



# **105 YEARS OF ENERGY**

**A LEGACY OF SUSTAINABLE PARTNERSHIP**

ANNUAL AND SUSTAINABILITY REPORT 2019  
**PILIPINAS SHELL PETROLEUM CORPORATION**

# Disclaimer

This Report has been produced by Pilipinas Shell Petroleum Corporation ("PSPC") to meet the requirements of applicable Philippine laws and regulations.

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate legal entities. In this Report "Shell", "Shell group" and "Royal Dutch Shell" are sometimes used for convenience where references are made to Royal Dutch Shell plc and its subsidiaries in general, including PSPC. References in this Report to "our Company", "PSPC" and "Pilipinas Shell" refer to Pilipinas Shell Petroleum Corporation. The words "we", "us" and "our" are used to refer to Pilipinas Shell Petroleum Corporation or to those who work for PSPC. "Subsidiaries", "Shell subsidiaries" and "Shell companies" as used in this Report refer to companies over which Royal Dutch Shell plc either directly or indirectly has control. Entities and unincorporated arrangements over which Shell has joint control are generally referred to as "joint ventures" and "joint operations" respectively. Entities over which Shell has significant influence but neither control nor joint control are referred to as "associates". The term "Shell interest" is used for convenience to indicate the direct and/or indirect ownership interest held by Shell in a venture, partnership or company, after exclusion of all third-party interest.

All references to the "Government" are to the national, local and all other instrumentalities of the government of the Philippines.

This Report contains forward looking statements concerning the financial condition, results of operations and businesses of PSPC. All statements other than statements of historical fact are, or may be deemed, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ

materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Royal Dutch Shell to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "goals", "intend", "may", "objectives", "outlook", "plan", "probably", "project", "risks", "schedule", "seek", "should", "target", "will" and similar terms and phrases. There are a number of factors that could affect the future operations of Royal Dutch Shell and could cause those results to differ materially from those expressed in the forward-looking statements included in this Report, including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for Shell's products; (c) currency fluctuations; (d) drilling and production results; (e) reserves estimates; (f) loss of market share and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, fiscal and regulatory developments including regulatory measures addressing climate change; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; and (m) changes in trading conditions. No assurance is provided that future dividend payments will match or exceed previous dividend payments. All forward-looking statements contained in this Report are expressly qualified in their entirety by the disclaimer contained or referred to herein. Audience should not place undue reliance on forward-looking

statements. Additional risk factors that may affect future results are contained in Pilipinas Shell Annual Report for the year ended 31 December 2019 (available at <https://www.shell.com.ph/> and <https://edge.pse.com.ph/financialReports/form.do>). These risk factors also expressly qualify all forward-looking statements contained in this Report and should be considered by the audience. Each forward-looking statement speaks only as of the date of this Annual Stockholders' Meeting, 12 May 2020. Neither PSPC nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this Report.

In this Report, we may refer to "GHG emissions" and "emissions" which include Pilipinas Shell's carbon emissions from the production of our energy products, our suppliers' carbon emissions in supplying energy for that production and our customers' carbon emissions associated with their use of the energy products we sell. Pilipinas Shell only controls its own emissions but, to support society in achieving the Paris Agreement goals, we aim to help and influence such suppliers and consumers to likewise lower their emissions. The use of the terminologies "GHG emissions" and "emissions" is for convenience only and not intended to suggest these emissions are those of Pilipinas Shell or Shell and its subsidiaries.

This Report may contain references to Shell's website. These references are for the audience's convenience only. Shell is not incorporating by reference any information posted on [www.shell.com](http://www.shell.com).



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## Introduction from the Chairman

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Welcome to Pilipinas Shell's Annual and Sustainability Report for 2019. This report details how Pilipinas Shell continues to deliver value to our stakeholders as we mark 105 years of fueling progress for the Filipino.

Growth slightly moderated in 2019 as the Philippine economy increased by 5.9 percent year-on-year, compared to a 6.2 percent expansion in 2018. Investment slowed, but the economy remained to be one of the more robust in the region. Furthermore, 2019 continued the upward trend in energy demand in response to the continued growth in the industrial, commercial, and domestic sectors of the country. Meanwhile, motorization rate also remains lower in the country compared to ASEAN countries, which represents opportunities for the Company. All these, together with the country's attractive demographics, continue to make the Philippines an appealing market where we want to invest and grow.

As we prepare this report, the world faces an unprecedented global crisis with the outbreak of the COVID-19 pandemic. As the disease spreads and strict measures are imposed to contain it, the economy of the Philippines, and of the region, are poised to weaken, considering our deep integration with the global economy through tourism, trade, and remittances. In parallel, oil prices saw extremely high volatility due to prolonged negotiations between OPEC, Russia, and other oil-producing nations to cut supply in the light of demand destruction from travel restrictions set by most countries to contain the pandemic outbreak.



As an energy company with 105 years of experience in doing business in the Philippines, Pilipinas Shell is well-positioned to support the country's growth recovery by addressing its evolving need for energy. Shell's ambition to become a world-class investment case, to thrive in the energy transition, and to maintain a strong societal license to operate means that we will continue to transform the ways we deliver value in the future. The Company has a strong track record of delivery through our 105 years of change and reinventing ourselves in the country: whether it's the fuel that we produce at our refinery and distribute through retail stations, or the technical expertise and positive energy that we bring to our everyday work and to our partnerships.

As the world evolves, so do we. However, our commitment to the Philippines, and our social contract with our host communities, remain the same if not stronger. Through the years, we have stood by our values of integrity, honesty, and respect for people. These values, together with our business principles, and our Code of Conduct, guide the way we do business.

I assumed the chairmanship of the Board of Directors of Pilipinas Shell in 2017, during the early phase of Pilipinas Shell being a listed company. It was also the year we crafted and published Pilipinas Shell's very first Annual and Sustainability Report. But even before Pilipinas Shell started reporting on our sustainability initiatives publicly, the Company had already been closely monitoring safety and health statistics, and energy consumption intensity. We had already laid the foundations of a sustainability practice. Today, we mark four years of consistent, balanced, and comprehensive reporting of both our financial and sustainability disclosures.

As a Thai national and a non-executive member of the Board, my vantage point, in most cases, has been based on my global industry experience as well as a learning lens. Given my retirement at the end of 2019 from the Shell Group after 34 years of service, 2019 is my third and final year as Chairman of Pilipinas


Shell; I consider myself fortunate to have worked with colleagues who are just as curious and as determined to turn tough challenges into new possibilities as I am.

Together, we saw Pilipinas Shell through the compliance to cleaner-burning Euro IV (PH) fuels, the launch of locally produced bitumen, and the groundbreaking of our integrated energy system that will further improve the profitability and reduce the carbon footprint of our Tabangao Refinery, amongst other milestones. Recently, we also introduced renewable energy in the power mix of our retail stations, which will help us move toward further reducing our carbon footprint in our distribution channels. In the coming years, Pilipinas Shell will continue to shape the future of energy through smarter products, smarter usage, and smarter infrastructure, always with a customer-centric lens. I can say with great confidence that our customers can count on Pilipinas Shell's products and services, now and in the future. You are in capable hands: Filipinos can count on the expertise and the heart of Pilipinas Shell's people.

While the COVID-19 pandemic will severely impact the local and global economy in 2020, I know from experience that out of every crisis, new opportunities will emerge, and we will bounce back stronger than ever. In the meantime, it is important that all of us, in everything we do, put highest priority on health, safety, and the well-being of people and communities where we operate.

Finally, I wish everyone good health and great success in the future. It was a great privilege and honor to have served as your Chairman of the Board of Directors these past three years.

Thank you.

  
Arda Harinsuit  
Chairman of the Board (2017-2019)  
Pilipinas Shell Petroleum Corporation

# About this Report

This is the fourth Annual and Sustainability Report (ASR) of Pilipinas Shell Petroleum Corporation ("Pilipinas Shell," "PSPC," "the Company"). It immediately follows the ASR 2018, titled "Values that Drive Us: Uplifting Lives, Powering Progress," published in May 2019.

This ASR covers Pilipinas Shell's environmental, social, safety, governance, and financial performance in 2019. In terms of scope and boundary, the report covers only the activities and impacts of Pilipinas Shell and does not extend to the activities of third-party suppliers and contractors.

This report has been prepared in accordance with the GRI Standards: Core option. As an added measure, the report follows the industry sector-specific GRI-G4 Oil and Gas Disclosures. The report also complies with the Sustainability Reporting Guidelines for Publicly Listed Companies of the Philippine Securities and Exchange Commission (SEC).

## REPORTING FRAMEWORK

GRI Standards

## REPORTING PERIOD

January 1 to December 31, 2019

## REPORTING CYCLE

Annual

## REPORTING SCOPE

Pilipinas Shell Petroleum Corporation

## FOR COMMENTS AND QUERIES, CONTACT US AT:

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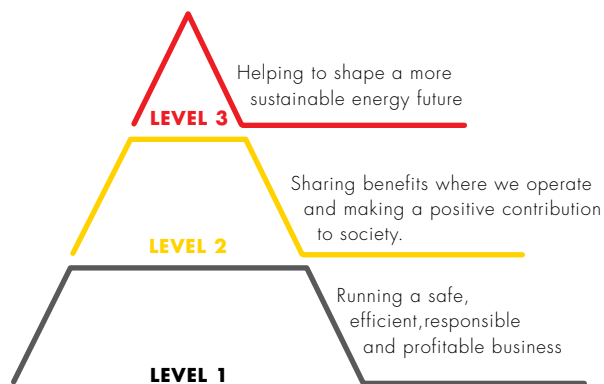
# Our Approach to Sustainability

Sustainability reporting is an expression of our commitment to sustainable development.

As such, Pilipinas Shell believes that a sustainability strategy must be integrated with the business strategy.

## Sustainability Framework

Our sustainability framework is three-tiered:



Sustainability at Shell means providing more and cleaner energy solutions in a responsible way, that balances short-term and long-term interests, and that integrates economic, environmental and social considerations into decision-making.

Throughout, the Company strives to work together with various stakeholders to achieve shared sustainability goals.



## Support for International Agreements

Pilipinas Shell is a founding member of the United Nations (UN) Global Compact Network Philippines (GCNP). As such, the Company upholds the Ten Principles on human rights, labor rights, anti-corruption, and environmental protection.

We welcome the UN's Sustainable Development Goals (SDGs), which seek to tackle the world's economic, social and environmental challenges by 2030. We strive to aid governments and society to achieve these SDGs.

We also respect human rights as set out in the UN Universal Declaration of Human Rights and the International Labour Organization's core conventions.

Finally, we support the goals of the UN Paris Agreement on climate change of which the Philippine government is a signatory, and which aims to limit the rise in global average temperatures in this century to well below two degrees Celsius above pre-industrial levels.



17 PARTNERSHIPS  
FOR THE GOALS



## Pilipinas Shell supports sustainability summit

Pilipinas Shell supported the UN Global Compact-GRI Sustainability Summit 2019, which emphasized the role of the UNGC in driving partnerships in the UN Sustainability Development Goals (SDGs) and the importance of sustainability reporting in achieving the SDG objectives.

The Summit, with the theme “Empowering Corporate Action through the SDGs,” was held on August 20, 2019. The event gathered around 300 CEOs, sustainability innovators, experts, and reporters from the business sector, civil society, government regulatory bodies, and development partners.

Pilipinas Shell President and Chief Executive Officer Cesar G. Romero took part as a panel speaker in the CEO Circle SDG Forum. His speech, “The Role of Business Leaders in Driving Sustainability,” discussed Pilipinas Shell’s 105-year stay in the Philippines; moreover, that it is an established partner in nation-building, and an active participant in the transition into more sustainable energy.

Romero concluded his speech with a call for collective action: “Consumers need to use resources more efficiently, businesses need to think more innovatively and invest in more sustainable initiatives, governments need to set the right policy environment—all these take personal leadership but more so, active multisectoral collaboration to ensure the future of our planet.”

The UNGC is the largest sustainability movement for business, with over 9,000 companies in more than 160 countries, plus more than 70 networks worldwide. The Global Company Network Philippines was launched in 2016 with Pilipinas Shell as a founding member. It has initiated several strategic partnerships with a range of stakeholders to drive the imperative of “making global goals local business” in the country.

## How We Report

Guided by the GRI Standards, we follow these steps in reporting for the 2019 ASR:

- 1 **Consultations and Alignment**  
with the Company’s business unit heads on stakeholder concerns and the accomplishments of the Company for the reporting period;
- 2 **Stakeholder Review and Materiality Assessment**  
based on feedback from stakeholders via existing engagement mechanisms, and narrowing of material topics;
- 3 **Data Gathering and Review**  
where subject matter experts in Pilipinas Shell are asked to answer data templates and invited for one-on-one interviews to contextualize the data;
- 4 **Writing and Evaluation**  
where the manuscript draft undergoes internal revisions, and review by and approval from the business representatives and business unit heads;
- 5 **Layout and Final Review**  
where the manuscript is laid out and subjected to final approvals before printing; and
- 6 **Publishing and Dissemination**  
where the printed and digital copies of the ASR are distributed to shareholders and other stakeholders, during the Annual Stakeholders’ Meeting and other engagements.

By undergoing this process, we ensure completeness, accuracy, balance, clarity, comparability, reliability and timeliness of the contents of this report.

Involving internal and external stakeholders in this process also assures stakeholder inclusiveness and materiality of the topics, within the greater sustainability context.

# What Matters to our Stakeholders and Our Business

For the past 105 years, Pilipinas Shell has operated in alignment with our core values of honesty, integrity, respect for people. These, and the Shell General Business Principles, continue to guide how we communicate with, and address the needs of, our stakeholders, namely:

## Customers



- Customer feedback mechanisms (i.e. Voice of the Customer survey among other surveys, tenders, visits, research data)
- 24/7 customer service call center

## Business Partners



- Supplier Quality Assessments feedback
- Business reviews
- Day-to-Day operation logs

## Employees



- Annual Shell People Survey
- Voice of Territory Managers
- Voice of District Managers
- Voice of Retail Service Champions
- Quarterly town hall meetings

## Society



### Government and Communities

- Community feedback register and mechanisms
- Socio-economic profiling surveys
- Community dialogue and town hall meetings (Ugnayan sa Barangay)
- Community bulletins
- Community programs

## Shareholders



- Investors' conferences
- Quarterly analysts' and investors' briefings
- Annual Stockholders' Meeting
- One-on-one meetings

Since 2016, we at Pilipinas Shell has reported on our sustainability performance in compliance with the GRI framework. This helps us meet the growing demand for information on sustainability from regulators, industry peers and watchers, as well as from investors and customers.

Through our report, we communicate the sustainability concerns most relevant to our stakeholders. We have established channels for regular feedback and engagement with our stakeholders, and insights gained from these are key to our reporting process.

This year, we reviewed stakeholder concerns raised through engagement channels across our business units. These concerns were reviewed by our ASR committee, which is composed of the Company's Vice President for Finance and Treasurer, Vice President for External Relations and Government Relations, and Corporate Secretary and Managing Counsel.

Stakeholder concerns and expectations, together with the trends in the energy industry, and our own sustainability scorecard, were factors that informed our materiality assessment.

# Stakeholder Concerns Review and Materiality Assessment

Material Topics	Stakeholder Concerns	
Corporate Governance and Transparency	Compliance with relevant laws, rules, and regulations	
Economic Performance	Financial profitability Profit resilience	Strategy and growth targets Competitive market conditions
Supply Chain Management	Supply reliability and security Accurate supply chain forecasting Ease of doing business	Safety and logistics Timely payment of vendors Shifts in government regulations
Asset Integrity and Process Safety	Safety and security of assets, facilities, and operations	Fire prevention and risk management
Environmental Impact	Water use and effluents Energy consumption Emissions, oil spill and waste management	Climate change Odor and noise
Employee management	Human resource management and policies Job security Labor management relations	Diversity and inclusion Occupational health and safety
Local content	Employment for local communities in the areas where Pilipinas Shell operates	Talent development and training
Impact of operations on communities including local government units	Operational footprint (social and environmental impact of operations on communities)	Road safety and traffic risks Payments to government
Social investment	Social investment programs	Disaster risk responsiveness of communities
Product development and innovation	Adherence and compliance to Philippine National Standards for fuels Product innovations Product quality and assurance	New and cleaner energy solutions Convenient access to healthy and affordable food choices Marketing initiatives
Customer service	Quality of service High-quality after-sales services	Data privacy
Promotion of sustainable development	Promotion of sustainable practices Environmental compliance	Multi-stakeholder partnerships and government relations



A photograph of a Shell gas station with several fuel pumps. The pumps are labeled with 'Shell V-Power', 'Shell FuelSave', and 'Shell V-Power'. The background is a bright yellow rectangle.

# About Pilipinas Shell Petroleum Corporation

Pilipinas Shell Petroleum Corporation is an integrated fuel refining and marketing (R&M) company in the Philippines. We represent the downstream operations of the Shell companies in the Philippines (SciP), a network of companies involved in oil and gas exploration, refining, distribution, marketing, and other services. SciP is part of Royal Dutch Shell plc (Shell), a global group of energy and petrochemicals companies operating in over 70 countries.

At Pilipinas Shell, we produce, import, blend, transport, distribute, and market a wide range of high-quality fuels, lubricants, bitumen, and other specialty oil-based products. Our retail network continues to expand, with 1,126 service stations as of December 31, 2019 catering to motorists nationwide. We also provide non-fuel retail offerings through our service centers and convenience stores (Shell Select, deli2go).

We have a robust and efficient distribution network composed of the Tabangao Refinery ("the Refinery"), 24 fuel terminals and supply points, 10 lubricant warehouses, and two bitumen production and import facilities. In 2018, our bitumen production facility began operating in the Refinery, serving both domestic and international demand.

By end 2019, Pilipinas Shell had produced the first batch of low-sulfur fuel oil (LSFO) to address the full requirements of International Maritime Organization (IMO) 2020 ruling, which prohibits ships from using fuels containing more than 0.5% sulfur.

## HEAD OFFICE

41st Floor, The Finance Centre  
26th Street corner 9th Avenue,  
Bonifacio Global City (BGC),  
Barangay Fort Bonifacio,  
Taguig City 1635



## History & Ownership

Pilipinas Shell traces its roots to Asiatic Petroleum Company (Philippine Islands) Ltd., an importer and retailer of motor gasoline and kerosene. The Company underwent several structural and name changes, culminating as Pilipinas Shell Petroleum Corporation in 1973. Today, Pilipinas Shell is one of the leading oil refining and marketing companies in the country.

## A Legacy of Sustainable Partnership

**1914**

Imports and markets motor gasoline and kerosene as Asiatic Petroleum Company (Philippine Islands), Ltd.



**1951**

Establishes the National Students Art Competition (NSAC). Since then, four winners of NSAC have been named as National Artists: Jose Joya, Federico Aguilar Alcuaz, Ang Kiu Kok, and Benedicto Cabrera (BenCab).

**1910**

**1960**



**1954**

Opens Manila's most modern gasoline station, the Motor Service Station operated by the Motor Service Company, at 13th Street corner Chicago Street in the Port Area

**1958**

Pilipinas Shell management is transferred to the Philippine Team.

**1962**

Begins commercial operations at Tabangao Refinery, with a nameplate capacity of 30,000 bpd; modernizes and expands refinery in 1995, with a nameplate capacity of 110,000 bpd

**1982**

Founds the Pilipinas Shell Foundation, Inc. (PSFI), which implements our community development programs and serves as the social arm of SciP today.

**2003**

Opens bitumen storage and distribution facility in Villanueva, Misamis Oriental

**2010****1975**

Cesar A. Buenaventura is appointed President of Pilipinas Shell. The first Filipino to reach the number-one position, his appointment is considered a landmark achievement—the ultimate realization of a truly Filipinized Shell Company.

