competencies Met	Pass or Fail	5%	Execute agreement with consultant to do competency model	Work Order Deferred Awaiting Approval of the PNOC Reorganizational Plan.	5%	Work Order Deferred Awaiting Approval of the PNOC Reorganizational Plan.	0%	<ul style="list-style-type: none"> <li>Administration Department Letter to Corporate Planning Department informing the deferment on the acquisition of a consultancy service of PNOC Competency Framework.</li> </ul>	<p>PNOC requested to revise the target to "Finalized TOR for the hiring of a consultant to do competency model."</p> <p>Request for revision of target denied. PNOC's failure to meet the target was not due to any circumstance or event that could not have been foreseen at the time the target was agreed upon, nor is it something outside PNOC's control or influence. The delay in the completion and submission of PNOC's Reorganization Plan is within the company's control. Furthermore, as emphasized during the negotiation of targets, the subsequent approval by the GCG of PNOC's Reorganization Plan is not a condition precedent to the formulation of PNOC's Competency Model.</p> <p>PNOC Reorganization Plan was received by the GCG only on 20 December 2016.</p>



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SO 7: Develop a Professional Culture and Better Employee Morale										
SM 9	ISO 9001:2015 Certification for PNOC	Pass or Fail	10%	ISO 9001:2015 Certified	Conduct of QMS Internal Audit Completed.	10%	Conduct of QMS Internal Audit Completed.	0%	<ul style="list-style-type: none"> <li>Copy of the Memorandum dated 14 October 2016 re: Conduct of PNOC Internal Quality Audit (IQA)</li> <li>Appraisal Audit Report for PNOC (ISO 9001: 2015) dated 25-26 July 2016 prepared by Mr. Severino M. Villalon, Jr.</li> <li>Minutes of the Meeting re: Result of the QMS Internal Audit</li> </ul>	<p>PNOC requested revision of target to "Completion of the Internal Quality Audit – 90%; Favorable recommendation from accredited third party certifying body – 100%." According to PNOC, since it is their first time to secure an ISO certification for all of its business processes, completion of the certification may not be done within 2016.</p> <p>Request for revision of target denies. The justification presented is "not a substantial change in circumstance that could not have been foreseen at the time the targets were agreed upon." The justification presented simply reflects the inability of PNOC to accomplish its committed target.</p> <p>Furthermore, it must be noted that the requirement for ISO certification, aside from the fact that the same has been required since 2007 under Executive Order (EO) No. 605,<sup>9</sup> has been communicated to PNOC since 2015 as reflected in its 2015 Performance Scorecard.</p>
<b>TOTAL</b>		<b>100%</b>				<b>100%</b>		<b>65%</b>		

<sup>9</sup> "INSTITUTIONALIZING THE STRUCTURE, MECHANISMS AND STANDARDS TO IMPLEMENT THE GOVERNMENT QUALITY MANAGEMENT PROGRAM, AMENDING FOR THE PURPOSE ADMINISTRATIVE ORDER No. 161, S. 2006," 23 February 2007.