

## PILIPINAS SHELL PETROLEUM CORPORATION

### RELATED PARTY TRANSACTIONS (RPT) BOARD COMMITTEE CHARTER PURPOSE

The Related Party Transactions Committee ("RPT Committee") is a committee under the Board of Directors of Pilipinas Shell Petroleum Corporation (the "Company") who shall have authority over related party transactions of the Company.

### COMPOSITION

The RPT Committee is appointed by the Board and shall be composed of at least three (3) Non- Executive Directors with at least two (2) of them being Independent Directors. The Committee Chairman shall be appointed by the Board from among the Independent Directors. In the absence of the Chair, the meeting shall be chaired by another non-executive director.

To assist the Committee in its concerns, the Company's Chief Finance Officer (CFO) shall serve as management representative and committee resource person.

The RPT Committee will be supported by the Secretariat which shall be composed of representatives from Corporate Finance, Corporate Assurance and Audit Department and Corporate Secretariat. It shall be headed by the Committee Secretary appointed by the RPT Committee. The RPT Secretariat shall be the principal support body of the RPT Committee and shall serve as the central monitoring and database for RPTs.

The Committee Secretary shall provide assistance to the members of the Committee, including but not limited to assisting the Committee Chair in planning the work of the Committee, formulating meeting agendas, maintenance of committee minutes, collation and distribution of information required by the Committee and provide practical support, as and when needed.

### QUORUM, FREQUENCY OF MEETINGS AND VOTING

The Committee is and acts as a collegial body. Accordingly, a quorum shall be required to pass any action.

A quorum shall consist of at least 2 members:<sup>1</sup>

- a) In attendance, whether in person or by video/teleconferencing facility, or
- b) As evidenced by a paper resolution duly signed by at least 2 members.

Meetings shall be held at least four times each calendar year, usually preceding the regular meetings of the Board.

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<sup>1</sup> In case the entire membership is an even number, quorum shall consist of at least 50% of the entire membership.

Any member of the Committee who has a potential interest in any Related Party Transaction will disclose his interests therein and recuse and abstain from discussions leading to the eventual voting and approval of the Related Party Transaction.

The RPT Committee shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options and avail of such remedies available to the Company under the contract and existing laws, including but not limited to, ratification or revision of the corresponding agreements.

## DUTIES AND RESPONSIBILITIES

The RPT Committee shall have the following functions and responsibilities, among others:<sup>2</sup>

- a) Evaluates on an ongoing basis existing relations between and among businesses and counterparts to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board regulators/supervisors;
- b) Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, omissions, interest rates, fees, tenor and collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputation risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
  1. The related party's relationship to the Company and interest in the transaction;
  2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  3. The benefits to the Company of the proposed RPT;
  4. The availability of other sources of comparable products or services; and
  5. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- c) Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;

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<sup>2</sup> Section 2.2.3.4 of the Revised Manual on Corporate Governance.

- d) Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- e) Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- f) Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

## **REPORTING RESPONSIBILITIES**

The RPT Committee shall regularly report to the Board of Directors about the Committee's activities and issues that arise with respect to related party transactions.

The Committee, through its Secretariat, shall prepare its Annual Committee report, describing the committee's composition, meeting attendance, responsibilities and how they were discharged, and such other accomplishments or activities.

The Committee shall review any other report the Company issues that relate to the Committee responsibilities on related party transactions. The Company shall disclose its policies governing RPTs and other unusual or infrequently occurring transactions. The material or significant RPTs reviewed and approved during the year shall be disclosed in the Company's Integrated-Annual Corporate Governance Report.<sup>3</sup>

This Charter was reviewed and approved by the Board of Directors on 27<sup>th</sup> day of February 2018.

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<sup>3</sup> Section 5.9 of the Revised Manual on Corporate Governance.