**1993**

Builds the first Shell Select retail outlet at the North Luzon Tollway Shell service station

**2007**

Complies with Biofuels Law. Pilipinas Shell is the first major oil company in the Philippines to launch ethanol blended gasoline, and to have a percentage biodiesel blend in all engine fuels.



## 2014

Celebrates 100th year  
in the Philippines



Partners with the Philippine Postal Corporation (PHLPost) on the issuance of commemorative stamps marking the Company's 100th Anniversary

Becomes the first and only corporation to have its logo printed on the Php100 bill

## 2016



Lists in the Philippine Stock Exchange (PSE) under the stock symbol "SHLPH"

Commences operations at the North Mindanao Import Facility

Certifies all quality fuels as Euro IV (PH) compliant

Publishes first Annual Sustainability Report (ASR)

## 2010

## 2015



## 2015

Completes Tabangao Refinery upgrade for alignment with Euro IV standards

Decommissions and initiates remediation of Pandacan Terminal, in compliance with a rezoning ordinance from the City of Manila



## 2017

Opens 1000th retail station in Laguna

**2018**

Commences Bitumen Production Facility operations at the Refinery. To date, it is the only bitumen production facility in the country.

**2020****2019**

Celebrates 105th anniversary in the country

Completes land remediation of former Shell Depot in Pandacan

Breaks ground for the Integrated Manufacturing Facility at Tabangao Refinery

Breaks ground for the Integrated Energy System at Tabangao Refinery

**2020**

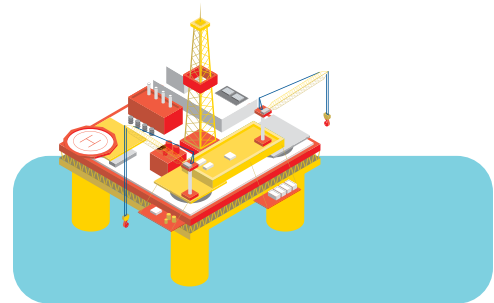
► Pilipinas Shell publishes fourth ASR, 105 years of Energy A Legacy of Sustainable Partnership

## Shell Companies in the Philippines

Pilipinas Shell  
Petroleum Corporation (PSPC)

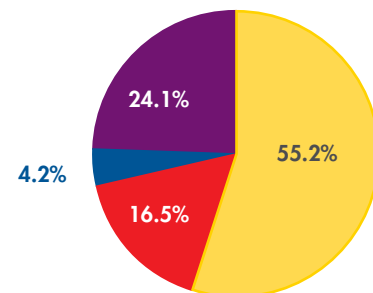
Shell Philippines  
Exploration B.V. (SPEX)

Shell Business Operations – Manila  
(SBO-Manila)



## Shareholdings Structure

As of December 31, 2019, the distribution of Pilipinas Shell's ownership is as follows:



- Shell Overseas Investments B.V.
- The Insular Life Assurance Company, Ltd.
- Spathodea Campanulata, Inc.
- Minority shareholders

## Our Mission

To power progress together with the Filipino by providing more and cleaner energy solutions



## Our Values

We operate our business and maintain ties with business partners according to our values and business principles.

### Our Core Values

Honesty, Integrity, Respect for People

### Our Business Principles

Economic  
Competition  
Business integrity  
Political activities  
Health, safety, security, and the environment (HSSE)  
Local communities  
Communication and engagement  
Compliance

## Our Vision

### A world-class investment

We aim to maximize cash generation while maintaining competitive results built upon a strong financial framework and capital discipline.

### Shared value with society

We aim to be a good neighbor who manages the social impact of our activities and shares wider benefits to society. We aim to deliver energy responsibly and safely, while looking after the welfare of our employees, business partners, customers, local communities, and the environment.

### Trusted partner in nation-building

We aim to be a reliable partner in nation-building by fulfilling the Company's requirement for sustainable energy products and services.



Please visit <https://pilipinas.shell.com.ph/about-us/what-we-do.html> for more information on our history and values, and how we apply the Shell General Business Principles and Code of Conduct.



## Our Business

Pilipinas Shell refines imported crude oil to produce a wide range of fuel products, which are then moved and marketed to industrial customers and retail consumers.



## Our Business Strategy

- |   |   |  |   |  |   |  |
|---|---|--|---|--|---|--|
| <b>1</b><br>Selectively pursue profitable fuel opportunities. | <b>2</b><br>Maintain reliable and efficient manufacturing operations. | <b>3</b><br>Leverage on supply and distribution flexibility. | <b>4</b><br>Optimize product portfolio and offering to increase customer loyalty. | <b>5</b><br>Capture growth opportunities in non-fuel retail. | <b>6</b><br>Uphold the Shell Group's standards for corporate governance, HSSE matters, and corporate social responsibility. | <b>7</b><br>Continue to focus on world-class talent development. |
|---|---|--|---|--|---|--|

## Our Classes of Business

### Retail

Pilipinas Shell maintains a strong, nationwide retail network that offers high-quality fuels designed for optimal vehicular performance, efficiency, and emissions technology. Recognizing that our customers' needs go beyond fuel, our non-fuel retailing business operates convenience stores and service centers that cater to motorists' need for food products and maintenance services such as oil change and repair.

### Commercial Business

Our business includes wholesale commercial fuels, aviation fuel, lubricants, and bitumen. As to the latter, Pilipinas Shell is the only player in the industry that produces and exports locally produced bitumen. Our aviation business, meanwhile, serves Ninoy Aquino International Airport (NAIA) in Manila, Clark International Airport in Pampanga, and Mactan-Cebu International Airport in Cebu. Beyond product differentiation, and competitive customer value propositions, Pilipinas Shell also provides end-to-end technical consulting for our customers.

### Manufacturing

We own and operate the Tabangao Refinery in Batangas City, one of only two such facilities in the Philippines. For over 50 years, the refinery has been producing a wide range of high-quality petroleum products, such as gasoline, jet fuel, kerosene, diesel, fuel oil, liquefied petroleum gas (LPG), and sulfur. The Refinery produces Euro IV (PH) compliant gasoline and diesel, and supplies approximately 70% of Pilipinas Shell's fuel sales.

### Supply and Distribution

Pilipinas Shell operates an integrated supply chain network that encompasses the procurement, import, storage, and distribution of finished petroleum products through different modes of transport, such as vessels and trucks. Our nationwide network includes strategically located fuels storage terminals and supply points, warehouses, and import facilities. Through this integrated network, Pilipinas Shell ensures the safe, timely, and reliable delivery of our products to our customers.

# Our Value Chain



## Our Contribution to the UN SDGs

### Legend

#### Class of Business

- Manufacturing
- Supply and Distribution
- Commercial Business
- Retail

#### Stakeholders



7 9 11  
12 17  
Wholesale  
Commercial  
Fuels

Pilipinas Shell continues to support and contribute to the 17 Sustainable Development Goals (SDGs), the UN's call to action to address shared challenges, including tackling climate change and making cities sustainable. Achieving these global ambitions requires collective action and collaboration across sectors, and we are determined to continue doing our part.



We have diversified our products to include lower-emission biofuels and Euro IV (PH) fuels, as well as low-sulfur fuel oil. Our business seeks to meet today's energy needs, even as we invest in sustainable energy solutions. We promote innovation and benefit from research and development. We upgrade and maintain our infrastructure to be efficient and resilient. Our retail stations and Tabangao Refinery have adopted an increasing mix of renewable solar energy, the effects of which we will study as we continue to monitor the amount of energy we purchase and consume.



Pilipinas Shell provides opportunities for growth and development, not just to our workforce, but also to the local residents within our areas of responsibility. Job postings are disseminated among our host communities. We create initiatives to develop local content, including female workers, through capacity-building and skills development. We strengthen the links between business and education, with our scholars/trainees included among our hiring prospects. We partner with local suppliers and target that they follow the same standards of employment, health and safety, environmental compliance, and business ethics as Pilipinas Shell. Our Shell LiveWIRE projects are also designed to develop local providers who may be incorporated in our supply chain.



We manage the impact of our operations in the Tabangao Refinery, terminals, and depots by complying with environmental regulations and standards for our emissions, waste, and effluents. At Tabangao Refinery, we have laid the foundations for an Integrated Energy System that will further promote efficient energy consumption. We also seek to collaborate in building a response network of stakeholders and communities to address impacts related to climate and natural disasters..



Together with our partners, we implement projects to promote sustainable development. Our social investments are aligned with the global themes of access to energy, community skills and enterprise development, and education focused on science, technology, engineering, and mathematics (STEM). These investments benefit underserved and marginal communities. In times of emergency and calamity, Pilipinas Shell has the capacity to mobilize trained personnel who can contribute to disaster mitigation and relief efforts.

Pilipinas Shell strives to contribute to the UN SDGs throughout our value chain. For more information on the UN SDGs, please visit <https://www.un.org/sustainabledevelopment/sustainable-development-goals>.

## Performance Highlights

### Growing Our Investment



**1,126**  
retail stations



**5 countries**  
for our bitumen exports



**Php219 Billion**  
Economic Value  
Generated



**Php0.7 Billion**  
Cost Savings  
from Tabangao Refinery

### Putting People First



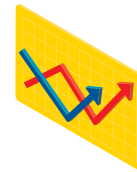
**10.3 million**  
total recordable cases free  
man-hours



**48% female leaders**  
in the frontline  
and operations



**312 Shell ACTS  
Volunteers**



**95% response rate**  
to Shell People Survey,  
with all scores above  
the top quartile benchmark

### Uplifting the Nation



**12.5 million**  
**beneficiaries**  
for Movement Against Malaria



**579**  
**Coconut farmers**  
upskilled and cooperative-trained



**Php3.3 million**  
Investment in NXplorers program  
for high school and college students

# Sustainability Scorecard

	Unit	2015	2016	2017	2018	2019
<b>ECONOMIC</b>						
Value Generated <sup>1</sup>	Php billion	157.3	137.4	171.4	219.5	219.3
Capital Investments	Php billion	5.7	3.3	4.1	4.1	6.2
Value Distributed <sup>2</sup>	Php billion	153.7	133.3	163.7	219.3	213.7
<b>ENVIRONMENT</b>						
Energy Purchased Power	Gigajoules	59,429.7	24,565.0	37,044.1	42,588.0	30,030.2
Greenhouse Gas Direct GHG Emissions	Tons CO <sub>2</sub> e	357,563.0	345,448.7	322,851.3	369,210.8	341,033.1
Indirect GHG Emissions	Tons CO <sub>2</sub> e	5,082.0	2,083.1	3,120.4	3,566.6	3,037.8
Water Total Freshwater Withdrawn	Million cubic meters	1.8	1.9	2.0	1.9	1.9
Waste <sup>3</sup> Hazardous waste generated and disposed	Tons	38,988.2	861.9	1,037.3	654.0	409.2
Waste Oil Recovery	Tons			3,691.8	462.0	820.0
Non-hazardous waste generated and disposed	Tons	127.6	139.8	93.1	1835.7	207.5
<b>SOCIAL</b>						
Total Employees		756	698	706	703	707
Male		533	470	459	453	461
Female		223	228	247	250	246
Total Community Investment	Php million	27.2	119.3	41.8	31.0	50.0

<sup>1</sup> Economic Value Generated refers to revenue from net sales (gross sales from products and services minus discounts and rebates) and other income of Pilipinas Shell.

<sup>2</sup> Economic Value Distributed includes operating costs, employee wages and benefits, payments to capital providers, payments to the national government, community investments, etc.  
[Formula: Economic Value Generated - Economic Value Distributed = Economic Value Retained]

<sup>3</sup> Hazardous and non-hazardous waste reported is for the whole downstream business.



# Awards



Pilipinas Shell team at the Anvil Awarding Ceremony

## Silver Anvil - PR Tools

### 55th Anvil Awards

Awarded for the Company's third Sustainability Report, "Values That Drive Us: Uplifting Lives, Powering Progress." The Anvil Awards, presented annually by the Public Relations Society of the Philippines, honors exemplary contributions to the public relations profession.

## The Gold Standard for Reporting and Accountability

### The 2019 Gold Standard Awards

The Company won this award for the 2018 ASR, "Values That Drive Us." The Gold Standard Awards is managed by PublicAffairsAsia, a network for senior government relations, corporate affairs, and corporate communications professionals across the Asia-Pacific.

## Award of Merit - SPI Industrial Safe Man-Hours Recognition

### Safety Organization of the Philippines, Inc. (SOPI) Awards

Awarded to Shell Aviation for achieving 1,986,5777 Safe Man-Hours without lost-time accident from July 1998 to August 2019. The 52nd National Industrial Safety Conference & International Expo was held in Quezon City on November 29, 2019. This is the eleventh consecutive year that Shell Aviation has received a SOPI Award.

## Goal Zero Double Platinum Award

### Shell Safety Awards

Awarded to Shell Aviation for 10 million man-hours without lost-time incident (LTI) for Manila Airport operations at the Joint Oil Companies Aviation Fuel Storage Plant (JOCASP).

## Marketing Campaign of the Year – Automotive Aftermarket

### Stevie Awards (American Business Awards organization)

A Gold Stevie Award went to Pilipinas Shell's "Women! Drive the Future," an integrated digital and public relations campaign recognizing women drivers and breaking the stigma for women on the road. The Stevie Awards 2019, which honors excellent and positive contributions of business organizations worldwide, was held in Vienna, Austria on October 20, 2019.

## Top Fleet Solutions Business Manager in Asia, Fleet Solutions Account Manager in Asia, and Best Collaboration Award

### Global Retail Awards

Pilipinas Shell won three distinctions for exceptional sales performance by a manager, three account managers, and a team who customized a new lubricants and maintenance offer for B2B customers. Global Retail Awards 2019 was held in Sydney, Australia last June 2019.

## Silver Award - Mobile Strategy

### Tangrams Asia Strategy and Effectiveness Awards 2019

A partnership between Pilipinas Shell and Domex, the "Domex Certified Clean Toilets" campaign, won a Silver Award at Spikes Asia Festival of Creativity in Singapore, on September 27, 2019. The campaign creatively tagged Shell retail stations with clean toilets for the benefit of motorists during Undas 2018. Tangrams, a collaboration between Ascential Events (Europe) Limited and Haymarket Media Group, awards outstanding campaigns with a proven impact on businesses.

## Wellness Hub Transformation: From Transactional to Holistic Care

### Best Practices on Building and Sustaining Health and Wellness in the Workplace

Pilipinas Shell's Health Division presented their technical paper on building and sustaining health and wellness in the workplace, which was considered a best practice at the Asia Pacific Health, Safety, Security, Environment and Social Responsibility Symposium, at the SPE Regional Conference in Kuala Lumpur, Malaysia on April 23, 2019.

## Societal License to Operate Award Category

### 1st Global Health Awards

Awarded to Pilipinas Shell's Health Division for its entry, "Societal License to Operate: HIV and AIDS Program, Test of Care," at the 1st Global Health Awards held in the Netherlands on June 16, 2019.



## Message from the President & CEO

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We celebrate 105 years of Pilipinas Shell in the Philippines, not only as a milestone year, but equally as proof of the Company's capabilities, and commitment to the country. It is seeing our purpose "to power progress together with the Filipino by providing more and cleaner energy solutions" in action.

It is not by chance that Pilipinas Shell is the oldest energy company in the Philippines. This report, "105 Years of Energy, A Legacy of Sustainable Partnership," illustrates our consistent and strategic approach to sustainability from day one. Sustainability in Pilipinas Shell is deeply rooted in three factors: to become – and remain – a world-class investment, to thrive through the transition to lower-carbon energy, and to be a responsible partner of the Philippines in nation building.

### Getting the basics right

Being a world-class investment means maximizing cash generation at competitive returns for our shareholders, built upon a strong financial framework, capital discipline, and strong corporate governance. This requires getting the basics right as we push for integration and optimization at the same time.

We commit to respond to the evolving energy needs of our customers, both in product and in services. It is not just about what we deliver; but how we deliver. We strive to produce and deliver energy responsibly – in a way that respects people's dignity, safeguards

their well-being, and protects their environment. We employ global standards in managing health, safety, and the environment. We also engage the communities, and stakeholders we work with, to continuously improve our performance.

Our strategy is designed to reinforce our position as a leading energy company that adapts and evolves as the Philippines' energy system transforms. This strategy sustained us for the last 105 years. In 2019, this responsiveness to the operating environment enabled Pilipinas Shell's to post double-digit earnings growth despite low regional refining margins and higher excise taxes for our products.

Our marketing business is very strong. In 2019, we grew our retail network to 1,126 stations nationwide. We also maintained a world class premium fuel penetration of 27%, one of the highest in the Shell Group. We opened 13 Select, 7 deli2go, and 39 Shell Helix Oil Change+ (SHOC+) and Helix Service Centers (HSC) during the year as our non-fuels retail segment grew by 15% versus the prior year.

Meanwhile, the Company's commercial segment, which covers lubricants, bitumen, aviation and commercial fuels, posted an overall volume growth of 9%. Our Lubricants business delivered volume growth – with Shell Advance, Shell Helix and Shell Rimula emerging as the most preferred brands in the market. Bitumen and aviation grew their margins significantly compared to 2018. We reaped the benefits of our investment in the bitumen production facility in Tabangao – the only one of its kind in the country – in its first year of operation. Pilipinas Shell also exported bitumen to five countries in 2019.

Amidst the challenges from the low regional refining environment, our Tabangao Refinery undertook self-help measures and delivered close to Php700 million in structural cost savings, surpassing initial targets.

## Shaping a more sustainable energy future

Our country's energy system is gradually evolving. And throughout our 105 years of existence in the Philippines, we are proud to have been part of life's journeys – delivering energy products that Filipinos need and want – and doing this responsibly and safely to help shape a more sustainable energy future.

Leading in the energy transition means having the flexibility to deploy cleaner, convenient, and competitive energy, depending on what a country needs. You will recall that Pilipinas Shell was an early adopter of Euro IV-PH fuels. We were also among the first to make biofuels from sustainable sources. We already have a reliable partner in and strong ties to local coconut farmers, through our Project Coconut initiative. We also recently broke ground in the construction of the first industrial-scale solar farm located at our oil refinery, considered as one of the largest in Southeast Asia.

In 2019, Pilipinas Shell became the first company to introduce eco-friendly bitumen, Bitumen FreshAir, in the country. Bitumen FreshAir is a market-tested product that inhibits the chemical compounds that are the sources of gases, particulates, and odor-releasing molecules. This inhibiting effect, which can last up to two weeks after paving, benefits both the asphaltting crew and the community.

Our product portfolio continues to evolve with the times. We develop product innovations that are future-fluent and have long-term benefits for society at large. We revolutionize the energy industry landscape by developing and introducing differentiated products – from high performance, energy-efficient fuels to high-efficiency lubricants to eco-friendly bitumen. We are helping our community with their energy transition by consistently giving them high-quality, on-grade, and on-spec products.

## Creating and sharing value

We continue to be a good neighbor by improving the living conditions of the communities where we operate, by providing access to energy, opportunities for livelihood, and extending various forms of assistance to the government and to the people during times of crisis like the coronavirus pandemic. Our assistance and donations have gone a long way in protecting thousands of lives, especially the medical frontliners. We energize the communities where we conduct business by creating employment opportunities, paying the correct taxes, and by developing local supply chains.

Our Pilipinas Shell Foundation Inc. (PSFI) has empowered the lives of more than 14 million Filipinos, through several social investment programs that focus on STEM education, community skills, and enterprise development.

The Company has also been leading positive and progressive industry changes. Pilipinas Shell has been working with policy makers that would contribute to a fair and sustainable industry. The Company expresses its full support for the Government's fuel marking program to minimize oil smuggling. Shell's North Mindanao Import Facility and the Tabangao refinery are the first terminal and refinery to undergo fuel marking in Mindanao and in the country, respectively.

