



PILIPINAS SHELL PETROLEUM CORPORATION
Related Party Transaction Policy

DEFINITIONS

Affiliates	Any company which is directly or indirectly affiliated with Shell plc.
Board of Directors	Board of Directors of the Company
Company	Pilipinas Shell Petroleum Corporation
Fellow subsidiaries	Subsidiaries of a common parent company
Joint Venturer	Parties to a joint venture agreement or an equivalent agreement
Major Shareholder(s)	<p>A person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:</p> <ul style="list-style-type: none">(a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the Company; or(b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company. <p>This includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon a Major Shareholder of the Company or any other corporation which is its subsidiary or holding company.</p>
Management	The President/CEO of the Company and Officers subject to MOA delegation.
Material RPT	Related Party Transactions that have contract value equivalent to 5% or more of the Net Assets of the Company as reported in the previous year audited financial statements
Material Evergreen RPT	Any related party transaction/s covered by an evergreen contract with annual transaction amounting to five percent (5%) or higher of the Company's Net Assets based on its latest audited financial statement.
Material Reportable RPT	Any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of a company's total assets based on its latest audited financial statements.
Officer/s	Executive Officers of the Company as disclosed in its By-Laws, Annual Reports (17-A), Information Statement to stockholders (20-IS), Revised Manual on Corporate Governance and the Philippine Stock Exchange (PSE) Company Disclosure. ¹
Parent	Shell plc.
Related Party Transactions or RPT	Related party transactions entered into with Related Parties involving transfer of resources, services or obligations between the Company and a related party,

¹ Transactions with the company's executive officers (i.e., direct or indirect material interest of officers in the transactions) are included in the RPT disclosures under SEC Annex C. Materiality thresholds include: Php500K or more transaction value; at least 5% equity interest/ownership in the company entering into the transaction with PSPC.

regardless of whether a price is charged. The same should be extended to outstanding transactions entered into with an unrelated party that subsequently becomes related party.

Related Party(ies) Any of the following are considered a related party: (i) Parent Company (ii) Affiliate and associates (iii) Subsidiary and fellow subsidiaries (iv) Joint Venturer (v) Director (vi) Officers (vii) Major Shareholder of the Company (viii) spouses and relatives of (nos. v-vi) within the fourth civil degree of consanguinity or affinity, legitimate or common-law.

Subsidiary A corporation more than fifty percent (50% of the voting stock of which is owned or controlled, directly or indirectly, through one or more intermediaries, by another corporation, which thereby becomes its parent corporation

I. PURPOSE

The purpose of this Policy is to:

- a) Describe the Company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its Related Parties.
- b) Provide guidance to Management and employees on the Related Party Transaction governance and reporting requirements.

II. CLASS AND NATURE OF RELATED PARTY TRANSACTIONS

This Policy would apply to transactions with Related Parties comprising of Parent Company, affiliate and associates, subsidiary and fellow subsidiaries, joint ventures, Directors and Officers and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, Major Shareholders or persons/entities connected with such Directors, Officers or Major Shareholders of the Company and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon a Related Party.

This policy is primarily in respect of transactions entered into by the Company with Shell Group necessary for its day to day operations.

Ultimate Holding Company / Major Shareholders

No	Name of Company	Principal Activities	Relationship
1.	Shell plc	The ultimate parent company of the Shell Group.	Ultimate holding company of the Company.
2.	Shell Overseas Investments B.V.	The company holds directly and indirectly, investments in companies of the Shell Group, present in various countries and territories.	Shell Overseas Investments B.V. holds 55.215% direct equity interest in the Company, which traces its ultimate ownership to Shell plc.
3	Insular Life Assurance Co. Ltd.	A mutual life insurance company primarily engaged in the life insurance business	Insular Life Assurance Co. Ltd. holds > 10% direct equity interest in the Company.

III. RATIONALE AND BENEFITS OF TRANSACTING WITH RELATED PARTIES

The RPT entered, or to be entered into by the Company are all in the ordinary course of business of the Company. They are recurring transactions of a revenue, trading or operating services in nature that are likely to occur with some degree of frequency and arise at any time, as well as from time to time. As part of an international group of companies where similar businesses are conducted, transactions in respect of goods and/or services are likely to occur to take advantage of quality assured products and services, lower operating costs and improved efficiency such as through economies of scale, better utilization of resources and standardisation of processes and technology.