## Making our way to the next 105 years

Throughout its 105-year presence in the Philippines, Pilipinas Shell has experienced its share of regional economic crises, socio-political disruptions, and industrial shifts. Change is constant; but our core values in doing business has remained consistent through the years. Our responsibility to our various

stakeholders, including our commitment to sustainability will always remain.


In this report you will find details of the actions we are taking to operate safely, to respect the environment, and to work closely with communities. We will also share our drive to further strengthen our solid financial foundations to help us navigate through the next 105 years.

We are diversifying the way we produce and consume energy. We have incorporated cleaner energy solutions in our facilities, including solar panels in our retail stations, and natural gas at the refinery. Our latest project is the construction of an Integrated Energy System in Tabangao that will enable us to harness both solar and natural gas, and to store energy through a battery system. This project, upon completion, is expected to reduce our carbon footprint equivalent to planting half a million trees.

Since 2017, we have also expanded our carbon sink management program in Tabangao, which allows us to offset some of our emissions, by sequestering carbon from the atmosphere. Additionally, we are part of a product chain that transforms byproducts such as sulfur and carbon dioxide, into input products used by other industries.

The future of energy is still very much evolving, and it is therefore imperative that we lay down today the foundations for a resilient, adaptive, and future-ready business and organization.

Let's continue powering progress together for the next 105 years to come.



**Cesar G. Romero**  
President and CEO  
Pilipinas Shell Petroleum Corporation





## Report from the CFO

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2019 marks the 105th year of Pilipinas Shell in the country. This year also posted the most challenges and changes both from a market and regulatory perspective. Continuing depressed regional refining margins, application of the second tranche of excise taxes on petroleum products, and fuels marking implementation, among others, distinguish the year. Nonetheless, our business remains fundamentally strong and sustainable as our marketing businesses delivered higher volumes and profits while our Refinery and supply chain achieved ambitious cost targets.

Retail delivered higher volumes and sustained high premium fuel penetration attributable to its strong brand share of preference and targeted marketing efforts. Non-fuels retailing still continues to enjoy double-digit growth as we focus on customer-centricity. Additionally, all commercial segments posted volume growth in 2019. While the Refinery experienced depressed refining margins, it developed the flexibility to produce low-sulfur fuel oil, which yields higher margins than high-sulfur fuel oil, in response to International Maritime Organization (IMO) 2020 implementation.

All these integrated efforts allowed us to deliver better financial metrics both in the strength of our balance sheet and earnings versus our competitors. As such, despite the challenges and changes in 2019, Pilipinas Shell managed to generate post-tax net earnings of Php5.6 billion, a remarkable 11% increase versus previous year.

And with the fuels marking program of the government underway, we can expect that any dent made on the illicit trade of petroleum products will increase the revenues of both the government and legitimate players such as Shell.

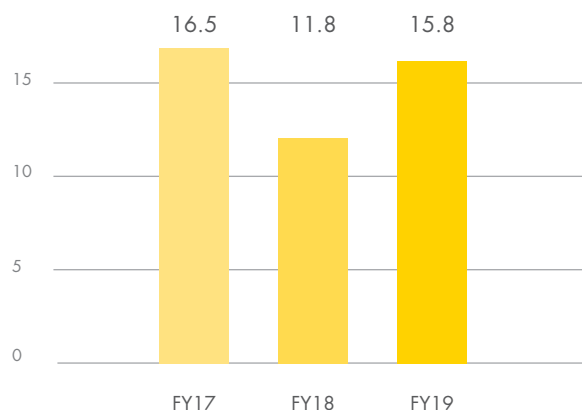
Our business remains fundamentally strong and sustainable as our marketing businesses delivered higher volumes and profits.

## Strong Cash Generation

The Company continues to generate strong cash flow from operations with Php7 billion in 2019. Excluding working capital movements, this stands at Php15.8 billion or a more than 30% increase versus previous year. Removing the impact of timing of working capital requirements, our cash generation is still sufficient to cover our capital investments of Php6 billion and dividends declared of Php4.8 billion.

We paid Php3 dividend per share or 95% of our FY2018 earnings in 2019. Through this, we hope our shareholders and investors appreciate that they can expect a relatively stable dividend stream from our stock despite market volatilities.

### Cash Flow from Operations (in Php billion)



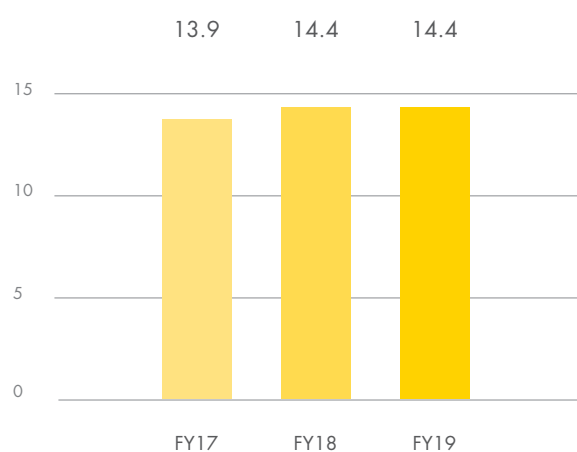
Note: Excluding Working Capital

## Prudent Cost Management

Despite the growing marketing businesses and higher depreciation from the implementation of International Financial Reporting Standards (IFRS) 16, the company continues to focus on being efficient in its operating expenses. In 2019, our selling, general and administrative expenses remained relatively flat versus the previous year.

Logistics and storage costs decreased 15%, as we improved the cost competitiveness of the Tabangao Refinery and implemented efficiencies in our supply chain. I am proud to highlight that our Tabangao Refinery delivered structural operating expense and capital investment savings of more than half a billion pesos in 2019. Finally, while we have launched significant marketing campaigns for fuels and lubricants, advertising costs decreased by 14% versus 2018.

### Operating Expenses (in Php billion)



## Disciplined Capital Allocation

We continue to deliver an industry-leading return on average capital employed and maintain a healthy balance sheet. In 2019, Return on Average Capital Employed (ROACE) increased to 16% and while we obtained higher levels of bridge financing for working capital requirements, our gearing ratio remained low at 26%.

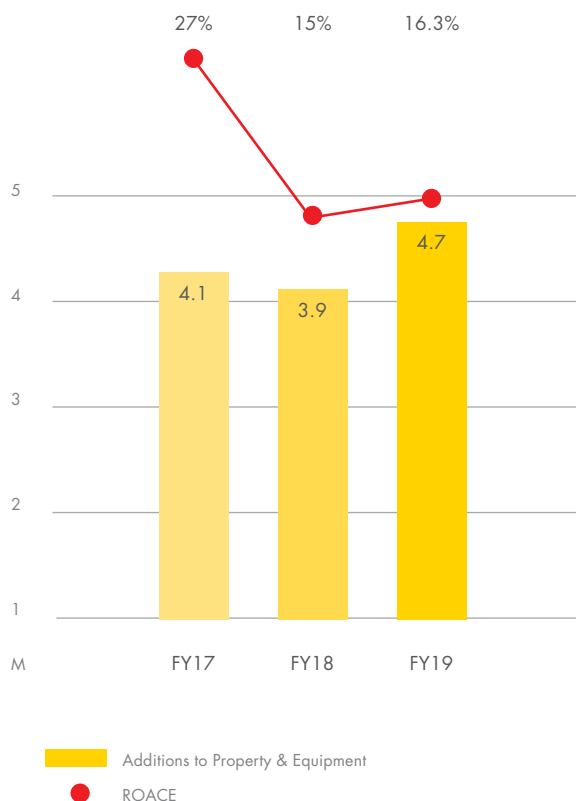
We delivered the Php6 billion capital investments we committed at the beginning of the year. Retail accomplished its committed expansions with 53 new sites, 13 Select Shops, 7 deli2go and 39 Shell Helix Oil Change+ (SHOC+) and Helix Service Centers (HSC).

Focusing on further growth and sustainability, groundbreaking activities were held for Tabangao's Integrated Hydrogen Manufacturing Facility and Integrated Energy System projects (solar panels plus battery system) which, once delivered, will set us up for increased competitiveness.

Our bitumen production investment has enabled us to more than double the profitability of our bitumen sales, as it lowered our costs and even allowed us to export to five countries since the start of its operations in 2018.

For 2020, underpinned by our foundation of values and strong corporate governance, investors and stakeholders can depend on us to consistently deliver on our strategy to make Pilipinas Shell a world-class investment case.

Additions to Property & Equipment and Return on Average Capital Employed (ROACE)



**Jose Jerome R. Pascual III**  
Chief Financial Officer  
Pilipinas Shell Petroleum Corporation

# Financial Highlights

## Summary Statement of Financial Position

For the year ended December 31

(in Php million)	2019	2018	2017	2016
Current assets	47,469.4	40,778.6	45,876.3	38,856.3
Non-current assets	55,450.1	39,387.8	36,000.7	31,752.9
Total assets	102,919.5	80,166.4	81,877.0	70,609.2
Current liabilities	39,453.2	28,456.8	31,235.0	22,400.8
Non-current liabilities	23,638.0	12,737.8	8,506.6	15,280.1
Total liabilities	63,091.2	41,194.6	39,741.6	37,680.9
Total equity	39,828.3	38,971.8	42,135.4	32,928.3
Total liabilities and equity	102,919.5	80,166.4	81,877.0	70,609.2

## Summary Statement of Income

For the year ended December 31

(in Php million)	2019	2018	2017	2016
Gross sales	224,288.6	223,817.7	174,470.2	142,075.4
Sales discounts and rebates	-5,885.6	-4,949.0	-4,994.4	-5,312.1
Net sales	218,403.0	218,868.7	169,475.8	136,763.3
Cost of sales	-194,952.7	-196,573.9	-143,070.6	-112,461.5
Gross profit (loss)	23,450.3	22,294.8	26,405.2	24,301.8
Operating expenses	-14,448.6	-14,386.6	-13,860.1	-13,063.1
Other operating income, net	388.4	583.9	489.4	470.7
Income (loss) from operations	9,390.1	8,492.1	13,034.5	11,709.4
Income (loss) before income tax	8,021.2	7,292.1	13,760.2	10,828.1
Profit (loss) for the year/period	5,621.2	5,076.3	10,368.2	7,443.8



## Summary Statement of Cash Flows

For the year ended December 31

(in Php million)	2019	2018	2017	2016
Net cash from (used in) operating activities	6,897.2	14,143.6	10,931.4	8,499.6
Net cash used in investing activities	-4,903.3	-4,291.5	-4,539.7	-3,431.0
Net cash from (used in) financing activities	-1,670.1	-11,719.9	-4,468.7	-4,549.0
Net increase (decrease) in cash for the year/period	323.7	-1,867.8	1,923.1	519.6
Cash at the beginning of the year/period	4,455.1	6,163.3	4,274.3	3,576.8
Cash at the end of the year/period	4,778.9	4,455.1	6,163.3	4,274.3

## EBITDA

For the year ended December 31

(in Php million)	2019	2018	2017	2016
Profit (loss) for the year/period	5,621.2	5,076.3	10,368.2	7,443.8
EBITDA	13,331.0	9,988.6	16,291.5	13,166.0
Less: Cost of Sales Adjustment (COSA) <sup>1</sup>	1,941.0	-56.9	4,203.2	3,027.8
EBITDA (adjusted for COSA)	11,390.0	10,045.6	12,088.3	10,138.2

## Key financial ratios

For the year ended December 31

(in Php million)	2019	2018	2017	2016
Current ratio <sup>2</sup>	1.2	1.4	1.5	1.7
Debt to equity ratio <sup>3</sup>	0.4	0.2	0.2	0.4
Debt ratio <sup>4</sup>	0.1	0.1	0.1	0.2
Return on assets <sup>5</sup>	5.5%	6.3%	12.7%	10.5%
Return on equity <sup>6</sup>	14.3%	13.2%	24.9%	22.9%
Return on average capital employed <sup>7</sup>	16.3%	14.8%	26.9%	24.2%

<sup>1</sup> Cost of Sales Adjustment (COSA) approximates the inventory gains/losses incurred by the company due to crude and oil price fluctuations. Using the first in first out method of accounting, cost of goods sold reflect costs 30 days earlier while revenues reflect current prices. The timing difference creates a significant impact on cost of sales. As a general rule, an increase in crude prices will create an inventory gain while a drop in crude prices will lead to an inventory loss. COSA is removed to reflect the underlying performance of the business. This methodology calculates the cost of goods sold as the monthly average of goods purchased and is consistent with the basis of reporting used by other oil refining groups.

<sup>2</sup> Current ratio is computed by dividing current assets over current liabilities.

<sup>3</sup> Debt to equity ratio is computed by dividing net debt (short-term borrowings and loans payable less cash) by equity (exclusive of other reserves).

<sup>4</sup> Debt ratio is computed as net debt divided by total assets.

<sup>5</sup> Return on assets is computed as profit (loss) for the period divided by total assets.

<sup>6</sup> Return on equity is computed as profit (loss) for the period divided by equity (exclusive of other reserves).

<sup>7</sup> Return on average capital employed is defined as EBIT as a percentage of the average capital employed for the period. Capital employed consists of total equity, short-term borrowings and loans payable. Average capital is calculated as the mean of the opening and closing balances of capital employed for that period.



# Energy Solutions for a Changing World

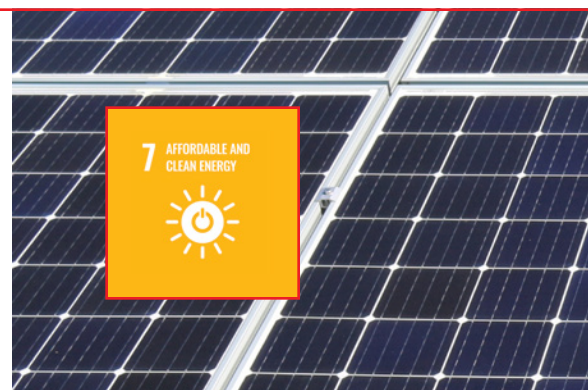


We employ smart energy management strategies at our facilities, including the Tabangao Refinery. We are also working toward further diversifying our energy mix so as to incorporate lower-emission energy sources in our operations.

We aim to comply with all applicable environmental laws and global best practices. We are guided in our activities by the Shell HSSE and Social Performance Control Framework. Embedded in our sustainability strategy is a careful consideration of the potential environmental impact of our activities on fenceline communities during the entire life cycle of a project. Our Goal Zero ambition is to achieve no harm and no leaks across our operations.

The HSSE Core Team and Safety Steering Committee monitor our performance, which is reflected in the HSSE dashboard. Since 2016, we have also been monitoring our performance through the Sustainability Scorecard published in this report. Apart from tracking and monitoring our environmental performance, we also conduct detailed environmental impact assessments and maintain communication channels to ensure that we receive and can respond to community feedback as soon as possible.

# Energy Transition at the Refinery



The Tabangao Refinery uses a mix of locally sourced natural gas and backup Euro IV (PH) diesel fuel. The bulk of the electricity the Refinery uses is self-generated, with excess power being exported to other facilities, including the Tabangao depot, the Refinery residential compound, the Bitumen Import Facility, and Shell Philippines Exploration B.V. (SPEX).



## Energy Consumption

We aim to improve the energy efficiency of our facilities as a means of managing our greenhouse gas emissions. We have installed energy-efficient equipment and strive to make our equipment more reliable through scheduled maintenance activities.

Power Generation, Consumption, and Distribution	Amount (GJ)
Own Energy Generated (Natural Gas & Refinery Diesel Fuel Gas)	6,628,146.37
Electricity Imported <sup>1</sup>	30,030.15
Electricity Exported <sup>2</sup>	15,457.13

Energy-Used	
2016	7,310,587.78
2017	6,531,849.53
2018	7,234,959.14
2019	6,570,836.92

<sup>1</sup> Refers to energy purchased from the national grid

<sup>2</sup> Electricity is sold to the Bitumen Import Facility (BIF), the Tabangao Depot, and some are returned to the National Grid Corporation of the Philippines if there is excess power supply.





The new integrated energy system, which includes solar panels, is expected to produce around 2,400 MWh annually.

## Pilipinas Shell builds foundations for Integrated Energy System

As part of Pilipinas Shell's energy management plan, the Company is constructing an integrated energy system at Tabangao Refinery that will harness solar and natural gas power, while also utilizing a 3MW-hour battery energy storage system (BESS). Upon completion, the Refinery will earn the distinction of being the first oil refinery with an industrial-scale solar farm in the Philippines, and one of the largest battery storage projects in Southeast Asia.

Pilipinas Shell saw an opportunity to create the solar plant on six hectares that used to be the Tabangao golf course. The solar facility can produce 1.8 Megawatt-hours (MWh) of solar power for the Refinery's usage; it will augment 15% of the power needs of non-critical facilities such as the new administration building, and the non-critical pumps.

The integrated energy system is expected to produce approximately 2,400 MWh of electricity, annually, enough energy to power more than 850 homes or, roughly, a barangay. With this, Pilipinas Shell expects to offset 8,760 tons of carbon dioxide annually, equivalent to the effect of more than 500,000 matured trees.

A groundbreaking ceremony at the solar farm site was held in October 2019. This was led by Pilipinas Shell President and CEO Cesar G. Romero and Pilipinas Shell General Manager Jan-Peter Groot Wassink, together with the Department of Energy's Solar Wind Energy Management Division Head Fortunato S. Sibayan, and Batangas Vice Governor Mark Leviste, among other dignitaries.

Construction is ongoing, with the solar power plant expected to be operational by early 2020. The gas-powered turbines designed to export excess capacity, and the battery system that will store generated energy, will be installed by the latter part of the year.

"This integrated solution is the result of a collaboration between Pilipinas Shell and Royal Dutch Shell's (RDS) New Energies business, to showcase Shell's aspiration to thrive in the energy transition, and at the same time demonstrate opportunities to unlock value between conventional and new energy systems," says Romero.

The new integrated energy system at Tabangao Refinery, and the solar panels at Shell retail stations, are concrete examples of Pilipinas Shell incorporating renewable energy in its value chain.



"Pilipinas Shell takes a broad perspective on the energy transition and will deliver commercially viable energy solutions to our own sites. We started in our retail stations, which are being fitted with solar panels and energy-efficient equipment. We are now looking at our other assets and how we can further incorporate renewable energies," adds Romero.

## Emissions

Pilipinas Shell maintains a CO<sub>2</sub> Business Plan that includes an inventory of greenhouse gas (GHG) emissions based on the reporting requirements of the current Performance Monitoring and Reporting (PMR) Specification, in support of the Company's GHG and energy management objectives.

### GHG Emissions (tCO<sub>2</sub>e)

SCOPE	2016	2017	2018	2019
Gross				
Direct (Scope 1) <sup>1</sup>	345,448.7	322,851.3	369,210.8	<b>341,033.1</b>
Gross				
Indirect (Scope 2) <sup>2</sup>	2,083.1	3,120.4	3,566.6	<b>3,037.8</b>

<sup>1</sup> Gross Direct (Scope 1) emissions from stationary combustion sources, flaring, company vehicles, etc. Standards, methodologies, and assumptions used: API Compendium and Shell PMR Guide.

<sup>2</sup> Gross Indirect (Scope 2) emissions accounted from imported electricity. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source: API Compendium and Shell PMR Guide.

### NO<sub>x</sub>, SO<sub>x</sub>, and other significant emissions (tons)

Emissions	2016	2017	2018	2019
NO <sub>x</sub>	1,077.7	1,433.23	932.02	<b>990.32</b>
SO <sub>x</sub>	3,635.3	3,100.64	3,662.84	<b>2,801.08</b>
VOCs	1,038.8	680.08	435.89	<b>453.62</b>

### Flared and vented hydrocarbons (tons)

2019	Total Volume
CO <sub>2</sub> Emissions from Flaring	11,215.07
CH <sub>4</sub> Emissions from Flaring	51.30
CH <sub>4</sub> Emissions from Venting	0.701

Shell's flaring and venting policy, as set out in our Health, Safety, Security, Environment and Social Performance (HSSE&SP) Control Framework, aims to minimize all types of flaring and calls for facilities to meet strict performance criteria. Additionally, as a signatory to the World Bank's "Zero Routine Flaring by 2030" initiative, Shell actively pursues its commitment to eliminate associated gas flaring by that date. We employ continuous emission monitoring systems (CEMS) and work hard to reduce any routine flaring or venting of associated gas at our operations to a level as low as technically and economically feasible.

Pilipinas Shell prefers to utilize non-routine flaring as a safety measure (i.e., safety flaring) during unplanned operational disruptions. Safety flaring is a widely recognized and preferred industry approach to safe operations. This means the Company is able to safely dispose of hydrocarbons that could otherwise pose a hazard to workers, nearby residents, and facility equipment during non-routine occurrences such as start-ups and maintenance turnarounds. The flare itself ensures maximum combustion while minimizing the release of direct hydrocarbon emissions into the atmosphere. On such occasions, we observe all safety precautions and orient the nearby community on what to expect.

## Carbon Sink Management Programme

Pilipinas Shell's Tabangao Refinery is compensating for its greenhouse gas emissions through the Carbon Sink Management Programme (CSMP). Pilipinas Shell Foundation Inc. (PSFI) manages the planting of tree seedlings, and their maintenance and protection until maturation.

Starting in 2017, more than 70 volunteers from Pilipinas Shell, together with local government and community partners, have planted seedlings of endemic and indigenous tree species in Mt. Banahaw, Brgy. Kinabuhayan, Dolores, Quezon, which is under the jurisdiction of the National Power Corporation-Makiling-Banahaw Watershed Management Department. Planted seedlings included 13 tree species: Narra, Anubing, Tu-ay or Tue, Makaasim, Kulalabang, Acacia, Bayanti, Balubo, Bagulayak, Kalumala, Tibule, Paloong Maria, and Amogis.

PSFI and community partners in the Quezon Province plant seedlings as part of the Carbon Sink Management Programme



13 CLIMATE ACTION



Pilipinas Shell started with a planting coverage of 50 hectares, also the requirement stipulated in the Environmental Compliance Certificate issued by the Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB) for the Shell Tabangao Asset Renewal – Tabangao Refinery Euro IV (PH) Compliance (STAR-TREC) project.

A total of 25 residents of Brgy. Kinabuhayan and Brgy. Sta. Lucia were trained in Integrated Farming Bio-Systems; the planting of seedlings, and the maintenance and protection of the trees at the reforestation site provided additional livelihood and employment opportunities to these communities.

By the project's completion in January 2019, Pilipinas Shell and PSFI had exceeded the initial target of 83,000 trees with 91,109 trees planted, covering not just 50 hectares but a total of 86 hectares. Moreover, the project had provided an additional source of income to 35 working residents, most of whom served as forest rangers of the protected area.

Pilipinas Shell and PSFI are currently exploring a possible extension to encompass an additional 25 hectares at the adjacent lot in Kinabuhayan, Dolores.

## Water Consumption

We harvest freshwater from deep wells located around the Tabangao Refinery, for domestic and operational consumption. We also utilize seawater as cooling water. We do not use municipal water. The Refinery has a Water Management Action Plan in place to address potential issues regarding water use. This includes action plans to improve the management of deep wells and the treatment/monitoring of effluent water. To evaluate our environmental compliance, we also conduct Environmental Impact Assessments, which are submitted to the local regulators.

Water Withdrawal	Volume (ML)
Groundwater (Wells)	1,899.41
Seawater	13,140.0
<b>TOTAL</b>	<b>15,039.41</b>

## Effluents & Waste

We follow the standards set by the DENR under Republic Act 9275: Philippine Clean Water Act of 2004 and the DENR Administrative Order No. 2016-08-Water Quality Guidelines and General Effluent Standards. We also use the limits recommended by the HSSE Control Framework. The Refinery conducts weekly and monthly effluent water sampling. Effluent quality parameters are kept within regulatory limits, with Total Oil and Grease remaining below 5ppm. Parameters are tested by a third-party DENR-accredited laboratory, and results reported to DENR on a quarterly basis. In 2019, there were no non-compliances related to exceeding discharge limits. Oil spill contingency plans are also in place to ensure response preparedness in case of an incident. There were also no significant spills<sup>1</sup> for this year.

Water Discharge	Volume (ML)
2019	9,956.5

## Waste by Disposal

We practice waste segregation, recycling, and recovery. We monitor our waste activities at the Refinery and dispose of waste according to local regulatory requirements and the Waste Manual of the Control Framework. In disposing of hazardous waste, we use government-approved disposal sites.

### Hazardous Waste (2019)

Disposal Method	Amount in tons	Waste type
Landfill	409.2	Other hazardous wastes that are disposed via an accredited landfill
Recovery	820.0	Includes: Waste oil from tank maintenance, recovered and sold to a third-party, to be used for cement plant.

### Non-Hazardous Waste (2019)

Landfill	207.5	Industrial wastes like rockwool insulation and polyethylene sheets
Recovery	100.0	Domestic wastes collected by the Materials Recovery Facility (MRF)
Recycling	614.1	Scrap Material collected by the MRF

<sup>1</sup> Based on the GRI Standards 2016, a significant spill is defined as a "spill included in the organization's financial statements, for example due to resulting liabilities, or is recorded as a spill by the organization."

# Innovations for Our Energy Future



View from the top: solar panels installed at a Shell retail station

We differentiate ourselves not just by the quality and diversity of our portfolio, but also by offering technical assistance, among other services, to our customers. We have the capability to adopt existing technology from the global Shell network and adapt it to the needs of the market we serve.

## Precautionary Principle

We assess and manage the risks associated with products throughout the product life cycle and at each stage of the supply chain, in line with relevant standards and external commitments. Prior to launching a technology or product, we conduct laboratory and market trials. Upon commercialization, information needed to understand and manage any potential risks is communicated to employees, contractors, and customers.

## Paving the Way to Cleaner Air and Greener Highways

In 2019, Pilipinas Shell introduced Shell Bitumen FreshAir, a new bitumen product to help reduce the environmental impact of asphalt production and paving on local air quality, in the Philippines. It inhibits emissions at every stage of the asphalt process: from storage to transport, to asphalt mixing at very high temperatures, to compaction and early pavement life.

"Shell is the first major supplier of bitumen to focus on improving air quality during asphalt production and paving," says Janet Z. Marcellana, Shell Specialties Application Advisor. "We saw the need for the product from customers who want to address complaints of strong odor and other concerns from those who are affected by asphalt activities. We're very proud of this product, as it is a ready-to-use solution that can be easily implemented for the benefit of the workers and the immediate community."

## Odor reduction, with fewer emissions

Shell Bitumen FreshAir was developed in the Shell R&D Centre in Bangalore, India with test laboratory results validated by the Shell Statistics and Data Science team in Leiden, Netherlands. It was originally intended to neutralize bitumen odor and was later found to also minimize significant air emissions and particulates. Initial field trials were conducted across the globe, including in conditions similar to the Philippines such as Bangkok, Thailand; Hong Kong and mainland China; and Singapore.

Compared to conventional bitumen, Shell Bitumen FreshAir offers a 40% reduction, on average, in the levels of sulfur oxides (SOx), nitrogen oxides (NOx), volatile organic compounds (VOCs), particulate matter (PM), and carbon monoxide (CO). Its landmark achievement is keeping the environment safe from noxious gases not only during the production stage, but also two weeks from when the pavement is laid.

Based on the trials, the reduction in the amount of particulate matter is equivalent to planting an average of 16 trees per kilometer of asphalt laid every year, whereas the reduction in the amount of nitrogen dioxide is equivalent to removing an average of 40 cars per asphalt laid every year. Active odor neutralization registered at 95-99%.

Early users of the product indicate that using Shell Bitumen FreshAir not only helps meet health-based standards but also results in improved productivity.

## Bitumen FreshAir debuts in Bohol

Shell Bitumen FreshAir is already approved for commercial use in the Philippines as it meets local specifications for penetration-grade (PEN 60/70 bitumen), which is the standard for road construction and the production of asphalt pavements with superior properties. The bitumen is being locally produced in the Tabangao, Batangas and Villanueva, Misamis Oriental plants.

Pilipinas Shell has already landed the Company's first customer for Shell Bitumen FreshAir in the province of Bohol, ahead of its grand launch in Q3 2020. Bohol is considered the "ecotourism capital of the Philippines," and is meant to be a model of sustainable tourism; hence, it is the perfect venue for showcasing the merits of the country's first eco-friendly bitumen product. The launch, "Paving the Way: The Shell Bitumen Tour," includes a visit to the worksite of the pioneer local user of Bitumen FreshAir, and will showcase the product innovation to government officials, business partners, potential customers, and media.

"Customers are concerned for their workers and the residents near their construction sites, so they're very interested in Bitumen FreshAir," says Marcellana. "We also hope that the government will champion this pioneering innovation as a means to improve the urban environment. If the goal is to build greener highways, then we are here to help."

3 GOOD HEALTH  
AND WELL-BEING



12 RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION





## Shell Technology Forum: The Road Ahead



Pilipinas Shell held the Shell Technology Forum last May 2019 to discuss new developments in the transportation, general manufacturing, and construction industries, alongside the technologies to address the changing consumer landscape. The forum emphasized the value of collaboration in exploring new opportunities. It encouraged private companies and the government to join together for "The Road Ahead."

This year, around 350 individuals and 140 companies attended the event. The attendees wished to discover more cost-efficient, innovative, and sustainable ways of doing business.

The keynote address, delivered by National Economic Development Authority (NEDA) Undersecretary Rosemarie Edillon, focused on the state of the industries and how companies can accelerate innovation in the Philippine landscape. Afterwards, participants shared key insights derived from pocket industry roundtable discussions and breakout sessions, with the aim to "unlock the innovation equation in the Philippines."

The breakout sessions surfaced specific concerns per industry, such as reducing fleet operation downtimes, enhancing production machinery maintenance, and improving efficiencies in construction. Meanwhile, masterclass sessions allowed industry trailblazers to present their innovative technologies to solve present-day problems and emerging challenges.

Pilipinas Shell's technological leadership was exhibited in the cutting-edge product and service offerings of the Lubricants, Commercial Fuels,

Fleet Solutions, and Bitumen divisions.

Among the Shell innovations presented were future-ready high-performing lubricants with lower emissions, cleaner-burning and energy-efficient fuels (dubbed "fuel-savers"), digital solutions that allow better fleet management, and premium-grade bitumen for asphalt with skid-resistant properties.

"Shell continues to strive to be a preferred partner as we meet your energy needs," says Pilipinas Shell President and CEO Cesar G. Romero, in delivering the closing remarks at the forum.

"As we move forward, we know that energy will continue to be an important contributor to your business, an important component in your operations, and we assure you that we are willing to work with you to understand the needs to formulate products and solutions that will help you progress in your respective businesses."



Pilipinas Shell team readies the platform to discuss The Road Ahead in Shell Technology Forum last May 2019.

## Fleet Solutions

Fleet Solutions aims to continue to be at the forefront of innovation by bringing forth world-class mobility solutions that address customers' evolving needs.

Business operations are optimized through effective fleet management solutions that go beyond offering a fleet card. Fleet Solutions bring the promise of better control, added security, savings, and convenience.

In 2019, the Company won over 500 new customers thanks to these fleet solutions and value-added services:

### Security and Control Features

Going beyond what a fleet card can provide, Shell Fleet Card brought about better security and control features such as Site Restrictions (choose sites which will be allowed or disallowed for refueling), Fleet ID Validation (offers an additional security layer by having a unique driver ID to identify card users of vehicle-specific cards), Advanced Controls which restricts usage of the card (scheduled timeframe or days allowed), and setting value or volume limits per day, per week, per month or even annually.

### Shell Fleet Hub

An upgraded online fleet management tool, the Shell Fleet Hub offers integrated mobility services and enables ease of user management (efficient and effective monitoring by the fleet manager or supervisor), card management and report generation (comprehensive transaction reports and card activity reports, among others, that could inform cost analysis and driver

behavior based on documented spending). Shell Fleet Hub provides customers with a full overview of the fleet's fuel consumption and operations 24/7. This 2019, improved performance of the online fleet management tool resulted in positive feedback as seen in the Customer Satisfaction Index (CSI).

### Defensive Driving and 24/7 Roadside Assistance

Pilipinas Shell's partnership with A1 Driving School provides defensive training, which is tailored to learners' experience and needs: Standard Road Safety and Defensive Driving Seminar (6 hours), Case-Based Defensive Driving Seminar (4 hours), and Module-Based Driver Training (3 hours). Part of Pilipinas Shell's advocacy on safety, the partnership helps prevent roadside accidents by imparting the company's culture of safety onto customers and clients.

The Company also offers comprehensive roadside assistance for enrolled cardholders. Not just a towing service, roadside assistance includes fuel delivery, battery boosting/jumpstarting, flat tire replacement, locksmith service, and spare key delivery. Other services include direction assistance (including imparting information on traffic and road conditions), personal assistance (courtesy car, hotel accommodation assistance), accident coordination, ambulance assistance, and health insurance coordination (including arrangement for hospital admission assistance).



## Shell LiveWIRE PH 2020: Energizing Innovative Filipino Entrepreneurs



Celina Wang, Pilipinas Shell Community Skills and Enterprise Adviser and DAI Shell LiveWire Global Consultancy meets with the PH LiveWire Team to discuss LiveWire application and opportunity projects

Set on transforming enterprise development initiatives, Pilipinas Shell became part of the Shell LiveWIRE network this year. This will enable entrepreneurs that the Company supports and mentors to secure access to the tools, knowledge, and other resources shared across 18 LiveWIRE member-countries.

"We are converting all our community skills and enterprise development projects into LiveWIRE projects," says Sankie Simbulan, Social Performance and Investment Manager of Pilipinas Shell. These projects include grassroots development, all the way to startup incubation, as in the upcoming Innovators' Pitch Fest.

### Established brand

Shell LiveWIRE, which was established in 1982, is the flagship development program of RDS. Its mission is to stimulate local economies through entrepreneurship, innovation, and meaningful employment.

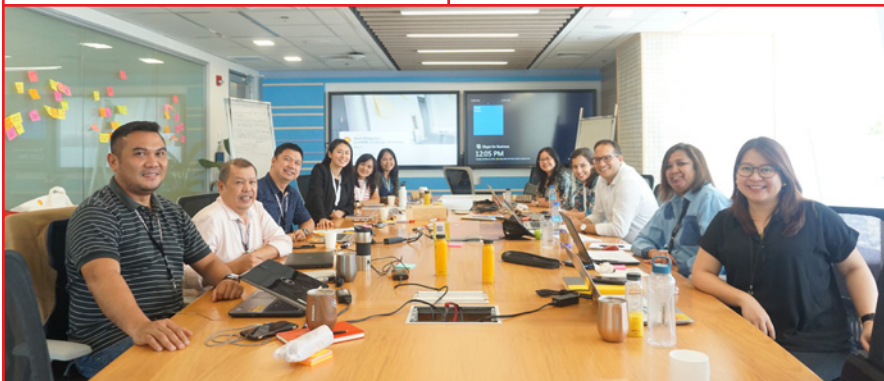
LiveWIRE program beneficiaries—which include young entrepreneurs, startups, and micro, small, and medium enterprises—are provided entrepreneurship training, and a chance to win a grant that will enable them to turn their bright ideas into sustainable enterprises.

### New direction

Pilipinas Shell kickstarted the Shell LiveWIRE program adoption with a "Co-Design Workshop" and "Training of Trainers" in October 2019, mostly attended by members of Pilipinas Shell Foundation, Inc. (PSFI). Since then, the PSFI has been recalibrating its tools and modules to fit the LiveWIRE model.

The Company will launch the Innovators' Pitch Fest in 2020, which is meant to encourage startups (at least a year old) to conceptualize and develop energy innovations. This may include smart technology, energy solutions, and circular economy initiatives that could be applicable to Pilipinas Shell's business.

Ultimately, Pilipinas Shell intends to leverage on the strengths of the Shell LiveWIRE program to seed promising startups to potentially partner with; this is not unprecedented, given that as of last count, 43 Shell LiveWIRE winners from various countries have become part of Shell's supply chain.

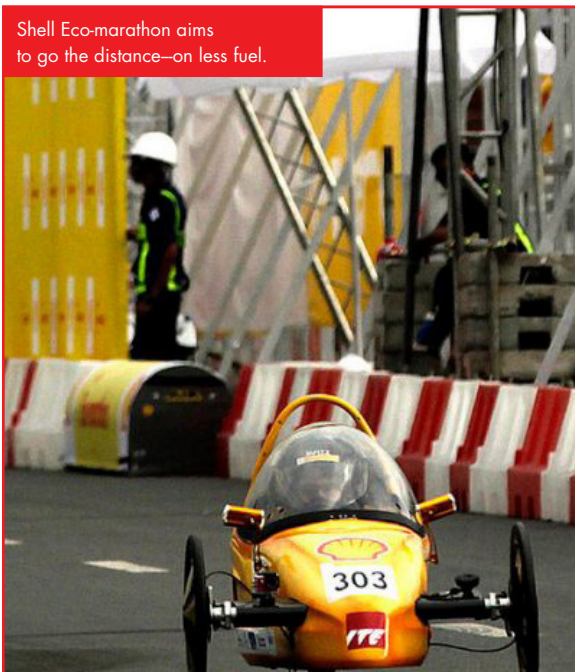


9 INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



Pilipinas Shell conducts a series of workshops facilitated by PSFI under the Shell LiveWIRE program.

Shell Eco-marathon aims to go the distance—on less fuel.



## Racing to an energy-efficient future

The Philippines participated in the Shell Eco-marathon Asia, with a contingent of 11 futuristic cars designed by 9 top universities from Luzon, Visayas and Mindanao. It was the second largest contingent, tied with Egypt which also had 11, and following Indonesia's 26 cars.

The race took place at the Sepang International Circuit, Selangor, Malaysia from April 29 to May 20, 2019. Participants took part in the Mileage Challenge to see whose car could go the farthest using the least amount of energy, traversing 2,341 kilometers—the distance from Kuala Lumpur, Malaysia to Yangon, Malaysia – on just one liter of fuel.

Pilipinas Shell continues to support the aspirations of young engineering students in designing and building energy-efficient cars for the future. Five of the university teams availed of the Company's technical inspection assistance to boost their cars' readiness for race day.

# More Efficient, Inclusive and Competitive Retail Network

Our Integrated Retail Offer ensures that Shell stations are a one-stop shop for the convenience of the customer, with restrooms, car service centers, automated teller machines (ATMs), and Shell Select and deli2go.

Pilipinas Shell's retail network aims to:

- cater to the customer's every need and support their on-the-go lifestyle,
- do no harm to the community through sustainable design;
- save on energy and contribute to lowering the overall carbon footprint of the Company.





## New-Generation Retail Stations

Managing the second-largest fuel retail network in the country provides Pilipinas Shell with ample opportunity to do more than create a venue for gassing up—the Company is looking at fostering a better sense of community by transforming Shell retail stations into “community hubs.”

The Shell retail station is the frontline establishment for the Shell brand: it is the most recognizable and most frequented touchpoint for the Shell customer. As such, it is well-positioned to introduce not just Pilipinas Shell’s value propositions but also the Company’s values, encourage both service excellence as well as promote the adoption of shared goals.

“Every retail station has a social cause, but very few of our customers know that,” says Pilipinas Shell President and CEO Cesar G. Romero. “We aim to contribute to society in the advocacies that we adopt and promote onsite, and by creating a gathering place where people can connect and learn from each other.”



Good coffee and pastries complete the rest stop experience at deli2go.