The benefits of these RPT to the Company can be categorised generally as follows:

a. Trading Transactions for Crude Oil and Petroleum Products

The principal activity of the Company is refining, manufacturing and marketing of petroleum products. The Related Parties under this category are involved in activities of a complimentary nature, which consist primarily of the supply and distribution of crude oil as well as the manufacturing and sales/marketing of petroleum products on a large scale for the Shell Group of companies. It is therefore in the interests of the Company to transact with these Related Parties in order to enjoy synergistic benefits.

b. Operating Services

The RPT under this category comprise transactions, which if not with a Related Party would not have been entered into by the Company due to Shell Group design/operating standards and industry sensitivities regarding confidentiality and trade secrets. These industry constraints prevent the Company from contracting with parties other than Related Parties in respect of the activities covered by this category of RPT. Hence this category of RPT represents business opportunities that the Company is in a position to profit from specifically by reason of the Company being a Related Party.

IV. GOVERNANCE PROCESS FOR RELATED PARTY TRANSACTIONS

To ensure that RPTs are undertaken on terms which are not more favourable to the Related Parties than those generally available to the public and which are not to the detriment of the Company's minority shareholders, Management will ensure that the transactions with Related Parties will only be entered into taking into account the following procedures:

A. Benchmark

The purpose of benchmarking is to ensure that transactions with the related parties are not undertaken on more favorable economic terms & conditions and are comparable with the terms generally available to an unrelated party under similar circumstances.

- Transactions with Related Parties are to be negotiated and benchmarked with non-Related Party pricing and subsequently presented to and approved by COB heads with proper MOA delegation. The method and procedures to determine transaction prices, terms and conditions are based on the prevailing market rates/agreed commercially competitive pricing calculation and where appropriate preferential rates and discounts (the same as are accorded to non- Related Parties in large transactions) relative to industry norm.

Before execution of any Material Reportable RPT, the Board of Directors should appoint an external independent party to evaluate the fairness of the terms of the Material Reportable RPT. An external independent party may include, but is not limited to, auditing/accounting firms and third-party consultants and appraisers.

B. Review

COB Finance reviews the appropriate benchmarking for related parties transactions against non-related Parties for similar products/services and/or quantities). In the event that such comparison cannot be obtained from non-Related Parties, COB Finance would review the market information available, sourcing strategy applied and expected unquantifiable benefits to determine whether an arms-length approach has been used to select the Related Party vendor to ensure that the Related Party Transaction is not detrimental to the Company.

C. Approval

1. All Related Party Transactions requires Management approval in accordance with corporate Manual of Authority.
2. Related Party Transactions with a total contract value that equals or exceeds 5% of the Company's reported net assets of the previous year requires review by the Related Party Transaction ("RPT") Committee and its endorsement to the Board of Directors for approval.
3. Material evergreen contracts should be reviewed and endorsed by the RPT Committee for Board approval on an annual basis.
4. Where any member of the RPT Committee is interested in any transaction, that member shall abstain from voting on any matter relating to any decisions to be taken by the RPT Committee with respect to such transactions.
5. Any contract that will be entered into with:
 - a) Any director or officer of the Company or any person or entity connected to them (i.e., spouses, children and dependent siblings and parents; entities in which they concurrently serve as directors or in which such directors or officers have a direct or indirect interest); and
 - b) A company in which a Company's director concurrently sits as a director and has an interest in said other company of more than 20% shall be subject to approval under the following procedures:
 - the RPT Committee shall determine the fairness and reasonableness of the contract and endorse the same for Board approval;
 - the transaction shall be subject to the approval by the Company's Board of Directors, provided further that (i) the attendance of the director concerned shall not be counted for purposes of constituting a quorum for such Board meeting and (ii) the vote of the director concerned is not necessary to approve the contract.
6. Material Reportable RPTs shall be approved by at least two-thirds (2/3) vote of the board of directors, with at least a majority of the independent directors voting to approve the Material Reportable RPT. In case that a majority of the independent directors' vote is not secured, the Material Reportable RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.
7. For aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of the Company's total assets, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

D. Reporting and Disclosure Process

The Company's directors and officers shall be responsible for providing written notice to the Investor Relations Officer through the Office of the Corporate Secretary/Compliance Officer of any potential related Party

Transaction or conflict of interest² involving him/her or other persons/entities connected with him/her.

All Classes of Business Finance in the Company reports to the Corporate Finance all transactions with Related Parties with contract value of at least Php100M. A register shall be maintained by the Corporate Finance to record all transactions with Related Parties which are entered into as per format prescribed in Appendix 1 and 2. Any reported or alleged non-compliance by any employee with any of the foregoing approval requirements shall be the subject of an investigation and, if appropriate, disciplinary proceedings. The Company shall avail of remedies including restitution of losses and other remedies for abusive RPTs.³

The Company will provide a breakdown of the RPT made during the financial year with specific disclosures in the financial statements on 1.) the amount of the transactions 2.) the amount of outstanding balances and their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement, and details of any guarantees given or received, 3.) provisions for doubtful debts related to the amount of outstanding balances and 4.) the expense recognized during the period in respect of bad or doubtful debts due from related parties pursuant to the requirements of the SEC Financial Reporting Bulletin 013.