## Sharing in sustainability

Shell has set a standard for its retail stations whereby new sites will have additional green features, including solar panels to augment power requirements. This initiative is aligned with Shell Retail’s global sustainability and social purpose ambition of achieving 50% carbon emissions from our daily station operations.

In the Philippines, a total of 53 retail stations are already powered by solar. These retail stations also manage their power use through low-emitting diode (LED) lighting and inverter technologies for the air-conditioning, refrigeration, and chillers. In addition, the retail stations utilize paints that will reduce nitrogen oxide and help maintain air quality.

“Sustainability has become key as the Company expands, updates, and upgrades the retail network. By pursuing smart energy solutions, we hope to fulfill this ambition to reduce our overall carbon footprint significantly,” says John Aldwin Angeles, Brands and Communications Manager for Pilipinas Shell Retail. “We only have one planet. Shell balances harnessing the Earth’s energy and caring for it by ensuring that our retail stations are equipped to save energy and reduce waste.”





Pilipinas Shell offers the best of both worlds – fuel and non-fuel.

## For the next generation

Early in 2019, Pilipinas Shell conducted focus group discussions on what locals, particularly the youth, are looking for in a “neighborhood station.” Based on the community response, the Retail group conceptualized the next-generation retail station, which contains all of the green features standardized by Shell, combined with ample space for people to congregate.

Launched last March, the pioneering next-generation station is located on the busy General Maxilom Avenue (popularly known as “Mango Avenue”) in Cebu City and conveniently incorporates a PUV terminal on-site. It has the Shell Select and deli2go convenience stores, as well as the branded Shell Helix Oil Change+ service center to cater to motorists on the go. Another key new feature is a hangout space on the second floor, with food kiosks featuring homegrown products, and a freedom wall for the community to post bulletins, express their sentiments, and share advocacies.

“The next-generation station concept was co-created by Shell with the University of San Carlos students and faculty, to make sure that we offer what is relevant to them,” says Ricky Altonaga, Pilipinas Shell District Manager for Visayas. “We designed Shell Mango to be an oasis, a community hub where students can study at the second floor of our two-story Shell Select while

public transportation is accessible to commuters at the PUV terminal that we have on-site,” he added.

The station is inviting and designed to be as functionally green as possible. As before, double-walled tanks are maintained to be leak-proof and safe, and there is an oil and water separator which is cleaned daily to maintain the integrity of the site. A new feature is a self-irrigating plant wall and a rainwater collector allowing the station to use run-off water for the plants in the landscaped area.

The next-generation station model is meant to be replicated in response to the needs of the market. Following the blueprint of Mango Avenue Station, the Shell Banilad Station was also launched in December 2019. Its solar panels are expected to reduce energy costs by 36% and cut down on the station’s carbon footprint. It also has a PUV terminal and a second-floor community hangout.

These changes enhance the experience for the motorist and provide a welcoming environment for the nearby local residents. The next-generation station reinforces Pilipinas Shell’s commitment to sustainability, and its inextricable link to the community, not just as a pitstop or temporary shelter but as a mainstay.

## Women Drive The Future

Pilipinas Shell's championship of diversity and inclusion received a boost this 2019 with the "Women! Drive the Future" campaign, the Company's newest platform to address gender prejudice on the road.

Launched during International Women's Day, the campaign engaged various women leaders and role models in a show of solidarity to debunk widely accepted but erroneous stereotypes of women drivers as being less competent and weaker than their male counterparts.

The campaign's message: not only are women braving the roads, they are steering society in the direction it needs to go.

### Road warriors unite

Held at Blackbird at the Nielson Tower in Makati City, the campaign's launch kickstarted the discussion on driving out harmful stereotypes. It featured a panel composed of Baby Barangay blog members Kelly Misa-Fernandez, Patty Laurel-Filart, and Bianca Santiago-Reynoso; professional racecar driver Michele Bumgarner; and Rowie Abracero, Directress of the Girls Racers club, the first all-female car enthusiast club in the Philippines.

The discussion centered around how to handle gender prejudice and micro-aggressions on the road, with affirmations on women's life journeys. "I just let my driving do the talking," says Bumgarner, who dreams of being the first Filipino to finish the Indy 500. "I always say: Just keep working hard and believe that you are just as capable as anybody else in reaching your goals."



### Knowledge is power

At the launch, Pilipinas Shell also introduced the "Women on Wheels" program, a partnership with A-1 Driving School. This program equips women drivers by adding to their knowledge on road safety and further enhancing their driving skills. Participants of the boot camp had a refresher demo on tire changing, dealing with a dead battery, and performing a lubricant check.

Luna Garcia, A-1 Driving School Business Development Head, believes that ending the stigma against women drivers starts with following the rules, learning defensive driving, and ensuring proper vehicle maintenance. "Driving is a skill that every woman should have, and through this program, we foresee a future where there will no longer be a distinction of gender, but only between an educated and misinformed driver," asserts Garcia.

### "Babae kasi"

The "Women! Drive the Future" campaign started in Manila, followed by counterpart launches in Cebu and Davao.

Pilipinas Shell extended its reach by coming out with an advocacy video that flipped the pejorative "Babae kasi" (a Filipino utterance equivalent to "What else can you expect from a woman") into a positive mantra, by showing women of all ages exhibiting driving prowess, strength of character, responsibility and reliability, courage and determination, and problem-solving skills in a pinch.

Uploaded online, the video earned over 2 million views at the initial count across YouTube and Facebook, and reached around 4.37 million individuals on Facebook and Instagram. The video called out the unfair judgment against women drivers and urged viewers to believe in their capabilities. Tagged "For women who drive," the video also showed a young girl dreaming of becoming a professional racecar driver. Ultimately, it encouraged women to embrace their passions, believe in their capabilities, and go where they want to go.



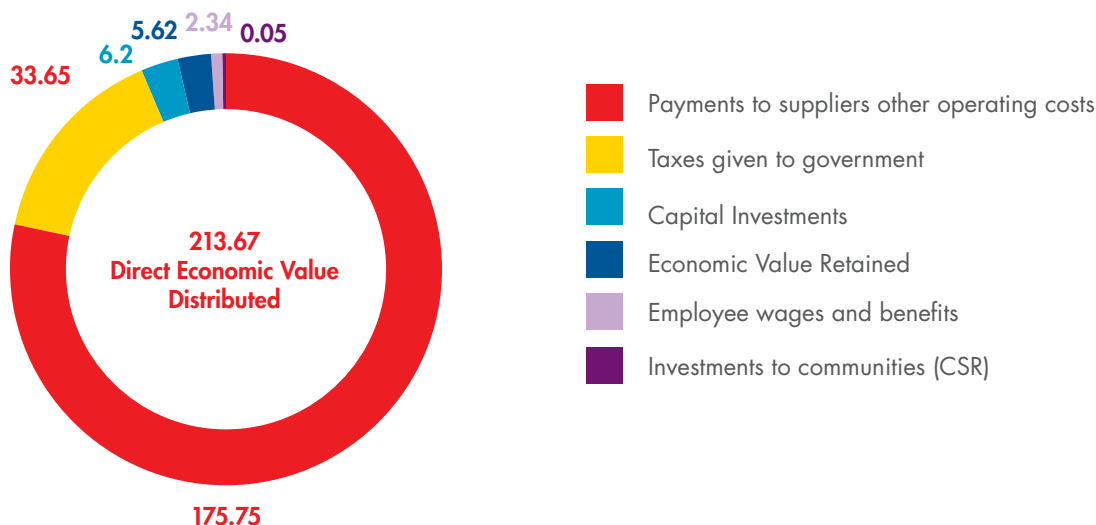
# Value Creation for Progress

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To fuel progress for the Filipino, we pursue growth opportunities in both the fuel and non-fuel segments, while maintaining a secure, reliable, and efficient supply chain. Providing long-term value to our stakeholders is at the heart of our service delivery.

## Direct Economic Value Generated and Distributed

Amount in PhP Billions



## Enhanced Manufacturing & Distribution

We follow four asset integrity principles: design integrity (sound engineering standards); technical integrity (testing, inspection, maintenance and repair of facilities); operating integrity (safe operating procedures and safeguarding systems); and integrity leadership (leadership accountability for asset integrity and worker safety).

## First Integrated Hydrogen Manufacturing Facility

In 2019, Pilipinas Shell embarked on a partnership to create a facility within Tabangao Refinery that will supply the additional hydrogen requirements needed by the Company to optimize the production of quality gasoline and diesel. This new hydrogen facility will be the first of its kind in the Philippines and is expected to improve the competitiveness of the Refinery.

Under the partnership, Air Liquide Philippines Inc. will supply the hydrogen and operate the hydrogen manufacturing facility for Pilipinas Shell. "We are capitalizing on the strength and expertise of Pilipinas Shell's 105 years of experience in the oil industry, and Air Liquide's 117 years in the industrial gas space," says Paolo Barredo, Business Opportunity and Business Development manager at Pilipinas Shell. "This partnership will develop the





The Integrated Hydrogen Facility is expected to be operational by 2020 at the Tabangao Refinery.

capability to produce hydrogen, which enables Pilipinas Shell to process more crude oil varieties into more quality fuels.”

In addition, a dedicated carbon recovery facility will also be set up to convert the byproduct of carbon dioxide for industrial purposes. Through the new technology, Pilipinas Shell will be able to capture and liquify resultant carbon dioxide for use as fuel on-site, or for selling to manufacturers of dry ice or carbonated drinks.

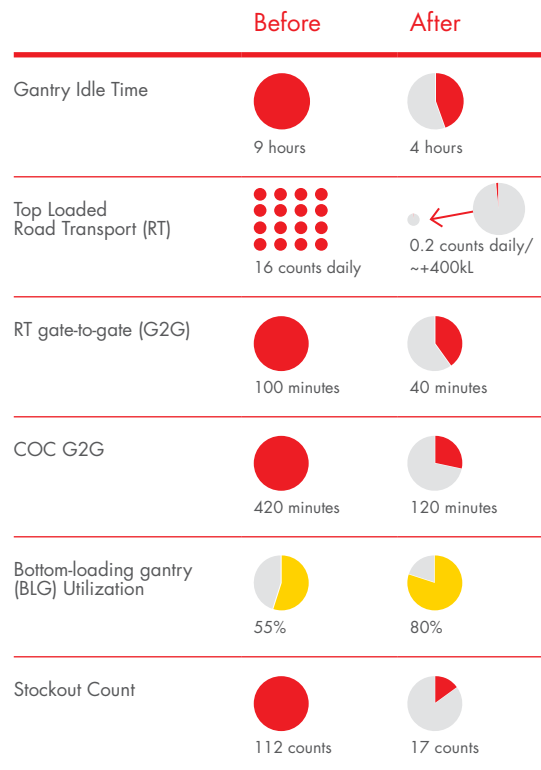
Pilipinas Shell and Air Liquide conducted a groundbreaking event on August 2019 at the proposed site in Tabangao Refinery; the hydrogen manufacturing facility is expected to be operational by end of 2020.

## Gantry Optimization and Utilization Plan

In 2019, the implementation of a truck ban resulted in limiting the movement of cargo vehicles in and out of Metro Manila. To ensure timely deliveries, Pilipinas Shell implemented a Loading Window Scheme at the Tabangao Gantry. This scheme enabled employees to utilize the loading gantry idle time that occurred due to the truck ban.

Improved loading capacity meant faster turnaround time gate-to-gate. Trips per day were maximized, which translated to cost avoidance for the Company’s road transport contracts. Lorry drivers and haulers were able to optimize the time given to them to ply their routes, delivering the right products, at the right time and place, in the right quantity and quality.

The Loading Window Scheme under the Go Up, Go Live program of Pilipinas Shell has resulted in the following efficiency gains:



9 INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



12 RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION





## NMIF and Tabangao Refinery implement automated fuel marking

Pilipinas Shell conducted its fuel marking operations at its Northern Mindanao Import Facility (NMIF) in Cagayan de Oro City and its Tabangao Refinery in Batangas in 2019. NMIF is the first terminal to implement fuel marking in Mindanao while the Refinery is the country's first refinery to undergo the said program.

Authorized under the Tax Reform for Acceleration and Inclusion (TRAIN) Law, the Fuel Marking program aims to protect the government from foregone revenues in fuel taxes due to fuel smuggling and misdeclaration, which reached as high as Php40 billion according to estimates by the Department of Finance (DOF) and the Asian Development Bank.

The government's fuel marking program establishes a system for identifying fuel that has paid the correct import and excise duties. A highly secure and unique chemical marker added to the taxed fuels enables traceability and monitors integrity as these fuels move along the supply chain; it becomes much harder for outside parties to dilute fuel, substitute a substandard grade, or deliver the fuel to a different destination.

This offers another layer of protection in preserving brand integrity for legitimate businesses such as Pilipinas Shell.

Representatives from the Bureau of Internal Revenue (BIR), the Bureau of Customs (BOC), and the SGS Philippines Inc.-SICPA S.A (SGS-SICPA) fuel marking consortium were present to witness as Pilipinas Shell officially marked high-quality diesel products last November 26. As of December 1, both the gasoline and diesel import tanks of NMIF's 90-million-liter capacity were fully marked. Pilipinas Shell is using a fit-for-purpose semi-automated fuel marking system at NMIF.

Following the rollout in Mindanao, Pilipinas Shell also started the fuel marking process at Tabangao refinery last December 11. To help ensure safety in implementation, Pilipinas Shell has been working with the fuel marker consortium, SGS-SICPA, for the installation of a fully automated injection system in the Tabangao Refinery. The Company expects to have fully automated its fuel marking system at the Refinery by the first half of 2020.

All Pilipinas Shell retail stations are expected to be selling initial batches of marked fuel by the first quarter of 2020. Deliveries will be tracked by dealers through a monitoring tool, with Shell Retail doing weekly checks to ensure network compliance.

Pilipinas Shell, together with other members of the Philippine Institute of Petroleum (PIP), fully supports the government's fuel marking program and continues to coordinate closely with the DOF, BIR, BOC, and the Department of Energy (DOE) to ensure its successful implementation. In 2019, the Company also provided the DOF with access to fuel marking experts from Shell and Turcas Petrol A.S. in Turkey. Turkey is the only other country in the world that has implemented fuels marking on a nationwide scale.

Pilipinas Shell supports the responsible development of the nation's energy industry by protecting Filipinos' fuel supply today and encouraging others to do the same.



NMIF in Cagayan De Oro City is the first terminal to implement fuel marking in Mindanao.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



17 PARTNERSHIPS FOR THE GOALS



# Goal Zero Ambition 2019

Pilipinas Shell strives to maintain a safe working environment. On a work site, we enforce the 12 Life-Saving Rules, which are clear-cut “dos and don’ts” covering activities with the highest potential safety risk, and a Stop Work Policy, whereby work must stop and only continue if an unsafe condition has been rectified. Prior to any work, Toolbox Talks with contractors and third-party operators in the terminals also ensure that hazards and preventive measures are discussed. This allows the Company to implement Shell’s Goal Zero ambition of no harm, no leaks.

An occupational health and safety management system based on the HSSE & SP Control Framework of Shell covers all personnel and contractors onsite. The assurance process for HSSE & SP is done through internal audits and Assessment of Risks and Responses at Worksites of Shell (ARROWS). Workers are involved in the development of health risk assessments and contribute to the job hazard analysis. We investigate incidents and aim to learn from them, sharing findings to improve safety performance across our industry. Workers are also made aware of the Medical Emergency Response and Disaster Response and Risk Management plans of the work site.

HSSE Performance Summary	Total Recordable Case (TRC) Free Man-hours in 2019	YEARS TRC FREE
Pilipinas Shell	10.3 million	0.75
Manufacturing	2.6 million	0.75
Supply and Distribution	7.3 million	1.80
Retail	2.1 million	1
Lubricants	3.7 million	7.1
Aviation	2.0 million	10
Specialities	3.8 million	10
Real Estate	2.9 million	7
Lubricants Supply Chain	0.4 million	4



## Tabangao Refinery's drivers' quarters get upgraded

Pilipinas Shell's strict safety guidelines require road transport drivers to take a break after 4.5 hours of continuous driving, and to rest after a maximum of 12 hours of duty per day. The rest stops are intended to help the driver avoid fatigue and thus lower the risk of accidents. In line with this, Tabangao Refinery provides a rest area for contracted drivers. This 2019, under the Drivers' Welfare Program, Pilipinas Shell upgraded the standard drivers' quarters to create a "home away from home."

The newly renovated quarters are located in a quiet area, away from the usual foot traffic at the terminal. Upon entering, the driver is greeted by a wall of letters from family, to serve as a touchpoint and to ease any feelings of homesickness.

The sleeping area contains comfortable beds with at least a foot of space between them. Improvements include curtains for the windows to block out the sun, so that the sleeping area is conducive to rest even for night shift workers who sleep during the day.

Apart from the sleeping quarters, there is also a small prayer room so that drivers can practice their religion in relative privacy. Throughout, ventilation is enhanced with strategically placed air-conditioning and fans.

Within easy distance of the door, there are also hanging "Go Bags" or emergency grab bags containing useful items such as food and first-aid kits for the drivers to bring with them on their next journey.

3 GOOD HEALTH AND WELL-BEING



8 DECENT WORK AND ECONOMIC GROWTH



# Workplace Enhancement and Workforce Support

## Our Workforce

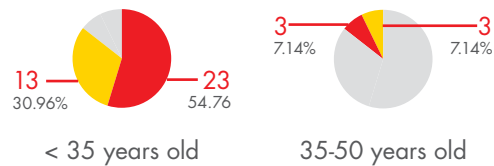
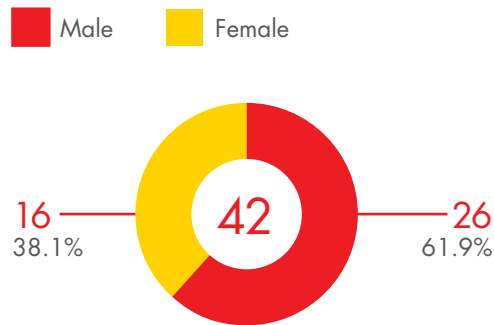
Our employees drive our sustainability efforts. We engage them through various initiatives to maintain a culture of safety and care. We continue to improve our employee value proposition to attract, develop, and retain world-class talent, including homegrown Filipino talent. We make sure to hire and promote from the ranks based on merit.

Our principles-based approach to people management, being a founding member of the UN Global Compact Network Philippines, requires that we comply not only with national labor laws but also the Universal Declaration on Human Rights, and the International Labour Organization's Declaration on the Fundamental Principles and Rights at Work, among others.

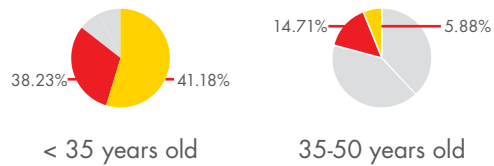
The HR and Rewards team, with the support of the Country Chairman, conducts regular salary and benefits external benchmarking to ensure that our employee value proposition remains strong.

We adhere to the 70-20-10 model in designing our learning and development program: in-role development or hands-on experience (70%); coaching and mentoring (20%); and formal training (10%). We strive to provide training that is tailored to and focused on the needs of the business.

## New employee hires



## Employee turnover



The Human Resources (HR) Department, together with the Company's leadership, ensures that our managers and supervisors engage, enable, and motivate our staff to perform, in accordance with the Shell values and business principles.

Employees are also empowered to identify their strengths and key development areas using self-assessment tools. At the start of the year, employees, together with their line manager, jointly set and agree on business goals which will be the basis for mid-year and year-end performance reviews. In 2019, 100% of employees completed their performance reviews.

## GRIT: Supervisory upskilling program for downstream

To ensure that supervisors are empowered to become more effective leaders, Pilipinas Shell launched an upskilling initiative called GRIT, short for Grow, Inspire, and Transform. The program consists of a supervisor webpage, regular newsletters for line managers, and a series of upskilling sessions throughout the year.