The Company shall likewise provide the necessary details to comply with the applicable disclosure requirements under the Securities Regulation Code, PSE Disclosure Rules and pertinent rules and regulations. 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.⁴

The Company shall ensure that all Material Reportable RPTs will be disclosed and filed (via prescribed SEC advisement report format) with SEC and PSE within three (3) calendar days after the date of the effectivity of the contract or transaction date, whichever comes first.

In compliance with BIR regulations, the Company shall also submit its Information Return on Transactions with Related and shall prepare the corresponding supporting documents.

E. Assurance

The annual integrated assurance plan shall incorporate a review of all the records of material and/or new RPT, which will be entered into, to evaluate that appropriate benchmarking has been done by the Class of Business and RPT is based on arm's length approach, relevant approvals have been obtained and review procedures in respect of such transactions are adhered to. Any significant deviation from the RPT policy will be reported to the RPT Committee by the Corporate Assurance and Audit Manager.

The RPT Committee shall review the RPT reports and any other reports required from time to time to ascertain that the guidelines and procedures established to monitor RPT have been complied with.

Corporate Assurance and Audit Department shall likewise communicate the audit reports to the Board Audit and Risk Oversight Committee, including exceptions or breaches in limits.

The Chief Compliance Officer shall ensure that the company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. He/she shall aid in the review of the

² Conflicts of Interest (COIs) may arise when personal relationships, participation in external activities or an interest in another venture, could influence or be perceived by others to influence business decisions made for the Company by the concerned officer or director.

³ Section 2.2.1.2 (m) of the Revised Manual on Corporate Governance.

⁴ Section 5.9 of the Revised Manual on Corporate Governance.

Company's transactions and identify any potential material RPT that would require review by the Board. He/she shall ensure that the Company's material RPT policy is kept updated and is properly implemented throughout the Company.

F. Communication

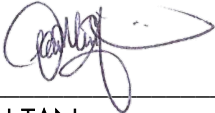
Ongoing awareness sessions with employees, stakeholders, and Related Parties to notify that all RPTs entered are subject to disclosure requirements under existing securities and corporate governance rules and policies.

Legitimate concerns about abusive material RPTs may be reported through the Global Helpline at <https://shell.alertline.eu/gcs/welcome>. The Helpline is operated by an independent third-party provider.

V. ROLE OF THE RPT COMMITTEE

The RPT Committee is responsible to determine whether the procedures for reviewing transactions that involve Related Parties are sufficient to ensure compliance with the relevant requirements. They will also review the procedures mentioned in Section IV above and ensure that the said procedures are sufficient to ensure that the RPT are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the Company's minority shareholders. Further, the RPT Committee ensures that adequate procedures and processes are in place to monitor, track and identify RPT in a timely and orderly manner, and that it is satisfied with the frequency of review of these procedures and processes. The procedures and processes are reviewed on an ad-hoc basis based on recommendations from the Corporate Assurance and Department or Management of the Company.

Signed by:



MIN YIH TAN

Chairman of the Board



ERWIN R. OROCIO

Chief Compliance Officer

Date: 24 March 2022

APPENDIX 1: Interested Directors/Officers

Names of Director/Officer	Director and/or Officer of:	Interests (Direct/Indirect)	Contract Value

APPENDIX 2: Affiliates

No.	Name of Company	Principal Activities	Relationship	Contract Value

APPENDIX 3: SEC Advisement Report Format



Annex A to SEC MC No. ____, Series of 2019

ADVISEMENT REPORT ON MATERIAL RELATED PARTY TRANSACTIONS

Reporting PLC: SEC Identification Number:.....
 Name of Related Party: Execution Date of Transaction:
 Relationship between the Parties including financial/non-financial interest:

Type/Nature of Transaction and Description of Assets Involved	Terms and Conditions	Rationale for Entering into the Transaction	Total Assets ¹ of Reporting PLC	Amount/ Contract Price	Percentage of the Contract Price to the Total Assets of the Reporting PLC	Carrying Amount of Collateral, if any	Approving Authority ²

SIGNATURES

Pursuant to the requirements of the Commission, the company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

(Name of Reporting PLC)

(Name of Related Party)

.....

.....

Name, Signature of the Corporate Secretary/
Authorized Representative³

Name, Signature of the Related Party/Authorized Representative³

¹ Total assets shall pertain to consolidated assets if the reporting PLC is a parent company.

¹ The information shall include the names of directors present, names of directors who approved the Material Related Party Transaction and the corresponding voting percentage obtained.

³ Proof of authority must be attached to the Advisement Report.