The supervisor webpage provides a practical overview of the main responsibilities of a supervisor, then directs them to resources, such as quick reference links to useful policies, online courses, and other references. This helps ensure that line managers and other supervisors are well-equipped with relevant information on how to effectively manage and look after their teams and their performance.

GRIT also aids supervisors in talent management, including how to effectively onboard new hires, and provide support to current team members. Supervisors are also alerted when to kickstart mid-year reviews and one-one-one sessions with direct reports.

The platform also allows for quick feedback to Human Resources, should there be any issues that supervisors wish to raise.

Both as an online platform and a training program, GRIT is now a best practice in Pilipinas Shell and is being adapted in other Shell locations globally.

8 DECENT WORK AND ECONOMIC GROWTH



The annual Shell People Survey is our principal tool to measure our employees' engagement, their level of affiliation and commitment to Shell, and their satisfaction with the quality of leadership and management.

	Pilipinas Shell	Shell	Top Quartile Benchmark
Response Rate	95%		
Team Leadership	81	78	80
Organizational Leadership	75	72	74
Collaboration	84	81	82
Working Conditions	75	71	75
Your Job	84	79	79
People Development	78	75	76
Reputation	89	82	81
Total Rewards & Benefits	74	71	71
Diversity & Inclusion	84	83	85
Operational Excellence	79	75	77
Responsible Business	84	82	85

# Health and Wellness at Shell



Employees meet their health goals with guidance from a healthcare professional through the Be Well Program.

Health is applied holistically at Pilipinas Shell. The Company's expanded Be Well Program helps employees focus on wellness through the adoption of good habits and a healthy lifestyle. This includes healthful food options (Eat Well), regular physical activity (Move More), smoking cessation support (Breathe Well), fatigue risk mitigation (Sleep Well), and resilience (Think Well).

Wellness Hub (Clinic) Practitioners conduct learning sessions and help employees articulate and commit fit-for-purpose interventions (via one-on-one Wellness Talks), track progress (via Be Well Scorecards) and, eventually, achieve the wellness goals they have committed for themselves (Self-Care first!). Mandatory health programs, such as the Annual Physical Exam (APE), complement the care interventions made available.



## Speak Up —It's okay to not be okay

3 GOOD HEALTH AND WELL-BEING



For Pilipinas Shell, mental health is an advocacy and a wellness discipline. Office energy hubs and wellness center rooms also serve as venues for employees to take a break from stress/anxiety and regain their equilibrium.

The company has institutionalized a three-pronged approach to mental health care:



### Promoting a Speak Up culture

Employees are encouraged to have open and honest conversations about their mental health. As part of the umbrella of human performance and care program, the company creates a space where people are free to speak up and let their leaders know what they are going through. Venues include one-on-one dialogues with supervisors, mindfulness talks during team huddles and townhall sessions, and mental health awareness forums during the Company's observance of World Mental Health Day.

### Encouraging help-seeking behavior among employees

Once the employee recognizes that they need help, the next step is to find out what kind of help they need and draw up a menu of support services available. Pilipinas Shell employees may avail of professional counselling services through the Company's Wellness Hub. In addition to in-house counseling, the Health team also assists in matching the needs of the employee with the availability of external counselors and psychiatrists, if needed.

### Maintaining an Employee Assistance Program (EAP)

Pilipinas Shell has a network of 16 professional counselors to help employees cope with anxiety, depression, and other psychological well-being concerns. On-site EAP services are offered once a month at The Finance Center and twice a month at the Tabangao Refinery. Co-management with a psychiatrist ensures integrated and holistic management for those who need it.

The Company also offers Team Resilience Coaching to help employees reintegrate back to work and have an unbiased sounding board.

During transition or organizational changes, staff are also provided Career Planning sessions (with or by the counselor) to help them maintain self-confidence and a positive mindset.



Pilipinas Shell offers a safe space for employees to discuss their well-being, embodying the company's Speak Up Culture.

Pilipinas Shell established this mental health support program in 2018, the same year the Mental Health Act (Republic Act 11036) became law, and ahead of its implementing rules and regulations (IRR), which were published in 2019. The Act promotes access to mental health care and seeks to create an enabling environment for persons

affected by mental health conditions so that they may participate fully in society and at work, free from stigmatization and discrimination.

By law, employers are now required (1) to develop appropriate policies and programs on mental health in the workplace to raise awareness on mental health issues, (2) correct

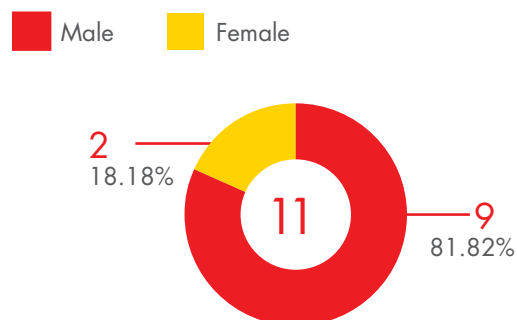
the stigma and discrimination associated with mental health conditions, (3) identify and provide support for individuals at risk, and (4) facilitate access of individuals with mental health conditions to treatment and psychosocial support. Pilipinas Shell is fully compliant on all four counts.

## Diversity and Inclusion

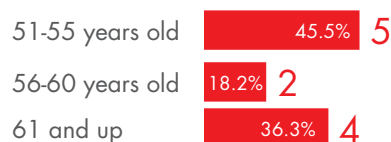
Pilipinas Shell nurtures a diversity of talent, championing non-discrimination and equal opportunity in recruitment, career development and promotion, and training.

### Governance Diversity (Board of Directors)

#### By Gender

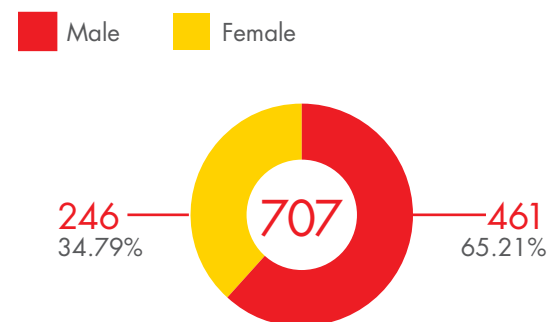


#### By Age

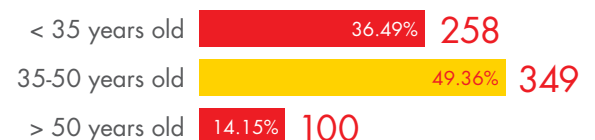


### Employee Diversity

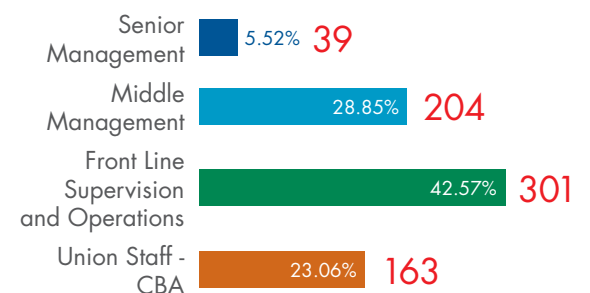
#### By Gender



#### By Age



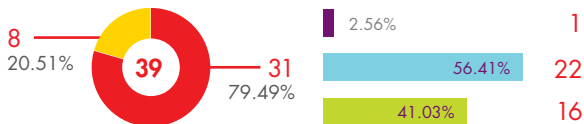
#### By Employee Category



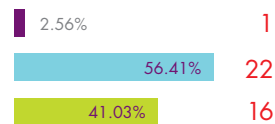


## Senior Management Diversity

### By Gender

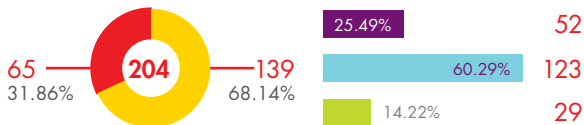


### By Age

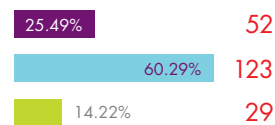


## Middle Management Diversity

### By Gender

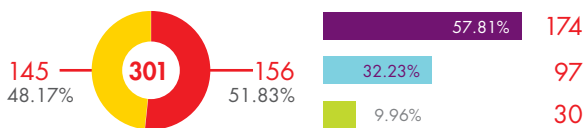


### By Age

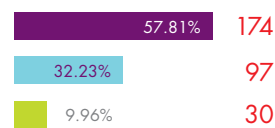


## Front Line Supervision and Operations Diversity

### By Gender

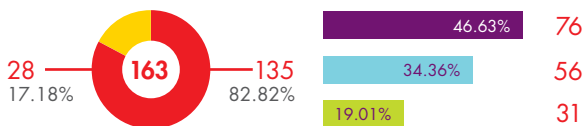


### By Age

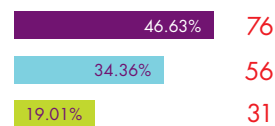


## Union Staff Diversity

### By Gender



### By Age



## Labor-Management Relations

There are two unions with active collective bargaining agreements (CBAs) at Pilipinas Shell: the Tabangao Shell Refinery Employees Association (TASREA), which covers the Tabangao Refinery; and Kapisanan ng mga Manggagawa sa Shell (KMS) for the employees in Pilipinas Shell's supply and distribution arm, who are based in depots and terminals.

A Labor Management Council (LMC), composed of representatives from the union and the company, is in place to further enhance labor-management relations. The council meets on a monthly basis to keep the communication lines open for both parties. The CBA negotiations are scheduled every three years for TASREA and every five years for KMS (or typically 6-10 months prior to the expiration of the current agreement).



PSPC practices good labor relationship management with our refinery and depot business partners

# Relationship-Building and Rewards

## Haulers Awards

Pilipinas Shell held the Haulers' Awards Night on June 5, 2019 to celebrate the success arising from its good partnership with valued contractors in the areas of Health, Safety, Security, and Environment (HSSE), delivery promise, and continuous improvement. Two haulers were recognized for their stellar performance in 2019, namely, Bauang Nisce Trucking Corporation, and 818 Transport Man Corporation.

The annual event allows the Company to show appreciation for the efforts of partner haulers in adhering to stringent standards in compliance to HSSE, continuous improvement initiatives, and dedication to operational excellence. Pilipinas Shell is able to reinforce the business relationship with haulers, while motivating them to meet key performance indicators.

## Rewarding service excellence

Pilipinas Shell reinforces transport safety protocols through well-established recognition programs.

The Professional And Responsible Drivers for Shell and Support Team Recognition and Incentive Program for Efficiency and Safety (PARDS & STRIPES) safety program recognizes best-performing road transport drivers, whereas the Maritime Safety and Technical Efficiency Recognition System (MASTERS) Awards recognizes outstanding partner vessel owners.

The drivers are ranked based on attendance, customer satisfaction, compliance with "safe to load" and "safe to deliver" procedures, journey management, adherence to pre- and post-trip discussions, and integrity in reporting zero, near-miss, and potential incidents. Best performers are provided with certificates of excellence and cash rewards.

Vessel owners, meanwhile, are judged on their adherence to standards on safety, product integrity, and operational readiness. They earn distinctions and certificates of appreciation.



## Shell Rimula Tsuperstar

If there's something that Pilipinas Shell has learned in 105 years in the Philippines, it's that the Filipino heart is driven by two strong passions: a love for family, and for singing. In celebration of Filipino culture and the hardworking Filipino driver, Pilipinas Shell organized Shell Rimula Tsuperstar: a nationwide singing competition open to jeepney driver patrons of the oil brand.

It took five months, from April to October. The initial 300 applicants were trimmed down to 200 official participants, which were further narrowed down to 50 regional finalists competing in Metro Manila, North Luzon, South Luzon, Visayas, and Mindanao. The remaining 10 finalists, accompanied by their respective spouses, were brought to the Grand Finals at the Sta. Lucia East Grand Mall.

Talented singers showed off their belting prowess and style (with one contender from Mindanao wearing the all-white sequined costume sewn by his wife), but in the end it was jeepney driver-balladeer Carlito Vergara from Bulacan who bagged the Tsuperstar grand champion title. He also won the "People's Choice Award" bestowed by online voters.



Carlito Vergara, Shell Rimula Tsuperstar Grand Champion, sings competitively to fund his children's education.

### Ticket out of poverty

Winning a singing contest is arguably the "Filipino dream," with thousands of hopefuls joining any number of competitions each year to attain fame and fortune. As grand champion Tsuperstar, Mr. Vergara received Php500,000 and one year's supply of Heavy-Duty Diesel Engine Oil and Shell Fuel.

"I'll use this prize to secure our children's education. I don't want them to be like me that unless I ply my route or accept singing gigs, I won't have any money," a grateful Vergara says in the vernacular. "Being a Shell Rimula 'Tsuperstar' is going to change my family's life. That's why I can never thank Shell enough for this blessing."

Vergara has been driving his brother-in-law's passenger jeep for 16 years but admits this isn't enough for his family of five. He used his singing talent to help his family by performing in weddings, fiestas, and barangay singing contests. Vergara has even worked as an entertainer in Japan. Singing just didn't pay enough, until now.



Rodrigo Belarmino flew in from Davao and won 1st Runner Up and Php200,000 in cash.



Vergara's fiercest rivals also received substantial prizes: Mindanao "Tsuperstar" Rodrigo Belarmino from Davao won 1st runner-up and the "Ka-JODA Choice Award" and received Php200,000, while Roland Salazar, also from Davao, brought home 2nd runner-up honors and Php100,000. Consolation prizes of smaller cash value were provided to the remaining seven contenders.

### Working class hero

A familiar face, TV superstar and Shell Rimula brand ambassador Coco Martin, presented the award to Vergara. "I have huge respect for jeepney drivers, as I am a jeepney driver's son myself," says Martin, in the vernacular. "When I started making money from indie films, the first business I invested in was three tricycles and a passenger jeep. Because I grew up surrounded by that, it was what I knew."

Beyond being a marketing event, the Tsuperstar competition is a way for Pilipinas Shell to connect with its most valuable stakeholders, to recognize their gifts, to support their passion, and to reward their trust. It strengthens the partnership between Shell and the jeepney drivers, who rely on the performance of Shell products and services.

"The intent of oil brand is really to support Filipino drivers. 'The Rimula tagline is *'ang langis na kasing-sipag mo'* [the oil that works just as hard as you do]. The brand is really giving recognition to the hard work that the driver is putting in each day. It's time to make the driver the *bida sa kalsada* [the star on the road]," says Shell Rimula Brand Manager Recca Menchavez.



Coco Martin (fourth from right), together with Recca Menchavez-Malaban (rightmost), Brand Manager of Shell Helix, award Carlito Vergara (third from right) his prize of Php500,000 as Shell Rimula Tsuperstar Grand Champion.



# Social Consciousness: Investing in the Future

## Community-Building and Outreach Activities in 2019

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### Education Support



**970** students and **141** teachers  
from **25** high schools and **5** universities  
trained on STEM skills under NXplorers program



**27** Shell-PhilDev graduates, **77** scholars



**78** technical-vocational students trained  
(Gas Mo, Bukas Ko, Unlad sa Pasada)

## Local Content Development



**7** former scholars turned Shell employees, **1** contractor



**579** farmers under Project COCONUT trained in sustainable farming



**301** farmers trained by PSFI produced **3,274 kgs** of fruit and vegetables at the Palawan Eco-Agro Park

## Enterprise Development



**3** cooperative groups established under Project Coconut:

- Agdangan Padre Burgos Producers Cooperative,
- Yakap at Halik Multipurpose Cooperative,
- Unisan Atimonan Coco Farmers Producers Cooperative



**42** cooperative members of Nagkahiusang Katawhang Kabus sa Macabalan Association trained in entrepreneurship under Sanayan sa Kakayahan sa Pangangalakal (SKP)



**1,599** individuals completed Enterprise Development Training under Turismo at Negosyo Dulot ng Ingat Kalikasan (TANDIKAN)

## Health & Safety Missions



**1,700** health providers trained by Movement Against Malaria in 2019



**50,488** individuals benefited from HIV/AIDS 101 talks, voluntary counselling, and testing

## Environment Conservation and Climate Resilience



**86 hectares** planted under the Carbon Sink Management Programme offsetting GHG emissions of Tabangao Refinery



**23,745** mangroves and trees planted under the community-based enterprise development and biodiversity program Turismo at Negosyo Dulot ng Ingat Kalikasan (TANDIKAN)

## Disaster Response & Mitigation



**30,000 liters** of water used by Tabangao Refinery's Emergency Response Team to put out fire in nearby community

## Access to Energy



**6 schools** powered by solar micro-grid systems

# Nation-Building through Livelihood Support

## Groundbreaking of eco-brick hub in CDO

Pilipinas Shell is fast-tracking the Company's first Shell LiveWIRE Eco-brick Hub in Cagayan de Oro, the site for collecting and repurposing Shell lubricant bottles into eco-bricks. Green ANTZ Builders Inc. will be providing the technology to create the eco-bricks for building the fences at Shell retail stations, as well as constructing affordable housing and schools in the community.

Pilipinas Shell, together with partners, reaffirmed commitments in a groundbreaking ceremony last November 2019. Construction is underway and expected to finish by April 2020.

Upon completion, the eco-brick hub is expected to recycle more than 6,000 kilos of plastic waste and produce around 60,000 eco-bricks per month. The facility will not only provide livelihood for an initial target of 20 residents, but also earn income of around Php100,000 for the selected community partner, the Macabalan Wharf Porters Association (MWPA). Green ANTZ is set to train the cooperative members to independently manage and sustain the operation of the hub.

Meanwhile, Shell Singapore donated a prototype of its award-winning 'PowerHyde' designed by billionBricks Inc. This solar-powered sustainable shelter is envisioned to become the MWPA's livelihood center as well as powers the manufacturing of eco-bricks. Its solar panels are capable of generating 10 kilowatts a day, enough to supply the daily requirements of the Eco-brick Hub, with excess power that can be potentially marketed to the grid.

## Project Coconut: Ready for the next phase

For two years now, the Collaboration for Coconut Productivity and Nurturing Farmer's Trade (Project Coconut) formed by Pilipinas Shell Foundation Inc. and partner coco-methyl ester (CME) supplier JNJ Oil Industries Inc., with funding from Shell International, has worked to uplift the lives of 579 coconut farmers residing in Padre Burgos, Unisan, and Agdangan in Quezon Province. The multi-stakeholder project has ensured that Pilipinas Shell secures the biofuels supply chain, while aiding local farmers to gain economic sufficiency.

In 2019, Pilipinas Shell Foundation Inc. and JNJ also established two community coco hub facilities and provided training to the farmers for processing coconut-based products such as handicrafts and souvenir items.



Coco methyl ester (CME) is mixed with diesel to create cocobiodiesel.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



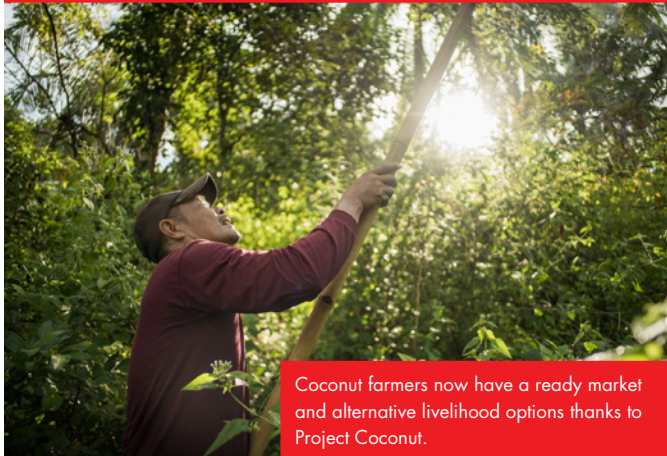
13 CLIMATE ACTION



17 PARTNERSHIPS FOR THE GOALS







Coconut farmers now have a ready market and alternative livelihood options thanks to Project Coconut.

In addition to the income the farmers earn from the coconut farms and backyard gardens, an initial batch of 34 individuals now also earn from fashioning coco beads out of coconut shells. These coco beads are sold to Unijel International Trading Inc., a Cebu-based family corporation that exports high-quality costume jewelry and accessories. The farmers also convert the leftover coconut

shells, which have “built-in” holes from extracting the coco beads, into lampshades that the farmer-cooperatives sell.

Project continuity is assured given that JNJ has learned from Project Coconut and incorporated these teachings in its own CSR program. JNJ has established a coconut tree nursery in their plant, to supplement the coconut tree seedlings they receive from the government and other donors, and as a venue for coconut research and monitoring of visiting experts from the University of the Philippines-Los Baños. There has been a transfer of technology on how to implement the project, with JNJ assigning a dedicated manager to the program, who works in close coordination with the LGUs of Agdangan and Unisan, the Provincial Agricultural Office–Quezon, the Philippine Coconut Authority, and the Department of Trade and Industry.

## Empowering the Filipino Youth

Shell believes in empowering and equipping the future generations of professionals and leaders with tools and skills for the jobs of tomorrow. NXplorers, The Bright Ideas Challenge, and Shell-PhilDev scholarships are some of Pilipinas Shell’s programs aimed toward the youth achieving a brighter future.





## NXplorers + The Bright Ideas Challenge

Last April 2019, Pilipinas Shell Petroleum Corporation, together with Pilipinas Shell Foundation, Inc. (PSFI), launched NXplorers in the Philippines. NXplorers is an innovative educational program that introduces young minds to complex and creative thinking skills needed for them to become positive agents of change.

The three stages of the program are deep dives into critical thinking. EXPLORE delves into the issues and their root cause; CREATE looks at the consequences of change (or the lack thereof) and envisions the preferred future; and CHANGE seeks the action that can lead to the preferred future.

In just four months, PSFI implemented the workshop in 25 public and private schools from Luzon, Visayas and Mindanao. Six of these schools are science high schools in the areas where Pilipinas Shell operates.



NXplorers teaches bright young minds to ideate with scientific purpose.



TBIC presentations are more well-rounded thanks to NXplorers critical thinking and tools.

### Bringing their A-game

Students are encouraged to use the NXplorers to create innovative solutions that they can then enter into The Bright Ideas Challenge (TBIC). This 2019, TBIC asked for ways to address the food-water-energy nexus issues— considering their interlinkages and the opportunity to stabilize supply and use these resources wisely. This year, TBIC asked for ways to address the food-water-energy nexus issues—considering their interlinkages and the opportunity to stabilize supply and use these resources wisely.

“We encourage the students to study problems in the world, focusing on their school or immediate community, then think of applicable solutions using NXplorers thinking and tools,” says Sankie Simbulan, Social Performance and Social Investment Manager. “NXplorers is three days; we give them all the tools. At the end, they present their idea, which they can later refine and enter into TBIC.”

This is only the second year that Pilipinas Shell mounted TBIC, and Pilipinas Shell is seeing a difference in the quality of the projects from participants who first took part in NXplorers. “We want to deepen their knowledge. Now, they don’t just create a solution without looking at the potential consequences, they also include unintended consequences,” says Simbulan.

From 29 entries, TBIC entries were narrowed down to 10 finalists. In the end, Oriental Mindoro National High School's Team NX-US won the grand prize of Php100,0000 for creating a smart watering system that detects soil moisture content and sends users a text message with crop data.

Meanwhile, Gusa Regional Science High School's Team Marigold, who designed a handheld generator that produces energy by utilizing heat difference through the Seebeck effect, won 1st runner-up and the prize money of Php70,000. Philippine Science High School Cagayan Valley's Team Agribon, who built a drone that can water and spray crops with fertilizer, won 2nd runner-up and prize money worth Php50,000.

All three schools also won an equivalent amount for their school, to be used for increased access to facilities and other resources that will promote better learning.



4 QUALITY EDUCATION



Team NX-US updated farming methods with a smart watering system that has automated crop data feedback.

## Shell-PhilDev scholarships

The Shell-Philippine Development (PhilDev) Foundation scholarship program, with a seed fund of Php100 million, aims to help Filipino youth in pursuing their studies in any STEM (Science, Technology, Engineering, and Mathematics) course.

In doing so, the Foundation enables these youth to innovate and create technologies, products, and services that can compete in the global markets and stimulate further economic growth for the Philippines.

Apart from being given funding support for tuition and an allowance, the scholars can take part in the annual Shell-PhilDev Leadership Camp and have access to not only a peer support group but also a mentorship network. This 2019, Pilipinas Shell sponsored six of these leadership camps at the Shell Training Center in Pililla, Rizal.

When they graduate, the Shell-PhilDev scholars are also provided career assistance through internship and job placements within the network. At Pilipinas Shell, for example, the PhilDev scholars are tutored via Google classroom to develop the skills that will improve their employability.

"We also assist them more on the interpersonal skills— how to express themselves, and how to relate to people, particularly during job interviews," says Sankie Simbulan, Social Performance and Social Investment Manager.

To date, seven PhilDev scholars have also been hired directly by Pilipinas Shell. The Company aims to increase this to 10 scholars a year.

# Health Promotion



## Shrinking the Malaria Map in the Philippines

This 2019 marks the 20th anniversary of Kilusan Ligtas Malaria, the precursor of Movement Against Malaria (MAM). Pilipinas Shell, through Pilipinas Shell Foundation, Inc. (PSFI), championed this health program, initially in partnership with the Department of Health (DOH) and the Provincial Government of Palawan, to ensure the elimination of malaria in the Province.

The successful initial run in Palawan inspired a series of funding grants from the Global Fund to Fight AIDS, Tuberculosis, and Malaria (The Global Fund); governments; and more private donors, including Pilipinas Shell. The program has since been expanded to cover most provinces in the country. Using the same model that proved effective in Palawan, MAM is now being implemented in partnership with not just the DOH but also Local Government Units (LGUs) across the country.

Our combined efforts have resulted in bringing down malaria incidence in the country. By 2019, out of 81 provinces in the country, 60 have been recognized as malaria free, 18 have reached zero (elimination phase and waiting to be declared malaria-free), leaving only three provinces with local transmission.

To celebrate two decades of milestones that mark the fight against malaria, "Fortress," an art installation from renowned contemporary fine artist Leeroy New, will be exhibited in front of The Finance Centre until April 2020. Commissioned by the Shell Companies in the Philippines (SciP), the artwork weaves together anti-mosquito nets from the malaria-affected areas to symbolize the continuing struggle. It also embodies



(L-R) Pilipinas Shell President and CEO Cesar Romero, PSFI Director Cesar Buenaventura, PSFI Executive Director Sebastian Quiñones Jr, Palawan Vice Governor Dennis Socrates and PSFI Deputy Executive Director Marvi Trudeau at the Movement Against Malaria 'Fortress' installation launch

hope, as the installation serves as a reminder, says New, that "we can fight against the deadly infection and win."

With close collaboration between the public and private sector, the Philippines is expected to achieve its target to be malaria-free by 2030.

## Movement Against Malaria At a Glance

From 1999 to 2019

**97%**  
decrease in  
malaria deaths

**92%**  
decrease in  
reported malaria  
cases

**60**  
provinces now  
malaria-free

**>2,200**  
facilities provided  
with antimalarial  
drugs & laboratory  
supplies

18	> 17,000
Provinces with zero malaria (awaiting malaria-free declaration)	Health providers trained to date
3	382,214
Provinces with indigenous malaria	Pregnancy kits distributed
10,021,121	2,023
Long-lasting insecticide-treated bed nets distributed	Medical volunteers performing village diagnosis and treatment
653,259	12.5 M
Bed nets retreated	Beneficiaries (2019)
2,635,592	USD74.95M
Houses sprayed vs. mosquitoes	The Global Fund Grant (2006 to 2019) through PSFI

## HIV/AIDS program and positive behavioral change

The Philippines has one of the fastest growing number of HIV/AIDS cases worldwide, with 42 new cases per day in 2019. Those affected experienced stigma and discrimination. This has resulted to loss of friends, families, careers, and some have even taken their own lives.

Pilipinas Shell's social development arm, Pilipinas Shell Foundation Inc (PSFI), is the lead partner and implementer of the Philippine Business Sector Response to HIV/AIDS, with a seat in eight local AIDS councils. As such, it is the frontrunner in promoting HIV/AIDS awareness and prevention in the workplace, schools, and the local community.

Pilipinas Shell, the first company to have partnered with PSFI, has become a model of non-discriminatory policymaking, non-intrusive testing, empathetic counselling and generous treatment of people living with HIV/AIDS.

Interventions, to date, include:

Internal (Shell Health)	External (PSFI for the Philippine Business Sector Response to HIV and AIDS)
HIV testing during Annual Medical Exam & Pre-employment Medical Exam, a first for a Filipino company	Assisted 206 companies draft their HIV in the workplace policies
Strengthened the HIV/AIDS Program that offers free Voluntary Testing and Counseling onsite	Organized on-site testing in the offices (16, 757 employees) community (1,245 residents)
Cost of treatment not covered by government funding and health insurance is covered by the Company of up to \$6,000/year	Organized HIV 101 sessions in the offices (48,510 employees) community (5,570 residents) learning institutions (16, 757 students and faculty)
Work-from-home and other flexible work arrangements – including a 6-month time off – extended to staff experiencing side effects or immunocompromised	Helped establish a special HIV module and AVP for students
Initiated counseling sessions onsite for HIV-positive staff, with sessions extended to family members	Supported training of: 300 peer educators, 45 community-based screening (CBS) motivators, 31 HIV counselors, and 24 teachers on global AIDS monitoring (GAM)
Leaders actively advocate non-discrimination	Linked 145 reactive individuals to life-saving health services in the Social Hygiene Clinics
Dialogues with leaders, employees (including new hires), contractors, to drive the value of self-care and care for others	Supported AIDS Candlelight Memorial Commemoration, World AIDS Day Celebration, etc.

In addition, Pilipinas Shell ACTS volunteers donate blood at partner-hospitals in Quezon City, Manila, and Batangas to benefit people living with HIV/AIDS. The erstwhile internal blood donation drive, through PSFI, has been extended to children and adults battling the illness.

Respect for people is fundamental to Pilipinas Shell, and this includes instituting a culture of care inside the Company, while responding to societal issues in an effective way.



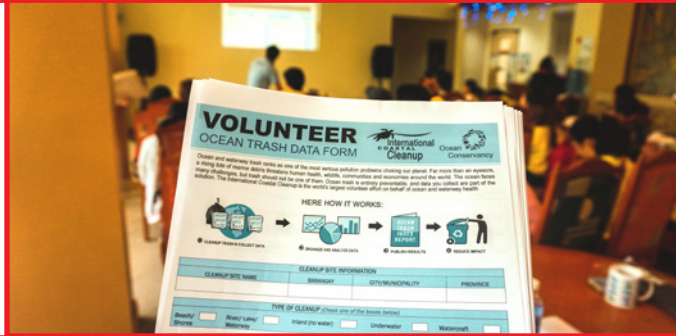
# Employee Volunteerism

Pilipinas Shell encourages employees to donate their time and expertise to the community efforts of PSFI, taking part in community skills and enterprise development (CSED), support for education, and environmental protection.

Since its launch a year ago, "Shell ACTS: A Community That Serves," has become well known among the network of Shell employees in the Philippines, says Karla Lukban-Zarate, External Relations Adviser at Pilipinas Shell. "Our employees expect to be asked to join in when there's an activity nearby. We circulate the sign-up sheets, and they also readily respond to email blasts and Yammer notices," says Lukban-Zarate.

"When DENR Secretary Roy Cimatu called for volunteers to take part in the cleanup drive for Manila Bay last March, it was easy for us to tap our volunteers," adds Lukban-Zarate. The multi-stakeholder effort included teams from Pilipinas Shell, Maynilad, the Pasig River Rehabilitation Commission, National Youth Commission, Philippine Coast Guard Auxiliary, DENR, DPWH, DOT, and the LGUs. Through Shell ACTS, Pilipinas Shell employees are able to coordinate their volunteer efforts not only with colleagues from within the Shell network, but also with external partner agencies and organizations."

This year, Shell ACTS has streamlined its volunteerism projects, prioritizing those activities that are nearer the urban centers. This way,



the program maximizes the time spent by the volunteers, which average to half a day's volunteer work. "We're continuously looking for ways to make volunteerism easier," says Lukban-Zarate.

Many of the Shell ACTS volunteers participate in STEM-related activities and education support for schools, such as the Shell-PhilDev Camp and Brigada Eskwela. A significant portion also co-facilitates Leadership Enhancement and Attitude Development (LEAD) workshops for Shell-PhilDev scholars, and the participants of the NXplorers and Shell LiveWIRE programs. The LEAD workshops occur four times a year, and volunteer facilitators are provided training beforehand by PSFI.

Tasks are also parceled out so that employees can choose what suits their schedule, as well as their interest and capabilities. "We introduced not just teaching, but also other roles. Volunteers may take part in the preparation, such as organizing the transport and logistics, so they need not go to the workshop itself. Others can co-facilitate the workshop activities, or they can provide documentation by taking photos and notes."

"Our goal really is to make sure our volunteers are given the opportunity to work alongside PSFI to benefit our host communities. While they're doing this, we want them to be as safe as possible," says Lukban-Zarate. "They are well-prepared prior to any activity: there are briefings beforehand, and we also do orientation onsite."





Shell ACTS Volunteers at the International Coastal Cleanup held last September 2019



Shell ACTS	PSPC	PSFI	SBO	SPEX	Partner Agencies	Total
Estero cleanup drive	2	5	56	-	5	68
International Coastal Cleanup (ICC)	10	-	36	-	1	47
Brigada Eskwela	2	1	61	-	1	65
Shell-PhilDev leadership camp	13	4	4	3	3	27
Shell NXplorers	18	3	16	2	2	41
Shell Eco-Marathon (technical inspection)	3	-	-	-	-	3
Red Cross Million Volunteer Run	5	-	49	-	1	55
Medical/Dental Mission	1	-	4	-	1	6
2019 Shell ACTS volunteers						312



17 PARTNERSHIPS FOR THE GOALS



Shell ACTS volunteers provide a service to the community, whether through cleanup drives or medical missions



# 105 Years and Beyond

Pilipinas Shell, as an institution, has withstood the test of time because of a bedrock of core values, and the kind of performance that others aspire to. Much of this is due to the integrity, clarity of vision, efficiency amidst fair competition, and relationship-building of Pilipinas Shell leaders, employees, and representatives. We believe that good corporate governance fuels our sustainability as a company and drives long-term viability and success.

## Living by our Principles

All Shell employees and contractors are expected to understand and work in line with the Company's high ethical standards, as outlined in the following documents:

The **Shell General Business Principles** underscore our responsibilities to our stakeholders and to society. They include commitments to fair competition, business integrity, and compliance with applicable laws and regulations.

The **Code of Conduct** explains how employees, contractors, and all those who are acting in behalf of the Company must behave in order to live up to our business principles. It covers a broad range of topics such as safety and security, legal compliance, conflicts of interest, gifts and hospitality, records management, and professional conduct.

The **Ethics and Compliance (E&C) Manual** incorporates compliance with both the Philippine and international laws on anti-bribery and corruption (ABC), anti-money laundering, prevention on facilitating tax evasion, anti-trust, data privacy, and trade controls. It also details the procedures and requirements to ensure compliance with these laws, such as:

- 1 Conduct periodic risk assessments on the foregoing ethics and compliance-related matters to ensure that ensuing risks are identified, assessed, and mitigated promptly;
- 2 Adopt E&C training program wherein the type of E&C training provided is designed to address the level of risk present in the employee's role;

- 3 Implement an E&C due diligence process that detects E&C risks that may arise from transactions with third parties and adopts adequate mitigations to address these risks;
- 4 Include E&C clauses in all our contracts; and
- 5 Normalize and habituate E&C by creating opportunities for best practice sharing sessions and "E&C moments" as part of the agenda of team meetings, town hall sessions, and Integrity Week.

## Our Policies

We align our practices with Philippine national laws and regulations, as well as international laws or legislations with international effect. Where applicable, we adopt the stricter law.

**Anti-Bribery and Anti-Corruption.** We have a zero-tolerance policy on payment of bribes, facilitation payments, and political payments. We follow national and international laws prohibiting bribery and corruption. This includes the Revised Penal Code Anti-Graft and Corrupt Practices Act of the Philippines, the Foreign Corrupt Practices Act of the United States, and the Bribery Act of the United Kingdom.

- **Gifts and Acts of Hospitality.** The E&C Manual also provides guidelines on acceptable gifts and acts of hospitality, subject to recording requirements in the online Code of Conduct Register.
- **Conflict of Interest.** Pilipinas Shell requires employees to declare perceived, potential, or actual conflicts of interest in the online Code of

Conduct Register, subject to mitigations, when necessary, as agreed with and approved by the employee's line manager.

**Data Privacy.** Respecting privacy and protecting this data is more than legal compliance; it is good business practice. We adhere to a data privacy manual following the General Data Protection Regulation (GDPR) of the European Union, which is harmonized with the Philippines' Data Privacy Act of 2012 and its implementing rules and regulations. Our privacy compliance framework is governed by the Binding Corporate Rules approved by privacy regulatory authorities.

**Whistleblowing Policy.** Employees are duty-bound to report a potential E&C incident via the Helpline, their line manager or any company leader, the Country Ethics & Compliance Manager, legal counsels, or Human Resources. Anyone can access Shell's Global Helpline to report E&C incidents, even anonymously, by calling the US Call Collect No. +1 704-973-0344 or accessing the same online via <https://shell.alertline.eu/gcs/welcome>. Pilipinas Shell will not tolerate any form of retaliation directed at anyone who raises a concern in good faith about a possible violation or participates in any investigation. Any act or threat of retaliation against such employees will be treated as a serious violation of the Code of Conduct.

**Corporate Disclosure Policy.** We comply with the reporting requirements under the Securities Regulations Code and its implementing rules and regulations, Philippine Stock Exchange (PSE) Listing and Disclosure Rules, and our own Revised Corporate Disclosure Guide. The BOD ensures full disclosure of material information about the Company, with an increasing focus on non-financial and sustainability reporting. Additionally, the Company also publishes an Integrated Annual Corporate Governance Report.

Notably, the CSR committee, which performs oversight over Health, Safety, Security, Environment, and Social Performance (HSSE&SP) functions, reviewed the content of this report prior to publication.

**Insider Dealing.** Compliance with the Securities Dealing Code is compulsory for every employee. Those with access to inside information about the Company, another Philippine publicly listed company, or a traded commodity or commodity derivative, must not engage in any dealings until such time as this information is available to other market participants or publicly disclosed.

## Leading with Integrity

The **Revised Manual on Corporate Governance** reaffirms the Corporation's commitment to the Shell General Business Principles and to the concept of sustainable development, both of which govern how we conduct our affairs. It provides clarity on the duties and responsibilities of the Chief Compliance Officer and the Board of Directors (BOD).

The BOD follows the best practices in corporate governance as laid down in the Manual, in compliance with the local Code of Corporate Governance for Publicly listed Companies, and in line with the G20/



OECD Principles of Corporate Governance, as well as the ASEAN Corporate Governance Scorecard.

- **Business Assurance Letters.** At the close of every year, business managers sign off on their respective Business Assurance Letters, addressed to the Country Chairman, assuring that there have been no incidents of non-compliance or breaches of trust. Likewise, both the President and

Chief Executive Officer, and Corporate Audit and Assurance Manager issue an attestation on the effectiveness of internal controls. Based on these attestations and assurance from internal and external auditors, the Board Audit and Risk Oversight Committee assesses the adequacy of Pilipinas Shell's controls, governance, and risk management.



## Integrity Week 2019: Revisiting Core Values



Pilipinas Shell celebrated Integrity Week on September 23-27, with the theme "Creating Value through Core Values." The annual event, led by the Country Ethics and Compliance Manager (ECM) together with the Integrity Champions, has served to enhance the organization's familiarity on managing ethical dilemmas in the workplace.

After several years of this practice, there is already a high level of awareness among employees on how to behave without compromising the Shell values and business principles. Training on Ethics and Compliance (E&C) is mandatory and standardized. In addition, everyday learning

moments, referred to as "E&C moments," also occur during team meetings and town halls, where the staff discuss potential ethical dilemmas and receive advice from their team leads.

The 2019 Integrity Week served to relaunch the growing Integrity Champions Circle, with the "I Commit 2.0" pledge—I COMMIT. Think. Act. Work. With Integrity." Moreover, it emphasized that the Company's business integrity practice, grounded in the Shell core value of integrity, is being championed by no less than top management.



"It helps that the Senior Vice Presidents and our President and CEO actually support ethics and compliance and made time to create a video essentially talking about how they embed those core values in their day-to-day work. If it's the leaders of each department giving the talk, then the message is better heard by the staff," says Atty. Ma. Lourdes Dino, Country ECM.

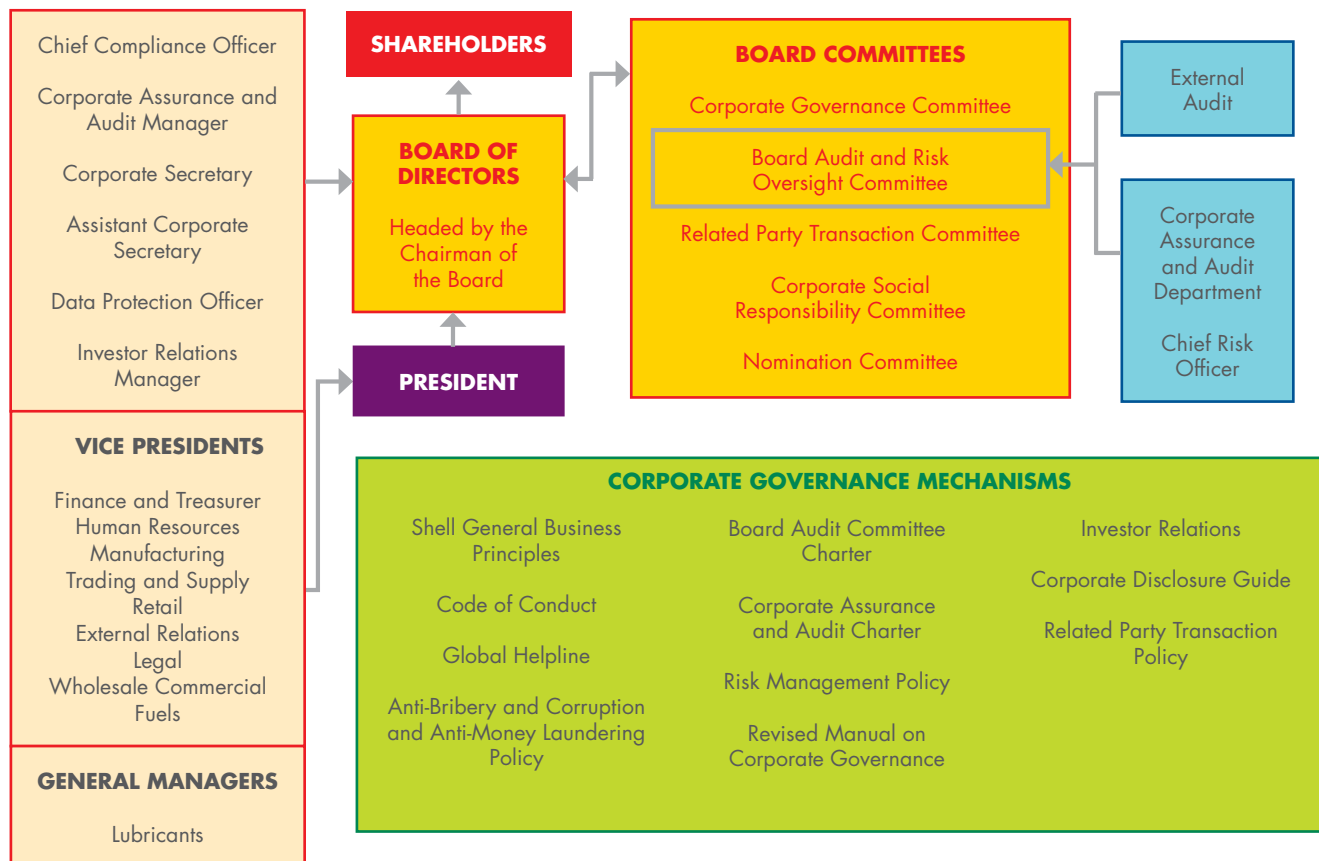
Pilipinas Shell also encourages contractors, suppliers, and business partners to adopt E&C policies. Contractors in particular have an obligatory E&C clause included in their contract and are invited to take part in the annual

Contractors' Summit at the Tabangao Refinery during Integrity Week. These companies leverage on Pilipinas Shell's reputation for integrity, finding it easier to land contracts as more clients and customers are also using E&C as criteria for doing business.

Atty. Dino noted that the post-event self-assessment survey showed that Integrity Week increased awareness on E&C and taught employees especially how to manage ethical dilemmas. The "Speak Up! Don't Be Afraid" campaign is also gaining traction.

# Governance Structure

## Corporate Governance Framework



## Board Composition

The BOD is composed of a majority of Independent and Non-Executive Directors. To assure independence of decision-making, the Independent Directors are expected to serve a maximum cumulative term of nine years, and thereafter will be barred from re-election as an Independent.

Notably, the Chairman of the Board is a Non-Executive Director, whereas the CEO position is occupied by a career officer with more than 30 years of experience in the Shell Group.

Diversity of thought is assured by differences in background, age, gender, ethnicity, and work experience.

The members of the Board are grouped into several committees with specific functions to aid in governance: Corporate Governance, Board Audit and Risk Oversight, Related Party Transactions (RPT),

Nomination, and Corporate Social Responsibility (CSR). The roles and composition of each committee may be found on the company website at <https://pilipinas.shell.com.ph/corporate-governance/board-committees.html>.

**Enterprise Risk Management.** The Risk Management Policy explicitly states that management is responsible for implementing, operating and monitoring the system of internal control, which is designed to provide reasonable but not absolute assurance of achieving business objectives. The Board Audit and Risk Oversight Committee (BARC), in turn, evaluates the Company's management culture. External Audit, Internal Audit, and the Corporate Assurance and Audit Department provide an independent and objective assurance to the Management and BARC.

PSPC's Board of Director and Management Team in a Corporate Governance Training Seminar last November 2019



# Our Board of Directors



## Asada Harinsuit, Thai.

Stepped down as Chairman of the Board of the Company, Non-Executive Director, and CSR Committee Member on December 31, 2019. He joined Shell in 1985 and has held various roles at local, regional, and global levels across Shell's Downstream business.

## Cesar G. Romero, Filipino.

Current President and Chief Executive Officer of the Company, and Executive Director since 2016. He chairs the Nomination Committee. He joined Shell in 1987 and has held various roles in refinery, supply planning, strategy, and lubricants at local, regional, and global levels across Shell's Downstream business. He was formerly Vice President-Global Retail Network from 2013 to 2018.



## Jose Jerome Rivera Pascual III, Filipino.

Current Vice President-Finance and Treasurer of the Company, and Executive Director since 2016. He is also a Board Director in other Shell-affiliated companies in the Philippines. Since joining the Shell Group in 1986, he has fulfilled several roles as a finance professional, and is presently Chairman of the Boards of Trustees of the SciP Multi-Employer Retirement Plan, and the SPEX Non-Contributory Retirement and Gratuity Fund. He is also an Incorporator and current Trustee and President of the Judicial Reform Initiative, Inc.





### Anthony Lawrence D. Yam, Filipino.

Served as Executive Director and Vice President-Retail from 2011 to 2019. He joined Shell in 1986, starting as a sales representative for Retail, and held various positions at local and regional levels across Shell's Downstream business.

### Mona Lisa B. de la Cruz, Filipino.

Non-Executive Director since 2015. She is the President and COO of Insular Life Assurance Company, Ltd. She is a Director of Insular Life Health Care, Inc., ILAC General Agency, Inc., Insular Investment and Trust Corporation, Home Credit Mutual Building and Loan Association, Insular Life Development and Management Corporation, Insular Life Property Holdings, MAPFRE Insular Insurance Corporation, and Union Bank of the Philippines. She is also a Trustee of Insular Life Assurance Company, Ltd. and Insular Life Foundation, Inc.



### Anabil Dutta, Indian.

Served as Non-Executive Director, and CSR Committee and BARC Member, from 2016 to 2019. He has been the Regional Finance Manager of the East Manufacturing and Chemicals business of the Shell Group of Companies since 2014. He has 30 years of experience in finance and management from working in multinational companies such as Colgate, Palmolive, and American Express Bank.



# Our Board of Directors



## Luis C. la Ó, Filipino.

Non-Executive Director of the Company since 2018, and Chairman of the CSR Committee. He is the Non-Executive Vice Chairman of the Board of The Insular Life Assurance Co., Ltd., which he first joined as a Non-Executive Trustee on January 22, 2015. He is also the former Chairman of the Board of Directors of MAPFRE Insular Insurance Corporation.

## Roland J. Paulino, Jr., Filipino.

Newly appointed Director of the Company on March 21, 2019. He is currently the Managing Director and General Manager of Shell Philippines Exploration, B.V. He has 23 years of international senior leadership in the oil and gas industry, including leading large production facilities in Scotland, England, Malaysia, and Australia.



## Fernando Zobel de Ayala, Filipino.

Independent Director since 2012, and Chairman of the Corporate Governance Committee. He is the President and COO of Ayala Corporation, one of the Philippines' largest conglomerates. He is also the Board Chairman of Ayala Land, Inc. and sits on the Board of the Bank of the Philippine Islands, Globe Telecom, and the Ayala Foundation. He is also a Board Member of Pilipinas Shell Foundation, Inc., among other philanthropic organizations.



**Cesar A. Buenaventura, Filipino.**

Independent Director since 2012, and Director from 1970-2011. He chairs the Board Audit and Risk Oversight Committee. He joined Pilipinas Shell in 1956 and served as its Chairman and Chief Executive Officer from 1975 to 1990. He is also the Founding Chairman of the Pilipinas Shell Foundation and a Founding Member of the Board of Trustees of the Makati Business Club. He is currently Chairman of Buenaventura, Echauz, and Partners, Inc. and of Mitsubishi Hitachi Power System Philippines. He is also the Vice Chairman of DMCI Holdings and a Director of Concepcion Industrial Corporation, Semirara Mining and Power Corporation, Petroenergy Resources Corporation, and I People, Inc.

**Lydia B. Echauz, Filipino.**

Independent Director since 2017, and Chairperson of the Related Party Transactions Committee. She is also a Director of Metro Pacific Investments Corporation, D&L Industries, Inc., Philstar Group, BusinessWorld Publishing Corporation, Global Business Power Corporation, Riverside College, Inc., and Fern Realty Corporation. Additionally, she is a Trustee/Director of MCO Foundation, Inc., Immaculate Conception Academy, Henry Sy Foundation, Inc., Superior Parañaque Homes, Inc., and Bancholders, Inc., among others.



# Meet Our New Directors



## Min Yih Tan, Singaporean.

Assumes the chairmanship of the Board of Pilipinas Shell, succeeding Mr. Harinsuit, on January 1, 2020. He is currently the Vice President-Global Retail Network of the Shell Group. He has held the General Manager positions in the Shell Group for Retail Network Development, Global Retail & Commercial Strategy, Commercial Fuels (East) and Lubricants (Southeast Asia). He holds a Bachelor of Science in Mechanical Engineering and an MBA from Rutgers, The State University of New Jersey-Newark.

## Randolph T. Del Valle, Filipino.

Succeeds Mr. Yam as Executive Director and Vice President-Retail on January 1, 2020. Mr. Del Valle has been the Global Head of the Shell Downstream Retail Network Strategy and Planning based in Singapore. He previously worked in Downstream strategy and retail for the Shell Group and held various roles within Operations and Marketing in Downstream Retail in Shell Philippines/East. He is a Chemical Engineer and has an MBA degree from the London Business School.



## Rafi Haroon Basheer, Pakistani.

Succeeds Mr. Dutta as Non-Executive Director on January 1, 2020. He is currently Chairman of the Board of Shell Pakistan Ltd., a listed entity in Pakistan, and the Global GM Finance for Planning & Appraisal Downstream Retail and Global Commercial. He has held various positions in the Shell Group, including Global GM Finance-Specialities and Regional Finance Manager Asia Pacific (Shell Singapore), and Global Governance and Assurance Manager. He is a member of the Institute of Chartered Accountants in England and Wales.

For more information on our BOD, please visit our website at <https://pilipinas.shell.com.ph/about-us/leadership/board-of-directors.html>.

# GRI Content Index

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.



## GRI 101: FOUNDATION 2016

## GRI 102: GENERAL DISCLOSURES 2016

GRI standard	Disclosure number	Disclosure title	Page number	Direct answer/Statement of omission
Organizational Profile	102-1	Name of the organization	6, 11	
	102-2	Activities, brands, products and services	11, 17	
	102-3	Location of headquarters	11	
	102-4	Location of operations	11	
	102-5	Ownership and legal form	15	
	102-6	Markets served	11, 17	
	102-7	Scale of the organization	11, 17	
	102-8	Information on employees and other workers	21, 55	
	102-9	Supply chain	18	
	102-10	Significant changes to the organization and its supply chain		There were no significant changes to the organization in 2019.
	102-11	Precautionary Principle or approach	37	
	102-12	External initiatives	7, 19	
	102-13	Membership of associations	7	Philippine Institute of Petroleum Philippine Disaster Resilience Foundation Philippine Business for the Environment Philippine Global Road Safety Programme Philippine Business for Social Progress
Strategy	102-14	Statement from senior decision-maker	4, 23	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	16, 70-71	
Governance	102-18	Governance structure	74	
Reporting Practice	102-40	List of stakeholder groups	9	
	102-41	Collective bargaining agreements	55	
	102-42	Identifying and selecting stakeholders	9	
	102-43	Approach to stakeholder engagement	9	
	102-44	Key topics and concerns raised	10	
	102-45	Entities included in the consolidated financial statements		Pilipinas Shell Petroleum Corp. ("PSPC," "Pilipinas Shell")
	102-46	Defining report content and topic boundaries	6, 8	
	102-47	List of material topics	10	
	102-48	Restatements of information		Due to corrections made after the report submission, there are minimal changes in the emissions data for 2018. We have also updated our waste data to better reflect the types of waste recovered and disposed.

GRI standard	Disclosure number	Disclosure title	Page number	Direct answer/Statement of omission
	102-49	Changes in reporting		There were no significant changes made on the reporting period, material topics, and material boundaries.
	102-50	Reporting period	6	
	102-51	Date of most recent report	6	
	102-52	Reporting cycle	6	
	102-53	Contact point for questions regarding the report	6	
	102-54	Claims of reporting in accordance with the GRI Standards	6	
	102-55	GRI content index	81-83	
	102-56	External assurance		This report did not undergo external assurance.
GRI 200: ECONOMIC STANDARD SERIES 2016				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	33, 43-44, 46, 51	Please refer to <u>PSPC Annual and Sustainability Report 2017</u> , p. 38.
	103-2	The management approach and its components	33, 43-44, 51	Please refer to <u>PSPC Annual and Sustainability Report 2017</u> , p. 38.
	103-3	Evaluation of the management approach	52	Please refer to <u>PSPC Annual and Sustainability Report 2017</u> , p. 38.  Pilipinas Shell routinely conducts social and environmental assessments that inform and provide the impetus to our programs and activities.
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	47	
GRI 202: Market Presence 2016	202-2	Proportion of senior management hired from the local community		To ensure that there is a robust leadership pipeline, Pilipinas Shell hires the best Filipino talent, here and abroad, and promotes from the ranks.
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	33, 43-44, 62	
	203-2	Significant indirect economic impacts	39, 41-45, 58-62, 64-69	
GRI 300: ENVIRONMENTAL SERIES 2016				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	31-32, 34, 36	
	103-2	The management approach and its components	31-32, 34, 36	
	103-3	Evaluation of the management approach	31, 34, 36	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	32	
GRI 303: Water 2016	303-1	Water withdrawal by source	36	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	34	
	305-2	Energy indirect (Scope 2) GHG emissions	34	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	34	
Sector Specific Aspect: Effluents and Waste	OG6	Volume of flared and vented hydrocarbon	34	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	36	
	306-3	Significant spills	36	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations		None

GRI standard	Disclosure number	Disclosure title	Page number	Direct answer/Statement of omission
GRI 400: SOCIAL STANDARDS SERIES 2016				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	50, 51, 56, 70-72	Please refer to <u>PSPC Annual and Sustainability Report 2018</u> pages 48, 52, 55, 68, and 91.
	103-2	The management approach and its components	50, 51, 56, 70-72	Please refer to <u>PSPC Annual and Sustainability Report 2018</u> pages 48, 52, 55, 68, and 91.
	103-3	Evaluation of the management approach	50, 51, 53, 56, 72-73	Please refer to <u>PSPC Annual and Sustainability Report 2018</u> , pages 52, 55, 68, and 91.
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	52	
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes		There is no "standard" minimum number of weeks as engagement plans would depend on change and the impact of the change on employees, but definitely an engagement prior to any change is made. The monthly LMC (Labor Management Council) meetings are a venue to inform/engage/consult the union officers of upcoming changes in policy/processes/etc. The CBA negotiations follow their respective negotiation timelines, which is typically 6-10 months prior to the expiration of the current agreement.
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	50	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee		The Company currently does not have the means to capture the amount of training that employees undergo, given that many require specialized training.
	404-2	Programs for upgrading employee skills and transition assistance programs	52	
	404-3	Percentage of employees receiving regular performance and career development reviews	52	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	55-56	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken		None
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	60-69	
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		None
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area		None

## REFERENCE

### PSPC Annual and Sustainability Report 2017

[https://pilipinas.shell.com.ph/promos/pilipinas-shell-sustainability-report-2017/\\_jcr\\_content.stream/1525229456257/ad44357ff2c3a673369c50f6ff8cadfa9530eae0/2017-pspc-asr-full-report.pdf](https://pilipinas.shell.com.ph/promos/pilipinas-shell-sustainability-report-2017/_jcr_content.stream/1525229456257/ad44357ff2c3a673369c50f6ff8cadfa9530eae0/2017-pspc-asr-full-report.pdf)

### PSPC Annual and Sustainability Report 2018

[https://pilipinas.shell.com.ph/sustainability/pilipinas-shell-annual-sustainability-report-2018/\\_jcr\\_content/par/toptasks.stream/1557812623649/3bc4993bea2daa61d2a813482c871c3a58a2e5b6/asr-full-report.pdfstream/1557812623649/3bc4993bea2daa61d2a813482c871c3a58a2e5b6/asr-full-report.pdf](https://pilipinas.shell.com.ph/sustainability/pilipinas-shell-annual-sustainability-report-2018/_jcr_content/par/toptasks.stream/1557812623649/3bc4993bea2daa61d2a813482c871c3a58a2e5b6/asr-full-report.pdfstream/1557812623649/3bc4993bea2daa61d2a813482c871c3a58a2e5b6/asr-full-report.pdf)



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Please visit <https://pilipinas.shell.com.ph> for more information  
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